

Media Information

9th March 2016

FOR IMMEDIATE RELEASE

Cathay Pacific posts profit increase of 90.5% to HK\$6 billion in 2015

Results		2015	2014	Change
Revenue	<i>HK\$ million</i>	102,342	105,991	-3.4%
Profit attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	6,000	3,150	+90.5%
Earnings per share	<i>HK cents</i>	152.5	80.1	+90.4%
Dividend per share	<i>HK\$</i>	0.53	0.36	+47.2%

The Cathay Pacific Group reported an attributable profit of HK\$6,000 million for 2015. This compares to a profit of HK\$3,150 million in 2014. Earnings per share were HK152.5 cents compared to HK80.1 cents in the previous year.

The Group's performance in 2015 was better than in 2014, with the business benefiting from low fuel prices. The high passenger load factors experienced in the first half of the year continued in the second half, reflecting strong economy class demand. Premium class demand was not as strong as expected on some long-haul routes. Air cargo demand, which came under pressure during the second quarter of the year, remained weak in the second half. There was an improved contribution from the Group's subsidiary and associated companies.

The Group's passenger revenue in 2015 was HK\$73,047 million, a decrease of 3.5% compared to 2014. Capacity increased by 5.9%, reflecting the introduction of new routes (to Boston, Düsseldorf, Hiroshima and Zurich) and increased frequencies on some other routes. The load factor increased by 2.4 percentage points, to 85.7%. Strong competition, a significant reduction in fuel surcharges, unfavourable foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 11.4% to HK59.6 cents. Economy class demand was strong. Premium class demand improved on regional routes but was not as strong as expected on some long-haul routes.

The Group's cargo revenue in 2015 was HK\$23,122 million, a decrease of 9.0% compared to the previous year. This mainly reflected a reduction in fuel surcharges due to lower fuel prices. Capacity for Cathay Pacific and Dragonair increased by 5.4%. The load factor decreased by 0.1 percentage points to 64.2%. Strong competition, overcapacity, unfavourable foreign currency movements and the reduction in fuel surcharges put pressure on yield, which decreased by 13.2%, to HK\$1.90. Demand was strong in the first quarter of 2015, assisted by industrial action at ports on the west coast of the United States. Overall demand was weak for the rest of the year, particularly on European routes.

Media Information

Total fuel costs for Cathay Pacific and Dragonair (before the effect of fuel hedging) decreased by HK\$14,561 million (or 37.8%) compared to 2014, despite increases in capacity. A 40.3% decrease in average prices was partially offset by a 4.3% increase in consumption. Fuel is still the Group's most significant cost, accounting for 34.0% of total operating costs in 2015 (compared to 39.2% in 2014). Fuel hedging losses reduced the benefit of lower fuel costs. After taking hedging losses into account, fuel costs decreased by HK\$7,331 million (or 18.2%) compared to 2014.

The Group's operating expenses exclusive of fuel increased by 2.3% in 2015 compared to 2014. This was mainly due to increased operations and a corresponding increase in the size of the workforce. Congestion at Hong Kong International Airport and air traffic control constraints in the Greater China region also increased operating expenses. Productivity improvements and favourable foreign currency movements kept the increase in non-fuel costs below the increase in capacity. There was a 3.1% reduction in non-fuel costs per ATK.

The contribution from Air China (the results of which are included in the Group's results three months in arrear) was significantly higher in 2015 than in 2014. The improvement principally reflected low fuel prices and strong passenger demand. In August 2015, devaluation of the Renminbi led to significant foreign exchange losses for Air China. However, the foreign exchange losses were more than offset by savings from low fuel prices.

In 2015, Cathay Pacific introduced passenger services to Zurich (in March), to Boston (in May) and to Düsseldorf (in September), all of which have been well received. Cathay Pacific will introduce passenger services to Madrid in June 2016 and to London's Gatwick airport in September 2016. Dragonair introduced passenger services to Haneda in Tokyo (in March 2015) and to Hiroshima (in August 2015). Frequencies on some other routes were increased. Cathay Pacific passenger services to Moscow and Doha and the Dragonair passenger service to Manila were discontinued. Cathay Pacific introduced a freighter service to Kolkata in March 2015 and increased freighter frequencies to North America and India. The freighter network and capacity were adjusted in line with demand.

In 2015, Cathay Pacific took delivery of six Boeing 777-300ER aircraft and three Airbus A330-300 aircraft. The Boeing 777-300ER delivered in September 2015 was the 53rd and final aircraft of this type to join our fleet. Four Boeing 747-400 passenger aircraft and four Airbus A340-300 aircraft were retired in 2015. One Airbus A340-300 aircraft was retired in February 2016 and the retirement of the airline's remaining three Boeing 747-400 passenger aircraft has been brought forward from 2017 to 2016. In 2013, Cathay Pacific agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these freighters have been delivered and the remaining four will be delivered by the end of 2016. At 31st December 2015, the airline had 70 new aircraft on order for delivery up to 2024. The first Airbus A350-900XWB aircraft is scheduled to be delivered in May 2016. Twelve of these aircraft are scheduled to be delivered in 2016. The first of two Airbus A350 simulators was delivered to the airline in May 2015.

The Group continues to invest heavily in its products and brands. Cathay Pacific's new livery was introduced in November 2015. Except for Boeing 747-400 and Airbus A340-300 passenger aircraft that are being retired, all Cathay Pacific and Dragonair wide-bodied passenger aircraft have been fitted or refitted with new or refreshed seats in all classes. The new Airbus A350XWB aircraft will have new cabins, seats and entertainment systems. The first class lounge at The Pier at Hong Kong International Airport reopened

Media Information

in June 2015. New lounges were opened in Manila in May, Bangkok in June, San Francisco in October and Taipei in November 2015.

Outlook

Cathay Pacific Chairman John Slosar said: “The operating environment was better in 2015 than in 2014, but we faced some significant challenges, which we expect to continue in 2016. Strong competition from other airlines in the region, foreign currency movements and weak premium class passenger demand will put pressure on passenger yield. Cargo demand will be adversely affected by industry overcapacity. Overall passenger demand remains strong and we expect to continue to benefit from low fuel prices. Our subsidiaries and associates are expected to continue to perform well.

“We are confident of longer-term success, and we will continue to help our passengers to travel well. In January 2016, we announced that Dragonair is to be rebranded as Cathay Dragon, as part of an effort to create a more consistent travel experience between the two airlines. We will continue to invest in aircraft, in our products and in the development of our network. Our financial position is strong. Supported by our world-class team, we remain deeply committed to strengthening the aviation hub in Hong Kong, our home city for the past 70 years.”

