

# Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated income statement and consolidated statement of comprehensive income for the year ended 31st December 2010 and consolidated statement of financial position as at 31st December 2010, modified to conform to the Group's accounts presentation.

## CATHAY PACIFIC AIRWAYS LIMITED

### Consolidated Income Statement

For the year ended 31st December 2010

	2010 HK\$M	2009 HK\$M
Turnover	89,524	66,978
Operating expenses	(78,471)	(62,499)
Profit on disposal of HAECO and Hactl	2,165	1,254
Gain on deemed disposal of shares in Air China	868	–
Operating profit	14,086	5,733
Finance charges	(1,655)	(1,435)
Finance income	677	588
Net finance charges	(978)	(847)
Share of profits less losses of associated companies	2,587	261
Profit before taxation	15,695	5,147
Taxation	(1,462)	(283)
Profit for the year	14,233	4,864
Profit attributable to:		
– Cathay Pacific shareholders	14,048	4,694
– Non-controlling interests	185	170
	14,233	4,864
Dividends		
Interim – paid	1,298	–
Final – proposed	3,069	393
	4,367	393
	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific shareholders (basic and diluted)	357.1	119.3

**Consolidated Statement of Comprehensive Income**

For the year ended 31st December 2010

	<b>2010</b> <b>HK\$M</b>	2009 HK\$M
<b>Profit for the year</b>	<b>14,233</b>	4,864
<b>Other comprehensive income</b>		
Cash flow hedges		
– recognised during the year	<b>(1,414)</b>	6
– transferred to profit and loss	<b>874</b>	360
– deferred tax	<b>52</b>	(37)
Net fair value gains on available-for-sale financial assets		
– recognised during the year	<b>263</b>	479
– transferred to profit and loss	<b>(278)</b>	–
Share of other comprehensive income of associated companies		
– recognised during the year	<b>(156)</b>	11
– transferred to profit and loss	<b>25</b>	–
Net translation differences on foreign operations		
– recognised during the year	<b>383</b>	8
– transferred to profit and loss	<b>(70)</b>	–
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(321)</b>	827
<b>Total comprehensive income for the year</b>	<b>13,912</b>	5,691
Total comprehensive income attributable to:		
Cathay Pacific shareholders	<b>13,727</b>	5,521
Non-controlling interests	<b>185</b>	170
	<b>13,912</b>	5,691

Note:

Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

**Consolidated Statement of Financial Position**

At 31st December 2010

	2010 HK\$M	2009 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Fixed assets	66,112	65,495
Intangible assets	8,004	7,850
Investments in associated companies	12,926	9,042
Other long-term receivables and investments	4,359	5,307
	<b>91,401</b>	87,694
<b>Current assets</b>		
Stock	1,021	947
Trade, other receivables and other assets	11,433	8,161
Liquid funds	24,198	16,522
	<b>36,652</b>	25,630
<b>Current liabilities</b>		
Current portion of long-term liabilities	9,249	9,023
Related pledged security deposits	(545)	(1,195)
Net current portion of long-term liabilities	8,704	7,828
Trade and other payables	15,773	12,965
Unearned transportation revenue	9,166	8,075
Taxation	1,541	943
	<b>35,184</b>	29,811
<b>Net current assets/(liabilities)</b>	<b>1,468</b>	(4,181)
<b>Total assets less current liabilities</b>	<b>92,869</b>	83,513
<b>Non-current liabilities</b>		
Long-term liabilities	36,235	40,416
Related pledged security deposits	(5,310)	(5,602)
Net long-term liabilities	30,925	34,814
Other long-term payables	1,700	1,059
Deferred taxation	5,815	5,255
	<b>38,440</b>	41,128
<b>NET ASSETS</b>	<b>54,429</b>	42,385
<b>CAPITAL AND RESERVES</b>		
Share capital	787	787
Reserves	53,487	41,451
<b>Funds attributable to Cathay Pacific shareholders</b>	<b>54,274</b>	42,238
<b>Non-controlling interests</b>	<b>155</b>	147
<b>TOTAL EQUITY</b>	<b>54,429</b>	42,385

## Notes to the Accounts

At 31st December 2010

### Contingencies

- (a) Cathay Pacific Airways (“Cathay Pacific”) has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group’s leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.
- (b) At 31st December 2010, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK\$262 million (2009: HK\$262 million).
- (c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.
- (d) Cathay Pacific is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 27th May 2010, the Korean Fair Trade Commission (“KFTC”) announced it will fine several airlines, including Cathay Pacific, for their air cargo pricing practices. On 29th November 2010, KFTC issued a written decision and Cathay Pacific’s fine was KRW 5.35 billion which is approximately HK\$36 million at the exchange rate current as of the date of the announcement. Cathay Pacific has filed an appeal in the Seoul High Court challenging the KFTC’s decision in December 2010.

On 9th November 2010, the European Commission announced that it had issued a decision in its Airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission has imposed a fine of Euros 57,120,000 (equivalent to HK\$618 million) on Cathay Pacific. Cathay Pacific filed an appeal with the General Court of the European Union in January 2011.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, Korea, United Kingdom and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific’s conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.