

Media Information

9 March 2011

CATHAY PACIFIC ANNOUNCES 2010 ANNUAL RESULTS

Results		2010	2009	Change
Turnover	<i>HK\$ million</i>	89,524	66,978	+33.7%
Profit attributable to owners of Cathay Pacific	<i>HK\$ million</i>	14,048	4,694	+199.3%
Earnings per share	<i>HK cents</i>	357.1	119.3	+199.3%
Dividend per share	<i>HK cents</i>	111.0	10.0	+1,010.0%

The Cathay Pacific Group recorded an attributable profit of HK\$14,048 million for 2010. This result, a record for the Group, compares to an attributable profit of HK\$4,694 million for 2009. Turnover for the year rose by 33.7% to HK\$89,524 million. Earnings per share rose by 199.3% to HK357.1 cents.

The Group's business began to recover from the global economic downturn in the latter part of 2009. The momentum was sustained throughout 2010. Our passenger and cargo businesses both performed well with consistently strong loads and significant increases in revenues. We also benefited from the strong profits earned by our associated company, Air China (which contributed HK\$2,482 million to the 2010 result), from the aggregate profit of HK\$2,165 million from the disposal of our interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and Hong Kong Aircraft Engineering Company Limited ("HAECO") and from the profit of HK\$868 million from the deemed disposal of part of our interest in Air China. The deemed disposal occurred because Air China issued some new shares, an issue in which we were unable to participate.

In announcing the 2010 results, Cathay Pacific confirmed that all eligible staff would receive a 2010 profit share of five weeks' salary plus either HK\$6,000 or half of the staff's monthly salary, whichever is lower. Under this formula, more than 60% of staff will in effect get a profit share of more than six weeks of salary, two weeks of which was already paid to all eligible staff in August. This profit share is on top of the 13th month discretionary bonus they received last December.

Cathay Pacific and Dragonair between them carried a total of 26.8 million passengers in 2010, representing an increase of 9.1% over 2009's figure. The load factor increased by 2.9 percentage points as a result of consistently strong demand for economy class seats and a steady increase in demand for premium class seats. Passenger revenue for the year increased by 29.3% to HK\$59,354 million. Yield increased by 19.8% to HK61.2 cents. Demand was strong in most markets, there was a marked pick-up in premium travel and seat revenue was managed astutely. Passenger capacity increased by 4.1% as we restored services which had been reduced or suspended during the downturn and added new destinations.

The Group's cargo revenue increased by 50.1% to HK\$25,901 million. Freight carried by Cathay Pacific and Dragonair increased by 18.1% to 1.8 million tonnes. Cargo capacity increased by 15.2%, as we brought back into service freighters which had been parked in the desert during the downturn. Despite this substantial increase in capacity, the strength of demand was such that our load factor increased by 4.9 percentage points to 75.7%. Demand in all key markets was strong, and especially so in the peak season of October and November. This was reflected in yield increasing by 25.3% to HK\$2.33.

Media Information

Fuel remains our largest single cost, representing 35.6% of the Group's total operating costs. The fuel price increased during the year and was 28.0% higher on average than in 2009. Our total fuel costs for 2010 (disregarding the effect of fuel hedging), reflecting both the higher price and increased operations, increased by 40.4%. Managing the risk associated with fuel price changes is a key challenge. The Group's fuel hedging activities resulted in a reported loss of HK\$41 million in 2010, while unrealised mark-to-market gains of approximately HK\$1 billion have been recognised in reserves. These gains, depending on intervening movements in the price of oil, will be released to the profit and loss account in 2011 and 2012 as the underlying contracts mature.

The improved business conditions helped us to rebuild our balance sheet. Our financial position is strong. This enables us (while continuing our policy of maintaining a conservative balance sheet) to increase the size of the airline and so further strengthen Hong Kong's position as a leading international aviation hub. We continue to invest in a modern, fuel-efficient fleet. In 2010 we took delivery of seven new aircraft. In August 2010 we announced our biggest-ever aircraft order, of 30 Airbus A350-900s (to be delivered between 2016 and 2019) and of six more Boeing 777-300ERs. In December, a further two Airbus A350-900s were ordered. In March 2011, Cathay Pacific announced the acquisition of 15 new Airbus A330-300 aircraft and 10 new Boeing 777-300ER aircraft. Cathay Pacific is also in discussions which could result in the acquisition of 14 further aircraft. Unfortunately, there will be a delay in the delivery of our new-generation Boeing 747-8F freighters, with the first now scheduled to arrive in August 2011.

Cathay Pacific launched services to two new destinations in 2010, Milan and Moscow, added services to Haneda and has announced the commencement of passenger services to Abu Dhabi commencing in June 2011 and to Chicago commencing in September 2011. It also added 22 destinations to its network through codeshare arrangements with airlines in Central and Latin America, the United States, Canada and Japan. Dragonair added a new service to Hongqiao in Shanghai, restored services to Fukuoka and Sendai in Japan and added Okinawa to its network. In December 2010 Cathay Pacific announced the introduction of a new long-haul flat-bed business class seat. During the year we opened a new first and business class lounge in London and a fourth first and business class lounge in Hong Kong, called The Cabin. We also began to renovate our signature lounge in Hong Kong, The Wing.

The authorities in Mainland China have given formal approval for our cargo joint venture with Air China, and the two airlines are now in the process of completing the necessary paperwork to enable operations to commence. An existing Air China subsidiary, Air China Cargo, will be used as the platform for the joint venture. Air China Cargo is based in Shanghai and is in a good position to exploit the attractive air cargo opportunities in the Yangtze River Delta region. The Group is selling four Boeing 747-400BCF freighters and two spare engines to the joint venture. One of these aircraft has already been sold to Air China Cargo. The other three are expected to be sold in 2011 and 2012. Our commitment to Hong Kong as an international air cargo hub remains unwavering. The construction of our own cargo terminal at Hong Kong International Airport is progressing on schedule. When the facility opens in early 2013 it will be one of the biggest and most advanced of its kind in the world.

Cathay Pacific Chairman Christopher Pratt said: "The rapid turnaround in our business from the lows of 2008 and much of 2009 to the record highs of 2010 is very welcome. It is also indicative of the volatile nature of our business. We cannot afford to be complacent. Our results would be adversely affected, and very quickly so, by a return to recessionary economic conditions. Demand is at present expected to remain

Media Information

strong in 2011, but this expectation could be undermined if the current (or any higher) level of oil prices were to reduce global economic activity.”

“Capacity will increase with the introduction of new destinations and increased frequencies. If our expectation as to demand is met, revenues will increase in line with capacity. Fuel costs are now higher than was expected at the beginning of 2011. Other operating costs are expected to increase, some at a faster rate than revenue. With regard specifically to fuel, increased oil prices can be expected to have a significant adverse effect on profitability if they are not recovered through higher tariffs or fuel surcharges or if the effect of their being so recovered is to reduce demand significantly.”