MEDIA CONTACT:

Tel: +852 2747 5393

Cathay Pacific website: 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: 293)

Announcement
2015 Annual Results

Financial and Operating Highlights

Group Financial Statistics

Results		2015	2014	Change
Revenue	<i>HK\$ million</i>	102,342	105,991	-3.4%
Profit attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	6,000	3,150	+90.5%
Earnings per share	<i>HK cents</i>	152.5	80.1	+90.4%
Dividend per share	<i>HK\$</i>	0.53	0.36	+47.2%
Profit margin	<i>%</i>	5.9	3.0	+2.9%pt
Financial position				
Funds attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	47,927	51,722	-7.3%
Net borrowings	<i>HK\$ million</i>	42,458	43,998	-3.5%
Shareholders' funds per share	<i>HK\$</i>	12.2	13.1	-6.9%
Net debt/equity ratio	<i>Times</i>	0.89	0.85	+0.04 times

Operating Statistics – Cathay Pacific and Dragonair

		2015	2014	Change
Available tonne kilometres (“ATK”)	<i>Million</i>	30,048	28,440	+5.7%
Available seat kilometres (“ASK”)	<i>Million</i>	142,680	134,711	+5.9%
Revenue passengers carried	<i>'000</i>	34,065	31,570	+7.9%
Passenger load factor	<i>%</i>	85.7	83.3	+2.4%pt
Passenger yield	<i>HK cents</i>	59.6	67.3	-11.4%
Cargo and mail carried	<i>'000 tonnes</i>	1,798	1,723	+4.4%
Cargo and mail load factor	<i>%</i>	64.2	64.3	-0.1%pt
Cargo and mail yield	<i>HK\$</i>	1.90	2.19	-13.2%
Cost per ATK (with fuel)	<i>HK\$</i>	3.14	3.50	-10.3%
Cost per ATK (without fuel)	<i>HK\$</i>	2.06	2.12	-2.8%
Aircraft utilisation	<i>Hours per day</i>	12.2	12.2	-
On-time performance	<i>%</i>	64.7	70.1	-5.4%pt
Average age of fleet	<i>Years</i>	9.1	9.1	-
GHG emissions	<i>Million tonnes of CO₂e</i>	17.1	16.4	+4.3%
GHG emissions per ATK	<i>Grammes of CO₂e</i>	569	576	-1.2%
Lost time injury rate	<i>Number of injuries per 100 full-time equivalent employees</i>	2.81	3.67	-23.4%

Capacity, Load Factor and Yield – Cathay Pacific and Dragonair

	Capacity			Load factor (%)			Yield
	ASK/ATK (million)*			2015	2014	Change	Change
	2015	2014	Change				
Passenger services							
India, Middle East, Pakistan and Sri Lanka	10,127	10,685	-5.2%	82.9	80.1	+2.8%pt	-8.0%
Southwest Pacific and South Africa	19,350	18,032	+7.3%	89.3	85.1	+4.2%pt	-13.9%
Southeast Asia	20,641	18,625	+10.8%	83.2	81.3	+1.9%pt	-10.6%
Europe	23,969	21,056	+13.8%	88.5	88.0	+0.5%pt	-12.7%
North Asia	30,267	29,649	+2.1%	80.6	77.9	+2.7%pt	-10.9%
North America	38,326	36,664	+4.5%	88.4	86.1	+2.3%pt	-10.8%
Overall	142,680	134,711	+5.9%	85.7	83.3	+2.4%pt	-11.4%
Cargo services							
	16,481	15,630	+5.4%	64.2	64.3	-0.1%pt	-13.2%

* 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 for leisure travel from Hong Kong was strong in 2015, especially during the Chinese New Year, summer and Christmas peak periods.
- Japan was the most popular leisure destination for Hong Kong travellers in 2015. The depreciation of the Japanese yen increased demand.
- Demand for travel to Korea during the summer fell due to the incidence of middle east respiratory syndrome in Korea. We reduced our services accordingly, returning to a full schedule in September 2015.
- Demand for leisure and business travel originating from the Pearl River Delta increased in 2015. We increased our sales force in Guangzhou.

India, Middle East, Pakistan and Sri Lanka

- The performance of our India routes was satisfactory in 2015. There was more travel between India and Mainland China.
- Low fuel prices adversely affected the economy and the travel demand in the Middle East. Competition has increased, as Middle Eastern carriers operate more direct services to Mainland China, Southeast Asia and North America.
- Economy class demand, however, remained strong on the India subcontinent and Middle Eastern routes. To meet this demand, we have removed premium economy seats and increased economy class seat capacity for our Airbus A330-300 aircraft operating on these routes.
- We stopped flying to Doha in February 2016, but continue to offer a codeshare service with Qatar Airways on this route.
- Traffic on the Colombo route grew strongly. We increased the frequencies of our direct flights to Colombo from four flights a week to daily in October 2015.
- Dragonair increased Kolkata service from five to six flights a week in May 2015.

Southwest Pacific and South Africa

- The performance of our Australian routes was satisfactory in 2015. Demand for travel between Mainland China and Australia was stable. The value of the Australian dollar fell significantly. This increased demand for travel to Australia but adversely affected yield.
- Capacity was added on the Sydney route in October 2015 by using a Boeing 777-300ER aircraft on a second service from Hong Kong. We increased the frequency of the Adelaide service from four to five flights a week from December 2015 to March 2016.
- Business on the Perth route was affected by a downturn in the mining sector in Western Australia.
- Business on the New Zealand route was steady in 2015. We increased the frequency of the Auckland service from one to two flights a day from December 2014 to March 2015. We increased capacity by using Boeing 777-300ER aircraft on one of these flights from December 2015 to February 2016. In August 2015, Cathay Pacific and Air New Zealand received reauthorisation for their strategic agreement on the Auckland Hong Kong route until 31st October 2019.
- The performance of the South Africa route improved in 2015, as travel sentiment to Africa improved. Group travel recovered strongly. Demand for premium travel was strong.

Southeast Asia

- Demand for travel to Cambodia, the Philippines and Vietnam was strong in 2015. We increased the frequency of the Jakarta service from 21 to 26 flights a week in January 2015, increased the Manila service from 47 to 49 flights a week in March 2015, and increased the Ho Chi Minh City service from 16 to 18 flights a week in November 2015. Dragonair stopped flying to Manila in June 2015.
- We reduced capacity on the Bangkok route between August and October 2015. Demand fell due to safety concerns. The full schedule was restored in November 2015.
- Travel demand from Southeast Asian countries were adversely affected by depreciation of local currencies in the region in 2015.
- In 2015, Dragonair increased its Phnom Penh service from 10 to 12 flights a week in January and increased its Penang winter service from 10 to 12 flights a week in November.

