Media Information

10 August 2011

FOR IMMEDIATE RELEASE

CATHAY PACIFIC ANNOUNCES 2011 INTERIM RESULTS

		1H2011	1H2010	**Change**
Turnover	*HK$ million*	**46,791**	41,337	**+13.2%**
Profit attributable to owners of Cathay Pacific	*HK$ million*	**2,808**	6,840	**-58.9%**
Earnings per share	*HK cents*	**71.4**	173.9	**-58.9%**
Dividend per share	*HK cents*	**18**	33	**-45.5%**

The Cathay Pacific Group reported a profit of HK$2,808 million for the first six months of 2011 which compares to a profit of HK$6,840 million in the first half of 2010. Earnings per share fell by 58.9% to HK71.4 cents. Turnover for the period rose by 13.2% to HK$46,791 million.

In the first half of 2011, the core business of the Group remained generally robust following the very strong performance of 2010. The passenger businesses of both Cathay Pacific and Dragonair performed well, with strong demand for premium class travel despite economic uncertainty in some of the world's major economies. The cargo business performed reasonably in the first quarter of the year but was appreciably weaker in the second quarter. Revenues were boosted by the relative strength of a number of key operating currencies.

Increased jet fuel prices had a significant effect on operating results in the first half of 2011. Fuel is the Group's biggest single cost, and during the period fuel costs rose by 49.5% compared to the same period in 2010, an increase of HK$6,461 million that reflects higher fuel prices and an expanded operation. Managing the risk associated with fuel prices is a key objective and the Group has a robust fuel hedging programme in place. In the first half of 2011, hedging activities resulted in a realised profit of HK$962 million with additional unrealised mark-to-market gains of HK$1,197 million being recognised in reserves.

Passenger revenue for the period was HK$31,774 million - an increase of 15.9% compared to the same period in 2010. Capacity increased by 9.8% and the two airlines carried a total of 13.2 million passengers, a rise of 1.7% on 2010. The load factor fell by 4.7 percentage points while yield increased by 11.8% to HK65.3 cents. Load factors in economy class remained high, particularly on the North American and Southeast Asian routes, while demand for premium class travel remained strong and yields continued to increase. However, the earthquake and tsunami in Japan in March resulted in a significant reduction in demand in one of the Group's most important markets. By June we were seeing some recovery on the Japan routes, though volumes remain well below those achieved before the earthquake and tsunami.

The Cathay Pacific and Dragonair cargo business performed reasonably in the first quarter of 2011, though demand out of its two most important markets, Hong Kong and Mainland China, weakened significantly from April onwards. Cargo revenue for the first half of 2011 was up by 7.7% to HK$11,628 million compared with the same period in 2010. Yield was up by 7.1% to HK$2.42 while capacity was up 14.6%. The load factor fell by 9.6 percentage points to 68.4%.

The Group took delivery of six new aircraft in the first half of 2011 with a further eight deliveries scheduled in the second half of the year. In March Cathay Pacific announced its intention to acquire another 27 new aircraft – two Airbus A350-900s, 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August, Cathay Pacific announced a further acquisition of four Boeing 777-300ERs and eight Boeing 777-200F freighters. The delivery of the airline's new Boeing 747-8F freighters has been further delayed. Two are now scheduled to be delivered in September 2011, with three more arriving before the end of the year. However, the delivery schedule is still subject to final confirmation.

The Group continued its efforts to provide a better proposition for its customers, strengthening its network and improving products on the ground and in the air. Cathay Pacific started flying to Abu Dhabi in June and will start flying to Chicago in September, with frequencies increased to Milan, Paris, New York, Toronto and a number of Southeast Asian routes. Dragonair increased frequencies to a number of cities in Mainland China. On the product side, Cathay Pacific's new Business Class product has been well received by passengers and now features on seven aircraft.

Among the other major developments in the first half of 2011, Cathay Pacific launched a cargo joint venture with Air China in May, in which it holds an equity and an economic interest. The joint venture operates from Shanghai under the Air China Cargo name and will capture airfreight opportunities from the Yangtze River Delta region. At the same time Cathay Pacific is highlighting its commitment to its home hub by building a new HK$5.5 billion cargo terminal at Hong Kong International Airport. The airline has given its full backing to building a third runway at the airport to address the issue of capacity constraints, ensure the sustainability of the Hong Kong economy and maintain Hong Kong's position as Asia's premier aviation hub. Recognising environmental concerns relating to the third runway project, Cathay Pacific is playing an active role in the industry effort to reduce emissions and noise.