“The airline industry is challenging and unpredictable. We will continue to manage our finances prudently and will strive to keep costs firmly under control. Many good things happened in 2010. I am confident that these, together with our core strengths of a capable and committed team, a superb international network, the quality of our product and services, our strong relationship with Air China and our position in Hong Kong, one of the world's great international aviation hubs and a key gateway to Mainland China, will help to ensure the continued success of the Group.”

FOR FURTHER INFORMATION PLEASE CONTACT:

Carolyn Leung, Corp Comm Mgr, Public Affairs, (852) 2747-5393, 6053-6066

Maria Yu, Corp Comm Mgr, Media Relations, (852) 2747-5363, 9156-8431

The Cathay Pacific website can be found at www.cathaypacific.com

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CATHAY PACIFIC AIRWAYS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00293)

Announcement
2010 Annual Results

Financial and Operating Highlights

Group Financial Statistics

Results		2010	2009	Change
Turnover	<i>HK\$ million</i>	89,524	66,978	+33.7%
Profit attributable to owners of Cathay Pacific	<i>HK\$ million</i>	14,048	4,694	+199.3%
Earnings per share	<i>HK cents</i>	357.1	119.3	+199.3%
Dividend per share	<i>HK cents</i>	111.0	10.0	+1,010.0%
Profit margin	<i>%</i>	15.7	7.0	+8.7%pt
Financial position				
Funds attributable to owners of Cathay Pacific	<i>HK\$ million</i>	54,274	42,238	+28.5%
Net borrowings	<i>HK\$ million</i>	15,435	26,131	-40.9%
Shareholders' funds per share	<i>HK\$</i>	13.8	10.7	+29.0%
Net debt/equity ratio	<i>Times</i>	0.28	0.62	-0.34 times

Operating Statistics – Cathay Pacific and Dragonair

		2010	2009	Change
Available tonne kilometres ("ATK")	<i>Million</i>	24,461	22,249	+9.9%
Passengers carried	<i>'000</i>	26,796	24,558	+9.1%
Passenger load factor	<i>%</i>	83.4	80.5	+2.9%pt
Passenger yield	<i>HK cents</i>	61.2	51.1	+19.8%
Cargo and mail carried	<i>'000 tonnes</i>	1,804	1,528	+18.1%
Cargo and mail load factor	<i>%</i>	75.7	70.8	+4.9%pt
Cargo and mail yield	<i>HK\$</i>	2.33	1.86	+25.3%
Cost per ATK	<i>HK\$</i>	3.16	2.76	+14.5%
Cost per ATK without fuel	<i>HK\$</i>	2.02	2.00	+1.0%
Aircraft utilisation	<i>Hours per day</i>	12.0	11.2	+7.1%
On-time performance	<i>%</i>	80.9	86.8	-5.9%pt

Capacity, load factor and yield – Cathay Pacific and Dragonair

	Capacity			Load factor (%)			Yield
	ASK/ATK (million)*			2010	2009	Change	Change
	2010	2009	Change				
Passenger services							
India, Middle East, Pakistan and Sri Lanka	10,981	10,489	+4.7%	77.5	76.8	+0.7%pt	+8.2%
Southeast Asia	14,312	13,892	+3.0%	82.8	78.3	+4.5%pt	+15.0%
Southwest Pacific and South Africa	18,327	17,959	+2.0%	80.2	80.8	-0.6%pt	+23.4%
Europe	20,993	20,222	+3.8%	85.9	85.3	+0.6%pt	+18.8%
North Asia	24,316	23,343	+4.2%	79.7	72.2	+7.5%pt	+18.5%
North America	26,819	25,262	+6.2%	89.9	86.7	+3.2%pt	+23.3%
Overall	115,748	111,167	+4.1%	83.4	80.5	+2.9%pt	+19.8%
Cargo services	13,443	11,666	+15.2%	75.7	70.8	+4.9%pt	+25.3%

* Capacity is measured in available seat kilometres ("ASK") for passenger services and available tonne kilometres ("ATK") for cargo services.

Passenger services
Home market - Hong Kong and Pearl River Delta

- Demand on routes originating in Hong Kong was robust in all classes of travel, reflecting recovery from the financial crisis and the strength of Hong Kong's economy.
- Yields increased significantly in 2010, particularly in the premium classes.
- Demand on routes to Europe and North America was particularly strong. All long-haul routes performed well in all classes.
- Demand in economy class on routes to regional destinations was robust, and particularly so during holiday peaks.
- For much of the year, demand for premium travel on regional routes remained below pre-financial crisis levels as companies were slow to relax corporate travel policies encouraging travel in economy class. However, corporate sales still increased from 2009.
- The holding of the World Expo in Shanghai in 2010 was reflected in a sharp increase in the numbers of passengers flying to Shanghai.
- Demand on Dragonair's route to Guangzhou was particularly strong during the April and October Canton Fairs.
- Demand from the Pearl River Delta region continued to grow in 2010, assisted by 2009's introduction of the Guangzhou route and better flight connections from various cities to Hong Kong.

India, Middle East, Pakistan and Sri Lanka

- The Colombo market improved following the financial crisis, though business is still hampered by the difficulty of obtaining visas for travel to and through Hong Kong. This difficulty also affects traffic from Dhaka, Kathmandu and Karachi. We linked the Dhaka and Kathmandu routes in order to improve efficiency.
- Our India routes performed satisfactorily, although there was strong competition from Indian carriers on the Mumbai and Delhi routes. Demand on the Chennai route was strong. We increased the number of Dragonair flights to Bengaluru from four to seven per week.
- In the Middle East, the financial crisis in the United Arab Emirates affected our Dubai route, as did aggressive local competition. Demand on the Jeddah service strengthened.

Southeast Asia

- Demand within this region was generally strong. We restored services to Singapore (back to seven flights a day), and added flights to Jakarta, Surabaya, Kota Kinabalu, Phuket and Hanoi.
- Traffic to and from Singapore was high throughout the year, despite strong competition on the route. The Indonesia routes performed well, particularly over the Lebaran holiday. We increased capacity to Denpasar during the summer peak, although traffic on the route has been affected by an increased number of direct flights from Europe.
- From late March 2011 we will strengthen services to Indonesia, making Jakarta a triple-daily service and adding one more flight a week to Surabaya to make it a daily service.
- The Malaysian routes performed satisfactorily, though they were subject to strong competition. The Penang service is to become a direct daily flight from late March 2011.
- Demand for flights to Bangkok was severely affected by the anti-government protests, although there was some recovery in leisure travel demand later in the year. Demand for flights originating in Bangkok remained reasonable.
- The Philippines routes did not perform well. Demand was weak and was particularly affected by the hostage incident in August.