Europe

- The performance of our European routes was strong in 2015. The weakness of the Euro stimulated demand for travel to Europe from Hong Kong, Mainland China and Taiwan.
- We introduced a daily service to Zurich in March 2015 and a four-times-weekly service to Düsseldorf in September 2015. The services have been well received.
- Demand for travel to Paris was affected for safety concerns in November 2015.
- We stopped flying to Moscow in June 2015.
- We increased Cathay Pacific's capacity by using Boeing 777-300ER aircraft to fly to Rome in June 2015.
- Demand for travel to London and Manchester routes was strong in all classes in 2015. Demand for travel between the United Kingdom and Southwest Pacific destinations was strong.
- We will introduce four-times-weekly services to Madrid in June 2016 and to London's Gatwick airport in September 2016.

North Asia

- Our Mainland China routes benefited from increased demand for international leisure travel from Mainland China. Europe, Japan, Southeast Asia and the Southwest Pacific were popular destinations.
- The performance of our Taiwan routes was satisfactory. Traffic grew despite more competition.
- The depreciation of the Japanese yen increased demand for travel to Japan, but yield was pressured by increased capacity and competition.

- The performance of our Korean routes was affected by middle east respiratory syndrome in the summer months. Demand for travel recovered after the summer, but promotional fares reduced yield.
- Dragonair introduced a daily service to Haneda in Tokyo in March 2015 and a twice-weekly service to Hiroshima in August 2015.
- In 2015, Dragonair increased its Wuhan service from 10 to 11 flights a week in January, increased its Okinawa service from four flights a week to daily over the summer season and increased its Hongqiao in Shanghai service from seven to nine flights a week in November.

North America

- Passenger numbers grew faster than the capacity increases. Premium class demand was less than expected on the New York and Los Angeles routes.
- We introduced a four-times-weekly service to Boston in May 2015. It has been well received. Load factors have been high.
- We increased the frequency of our San Francisco service from 14 to 17 flights a week in June 2015.
- We reduced the frequency of our Chicago service from 10 flights a week to daily in March 2015.
- We increased the frequency of our summer service to Toronto from 10 to 13 flights per week in July and August 2015.
- Load factors on the Vancouver route were high but yield was adversely affected by weakened Canadian dollars.

Cargo Services

- Cargo profits in 2015 benefited from low fuel prices. Low fuel prices meant lower fuel surcharges. This adversely affected revenue and yield. Low fuel prices also meant more market capacity. This also adversely affected yield. So did the depreciation of some currencies.
- We managed capacity in line with demand. We reduced schedules and made ad hoc cancellations where necessary.
- We carried a higher proportion (57.0%) of total cargo shipments in the bellies of passenger aircraft.
- Demand for cargo shipments from Hong Kong was strong in the first quarter of 2015 but weak from then until the year end peak period. There was no growth in demand for shipments to Europe in 2015. Demand for shipments to North America was better than expected and strong on the Indian route.
- Exports of cargo from Shanghai, Chengdu, Chongqing and Zhengzhou, particularly shipments of consumer electronic products to North America, are key sources of cargo revenue. The 2015 revenue from these sources in Hong Kong dollars was adversely affected by the weakness of the Renminbi. Our mail business in Mainland China is growing.
- There was strong demand for shipments of electronic parts and perishable goods from Vietnam.
- There was strong demand for shipments of cargo to India, particularly for infrastructure projects. We introduced a freighter service to Kolkata in March 2015 and increased the frequency of the Delhi service from seven to eight flights per week in March 2015. There was strong growth in demand for shipments of cargo from Bangladesh.
- Demand for shipments of cargo (milk powder to Mainland China, fresh products to Asia generally and chilled meat to the Middle East) from the Southwest Pacific traffic was strong. Demand for shipments to the Southwest Pacific was stable.
- Overcapacity on routes to Europe put heavy downward pressure on yield. We concentrated on shipping pharmaceutical and special products from Europe. The number of our freighter flights to Europe was between seven and nine a week, depending on demand.
- We added two cargo freighter services per week to North America in April 2015. We changed routings so as to increase cargo capacity on the Chicago, Los Angeles and New York routes. We also increased the frequency of the Columbus service from three to four flights a week from October 2015.

- 2015 was the second full year of operations for the Cathay Pacific cargo terminal at Hong Kong International Airport. The terminal handled 1.7 million tonnes of cargo in 2015, an increase of 13% compared to 2014. It serves 12 airlines, including Cathay Pacific, Dragonair and Air Hong Kong.
- In 2015, we introduced a mail scanning and tracking system.
- In 2013, we agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these freighters have been delivered, one in November 2014, the other in July 2015. The remaining four freighters will leave the fleet by the end of 2016. We will take delivery of our 14th and final Boeing 747-8F freighter later in 2016.
- Our cargo business has many challenges. We have confidence in its long-term prospects and in Hong Kong's future as an international air cargo centre.

Chairman's Letter

The Cathay Pacific Group reported an attributable profit of HK\$6,000 million for 2015. This compares to a profit of HK\$3,150 million in 2014. Earnings per share were HK152.5 cents compared to HK80.1 cents in the previous year.

The Group's performance in 2015 was better than in 2014. The business benefited from low fuel prices. The high passenger load factors experienced in the first half of the year continued in the second half. This reflected strong economy class demand. Premium class demand was not as strong as expected on some long-haul routes. Air cargo demand, which came under pressure during the second quarter of the year, remained weak in the second half. There was an improved contribution from the Group's subsidiary and associated companies.

The Group's passenger revenue in 2015 was HK\$73,047 million, a decrease of 3.5% compared to 2014. Capacity increased by 5.9%, reflecting the introduction of new routes (to Boston, Düsseldorf, Hiroshima and Zurich) and increased frequencies on some other routes. The load factor increased by 2.4 percentage points, to 85.7%. Strong competition, a significant reduction in fuel surcharges, unfavourable foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 11.4%, to HK59.6 cents. Economy class demand was strong. Premium class demand improved on regional routes but was not as strong as expected on some long-haul routes.

The Group's cargo revenue in 2015 was HK\$23,122 million, a decrease of 9.0% compared to the previous year. This mainly reflected a reduction in fuel surcharges consequent upon lower fuel prices. Capacity for Cathay Pacific and Dragonair increased by 5.4%. The load factor decreased by 0.1 percentage point to 64.2%. Strong competition, overcapacity, unfavourable foreign currency movements and the reduction in fuel surcharges put pressure on yield, which decreased by 13.2%, to HK\$1.90. Demand was strong in the first quarter of 2015, assisted by industrial action at ports on the west coast of the United States. Overall demand was weak for the rest of the year, particularly on European routes.