Cathay Pacific Chairman Christopher Pratt said: "After an exceptionally strong 2010, in which we made record profits, 2011 is proving to be more challenging. High fuel prices are increasing costs and recovering them through higher tariffs may affect demand. The outlook for the world economy is uncertain and a return to recessionary economic conditions would also affect demand and possibly average price levels. 2010's strong performance enabled us to rebuild our balance sheet. Our financial position is strong. We remain in a good position to deal with increased operating costs and the economic uncertainty with which we are faced and to reinforce Hong Kong's position as a leading international aviation hub.

"The current high fuel prices and economic uncertainty are a reminder that we operate in a challenging and unpredictable industry and accordingly must continue to manage our finances prudently. Despite the uncertainties and challenges, we are confident of our position and that we can meet those challenges. We have a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and our position in one of the world's premier international aviation hubs, Hong Kong. We expect these core strengths to ensure the continued success of the airline."

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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00293)

Announcement
2011 Interim Results

Financial and Operating Highlights

Group Financial Statistics

		2011	2010	**Change**
Results		Six months ended 30th June		
Turnover	*HK$ million*	**46,791**	41,337	**+13.2%**
Profit attributable to owners of Cathay Pacific	*HK$ million*	**2,808**	6,840	**-58.9%**
Earnings per share	*HK cents*	**71.4**	173.9	**-58.9%**
Dividend per share	*HK cents*	**18**	33	**-45.5%**
Profit margin	*%*	**6.0**	16.5	**-10.5%pt**
Financial position		**30th June**	31st December	
Funds attributable to owners of Cathay Pacific	*HK$ million*	**54,899**	54,274	**+1.2%**
Net borrowings	*HK$ million*	**20,598**	15,435	**+33.4%**
Shareholders' funds per share	*HK$*	**14.0**	13.8	**+1.4%**
Net debt/equity ratio	*Times*	**0.38**	0.28	**+0.10 times**

Operating Statistics – Cathay Pacific and Dragonair

		2011	2010	**Change**
		Six months ended 30th June		
Available tonne kilometres ("ATK")	*Million*	**12,846**	11,436	**+12.3%**
Passengers carried	*'000*	**13,176**	12,954	**+1.7%**
Passenger load factor	*%*	**79.3**	84.0	**-4.7%pt**
Passenger yield	*HK cents*	**65.3**	58.4	**+11.8%**
Cargo and mail carried	*'000 tonnes*	**836**	872	**-4.1%**
Cargo and mail load factor	*%*	**68.4**	78.0	**-9.6%pt**
Cargo and mail yield	*HK$*	**2.42**	2.26	**+7.1%**
Cost per ATK	*HK$*	**3.35**	3.14	**+6.7%**
Cost per ATK without fuel	*HK$*	**1.94**	2.01	**-3.5%**
Aircraft utilisation	*Hours per day*	**12.3**	11.8	**+4.2%**
On-time performance	*%*	**83.1**	82.5	**+0.6%pt**

Capacity, load factor and yield - Cathay Pacific and Dragonair

	Capacity ASK/ATK (million)#			Load factor (%)			Yield
	2011	2010	**Change**	**2011**	2010	**Change**	**Change**
Passenger services							
India, Middle East, Pakistan and Sri Lanka	**5,546**	5,475	**+1.3%**	**75.9**	78.3	**-2.4%pt**	**+10.0%**
Southeast Asia	**7,714**	6,811	**+13.3%**	**82.7**	82.4	**+0.3%pt**	**+9.8%**
Southwest Pacific and South Africa	**9,444**	9,173	**+3.0%**	**73.3**	80.6	**-7.3%pt**	**+15.6%**
Europe	**11,159**	9,838	**+13.4%**	**81.2**	85.8	**-4.6%pt**	**+12.3%**
North Asia	**12,445**	11,548	**+7.8%**	**69.7**	80.3	**-10.6%pt**	**+19.4%**
North America	**14,828**	12,835	**+15.5%**	**89.3**	91.7	**-2.4%pt**	**+7.7%**
Overall	**61,136**	55,680	**+9.8%**	**79.3**	84.0	**-4.7%pt**	**+11.8%**
Cargo services	**7,031**	6,135	**+14.6%**	**68.4**	78.0	**-9.6%pt**	**+7.1%**