Southwest Pacific and South Africa

- Demand and yield on the Southwest Pacific routes returned to pre-downturn levels, assisted by an increase in premium traffic. We restored some flights to Sydney and added flights on the Brisbane/Cairns and Perth routes.
- Sales of tickets from Hong Kong to Southwest Pacific destinations were strong. Connecting traffic from Mainland China helped to keep load factors high.
- Capacity on the Auckland was reduced, mainly in the last four months of the year. This affected the performance of the route.
- The South Africa route performed strongly in the first half of the year. Capacity was increased to cater for travellers to the World Cup in June. Demand softened towards the end of the year.

Europe

- Demand for flights to Europe was generally strong in all classes. Yields increased significantly. Demand for flights from Europe was less strong, except from London, in part due to the weakness of the euro.
- Load factors and yield on the London route were high in both directions. Demand in the premium classes recovered much faster than on other European routes.
- We launched a four-times-weekly service to Milan in March. Performance to date is in line with expectations and we will turn it into a daily service with effect from July 2011.
- A thrice-weekly service to Moscow was launched in July. Loads have been satisfactory, but yield is under pressure. Sales for flights out of Russia have risen steadily.
- We increased the number of flights to Paris from seven to 11 per week in response to growing demand and from late March 2011 we will turn it into a double-daily service.

North Asia

- Business on our Mainland China routes was strong, especially from passengers flying to Hong Kong to connect to our international network and on the trunk routes to Beijing and Shanghai.
- The World Expo in Shanghai resulted in strong demand and high yield on the Shanghai route.
- There was good growth in traffic to and from secondary cities, including Fuzhou, Qingdao and Hangzhou.
- Dragonair restored capacity on a number of Mainland China routes including Xiamen, Nanjing, Chongqing, Sanya and Chengdu.

- The Taiwan routes had quite a strong year. We restored capacity almost to pre-downturn levels on the Taipei route. We benefited from being able to pick up traffic that could not be accommodated by direct cross-Straits flights. There was strong demand from passengers flying to Hong Kong to connect to our international network. The Kaohsiung route performed well. We increased the number of flights on this route from 28 to 32 a week in July.
- Cathay Pacific will restore seven more flights a week to Taipei from late March, bringing the total number of flights to 108 per week.
- There was a strong recovery in business on the Japan routes. Demand for flights originating in Japan was helped by the strength of the yen, but this also affected leisure traffic into Japan.
- We launched a twice daily service to Tokyo's Haneda International Airport in October. We now operate seven flights a day to and from Tokyo's two main airports.
- There are now four flights a day to and from Osaka.
- New codeshare arrangements with Japan Airlines were announced. The Japan Airlines code will go on Cathay Pacific flights between Hong Kong and five destinations in Japan and the Cathay Pacific code will go on Japan Airlines flights between Hong Kong, Tokyo and a further 10 destinations in Japan. The arrangements also extend to Japan Airlines' flights to Honolulu.
- Dragonair resumed its services to Fukuoka and Sendai, which were suspended during the financial downturn, and started scheduled services to Okinawa in November.
- Our Korean routes showed some growth in 2010, though we were subject to increasing competition. Leisure traffic from Hong Kong to Korea was assisted by the weakness of the Korean won.
- We restored capacity on the Seoul route (which is now back to five flights daily) and added one more flight a week on Dragonair's Busan route.

North America

- The markets in the United States and Canada recovered strongly. Premium class traffic has been strong on all North America routes, but business class sales of flights out of the United States were still below pre-financial crisis levels. There was strong growth in economy class demand and a corresponding increase in yield.
- The San Francisco and Los Angeles routes had good years.
- Daily flights to Chicago will start in September 2011. We will add a daily flight to New York in the second quarter of 2011, increasing services to four flights daily.
- The Toronto route benefited from a strong recovery in premium class travel. We increased the number of flights from 10 to 12 per week in October. Toronto will have a twice-daily service from the second quarter of 2011.

Cargo services

- Despite some global economic uncertainty, demand for airfreight services remained strong for the whole of 2010. Demand on the major trunk routes to North America and Europe was consistently high, despite significant capacity increases from competitors in the second half of the year. The regional network in Asia remained buoyant.
- Demand for shipments originating from the key markets of Hong Kong and Shanghai was consistently strong. Loads carried by inbound flights were also higher than expected, with luxury goods and other products being shipped into Asia and in particular Mainland China. This is encouraging for the longer term future of our airfreight business.
- The cargo business benefited from the expansion of the passenger network, both long haul and short haul. Load factors and utilisation in passenger aircraft bellies were high.
- The Pearl River Delta region continued to be our principal source of growth. However, manufacturers and customers are starting to move west to places like Chengdu and Chongqing and outside Mainland China to countries, such as Vietnam and Bangladesh, where labour costs are lower than in Mainland China.