Total fuel costs for Cathay Pacific and Dragonair (before the effect of fuel hedging) decreased by HK\$14,561 million (or 37.8%) compared to 2014, despite increases in capacity. A 40.3% decrease in average prices was partially offset by a 4.3% increase in consumption. Fuel is still the Group's most significant cost, accounting for 34.0% of our total operating costs in 2015 (compared to 39.2% in 2014). Fuel hedging losses reduced the benefit of lower fuel costs. After taking hedging losses into account, fuel costs decreased by HK\$7,331 million (or 18.2%) compared to 2014.

The Group's operating expenses exclusive of fuel increased by 2.3% in 2015 compared to 2014. This was mainly due to increased operations and a corresponding increase in the size of the workforce. Congestion at Hong Kong International Airport and air traffic control constraints in the Greater China region also increased operating expenses. Productivity improvements and favourable foreign currency movements kept the increase in non-fuel costs below the increase in capacity. There was a 3.1% reduction in non-fuel costs per ATK.

The contribution from Air China (the results of which are included in the Group's results three months in arrear) was significantly higher in 2015 than in 2014. The improvement principally reflected low fuel prices and strong passenger demand. In August 2015, devaluation of the Renminbi led to significant foreign exchange losses for Air China. However, the foreign exchange losses were more than offset by savings from low fuel prices.

In 2015, Cathay Pacific introduced passenger services to Zurich (in March), to Boston (in May) and to Düsseldorf (in September). They have been well received. Cathay Pacific will introduce passenger services to Madrid in June 2016 and to London's Gatwick airport in September 2016. Dragonair introduced passenger services to Haneda in Tokyo (in March 2015) and to Hiroshima (in August 2015). Frequencies on some other routes were increased. Cathay Pacific passenger services to Moscow and Doha and the Dragonair passenger service to Manila were discontinued. Cathay Pacific introduced a freighter service to Kolkata in March 2015 and increased freighter frequencies to North America and India. We adjusted our freighter network and capacity in line with demand.

In 2015, we took delivery of six Boeing 777-300ER aircraft and three Airbus A330-300 aircraft. The Boeing 777-300ER delivered in September 2015 was the 53rd and final aircraft of this type to join our fleet. Four Boeing 747-400 passenger aircraft and four Airbus A340-300 aircraft were retired in 2015. One Airbus A340-300 aircraft was retired in February 2016 and we have brought forward the retirement of our remaining three Boeing 747-400 passenger aircraft from 2017 to 2016. In 2013, we agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these freighters have been delivered. The remaining four will be delivered by the end of 2016. At 31st December 2015, we had 70 new aircraft on order for delivery up to 2024. Our first Airbus A350-900XWB aircraft is scheduled to be delivered in May 2016. 12 of these aircraft are scheduled to be delivered in 2016. We took delivery of the first of two Airbus A350 simulators in May 2015.

We continue to invest heavily in our products and brands. Cathay Pacific's new livery was introduced in November 2015. Except for Boeing 747-400 and Airbus A340-300 passenger aircraft that are being retired, all Cathay Pacific and Dragonair wide-bodied passenger aircraft have been fitted or refitted with new or refreshed seats in all classes. Our new Airbus A350XWB aircraft will have new cabins, seats and entertainment systems. The first class lounge at The Pier at Hong Kong International Airport reopened in June 2015. We opened lounges in Manila in May, Bangkok in June, San Francisco in October and Taipei in November 2015.

Prospects

The operating environment was better in 2015 than in 2014, but we faced some significant challenges, which we expect to continue in 2016. Strong competition from other airlines in the region, foreign currency movements and weak premium class passenger demand will put pressure on passenger yield. Cargo demand will be adversely affected by industry overcapacity. Overall passenger demand remains strong and we expect to continue to benefit from low fuel prices. Our subsidiaries and associates are expected to continue to perform well.

We are confident of longer-term success, and we will continue to help our passengers to travel well. In January 2016, we announced that Dragonair is to be rebranded as Cathay Dragon, as part of an effort to create a more consistent travel experience between the two airlines. We will continue to invest in aircraft, in our products and in the development of our network. Our financial position is strong. Supported by our world-class team, we remain deeply committed to strengthening the aviation hub in Hong Kong, our home city for the past 70 years.

John Slosar

Chairman

Hong Kong, 9th March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st December 2015

	<i>Note</i>	2015 HK\$M	2014 HK\$M
Revenue			
Passenger services		73,047	75,734
Cargo services		23,122	25,400
Catering, recoveries and other services		6,173	4,857
Total revenue		102,342	105,991
Expenses			
Staff		(18,990)	(18,101)
Inflight service and passenger expenses		(4,713)	(4,438)
Landing, parking and route expenses		(14,675)	(14,196)
Fuel, including hedging losses		(32,968)	(40,299)
Aircraft maintenance		(7,504)	(7,077)
Aircraft depreciation and operating leases		(10,883)	(10,411)
Other depreciation, amortisation and operating leases		(2,310)	(2,116)
Commissions		(798)	(799)
Others		(2,837)	(4,119)
Operating expenses		(95,678)	(101,556)
Operating profit	3	6,664	4,435
Finance charges		(1,380)	(1,460)
Finance income		216	302
Net finance charges	4	(1,164)	(1,158)
Share of profits of associates		1,965	772
Profit before taxation		7,465	4,049
Taxation	5	(1,157)	(599)
Profit for the year		6,308	3,450
Non-controlling interests		(308)	(300)
Profit attributable to the shareholders of Cathay Pacific		6,000	3,150
Profit for the year		6,308	3,450
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plans		(210)	(316)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(5,417)	(12,468)
Revaluation of available-for-sale financial assets		(321)	67
Share of other comprehensive income of associates		(741)	(52)
Exchange differences on translation of foreign operations		(1,060)	(527)
Other comprehensive income for the year, net of taxation	6	(7,749)	(13,296)
Total comprehensive income for the year		(1,441)	(9,846)
Total comprehensive income attributable to			
Shareholders of Cathay Pacific		(1,749)	(10,144)
Non-controlling interests		308	298
		(1,441)	(9,846)
Earnings per share (basic and diluted)	7	152.5¢	80.1¢