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

Passenger services

- The strength of a number of key operating currencies relative to Hong Kong dollars and US dollars had a positive impact on revenues during the first half of 2011. But increased fuel prices significantly affected profitability and remain a key cost driver.
- Demand for economy class seats was slightly less than expected. This resulted in the growth in passengers carried being slightly less than the growth in capacity. However, yield increased with effective space management.
- Demand for premium class seats remained strong, despite economic uncertainties in a number of world economies. Business class load factors sustain well, filling up the additional capacity. Yields rose in both first and business classes.
- Capacity increased as new aircraft were added to the fleet, a new destination (Abu Dhabi) was introduced and frequencies were increased on other routes.
- The earthquake and tsunami in March adversely affected demand on routes to Japan. Load factors fell, particularly on the Tokyo route. Capacity was reduced, but has been partially reinstated.
- Business originating in Hong Kong (except for that on the Japan routes) was generally as we expected. Demand was strong on key long-haul and regional routes, particularly (where it benefited from the levels of activity in financial markets) in premium classes.
- Business derived from the Pearl River delta continued to grow. The number of passengers connecting with Cathay Pacific via the Dragonair Guangzhou service increased, particularly during the Canton Fair period.
- Business derived from Mainland China (outside the Pearl River delta) was satisfactory and continues to increase in importance. Demand on routes to secondary cities was strong and capacity was increased on some routes in response. The Shanghai route was relatively weak. Competition on this route increased. Demand in the corresponding period in 2010 benefited from the Expo.
- Competition increased on the Taipei route. The overall performance of the Taiwan routes was satisfactory, as demand was strong.
- Competition increased in economy class on the Korean routes, especially on the Busan route.
- Business on most Southeast Asian routes was strong. Traffic to and from Thailand returned to the levels experienced before the 2010 political unrest. The Singapore and Indonesian routes benefited from additional capacity. The Penang route benefited from becoming a daily direct service. The Kuala Lumpur route performance was also strong despite intense competition.

- The Philippines routes maintained their performance, helped by stronger premium travel. The performance of Dragonair's service to Manila continues to improve.
- In India, strong competition on the Delhi and Mumbai routes limited yield growth opportunities in economy class, but the performance in premium classes was generally solid. Business on the Chennai and Bengaluru routes was stable.
- The routes to the Middle East were adversely affected by political unrest and competition. Demand on the newly introduced Abu Dhabi route is increasing. However, the region as a whole is expected to remain difficult for the rest of the year.
- On the Southwest Pacific routes premium class revenue grew in line with capacity, assisted by the strength of the Australian currency. Economy class business was adversely affected by increased competition.
- Business on the South Africa routes was weak. Business travel from Japan was reduced. More Mainland Chinese travellers transited through the Middle East instead of through Hong Kong.
- Premium class revenues grew strongly on the London route. Economy class revenues on the London route were reasonable despite strong competition. On the other European routes, demand for premium class was very strong too despite the significant capacity increase, but economy class demand was sluggish. The Moscow route continued to suffer from intense competition. The Milan route has performed well since its launch last year and frequencies were increased so that it became a daily flight in July.
- There was strong demand for all classes of travel on the North American routes. Corporate demand was particularly strong from the United States to Southeast Asia. Our recently introduced fourth daily flight to New York is performing satisfactorily. In Canada, yield was under pressure given the extra capacity, particularly in economy class.