- We focused on improving yields, which were at or near record levels for many routes during the peak season in the latter part of the year.
- Demand on the North American and European routes was consistently strong, assisted by new product launches in the consumer sector and companies starting to invest again in information technology and other capital projects. Companies' general wish to keep inventory levels to a minimum and maintain flexibility also helped to increase demand for airfreight services.
- Shipments to Japan were strong, assisted by the strength of the yen and by Japan Airlines withdrawing its freighter fleet from operations in October. Exports to Australia were assisted by the strength of the Australian dollar, especially in the latter part of the year.
- All five of the Boeing 747-400BCF freighters which had been parked in the desert during the downturn have been brought back into service in response to the improvement in demand.
- We returned to a full freighter schedule from September ahead of the seasonal peak in demand. We operated additional services during the seasonal peak to cater for strong market demand. The freighter fleet operated at very high levels of utilisation throughout the year.
- Cargo capacity, measured in terms of ATKs, grew by 15.2% over 2009 and by 0.1% over 2008.
- A round-the-world freighter service was launched in July, flying eastwards to Chicago, and then on to Amsterdam and Dubai before flying back Hong Kong. The twice-weekly flight offers significant commercial and operational benefits and has seen good demand. This is the first time Cathay Pacific has operated transatlantic flights.
- We strengthened a number of scheduled freighter services during the year in response to market demand. The Miami/Houston service moved from three to four flights a week in July, while Miami was served by another weekly flight in its own right (two weekly flights during the seasonal peak at the year end). We moved from four flights to eight flights a week to India and the Middle East. Shanghai went to 21 flights a week (compared to 16 during the downturn).
- Early in the year we added a third weekly frequency on the triangular Dhaka/Hanoi route. Later in the year we split the route into two in order to cater for substantially increased exports of cargo from Bangladesh and Vietnam.
- During the seasonal peak in the latter part of the year, we were operating 28 scheduled flights per week to Europe and 40 scheduled flights per week to North America. Earlier in the year the figures had been 22 and 25 respectively.
- The authorities in Mainland China have given formal approval for our cargo joint venture with Air China, and the two airlines are now in the process of completing the necessary paperwork to enable operations to commence. An existing Air China subsidiary, Air China Cargo, will be used as the platform for the joint venture. Air China Cargo is based in Shanghai and is in a good position to exploit the attractive air cargo opportunities in the Yangtze River Delta region. We are selling four Boeing 747-400BCF freighters and two spare engines to the joint venture. One of these aircraft has already been sold to Air China Cargo. The other three are expected to be sold in 2011 and 2012.
- One Boeing Converted Freighter is currently being wet-leased to Air Hong Kong.
- Deliveries of our fleet of new Boeing 747-8Fs freighters have been delayed and are now scheduled to commence in August 2011, with six expecting to enter service before the end of 2011. We are managing our capacity accordingly in the first half of 2011 and look forward to having the new aircraft in service in time for the 2011 air cargo peak.
- Cathay Pacific is an active participant in IATA's drive to simplify the airfreight business. Cathay Pacific is pioneering the move to e-AWB in Hong Kong. e-AWB was implemented on a 100% basis in Hong Kong on 1st January 2011 and will be implemented in outports during the next two years.
- We recommenced work on our HK\$5.5 billion cargo terminal at Hong Kong International Airport. The state-of-the-art facility, which will begin operations in early 2013, will provide more choice and competition in Hong Kong's airfreight industry. The construction of the terminal and preparation for operations are progressing well.
- The building of our new terminal and the expansion of our freighter fleet in 2011 highlight our commitment to maintaining Hong Kong's position as the world's leading international air cargo hub.
- Dragonair sells space for cargo in the bellies of its aircraft on all its routes. Its cargo tonnage increased significantly in 2010, particularly on its Mainland China routes.

Chairman's Letter

The Cathay Pacific Group recorded an attributable profit of HK\$14,048 million for 2010. This result, a record for the Group, compares to an attributable profit of HK\$4,694 million for 2009. Turnover for the year rose by 33.7% to HK\$89,524 million. Earnings per share rose by 199.3% to HK357.1 cents.

The Group's business began to recover from the global economic downturn in the latter part of 2009. The momentum was sustained throughout 2010. Our passenger and cargo businesses both performed well with consistently strong loads and significant increases in revenues. We also benefited from the strong profits earned by our associated company, Air China (which contributed HK\$2,482 million to the 2010 result), from the aggregate profit of HK\$2,165 million from the disposal of our interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and Hong Kong Aircraft Engineering Company Limited ("HAECO") and from the profit of HK\$868 million from the deemed disposal of part of our interest in Air China. The deemed disposal occurred because Air China issued some new shares, an issue in which we were unable to participate.

Cathay Pacific and Dragonair between them carried a total of 26.8 million passengers in 2010, representing an increase of 9.1% over 2009's figure. The load factor increased by 2.9 percentage points as a result of consistently strong demand for economy class seats and a steady increase in demand for premium class seats. Passenger revenue for the year increased by 29.3% to HK\$59,354 million. Yield increased by 19.8% to HK61.2 cents. Demand was strong in most markets, there was a marked pick-up in premium travel and seat revenue was managed astutely. Passenger capacity increased by 4.1% as we restored services which had been reduced or suspended during the downturn and added new destinations.

The Group's cargo revenue increased by 50.1% to HK\$25,901 million. Freight carried by Cathay Pacific and Dragonair increased by 18.1% to 1.8 million tonnes. Cargo capacity increased by 15.2%, as we brought back into service freighters which had been parked in the desert during the downturn. Despite this substantial increase in capacity, the strength of demand was such that our load factor increased by 4.9 percentage points to 75.7%. Demand in all key markets was strong, and especially so in the peak season of October and November. This was reflected in yield increasing by 25.3% to HK\$2.33.

Fuel remains our largest single cost, representing 35.6% of the Group's total operating costs. The fuel price increased during the year and was 28.0% higher on average than in 2009. Our total fuel costs for 2010 (disregarding the effect of fuel hedging), reflecting both the higher price and increased operations, increased by 40.4%. Managing the risk associated with fuel price changes is a key challenge. The Group's fuel hedging activities resulted in a reported loss of HK\$41 million in 2010, while unrealised mark-to-market gains of approximately HK\$1 billion have been recognised in reserves. These gains, depending on intervening movements in the price of oil, will be released to the profit and loss account in 2011 and 2012 as the underlying contracts mature.

As business conditions improved, we restored capacity, reinstated services and added new destinations. This reflected a superb and sustained effort on the part of our staff. We were able to thank those who took voluntary unpaid leave in 2009 by making an ex gratia payment to them. Staff will also receive a 2010 profit share greater than five weeks' salary.

The improved business conditions helped us to rebuild our balance sheet. Our financial position is strong. This enables us (while continuing our policy of maintaining a conservative balance sheet) to increase the size of the airline and so further strengthen Hong Kong's position as a leading international aviation hub. We continue to invest in a modern, fuel-efficient fleet. In 2010 we took delivery of seven new aircraft. In August 2010 we announced our biggest-ever aircraft order, of 30 Airbus A350-900s (to be delivered between 2016 and 2019) and of six more Boeing 777-300ERs. In December, a further two Airbus A350-900s were ordered. In March 2011, Cathay Pacific announced the acquisition of 15 new Airbus A330-300 aircraft and 10 new Boeing 777-300ER aircraft. Cathay Pacific is also in discussions which, if successfully concluded, will result in the acquisition of 14 further aircraft. Unfortunately, there will be a delay in the delivery of our new-generation Boeing 747-8F freighters, with the first now scheduled to arrive in August 2011.

Cathay Pacific launched services to two new destinations in 2010, Milan and Moscow, added services to Haneda and has announced the commencement of passenger services to Abu Dhabi commencing in June 2011 and to Chicago commencing in September 2011. It also added 22 destinations to its network through codeshare arrangements with airlines in Central and Latin America, the United States, Canada and Japan. Dragonair added a new service to Hongqiao in Shanghai, restored services to Fukuoka and Sendai in Japan and added Okinawa to its network. In December 2010 Cathay Pacific announced the introduction of a new long-haul flat-bed business class seat. During the year we opened a new first and business class lounge in London and a fourth first and business class lounge in Hong Kong, called The Cabin. We also began to renovate our signature lounge in Hong Kong, The Wing.