Consolidated Statement of Financial Position
at 31st December 2015

	Note	2015 HK\$M	2014 HK\$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment		100,552	98,471
Intangible assets		10,606	10,318
Investments in associates		22,878	22,918
Other long-term receivables and investments		5,069	6,372
Deferred tax assets		497	428
		139,602	138,507
Long-term liabilities		(49,867)	(55,814)
Related pledged security deposits		-	499
Net long-term liabilities		(49,867)	(55,315)
Other long-term payables		(15,838)	(10,439)
Deferred tax liabilities		(9,278)	(9,691)
		(74,983)	(75,445)
Net non-current assets		64,619	63,062
Current assets and liabilities			
Stock		1,366	1,589
Trade, other receivables and other assets	9	9,715	10,591
Assets held for sale	10	1,497	189
Liquid funds		20,647	21,098
		33,225	33,467
Current portion of long-term liabilities		(13,782)	(10,002)
Related pledged security deposits		544	221
Net current portion of long-term liabilities		(13,238)	(9,781)
Trade and other payables	11	(23,025)	(22,458)
Unearned transportation revenue		(13,012)	(12,238)
Taxation		(502)	(199)
		(49,777)	(44,676)
Net current liabilities		(16,552)	(11,209)
Total assets less current liabilities		123,050	127,298
Net assets		48,067	51,853
CAPITAL AND RESERVES			
Share capital and other statutory capital reserves	12	17,106	17,106
Other reserves		30,821	34,616
Funds attributable to the shareholders of Cathay Pacific		47,927	51,722
Non-controlling interests		140	131
Total equity		48,067	51,853

Notes:**1. Basis of accounting**

The annual results set out in this announcement are extracted from the Group's statutory financial statements for the year ended 31st December 2015.

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

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 19 (2011) "Employee Benefits: Defined Benefit Plans: Employee Contributions"
- HKFRSs (Amendments) "Annual Improvements to HKFRSs 2010-2012 Cycle"
- HKFRSs (Amendments) "Annual Improvements to HKFRSs 2011-2013 Cycle"

The Group has not applied any new amendment that is not yet effective for the current accounting period.

The amendments to HKAS 19 (2011) "Employee Benefits: Defined Benefit Plans: Employee Contributions" applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment permits (but does not require) contributions from employees or third parties that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, rather than being attributed to periods of service as a negative benefit. The amendments have had no significant impact on the Group's financial statements.

The improvements to HKFRSs cycles consist of amendments to existing standards. The amendments have had no significant impact on the Group's financial statements.

2. Segment information

(a) Segment results

	Airline business		Non-airline business		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Profit or loss								
Sales to external customers	101,199	104,869	1,143	1,122			102,342	105,991
Inter-segment sales	8	8	3,478	3,111			3,486	3,119
Segment revenue	101,207	104,877	4,621	4,233			105,828	109,110
Segment results	6,402	4,422	262	13			6,664	4,435
Net finance charges	(1,040)	(1,148)	(124)	(10)			(1,164)	(1,158)
	5,362	3,274	138	3			5,500	3,277
Share of profits of associates					1,965	772	1,965	772
Profit before taxation							7,465	4,049
Taxation	(1,037)	(600)	(120)	1			(1,157)	(599)
Profit for the year							6,308	3,450
Other segment information								
Depreciation and amortisation	8,408	7,919	451	420			8,859	8,339
Purchase of property, plant and equipment and intangible assets	11,888	14,348	1,291	470			13,179	14,818

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, aircraft ramp handling services and cargo terminal operations. The unallocated results represent the Group's share of profits of associates.

The major revenue earning asset is the aircraft fleet which is used for both 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.

2. Segment information (continued)

(b) Geographical information

	2015 HK\$M	2014 HK\$M
Revenue by origin of sale:		
North Asia		
- Hong Kong and Mainland China	51,443	51,526
- Japan, Korea and Taiwan	9,445	10,932
India, Middle East, Pakistan and Sri Lanka	4,442	4,686
Southwest Pacific and South Africa	6,456	7,043
Southeast Asia	8,611	8,486
Europe	8,485	9,096
North America	13,460	14,222
	102,342	105,991

Geographical segment results and segment net assets are not disclosed for the reasons set out in the 2015 Annual Report.

3. Operating profit

	2015 HK\$M	2014 HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- leased	2,234	2,442
- owned	6,153	5,574
Amortisation of intangible assets	472	323
Operating lease rentals		
- land and buildings	969	979
- aircraft and related equipment	3,318	3,167
- others	47	42
Provision for impairment of property, plant and equipment	-	599
Provision for impairment of assets held for sale	4	14
Gain on disposal of assets held for sale	(4)	-
Gain on disposal of property, plant and equipment, net	(49)	(215)
Gain on disposal of a subsidiary	(106)	-
Cost of stock expensed	2,002	2,007
Exchange differences, net	320	316
Auditors' remuneration	14	15
Net losses on financial assets and liabilities classified as held for trading	192	89
Dividend income from unlisted investments	(484)	(15)
Dividend income from listed investments	(5)	(5)

4. Net finance charges

	2015 HK\$M	2014 HK\$M
Net interest charges comprise:		
- obligations under finance leases stated at amortised cost	457	664
- interest income on related security deposits, notes and zero coupon bonds	(18)	(37)
	439	627
- bank loans and overdrafts		
- wholly repayable within five years	127	139
- not wholly repayable within five years	358	230
- other loans		
- wholly repayable within five years	101	107
- not wholly repayable within five years	16	16
- other long-term receivables	(22)	(24)
	1,019	1,095
Income from liquid funds:		
- funds with investment managers and other liquid investments at fair value through profit or loss	(41)	(57)
- bank deposits and others	(128)	(175)
	(169)	(232)
Fair value change:		
- gain on obligations under finance leases designated as at fair value through profit or loss	(157)	(40)
- loss on financial derivatives	471	335
	314	295
	1,164	1,158

Finance income and charges relating to defeasance arrangements have been netted off in the above figures.

Included in the fair value change in respect of financial derivatives are net losses from derivatives that are classified as held for trading of HK\$192 million (2014: net losses of HK\$89 million).

5. Taxation

	2015 HK\$M	2014 HK\$M
Current tax expenses		
- Hong Kong profits tax	170	181
- overseas tax	197	177
- under provisions for prior years	63	20
Deferred tax		
- origination and reversal of temporary differences	727	221
	1,157	599

Hong Kong profits tax is calculated at 16.5% (2014: 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 the status of negotiations (see note 28(d) to the financial statements in the 2015 Annual Report).

5. Taxation (continued)

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

	2015 HK\$M	2014 HK\$M
Consolidated profit before taxation	7,465	4,049
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	(1,232)	(668)
Expenses not deductible for tax purposes	(364)	(122)
Tax under provisions arising from prior years	(63)	(20)
Effect of different tax rates in other countries	282	157
Recognition of tax losses previously not recognised/(tax losses not recognised)	49	(57)
Income not subject to tax	171	111
Tax charge	(1,157)	(599)

Further information on deferred taxation is shown in note 15 to the financial statements in the 2015 Annual Report.