Cargo services

- Demand for cargo shipments from our two main markets, Hong Kong and Mainland China, was weaker than expected in the second quarter. The Mainland China market was affected by a significant increase in competition, particularly on routes to Europe originating in Shanghai. There was good demand on our routes within Asia. We switched some capacity from long-haul routes in order to take advantage of this. Cargo imports to Hong Kong increased, particularly those in transit to Mainland China, where demand for high quality foreign products is increasing. This could help to reduce the imbalance between the volumes of cargo exported from and imported to Hong Kong.
- Our Japan cargo business did not weaken significantly following the earthquake and tsunami in March. However, these natural disasters did reduce the availability of hi-tech items made in Japan. This in turn affected manufacturing activities in Mainland China and, consequentially, cargo shipments from Hong Kong.
- Dragonair continues to make a contribution to our cargo business by selling space in the bellies of its passenger aircraft. We put larger (Airbus A330-300) aircraft on the Chengdu and Chongqing routes in response to increased demand for shipments of hi-tech goods from these cities. We intend to develop our cargo business further in manufacturing centres in central Mainland China.
- The profitability of our cargo business was materially affected by increased fuel prices, particularly on ultra-long-haul routes. Fuel surcharges were increased, but this only partly offset the increase in prices.
- The only major change in our freighter network in the first half of 2011 was the addition of Bangkok from May. This once-weekly service flies via Singapore. In August we launched a new service to Bengaluru, extending our reach into the Indian subcontinent with a twice-weekly flight via Delhi. There were some adjustments to our intra-Asia schedules including separating the Hong Kong service to Dhaka and Hanoi into two separate flights from the middle of May to take advantage of strong demand from these two Asian ports.
- There was no significant cargo peak during the first six months of 2011. We managed capacity in line with demand on key routes.
- In May we launched our cargo joint venture with Air China, in which we hold an equity and an economic interest. The joint venture operates from Shanghai under the Air China Cargo name. Shipments of air cargo between the Yangtze River Delta region and major markets round the world are large and growing, accounting for two-thirds of Mainland China's air cargo business. The key markets are North America, Europe and North Asia. In addition to operating its own freighters, the venture has exclusive rights to carry cargo in the bellies of the entire Air China passenger fleet. We are confident that the venture will succeed in capitalising on the opportunities afforded to it.
- The second of four Boeing 747-400BCF freighters being sold by the Group to the Air China Cargo joint venture was sold in July. The remaining two will be sold in early 2012. By then the joint venture will be operating 12 Boeing 747-400 freighters.
- Air Hong Kong is dry-leasing three Cathay Pacific Boeing 747-400BCF freighters in order to upgrade its services on regional routes. Cathay Pacific will share some of this capacity with Air Hong Kong. Two of the leased aircraft are already flying for Air Hong Kong. The third will start flying for Air Hong Kong in September. Air Hong Kong has an option to dry-lease a fourth Boeing 747-400BCF freighter from Cathay Pacific.
- The delivery of our new-generation Boeing 747-8F freighters has been delayed again. The first two were due to arrive in August but are now scheduled to be delivered in September, with three more arriving before the end of the year. The arrival of these new freighters will give us more capacity during the busy winter peak period. However, the latest delivery schedule is still subject to final confirmation.
- Cathay Pacific is deeply committed to developing its home base as a centre for airfreight. In 2010 Hong Kong International Airport became the world's busiest international air cargo hub. We are further strengthening Hong Kong's position by building our own cargo terminal at Hong Kong International Airport. When the HK$5.5 billion facility begins operations in early 2013 it will be one of the biggest and most sophisticated cargo terminals in the world.

Chairman's Letter

The Cathay Pacific Group reported a profit of HK$2,808 million for the first six months of 2011. This compares to a profit HK$6,840 million in the first half of 2010. Earnings per share fell by 58.9% to HK71.4 cents. Turnover for the period rose by 13.2% to HK$46,791 million.

In the first half of 2011, the core business of the Cathay Pacific Group remained generally robust following the very strong performance of 2010. The passenger businesses of both Cathay Pacific and Dragonair performed well, with strong demand for premium class travel despite economic uncertainty in some of the world's major economies. The cargo business performed reasonably in the first quarter of the year but was appreciably weaker in the second quarter. The relative strength of some of our key operating currencies made a positive contribution to our revenues during this period.