In November 2010, the European Commission imposed a fine equivalent to HK\$618 million on Cathay Pacific. The Commission issued a decision finding that Cathay Pacific and a number of other international air cargo carriers agreed on cargo surcharge levels and that such agreements infringed European competition law. We are appealing this decision but, consistent with accounting standards, have made full provision for the fine in our accounts for 2010. Cathay Pacific remains the subject of antitrust investigations and proceedings in various jurisdictions and will continue to cooperate with the relevant authorities and, where applicable, defend itself vigorously. We remain committed to our longstanding policy of full compliance with the law and reaffirms our support for full and fair competition among air carriers.

The authorities in Mainland China have given formal approval for our cargo joint venture with Air China, and the two airlines are now in the process of completing the necessary paperwork to enable operations to commence. An existing Air China subsidiary, Air China Cargo, will be used as the platform for the joint venture. Air China Cargo is based in Shanghai and is in a good position to exploit the attractive air cargo opportunities in the Yangtze River Delta region. The Group is selling four Boeing 747-400BCF freighters and two spare engines to the joint venture. One of these aircraft has already been sold to Air China Cargo. The other three are expected to be sold in 2011 and 2012. Our commitment to Hong Kong as an international air cargo hub remains unwavering. The construction of our own cargo terminal at Hong Kong International Airport is progressing on schedule. When the facility opens in early 2013 it will be one of the biggest and most advanced of its kind in the world.

The rapid turnaround in our business from the lows of 2008 and much of 2009 to the record highs of 2010 is very welcome. It is also indicative of the volatile nature of our business. We cannot afford to be complacent. Our results would be adversely affected, and very quickly so, by a return to recessionary economic conditions. Demand is at present expected to remain strong in 2011, but this expectation could be undermined if the current (or any higher) level of oil prices were to reduce global economic activity. Capacity will increase with the introduction of new destinations and increased frequencies. If our expectation as to demand is met, revenues will increase in line with capacity. Fuel costs are now higher than was expected at the beginning of 2011. Other operating costs are expected to increase, some at a faster rate than revenue. With regard specifically to fuel, increased oil prices can be expected to have a significant adverse effect on profitability if they are not recovered through higher tariffs or fuel surcharges or if the effect of their being so recovered is to reduce demand significantly. 2011 will see significant expenditure on aircraft interiors and airport lounges (undertaken with a view to enhancing the quality of service) and on information technology. The airline industry is challenging and unpredictable. We will continue to manage our finances prudently and will strive to keep costs firmly under control. Many good things happened in 2010. I am confident that these, together with our core strengths of a capable and committed team, a superb international network, the quality of our product and services, our strong relationship with Air China and our position in Hong Kong, one of the world's great international aviation hubs and a key gateway to Mainland China, will help to ensure the continued success of the Group.

Christopher Pratt

Chairman

Hong Kong, 9th March 2011

Consolidated Statement of Comprehensive Income
for the year ended 31st December 2010

	Note	2010 HK\$M	2009 HK\$M
Turnover			
Passenger services		59,354	45,920
Cargo services		25,901	17,255
Catering, recoveries and other services		4,269	3,803
Total turnover	2	89,524	66,978
Expenses			
Staff		(13,850)	(12,618)
Inflight service and passenger expenses		(3,308)	(2,915)
Landing, parking and route expenses		(11,301)	(10,458)
Fuel		(28,276)	(17,349)
Aircraft maintenance		(7,072)	(6,567)
Aircraft depreciation and operating leases		(8,288)	(7,978)
Other depreciation, amortisation and operating leases		(1,107)	(1,103)
Commissions		(736)	(571)
Others		(4,533)	(2,940)
Operating expenses		(78,471)	(62,499)
Operating profit before non-recurring items		11,053	4,479
Profit on disposal of investments	4	2,165	1,254
Gain on deemed disposal of an associate	5	868	-
Operating profit	6	14,086	5,733
Finance charges		(1,655)	(1,435)
Finance income		677	588
Net finance charges		(978)	(847)
Share of profits of associates		2,587	261
Profit before tax		15,695	5,147
Taxation	7	(1,462)	(283)
Profit for the year		14,233	4,864
Other comprehensive income			
Cash flow hedges		(488)	329
Revaluation (deficit)/surplus arising from available-for-sale financial assets		(15)	479
Share of other comprehensive income of associates		(131)	11
Exchange differences on translation of foreign operations		313	8
Other comprehensive income for the year, net of tax	8	(321)	827
Total comprehensive income for the year		13,912	5,691
Profit attributable to			
Owners of Cathay Pacific		14,048	4,694
Non-controlling interests		185	170
		14,233	4,864
Total comprehensive income attributable to			
Owners of Cathay Pacific		13,727	5,521
Non-controlling interests		185	170
		13,912	5,691
Earnings per share (basic and diluted)	9	357.1¢	119.3¢

**Consolidated Statement of Financial Position
at 31st December 2010**

	<i>Note</i>	2010 HK\$M	2009 HK\$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Fixed assets		66,112	65,495
Intangible assets		8,004	7,850
Investments in associates		12,926	9,042
Other long-term receivables and investments		4,359	5,307
		91,401	87,694
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)
		(38,440)	(41,128)
Net non-current assets		52,961	46,566
Current assets and liabilities			
Stock		1,021	947
Trade, other receivables and other assets	11	11,433	8,161
Liquid funds		24,198	16,522
		36,652	25,630
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	12	(15,773)	(12,965)
Unearned transportation revenue		(9,166)	(8,075)
Taxation		(1,541)	(943)
		(35,184)	(29,811)
Net current assets/(liabilities)		1,468	(4,181)
Net assets		54,429	42,385
CAPITAL AND RESERVES			
Share capital	13	787	787
Reserves		53,487	41,451
Funds attributable to owners of Cathay Pacific		54,274	42,238
Non-controlling interests		155	147
Total equity		54,429	42,385

Notes:
1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. These accounts also comply with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Turnover

Turnover comprises revenue and surcharges from transportation services, airline catering, recoveries and other services provided to third parties.

3. Segment information

(a) Segment results

	Airline business		Non-airline business		Unallocated		Total	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Profit or loss								
Sales to external customers	88,542	66,080	982	898			89,524	66,978
Inter-segment sales	-	-	1,343	1,252			1,343	1,252
Segment revenue	88,542	66,080	2,325	2,150			90,867	68,230
Segment results	13,962	5,638	124	95			14,086	5,733
Net finance charges	(971)	(839)	(7)	(8)			(978)	(847)
	12,991	4,799	117	87			13,108	4,886
Share of profits of associates					2,587	261	2,587	261
Profit before tax							15,695	5,147
Taxation	(1,448)	(269)	(14)	(14)			(1,462)	(283)
Profit for the year							14,233	4,864
Other segment information								
Depreciation and amortisation	6,206	5,534	145	150		-	6,351	5,684
Purchase of fixed and intangible assets	7,175	6,745	1,124	31		-	8,299	6,776

The Group's two reportable segments are classified according to the nature of the business. The airline business segment comprises the Group's passenger and cargo operations. The non-airline business segment includes mainly catering, ground handling and aircraft ramp handling services.