6. Other comprehensive income

	2015 HK\$M	2014 HK\$M
Defined benefit plans		
- remeasurements recognised during the year	(243)	(356)
- deferred taxation	33	40
Cash flow hedges		
- recognised during the year	(13,780)	(14,385)
- transferred to profit or loss	7,473	427
- deferred tax recognised	890	1,490
Revaluation of available-for-sale financial assets		
- recognised during the year	161	67
- reclassified to profit or loss	(482)	-
Share of other comprehensive income of associates		
- recognised during the year	(741)	(52)
Exchange differences on translation of foreign operations		
- recognised during the year	(1,075)	(525)
- reclassified to profit or loss	15	(2)
Other comprehensive income for the year	(7,749)	(13,296)

7. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the shareholders of Cathay Pacific of HK\$6,000 million (2014: HK\$3,150 million) by the daily weighted average number of shares in issue throughout the year of 3,934 million (2014: 3,934 million) shares.

8. Dividends

	2015 HK\$M	2014 HK\$M
First interim dividend paid on 5th October 2015 of HK\$0.26 per share (2014: first interim dividend of HK\$0.10 per share)	1,023	393
Second interim dividend proposed on 9th March 2016 of HK\$0.27 per share (2014: second interim dividend of HK\$0.26 per share)	1,062	1,023
	2,085	1,416

8. Dividends (continued)

The second interim dividend is not accounted for in 2015 because it had not been declared at the year end date. The actual amount payable in respect of 2015 will be accounted for as an appropriation of the retained profit in the year ending 31st December 2016.

The Directors have declared a second interim dividend of HK\$0.27 per share for the year ended 31st December 2015. Together with the first interim dividend of HK\$0.26 per share paid on 5th October 2015, this makes a total dividend for the year of HK\$0.53 per share. This represents a total distribution for the year of HK\$2,085 million. The second interim dividend will be paid on 5th May 2016 to shareholders registered at the close of business on the record date, being Friday, 8th April 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 6th April 2016.

The register of members will be closed on Friday, 8th April 2016, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim 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, 7th April 2016.

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2016, the register of members will be closed from 6th May 2016 to 11th May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, 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, 5th May 2016.

9. Trade, other receivables and other assets

	2015 HK\$M	2014 HK\$M
Trade debtors	5,360	5,527
Derivative financial assets – current portion	1,145	891
Other receivables and prepayments	3,083	4,050
Due from associates and other related companies	127	123
	9,715	10,591

At 31st December 2015, total derivative financial assets of the Group which did not qualify for hedge accounting amounted to HK\$1,222 million (2014: HK\$1,315 million).

	2015 HK\$M	2014 HK\$M
Analysis of trade debtors by invoice date:		
Current	4,453	4,808
One to three months	522	562
More than three months	385	157
	5,360	5,527

	2015 HK\$M	2014 HK\$M
Analysis of trade debtors (net of allowance for doubtful debts) by age:		
Current	5,038	5,379
One to three months overdue	167	96
More than three months overdue	155	52
	5,360	5,527

9. Trade, other receivables and other assets (continued)

The overdue trade debtors are not impaired and relate to a number of independent customers for whom there is no recent history of default. 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 guarantees or other monetary collateral.

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

	2015 HK\$M	2014 HK\$M
At 1st January	52	53
Amounts written back	-	(1)
At 31st December	52	52

10. Assets held for sale

	2015 HK\$M	2014 HK\$M
Assets held for sale	1,497	189
	1,497	189

An impairment loss amounting to HK\$4 million was recognised for the year ended 31st December 2015 (2014: HK\$14 million). Impairment of assets held for sale is considered by writing down the carrying value to the estimated recoverable amount of HK\$62 million (2014: HK\$97 million) which is the higher of the value in use and the fair value less costs of disposal. The recoverable amount was determined based on the fair value less costs of disposal, using market comparison approach by reference to the estimated sales value at 31st December 2015 and 2014. The fair value on which the recoverable amount is based is categorised as a Level 2 measurement.

11. Trade and other payables

	2015 HK\$M	2014 HK\$M
Trade creditors	5,341	5,671
Derivative financial liabilities - current portion	9,456	7,291
Other payables	7,732	8,996
Due to associates	227	239
Due to other related companies	269	261
	23,025	22,458

At 31st December 2015, total derivative financial liabilities of the Group which did not qualify for hedge accounting amounted to HK\$175 million (2014: HK\$201 million).

	2015 HK\$M	2014 HK\$M
Analysis of trade creditors by age:		
Current	5,023	5,476
One to three months overdue	308	176
More than three months overdue	10	19
	5,341	5,671

The Group's general payment terms are one to two months from the invoice date.

12. Share capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2015, 3,933,844,572 shares were in issue (31st December 2014: 3,933,844,572 shares). The transition to the no-par value regime under the new Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3rd March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the new Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the new Ordinance.

13. Corporate governance

The Company is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors of the Company have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

Details of the Company's corporate governance principles and processes will be available in the 2015 Annual Report.

The annual results have been reviewed by the Audit Committee of the Company.

14. Requirement in connection with publication of "non-statutory accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance") in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2015 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

15. Annual report

The 2015 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 6th April 2016. It will be available to shareholders by 6th April 2016.

16. Event after the reporting period

In December 2015, the General Court annulled the European Commission's finding against the Company in November 2010. The fine of Euros 57.12 million previously imposed on the Company had been refunded to the Company in early February 2016 as disclosed in note 28(e) to the financial statements in the 2015 Annual Report. The refund had been duly recognised in 2015 profit.

Operating Expenses

	Group			Cathay Pacific and Dragonair		
	2015 HK\$M	2014 HK\$M	Change	2015 HK\$M	2014 HK\$M	Change
Staff	18,990	18,101	+4.9%	17,028	16,247	+4.8%
Inflight service and passenger expenses	4,713	4,438	+6.2%	4,713	4,438	+6.2%
Landing, parking and route expenses	14,675	14,196	+3.4%	14,406	13,954	+3.2%
Fuel, including hedging losses	32,968	40,299	-18.2%	32,475	39,473	-17.7%
Aircraft maintenance	7,504	7,077	+6.0%	7,168	6,766	+5.9%
Aircraft depreciation and operating leases	10,883	10,411	+4.5%	10,724	10,179	+5.4%
Other depreciation, amortisation and operating leases	2,310	2,116	+9.2%	1,712	1,490	+14.9%
Commissions	798	799	-0.1%	798	799	-0.1%
Others	2,837	4,119	-31.1%	4,222	5,177	-18.4%
Operating expenses	95,678	101,556	-5.8%	93,246	98,523	-5.4%
Net finance charges	1,164	1,158	+0.5%	1,007	1,115	-9.7%
Total operating expenses	96,842	102,714	-5.7%	94,253	99,638	-5.4%

- The Group's total operating expenses decreased by 5.7% to HK\$96,842 million.
- The combined cost per ATK (with fuel) of Cathay Pacific and Dragonair decreased from HK\$3.50 to HK\$3.14.