Increased jet fuel prices had a significant effect on our operating results in the first half of 2011. Fuel is our biggest single cost. During the period the Group's fuel costs (disregarding the effect of fuel hedging) rose by 49.5% compared to the same period in 2010, an increase of HK$6,461 million. The increase reflects higher fuel prices and flying more. Managing the risk associated with high and volatile fuel prices is a key challenge for the Company. We have a robust fuel hedging programme. In the first half of 2011 our hedging activities resulted in a realised profit of HK$962 million with additional unrealised mark-to-market gains of HK$1,197 million being recognised in reserves.

Our passenger business performed generally as we expected during the half year. Passenger revenue for the period was HK$31,774 million, representing an increase of 15.9% compared with the same period in 2010. Capacity increased by 9.8%. We carried a total of 13.2 million passengers, a rise of 1.7% compared to the same period of 2010. The load factor fell by 4.7 percentage points. Yield increased by 11.8% to HK65.3 cents. Load factors in economy class remained high, particularly on the North American and Southeast Asian routes. Demand for premium class travel remained strong and yields continued to increase. However, the earthquake and tsunami in Japan in March resulted in a significant reduction in demand in one of our most important markets. By June we were seeing some recovery on the Japan routes, though volumes remain well below those achieved before the earthquake and tsunami.

The Cathay Pacific and Dragonair cargo business performed reasonably in the first quarter of 2011. However, demand for shipments from our two most important markets, Hong Kong and Mainland China, started to weaken significantly in April. This weakness persisted during the whole of the second quarter. Its effect was offset to some extent by an increase in shipments of cargo to Hong Kong, reflecting increased consumer demand in Mainland China. Our cargo revenue for the first half of 2011 was up by 7.7% to HK$11,628 million compared with the same period in 2010. Yield was up by 7.1% to HK$2.42. Capacity was up 14.6%. The load factor fell by 9.6 percentage points to 68.4%.

We took delivery of six new aircraft in the first half of 2011 and we have a further eight deliveries scheduled in the second half of the year. In March we announced our intention to acquire another 27 new aircraft – two Airbus A350-900s, 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August, Cathay Pacific announced a further acquisition of four Boeing 777-300ERs and eight Boeing 777-200F freighters. Our fleet development plans are intended to result in our operating one of the youngest, most fuel-efficient wide-body passenger fleets in the world by 2019. The second of four Boeing 747-400BCF freighters was sold to our cargo joint venture with Air China in July. The remaining two will be sold in early 2012. Cathay Pacific is dry-leasing another two aircraft of this type to Air Hong Kong. The delivery of the airline's new Boeing 747-8F freighters has been further delayed. Two are now scheduled to be delivered in September 2011, with three more arriving before the end of the year. However, the latest delivery schedule is still subject to final confirmation.

We are continuing our efforts to provide a better proposition for our customers, by strengthening our network and by improving our products on the ground and in the air. Cathay Pacific started flying to Abu Dhabi in June and will start flying to Chicago in September. Frequencies have been increased on Cathay Pacific's Milan, Paris, New York and Toronto routes and on a number of its Southeast Asian routes. Dragonair increased frequencies on its routes to cities in Mainland China. In March Cathay Pacific introduced its new business class product. It has been very well received by passengers. To date it has been installed on seven aircraft. Following our opening of The Cabin in October 2010, we are improving The Wing, our signature lounge at Hong Kong International Airport and are looking at other ways to improve what we offer to customers.

In May we launched our cargo joint venture with Air China, in which we hold an equity and an economic interest. The joint venture operates from Shanghai under the Air China Cargo name. Shipments of air cargo between the Yangtze River Delta region and major markets round the world are large and growing. We are confident that the venture will succeed in capitalising on the opportunity afforded by this growing market. Work continues on our new cargo terminal at Hong Kong International Airport. When it opens in 2013, it will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.

We are deeply committed to Hong Kong as our home base. Hong Kong International Airport will soon face serious capacity restraints. An urgent and necessary debate has begun on how to address this issue. The Airport Authority of Hong Kong is asking the public to consider two options; to increase the capacity of the current two runways or to build a third runway. We are putting our full support behind the latter option. We believe that a third runway is of critical importance to the sustainability of the Hong Kong economy and to maintaining Hong Kong's position as Asia's premier aviation hub. Recognising environmental concerns relating to the third runway project, Cathay Pacific is playing an active role in the industry effort to reduce emissions and noise.