The major revenue earning asset is the aircraft fleet which is used both for passenger and cargo services. Management considers that there is no suitable basis for allocating such assets and related operating costs between the two segments. Accordingly, passenger and cargo services are not disclosed as separate business segments.

Inter-segment sales are based on prices set on an arm's length basis.

3. Segment information (continued)

(b) Geographical information

	2010 HK\$M	2009 HK\$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	41,313	28,880
- Japan, Korea and Taiwan	11,409	8,413
India, Middle East, Pakistan and Sri Lanka	4,529	3,735
Southwest Pacific and South Africa	6,282	4,712
Europe	8,664	7,920
Southeast Asia	6,175	4,866
North America	11,152	8,452
	89,524	66,978

Countries included in each region are defined in the 2010 Annual Report. Geographical segment results and segment net assets are not disclosed for the reasons set out in the 2010 Annual Report.

4. Profit on disposal of investments

	2010 HK\$M	2009 HK\$M
Profit on disposal of an associate	1,837	1,254
Profit on disposal of a long-term investment	328	-
	2,165	1,254

In June 2010, the Company sold its remaining 15% interest in HAECO to Swire Pacific for HK\$2,620 million. The disposal constitutes a related party transaction as the Company is an associate of Swire Pacific.

5. Gain on deemed disposal of an associate

On 24th November 2010, Air China completed the issuance of 483,592,400 A shares and 157,000,000 H shares. As a consequence, Cathay Pacific's shareholding in Air China has been diluted from 19.3% to 18.3% (further purchases after the year end takes the current holding to 18.7%). A gain on this deemed disposal of HK\$868 million was recorded, principally reflecting the change in the Group's share of net assets in Air China immediately before and after the share issuance.

6. Operating profit

	2010 HK\$M	2009 HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- leased	1,932	1,932
- owned	4,384	3,720
Amortisation of intangible assets	35	32
Operating lease rentals		
- land and buildings	675	668
- aircraft and related equipment	2,343	2,707
- others	26	22
Net (write back)/provision for impairment of aircraft and related equipment	(98)	219
Cost of stock expensed	1,912	1,892
Exchange differences	(196)	(344)
Auditors' remuneration	10	10
Net gain on financial assets and liabilities classified as held for trading	(565)	(3,082)
Net loss/(gain) on financial assets and liabilities designated as at fair value through profit and loss	159	(58)
Income from unlisted investments	(68)	(170)
Income from listed investments	(3)	(5)

7. Taxation

	2010 HK\$M	2009 HK\$M
Current tax expenses		
- Hong Kong profits tax	100	36
- overseas tax	241	264
- under/(over) provisions for prior years	13	(259)
Deferred tax		
- origination and reversal of temporary differences (note 20 to the accounts in the 2010 Annual Report)	1,108	242
	1,462	283

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations (see note 31(d) to the accounts in the 2010 Annual Report).

A reconciliation between tax charge and accounting profit at applicable tax rates is as follows:

	2010 HK\$M	2009 HK\$M
Consolidated profit before tax	15,695	5,147
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	(2,590)	(849)
Expenses not deductible for tax purposes	(211)	(229)
Tax (under)/over provisions arising from prior years	(13)	259
Effect of different tax rates in overseas jurisdictions	892	320
Tax losses recognised/(tax losses not recognised)	79	(19)
Income not subject to tax	381	235
Tax charge	(1,462)	(283)

Further information on deferred tax is shown in note 20 to the accounts in the 2010 Annual Report.

8. Other comprehensive income

	2010 HK\$M	2009 HK\$M
Cash flow hedges		
- recognised during the year	(1,414)	6
- transferred to profit and loss	874	360
- deferred tax recognised	52	(37)
Revaluation of available-for-sale financial assets		
- recognised during the year	263	479
- transferred to profit and loss	(278)	-
Share of other comprehensive income of associates		
- recognised during the year	(156)	11
- transferred to profit and loss	25	-
Exchange differences on translation of foreign operations		
- recognised during the year	383	8
- transferred to profit and loss	(70)	-
Other comprehensive income for the year	(321)	827

9. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to owners of Cathay Pacific of HK\$14,048 million (2009: HK\$4,694 million) by the daily weighted average number of shares in issue throughout the year of 3,934 million (2009: 3,934 million) shares.

10. Dividends

	2010 HK\$M	2009 HK\$M
2010 interim dividend paid on 4th October 2010 of HK¢33 per share (2009: nil)	1,298	-
2010 final dividends proposed on 9th March 2011 of HK¢78 per share (2009: HK¢10 per share)	3,069	393
	4,367	393

We recommend the payment of a final dividend of HK¢78 per share for the year ended 31st December 2010. Together with the interim dividend of HK¢33 per share paid on 4th October 2010, this makes a total dividend for the year of HK¢111 per share. This represents a total distribution for the year of HK\$4,367 million. Subject to shareholders' approval of the final dividend at the annual general meeting on 18th May 2011, payment of the final dividend will be made on 1st June 2011 to shareholders registered at the close of business on the record date, 18th May 2011.

The register of members will be closed from 13th May 2011 to 18th May 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12th May 2011.

11. Trade, other receivables and other assets

	Group	
	2010 HK\$M	2009 HK\$M
Trade debtors	5,904	4,771
Derivative financial assets – current portion	2,349	746
Other receivables and prepayments	2,766	2,631
Due from associates	46	13
Aircraft held for sale	368	-
	11,433	8,161

As at 31st December 2010, total derivative financial assets of the Group which did not qualify for hedge accounting amounted to HK\$842 million (2009: HK\$1,123 million).

	Group	
	2010 HK\$M	2009 HK\$M
Analysis of trade debtors by age:		
Current	5,853	4,741
One to three months overdue	45	27
More than three months overdue	6	3
	5,904	4,771

The Group normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantee or other monetary collateral.

The movement in the provision for bad debt included in trade debtors during the year was as follows:

	Group	
	2010 HK\$M	2009 HK\$M
At 1st January	163	169
Amounts written back	-	(8)
Impairment loss recognised	32	2
At 31st December	195	163

12. Trade and other payables

	Group	
	2010 HK\$M	2009 HK\$M
Trade creditors	6,211	4,832
Derivative financial liabilities	1,391	1,884
Other payables	7,779	5,970
Due to associates	37	131
Due to other related companies	351	137
Bank overdrafts – unsecured (note 27 to the accounts in the 2010 Annual Report)	4	11
	15,773	12,965

As at 31st December 2010, total derivative financial liabilities of the Group which did not qualify for hedge accounting amounted to HK\$355 million (2009: HK\$1,477 million).