Cathay Pacific and Dragonair Operating Results Analysis

	2015 HK\$M	2014 HK\$M
Airlines' profit before taxation	4,463	2,409
Taxation	(891)	(563)
Airlines' profit after taxation	3,572	1,846
Share of profits from subsidiaries and associates	2,428	1,304
Profit attributable to the shareholders of Cathay Pacific	6,000	3,150

Cathay Pacific and Dragonair Operating Results Analysis (continued)

The changes in the airlines' profit before taxation can be analysed as follows:

	HK\$M	
2014 airlines' profit before taxation	2,409	
Decrease of revenue	(3,331)	- Passenger revenue decreased due to a 11.4% decrease in yield, offset in part by a 2.4% points increase in load factor and a 7.9% increase in passenger carried. - Cargo revenue decreased due to a 13.2% decrease in yield and a 0.1% point decrease in load factor, offset in part by a 4.4% increase in cargo and mail tonnage carried.
Decrease/(increase) of costs:		
- Fuel, including hedging losses	6,998	- Fuel costs decreased due to a 40.3% decrease in the average into-plane fuel price, offset in part by an increase in hedging losses and a 4.3% increase in consumption.
- Aircraft maintenance	(402)	- Increased mainly due to increase in operational capacity.
- Depreciation, amortisation and operating leases	(767)	- Increased mainly due to the delivery of new aircraft.
- Staff	(781)	- Increased mainly due to increases in headcount and salaries.
- All other operating expenses, including inflight service, landing and parking, commissions, net finance charges and others	337	- Increases in other operating expenses were offset by an exceptional credit (refund of fine from European Commission of Euros 57.12 million).
2015 airlines' profit before taxation	4,463	

Fuel Expenditure and Hedging

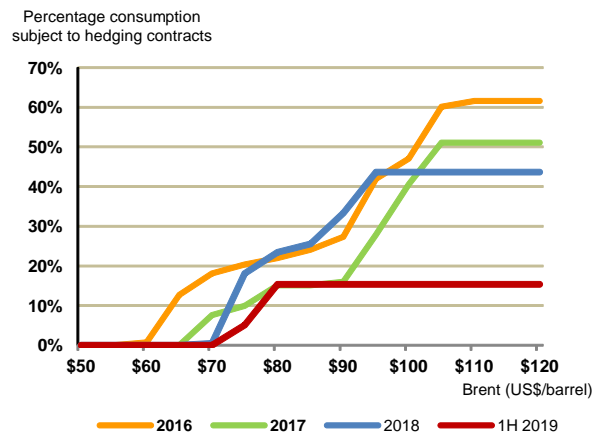
A breakdown of the Group's fuel cost is shown below:

	2015 HK\$M	2014 HK\$M
Gross fuel cost	24,494	39,388
Fuel hedging losses	8,474	911
Fuel cost	32,968	40,299

Fuel consumption in 2015 was 43.5 million barrels (2014: 41.7 million barrels).

- The Group's fuel hedging exposure at 31st December 2015 is set out in the table opposite.
- 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 payments 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 strike Brent prices.

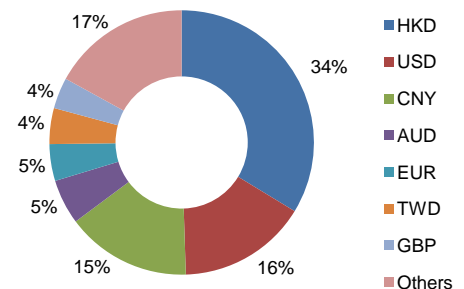
Maximum fuel hedging exposure



Foreign exchange

- 50% of the Group's non United States dollar ("USD") revenue arises from foreign currencies, the five largest being Renminbi, Australian dollars, Euros, New Taiwan dollars and Pound sterling.
- The Group generates a surplus in most of its revenue currencies, although the USD is an exception as capital expenditure, debt repayments, and fuel purchases are typically denominated in USD. The Group maintains its deposits in USD to mitigate the natural operating shortfall. The Group manages its foreign exchange exposure by matching as far as possible, receipts and payments in each currency. Surpluses of convertible currencies are sold for USD as soon as practicable. The Group's policy is to reduce its exposure to foreign exchange risk by hedging a percentage of its forecast net foreign currency cash flows, primarily using foreign exchange forwards and swaps.

Revenue by currency



Assets

- Total assets at 31st December 2015 were HK\$172,827 million.
- During the year, additions to property, plant and equipment were HK\$12,419 million, comprising HK\$10,489 million for aircraft and related equipment, HK\$1,403 million for buildings and HK\$527 million for other equipment.

Borrowings and Capital

- Borrowings decreased by 3.1% to HK\$63,105 million in 2015 from HK\$65,096 million in 2014.
- Borrowings are mainly denominated in United States dollars, Hong Kong dollars, Japanese yen and Euros, and are fully repayable by 2027, with 49.1% currently at fixed rates of interest after taking into account derivative transactions.
- Liquid funds, 76.9% of which are denominated in United States dollars, decreased by 2.1% to HK\$20,647 million.
- Net borrowings (after liquid funds) decreased by 3.5% to HK\$42,458 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 7.3% to HK\$47,927 million. This was in part due to unrealised hedging losses of HK\$5,417 million recognised in the cash flow hedge reserve, offset by retained profit and other reserve movements.
- The net debt/equity ratio increased from 0.85 times to 0.89 times.