After an exceptionally strong 2010, in which we made record profits, 2011 is proving to be more challenging. High fuel prices are increasing costs and recovering them through higher tariffs may affect demand. The outlook for the world economy is uncertain and a return to recessionary economic conditions would also affect demand and possibly average price levels. 2010's strong performance enabled us to rebuild our balance sheet. Our financial position is strong. We remain in a good position to deal with increased operating costs and the economic uncertainty with which we are faced and to reinforce Hong Kong's position as a leading international aviation hub.

The current high fuel prices and economic uncertainty are a reminder that we operate in a challenging and unpredictable industry and accordingly must continue to manage our finances prudently. Despite the uncertainties and challenges, we are confident of our position and that we can meet those challenges. We have a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and our position in one of the world's premier international aviation hubs, Hong Kong. We expect these core strengths to ensure the continued success of the airline.

Christopher Pratt
Chairman
Hong Kong, 10th August 2011

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2011 – Unaudited

	Note	2011 HK$M	2010 HK$M
Turnover			
Passenger services		**31,774**	27,411
Cargo services		**12,870**	11,844
Catering, recoveries and other services		**2,147**	2,082
Total turnover	*2*	**46,791**	41,337
Expenses			
Staff		**(7,206)**	(6,759)
Inflight service and passenger expenses		**(1,797)**	(1,551)
Landing, parking and route expenses		**(6,259)**	(5,280)
Fuel		**(18,564)**	(13,169)
Aircraft maintenance		**(3,760)**	(3,167)
Aircraft depreciation and operating leases		**(4,092)**	(4,091)
Other depreciation, amortisation and operating leases		**(580)**	(547)
Commissions		**(398)**	(357)
Others		**(1,337)**	(1,454)
Operating expenses		**(43,993)**	(36,375)
Operating profit before non-recurring items		**2,798**	4,962
Profit on disposal of investments	*4*	**-**	2,165
Operating profit	*5*	**2,798**	7,127
Finance charges		**(849)**	(887)
Finance income		**535**	325
Net finance charges		**(314)**	(562)
Share of profits of associates		**861**	827
Profit before tax		**3,345**	7,392
Taxation	*6*	**(445)**	(462)
Profit for the period		**2,900**	6,930
Other comprehensive income			
Cash flow hedges		**519**	234
Revaluation deficit arising from available-for-sale financial assets		**(17)**	(293)
Share of other comprehensive income of associates		**92**	17
Exchange differences on translation of foreign operations		**292**	77
Other comprehensive income for the period, net of tax	*7*	**886**	35
Total comprehensive income for the period		**3,786**	6,965
Profit attributable to			
Owners of Cathay Pacific		**2,808**	6,840
Non-controlling interests		**92**	90
		2,900	6,930
Total comprehensive income attributable to			
Owners of Cathay Pacific		**3,694**	6,875
Non-controlling interests		**92**	90
		3,786	6,965
Earnings per share (basic and diluted)	*8*	**71.4¢**	173.9¢

CATHAY PACIFIC

Consolidated Statement of Financial Position

at 30th June 2011 - Unaudited

	Note	**30th June 2011 HK$M**	31st December 2010 HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Fixed assets		**68,032**	66,112
Intangible assets		**8,202**	8,004
Investments in associates		**16,518**	12,926
Other long-term receivables and investments		**4,511**	4,359
		97,263	91,401
Long-term liabilities		**(32,866)**	(36,235)
Related pledged security deposits		**4,156**	5,310
Net long-term liabilities		**(28,710)**	(30,925)
Other long-term payables		**(1,979)**	(1,700)
Deferred taxation		**(6,096)**	(5,815)
		(36,785)	(38,440)
Net non-current assets		**60,478**	52,961
Current assets and liabilities			
Stock		**1,054**	1,021
Trade, other receivables and other assets	*10*	**14,066**	11,433
Liquid funds		**18,641**	24,198
		33,761	36,652
Current portion of long-term liabilities		**(12,011)**	(9,249)
Related pledged security deposits		**1,483**	545
Net current portion of long-term liabilities		**(10,528)**	(8,704)
Trade and other payables	*11*	**(17,017)**	(15,773)
Unearned transportation revenue		**(10,060)**	(9,166)
Taxation		**(1,568)**	(1,541)
		(39,173)	(35,184)
Net current (liabilities)/assets		**(5,412)**	1,468
Net assets		**55,066**	54,429
CAPITAL AND RESERVES			
Share capital	*12*	**787**	787
Reserves		**54,112**	53,487
Funds attributable to owners of Cathay Pacific		**54,899**	54,274
Non-controlling interests		**167**	155
Total equity		**55,066**	54,429