12. Trade and other payables (continued)

	Group	
	2010 HK\$M	2009 HK\$M
Analysis of trade creditors by age:		
Current	6,039	4,713
One to three months overdue	161	106
More than three months overdue	11	13
	6,211	4,832

13. Share capital

During the year under review, the Group did not purchase, sell or redeem any shares in the Company and the Group has not adopted any share option scheme.

At 31st December 2010, 3,933,844,572 shares were in issue (31st December 2009: 3,933,844,572 shares). Details of the movement of share capital can be found in note 24 to the accounts in the 2010 Annual Report.

14. Event after the reporting period

In March 2011, agreements were entered into under which a wholly owned subsidiary of the Company agreed to purchase 15 Airbus A330-300 aircraft and 10 Boeing 777-300ER aircraft. The catalogue price of these aircraft is approximately HK\$46,683 million. The actual purchase price of the aircraft, which was determined after arm's length negotiations between the parties, is lower than the catalogue price.

15. Corporate governance

Cathay Pacific Airways is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance. The Company has complied throughout the year with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules. The Company has also put in place corporate governance practices to meet most of the recommended best practices in the CG Code.

The 2010 annual result has been reviewed by the Audit Committee. Details of Corporate Governance can be found in the 2010 Annual Report.

16. Annual Report

The 2010 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website www.cathaypacific.com by 1st April 2011. It will be available to shareholders by 6th April 2011.

Operating expenses

	Group			Cathay Pacific and Dragonair		
	2010 HK\$M	2009 HK\$M	Change	2010 HK\$M	2009 HK\$M	Change
Staff	13,850	12,618	+9.8%	12,655	11,515	+9.9%
Inflight service and passenger expenses	3,308	2,915	+13.5%	3,308	2,915	+13.5%
Landing, parking and route expenses	11,301	10,458	+8.1%	11,104	10,281	+8.0%
Fuel	28,276	17,349	+63.0%	27,705	16,937	+63.6%
Aircraft maintenance	7,072	6,567	+7.7%	6,921	6,411	+8.0%
Aircraft depreciation and operating leases	8,288	7,978	+3.9%	8,120	7,796	+4.2%
Other depreciation, amortisation and operating leases	1,107	1,103	+0.4%	881	867	+1.6%
Commissions	736	571	+28.9%	736	571	+28.9%
Exchange gain	(196)	(344)	-43.0%	(214)	(356)	-39.9%
Others	4,729	3,284	+44.0%	5,080	3,628	+40.0%
Operating expenses	78,471	62,499	+25.6%	76,296	60,565	+26.0%
Net finance charges	978	847	+15.5%	933	781	+19.5%
Total operating expenses	79,449	63,346	+25.4%	77,229	61,346	+25.9%

- Group total operating expenses increased by 25.4% to HK\$79,449 million.
- The combined cost per ATK of Cathay Pacific and Dragonair increased from HK\$2.76 to HK\$3.16. This principally reflected higher average fuel prices.

Cathay Pacific and Dragonair operating results analysis

	2010 HK\$M	2009 HK\$M
Airlines' operating profit before fuel hedging, non-recurring items and tax	9,465	285
Profit on disposal of Hactl and HAECO shares	2,165	1,254
Gain on deemed disposal of Air China shares	868	-
Airlines' profit before fuel hedging (losses)/gains and tax	12,498	1,539
Realised and unrealised fuel hedging (losses)/gains	(41)	2,758
Tax charge	(1,347)	(170)
Airlines' profit after tax	11,110	4,127
Share of profits from subsidiaries and associates	2,938	567
Profit attributable to owners of Cathay Pacific	14,048	4,694

Cathay Pacific and Dragonair operating results analysis (continued)

The change in the airlines' operating profit before fuel hedging, non-recurring items and tax can be analysed as follows:

	HK\$M	
2009 airlines' operating profit before fuel hedging, non-recurring items and tax	285	
Passenger and cargo turnover	21,820	Passenger <ul style="list-style-type: none"> - Increased HK\$1,885 million due to a 4.1% increase in capacity. - A 2.9% points increase in load factor contributed to an increase of HK\$1,807 million. - HK\$9,742 million of the increase arose from a 19.8% increase in yield partly due to an increase in fuel surcharges. Cargo <ul style="list-style-type: none"> - Increased HK\$2,336 million due to a 15.2% increase in capacity. - A 4.9% points increase in load factor contributed to an increase of HK\$1,231 million. - HK\$4,819 million of the increase arose from a 25.3% increase in yield partly due to an increase in fuel surcharges.
Staff	(1,140)	- Increased due to provision for bonus and profit share scheme.
Fuel	(7,969)	- Fuel costs increased due to a 28.0% increase in the average into-plane fuel price to US\$94 per barrel and a 7.4% increase in consumption to 37.9 million barrels.
Others	(3,531)	
<hr/>		
2010 airlines' operating profit before fuel hedging, non-recurring items and tax	9,465	

Fuel expenditure and hedging

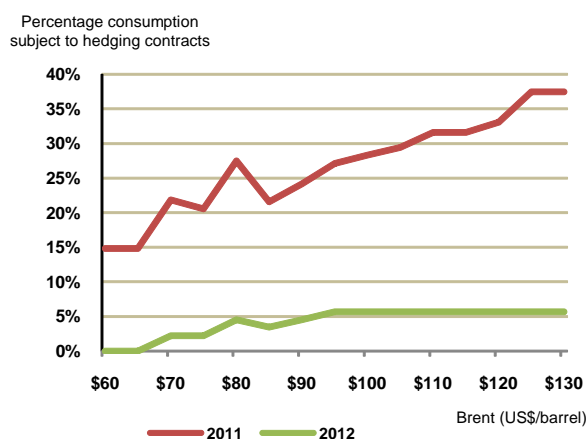
A breakdown of the Group's fuel cost is shown below:

	2010 HK\$M	2009 HK\$M
Gross fuel cost	28,235	20,107
Realised hedging losses/(gains)	78	(740)
Unrealised mark to market gains	(37)	(2,018)
Net fuel cost	28,276	17,349
Settlement and premium paid	746	3,180

The Group's maximum fuel hedging exposure as at 31st December 2010 is set out below:

The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. As the Group uses a combination of fuel derivatives to achieve its desired hedging position, the percentage of expected consumption hedged will vary depending on the nature and combination of contracts which generate payoffs in any particular range of fuel prices. The chart indicates the estimated maximum percentage of projected consumption by year covered by hedging transactions at various settled Brent prices.

Maximum fuel hedging exposure



Assets

- Total assets as at 31st December 2010 were HK\$128,053 million.
- During the year, additions to fixed assets were HK\$8,110 million, comprising HK\$6,742 million for aircraft and related equipment, HK\$1,211 million for buildings and HK\$157 million for other equipment.