Fleet Profile*

Aircraft type	Number at 31st December 2015			Total	Firm orders			Total	Expiry of operating leases					Options	
	Leased				'16	'17	'18 and beyond		'16	'17	'18	'19	'20		'21 and beyond
	Owned	Finance	Operating												
Aircraft operated by Cathay Pacific:															
A330-300	23	13	6	42					3	1	2				
A340-300	5	2		7 ^(a)											
A350-900					12 ^(b)	10		22							
A350-1000							26	26							
747-400	3			3											
747-400F	4			4 ^(c)											
747-400BCF			1 ^(d)	1					1						
747-400ERF		6		6											
747-8F	2	11		13	1 ^(c)			1							
777-200	5			5											
777-200F													5 ^(e)		
777-300	11	1		12											
777-300ER	19	11	23	53					2	2			19		
777-9X							21 ^(c)	21							
Total	72	44	30	146	13	10	47	70	2	6	1	2	19	5	
Aircraft operated by Dragonair:															
A320-200	5		10	15					2	1	1		6		
A321-200	2		6	8								1	5		
A330-300	10		9 ^(f)	19					3	4		2			
Total	17		25	42					3	4	2	3	2	11	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6	2	10					2						
747-400BCF			3 ^(f)	3					1	2					
Total	2	6	5	13					1	2	2				
Grand total	91	50	60^(f)	201	13	10	47	70	4	8	10	4	4	30	5

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2015.

- (a) One A340-300 was sold in February 2016.
- (b) Including two aircraft on 12-year operating leases.
- (c) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. Three Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, one in July 2015 and the third in September 2015. Two of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, the other in July 2015. Of the remaining four, one was parked in January 2014.
- (d) The aircraft was parked in August 2013 and returned to service in September 2015.
- (e) Purchase options in respect of five Boeing 777-200F freighters.
- (f) Of the total 60 operating lease aircraft, 55 are leased from external parties and five are under leasing arrangement within the Group (three Boeing 747-400BCFs and two Airbus A330-300s).

Review of Subsidiaries and Associates

- AHK Air Hong Kong Limited achieved an increase in profit for 2015 compared with 2014. Capacity in terms of available tonne kilometres increased by 0.6% to 776 million, the load factor increased by 0.4 percentage points to 66.5% and the revenue tonne kilometres increased by 1.3% to 516 million.
- Asia Miles Limited achieved an increase in profit compared with 2014 due to an increase in business volume. There was a 10.0% increase in redemptions by Asia Miles members on Cathay Pacific and Dragonair flights in 2015.
- Cathay Pacific Catering Services (H.K.) Limited produced 29.6 million meals and handled 72,000 flights in 2015 (representing a daily average of 81,000 meals and 196 flights and an increase of 8.9% and 4.1% respectively over 2014). Increased business volume and effective management of costs resulted in higher revenue and profit in 2015. Outside Hong Kong, profits were generally in line with expectations in all kitchens.
- Cathay Pacific Services Limited (“CPSL”) provided cargo handling services to eight airlines in 2015. Four more airlines became customers in March 2016. 2015 was the second year of full operation of CPSL. It handled 1.7 million tonnes of cargo in 2015, 51.0% of which were transshipments. Import and export shipments accounted for 17.0% and 32.0% respectively of the total. The 2015 operating performance was better than those of 2014. This reflected the addition of new customers and effective management of operating costs.
- The financial results of Hong Kong Airport Services Limited for 2015 improved, reflecting higher efficiency, low fuel prices and effective yield management.
- Air China Limited (“Air China”), in which Cathay Pacific has a 20.13% interest as at 31st December 2015, 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 results is based on its financial statements drawn up three months in arrears. Consequently the 2015 results include Air China’s results for the 12 months ended 30th September 2015, adjusted for any significant events or transactions for the period from 1st October 2015 to 31st December 2015. For the 12 months ended 30th September 2015, Air China’s results improved, principally as a result of low fuel prices and strong passenger demand. In August 2015, devaluation of the Renminbi led to significant foreign exchange losses for Air China. However, the foreign exchange losses were more than offset by savings from low fuel prices. Overall Cathay Pacific recorded an increase in profit from Air China in 2015.
- Air China Cargo Co., Ltd. (“Air China Cargo”), in which Cathay Pacific owns an equity and an economic interest, is the leading provider of air cargo services in Mainland China. Air China Cargo’s 2015 financial results were in line with those of 2014. The adverse effects of exchange losses on retranslation of United States dollar loans and lower yield in the highly competitive air cargo market were offset by the savings from low fuel prices.

Corporate Responsibility

- We published our 2014 Sustainable Development Report, entitled “Sustaining a Life Well Travelled”. The report can be viewed at www.cathaypacific.com/sdreport.
- Cathay Pacific is involved in the Global Market-based Measure Technical Task Force, under the auspices of the International Civil Aviation Organization. This task force is leading the industry’s work to develop airlines’ commitment to carbon neutral growth by 2020 and in developing proposals for a fair and equitable global agreement on emissions.
- Cathay Pacific engages with groups (the IATA Environment Committee, the Airlines Advisory Group on Global Market-Based Measures, the Sustainable Aviation Fuel Users Group and the Association of Asia Pacific Airlines) involved in shaping climate change and aviation policy. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.

- In compliance with the European Union's Emissions Trading Scheme (EU ETS), our 2015 emissions data from intra-EU flights were reported on by an external auditor in January 2016 and our emissions report was submitted to the UK Environment Agency in February 2016. Cathay Pacific's greenhouse gas (GHG) emissions data for 2015 were reported on by an external auditor.
- In February 2015, Hong Kong SAR Chief Executive CY Leung was the guest of honour on a community flight organised by Cathay Pacific. The 90-minute flight on a Boeing 777-200 aircraft was a special treat for 200 people from 60 less-advantaged families in Hong Kong. Most of the participants had never flown before. We operated another community flight in January 2016, again with the Hong Kong SAR Chief Executive as our guest of honour.
- In November 2015, Dragonair organised Journey of Dreams, a flight for 50 beneficiaries of the Hong Kong Labour and Welfare Bureau's Child Development Fund. The participants were from less-advantaged backgrounds and had never flown before. Prior to the flight, they were given a behind-the-scenes look at airline operations.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. In August 2015 we announced that the airline's passengers had contributed more than HK\$11.3 million in 2014 to help improve the lives of less-advantaged children around the world. Since its introduction in 1991, more than HK\$155 million has been raised through the programme.
- Cathay Pacific and its subsidiaries employed more than 33,600 people worldwide at the end of 2015, with around 25,800 of these people are employed in Hong Kong. We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

As at the date of this announcement, the Directors of Cathay Pacific are:

Executive Directors: John Slosar (Chairman), Ivan Chu, Rupert Hogg, Martin Murray and Algernon Yau;

Non-Executive Directors: Cai Jianjiang, Martin Cubbon, Fan Cheng, Ian Shiu, Song Zhiyong, Merlin Swire, Samuel Swire and Zhao Xiaohang; and

Independent Non-Executive Directors: John Harrison, Irene Lee, Andrew Tung and Peter Wong.

By Order of the Board

Cathay Pacific Airways Limited

John Slosar

Chairman

Hong Kong, 9th March 2016

Website: www.cathaypacific.com