Notes:

1. Basis of preparation and accounting policies

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard HKAS 34, *"Interim financial reporting"*, issued by the Hong Kong Institute of Certified Public Accountants. It was authorised for issue on 10th August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements.

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

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Sales to external customers	**46,308**	40,865	**483**	472			**46,791**	41,337
Inter-segment sales	**4**	-	**769**	642			**773**	642
Segment revenue	**46,312**	40,865	**1,252**	1,114			**47,564**	41,979
Segment results	**2,715**	7,059	**83**	68			**2,798**	7,127
Net finance charges	**(311)**	(546)	**(3)**	(16)			**(314)**	(562)
	2,404	6,513	**80**	52			**2,484**	6,565
Share of profits of associates					**861**	827	**861**	827
Profit before tax	**2,404**	6,513	**80**	52	**861**	827	**3,345**	7,392
Taxation	**(432)**	(452)	**(13)**	(10)			**(445)**	(462)
Profit for the period							**2,900**	6,930

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

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	**20,206**	19,008
- Japan, Korea and Taiwan	**6,343**	5,121
India, Middle East, Pakistan and Sri Lanka	**2,333**	2,193
Southeast Asia	**3,407**	2,776
Southwest Pacific and South Africa	**3,391**	2,954
Europe	**4,641**	4,092
North America	**6,470**	5,193
	46,791	41,337

India, Middle East, Pakistan and Sri Lanka includes the Indian sub-continent, the Middle East, Pakistan, Sri Lanka and Bangladesh. Southeast Asia includes Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Cambodia. Southwest Pacific and South Africa includes Australia, New Zealand and Southern Africa. Europe includes continental Europe, the United Kingdom, Scandinavia, Russia, the Baltic states and Turkey. North America includes U.S.A., Canada and Latin America. A geographic analysis of segment results is not disclosed for the reasons set out in the 2010 Annual Report.

4. Profit on disposal of investments

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Profit on disposal of an associate	**-**	1,837
Profit on disposal of a long-term investment	**-**	328
	-	2,165

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.

CATHAY PACIFIC

5. Operating profit

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- leased	**958**	942
- owned	**2,120**	2,179
Amortisation of intangible assets	**20**	16
Operating lease rentals		
- land and buildings	**358**	334
- aircraft and related equipment	**1,201**	1,155
- others	**15**	12
Net provision for impairment of aircraft and related equipment	**-**	9
Cost of stock expensed	**1,043**	914
Exchange differences, net	**(291)**	(48)
Auditors' remuneration	**4**	4
Net (gains)/losses on financial assets and liabilities classified as held for trading	**(209)**	212
Net losses/(gains) on financial assets and liabilities designated as at fair value through profit and loss	**225**	(49)
Income from unlisted investments	**(7)**	(19)

6. Taxation

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Current tax expenses		
- Hong Kong profits tax	**49**	43
- overseas tax	**155**	114
- under/(over) provision for prior years	**12**	(54)
Deferred tax		
- origination and reversal of temporary differences	**229**	359
	445	462

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period. 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 20(d) to the accounts in the 2011 Interim Report).

CATHAY PACIFIC

7. Other comprehensive income

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Cash flow hedges		
- recognised during the period	**264**	(243)
- transferred to profit and loss	**311**	502
- deferred tax recognised	**(56)**	(25)
Revaluation of available-for-sale financial assets		
- recognised during the period	**(17)**	(30)
- transferred to profit and loss	**-**	(263)
Share of other comprehensive income of associates	**92**	17
Exchange differences on translation of foreign operations	**292**	77
Other comprehensive income for the period	**886**	35

8. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the owners of Cathay Pacific of HK$2,808 million (2010: HK$6,840 million) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2010: 3,934 million) shares.