Borrowings and capital

- Borrowings decreased by 7.1% to HK\$39,629 million from HK\$42,642 million in 2009.
- Borrowings are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars, Japanese yen and Euros, and are fully repayable by 2023 with 59% currently at fixed rates of interest after taking into account derivative transactions.
- Liquid funds, 73.7% of which are denominated in US dollars, increased by 46.5% to HK\$24,198 million.
- Net borrowings decreased by 40.9% to HK\$15,435 million.
- Funds attributable to the owners of Cathay Pacific increased by 28.5% to HK\$54,274 million.
- The net debt/equity ratio decreased from 0.62 times to 0.28 times.

Fleet profile*

Aircraft type	Number as at 31st December 2010				Firm orders				Expiry of operating leases						Options	Purchase rights
	Leased			Total	'11	'12	'13 and beyond	Total	'16 and beyond							
	Owned	Finance	Operating						'11	'12	'13	'14	'15	beyond		
Aircraft operated by Cathay Pacific:																
A330-300	11	15	6	32	3	4		7				2	4			
A340-300	6	5	4	15					4							
A350-900							32 ^(a)	32							10 ^(b)	
747-400	17		5	22					2			2	1			
747-400F	3	3		6												
747-400BCF	6	1	5	12						3	1		1			
747-400ERF		6		6												
747-8F					6	4		10								
777-200	4	1		5												
777-300	3	9		12												
777-300ER	2	7	9	18	6	5	7	18					9		20 ^(c)	
Total	52	47	29	128	15	13	39	67	4	2	3	1	4	15	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	11									6			
A321-200	2		4	6									4			
A330-300	4	1	9	14					1	3	3		2			
Total	11	1	19	31					1	3	3		12			
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		8												
Grand total	65	54	48	167	15	13	39	67	5	5	6	1	4	27	10	20

* Includes parked aircraft. This profile does not reflect aircraft movements after year end.

- (a) Including two aircraft on 12-year operating leases.
- (b) Options, to be exercised no later than 2016 for A350 family aircraft.
- (c) Purchase rights for aircraft delivered by 2017.

Review of subsidiaries and associates

- AHK Air Hong Kong Limited (“Air Hong Kong”) achieved a moderate increase in profit for 2010 compared with 2009. Capacity increased by 7%, the load factor and yield improved by 3 percentage points and 2% respectively.
- Cathay Pacific Catering Services (H.K.) Limited produced 22.9 million meals in 2010 and this accounts for 65% of the airline catering market in Hong Kong. Business volume increased by 10% from 2009, reflecting the recovery in aviation traffic. Business volume and profits at the flight kitchens in Asia (outside Hong Kong) improved over 2009. However, the Canadian operations showed a deficit in 2010. Operating costs, particularly of labour, were high and margins contracted.
- Air China Limited (“Air China”), in which Cathay Pacific owns 18.7%, is the national flag carrier and leading provider of passenger, cargo and other airline related services in Mainland China. The Group’s share of Air China’s profit is based on accounts drawn up three months in arrear and consequently the 2010 annual results include Air China’s results for the 12 months ended 30th September 2010.
- On 7th June 2010, Cathay Pacific announced that it had agreed to sell its remaining 15% shareholding in HAECO to Swire Pacific Limited. The transaction was driven by our strategic priorities and will benefit our core aviation business. It enabled us to apply the proceeds from the transaction towards other investments in Cathay Pacific’s core aviation business, including new aircraft, in our new cargo terminal and enhancements in products and services, and towards Cathay Pacific’s general working capital requirements. The longstanding operational relationship between Cathay Pacific and HAECO will remain unchanged. HAECO has always been our main provider of overhaul and maintenance services and we are HAECO’s biggest customer airline. Cathay Pacific’s share of HAECO’s profits up to the date of sale in 2010 was HK\$44 million, compared with a share of HAECO’s profits for the whole of 2009 of HK\$188 million.

Corporate Responsibility

- Cathay Pacific continues to work with international organisations such as the United Nations Framework Convention on Climate Change and the International Civil Aviation Organization to ensure that the voice of airlines is heard with regard to climate change.
- Cathay Pacific published its first Sustainable Development Report in April. The report demonstrates our intention to embed sustainable development processes and principles in our operations. It was given a top A+ rating under the Global Reporting Initiative Guidelines.
- We made presentations on climate change at the Corporate Social Responsibility (CSR) Asia Summit 2010 in September, the Association of Asia Pacific Airlines conference in October and the Climate Leaders Group in Japan in December.
- In March, Cathay Pacific won the Total Caring Award (part of the Caring Company Scheme organised by the Hong Kong Council of Social Service), which recognised the airline's commitment to caring for the well-being of the community, its employees and the environment.
- Cathay Pacific continued to support UNICEF through its Change for Good inflight fundraising programme in the programme's 20th anniversary year. To date, the airline's passengers have contributed more than HK\$100 million to help improve the lives of disadvantaged children around the world.
- One-hundred students joined the fourth Cathay Pacific "I Can Fly" programme in February. The students participated in a six-month series of activities designed to increase their knowledge of aviation and to foster commitment to the community through self-designed social service projects. Overseas trips were arranged to Seattle, Toulouse, Tianjin and Adelaide.
- The "CX Volunteers" continued to help the local community. Their English on Air programme has helped more than 1,000 Tung Chung school students to improve their conversational English. Other volunteering projects included a beach cleanup, a sale of donated items to help the underprivileged, help for the elderly in remote Lantau villages and collecting Christmas gifts for needy children.
- Cathay Pacific and its subsidiaries employed some 27,500 people worldwide at the end of 2010. Of those 19,100 worked for the airline itself, with 13,100 employed in Hong Kong. Dragonair employed a total of 2,500 staff at the end of 2010. We regularly review our human resource and remuneration policies in the light of local legislation, industry practice, market conditions and the performance of individuals and the Group. In May we announced a new three-year profit sharing scheme that will enable staff of both Cathay Pacific and Dragonair to share in our success.

The Directors of the Company as at the date of this announcement are:

Executive Directors: Christopher Pratt (Chairman), James Barrington, James E. Hughes-Hallett, John Slosar and Tony Tyler;

Non-Executive Directors: Cai Jianjiang, Fan Cheng, James W.J. Hughes-Hallett, Peter Kilgour, Kong Dong, Ian Shiu, Merlin Swire and Zhang Lan; and

Independent Non-Executive Directors: Irene Lee, Jack So, Tung Chee Chen and Peter Wong.

By Order of the Board
Cathay Pacific Airways Limited
Christopher Pratt
Chairman
Hong Kong, 9th March 2011

Website: www.cathaypacific.com