9. Dividends

The Directors have declared an interim dividend of HK¢18 per share (2010: HK¢33 per share) for the period ended 30th June 2011. This interim dividend which totals HK$708 million (2010: HK$1,298 million) will be paid on 3rd October 2011 to shareholders registered at the close of business on the record date, being Friday, 9th September 2011. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2011. This interim dividend has not been recognised as a liability at the balance sheet date.

The register of members will be closed on Friday, 9th September 2011, during which day no transfer of shares will be effected. In order to qualify for entitlement to the 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, 8th September 2011.

10. Trade, other receivables and other assets

	30th June 2011 HK$M	31st December 2010 HK$M
Trade debtors	**6,290**	5,904
Derivative financial assets - current portion	**3,526**	2,349
Other receivables and prepayments	**3,105**	2,766
Due from associates	**21**	46
Aircraft and related equipment held for sale	**1,124**	368
	14,066	11,433

	30th June 2011 HK$M	31st December 2010 HK$M
Analysis of trade debtors (net of allowance for doubtful debts) by age:		
Current	**6,228**	5,853
One to three months overdue	**55**	45
More than three months overdue	**7**	6
	6,290	5,904

The Group normally grants a credit term of 30 days to customers or follows the relevant local industry standard, with debts in certain circumstances being partially secured by bank guarantees or other monetary collateral.

11. Trade and other payables

	30th June 2011 HK$M	31st December 2010 HK$M
Trade creditors	**6,814**	6,211
Derivative financial liabilities – current portion	**1,420**	1,391
Other payables	**8,477**	7,779
Due to associates	**63**	37
Due to other related companies	**242**	351
Bank overdrafts – unsecured	**1**	4
	17,017	15,773

	30th June 2011 HK$M	31st December 2010 HK$M
Analysis of trade creditors by age:		
Current	**6,632**	6,039
One to three months overdue	**170**	161
More than three months overdue	**12**	11
	6,814	6,211

12. Share capital

During the period under review, the Group did not purchase, sell or redeem any of its shares. At 30th June 2011, 3,933,844,572 shares were in issue (31st December 2010: 3,933,844,572 shares).

13. Event after the reporting period

In August 2011, agreements were entered into under which a wholly owned subsidiary of the Company agreed to purchase four Boeing 777-300ER aircraft and eight Boeing 777-200F freighters. The catalogue price of these aircraft is approximately HK$25,600 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.

14. 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 with all the code provisions and has met most of the recommended best practices set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the accounting period covered by the interim report.

The 2011 interim result has been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2010 Annual Report and in the 2011 Interim Report.

15. Interim report

The 2011 Interim Report will be sent to shareholders who have elected to receive printed copies on 24th August 2011. It will also be published on the Stock Exchange website and the Company website www.cathaypacific.com by 18th August 2011.

Operating expenses

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2011 HK$M	2010 HK$M	**Change**	**2011 HK$M**	2010 HK$M	**Change**
Staff	**7,206**	6,759	**+6.6%**	**6,560**	6,190	**+6.0%**
Inflight service and passenger expenses	**1,797**	1,551	**+15.9%**	**1,797**	1,551	**+15.9%**
Landing, parking and route expenses	**6,259**	5,280	**+18.5%**	**6,149**	5,195	**+18.4%**
Fuel	**18,564**	13,169	**+41.0%**	**18,175**	12,898	**+40.9%**
Aircraft maintenance	**3,760**	3,167	**+18.7%**	**3,661**	3,095	**+18.3%**
Aircraft depreciation and operating leases	**4,092**	4,091	**-**	**4,007**	4,006	**-**
Other depreciation, amortisation and operating leases	**580**	547	**+6.0%**	**469**	432	**+8.6%**
Commissions	**398**	357	**+11.5%**	**398**	357	**+11.5%**
Others	**1,337**	1,454	**-8.0%**	**1,573**	1,620	**-2.9%**
Operating expenses	**43,993**	36,375	**+20.9%**	**42,789**	35,344	**+21.1%**
Net finance charges	**314**	562	**-44.1%**	**293**	536	**-45.3%**
Total operating expenses	**44,307**	36,937	**+20.0%**	**43,082**	35,880	**+20.1%**

- Group total operating expenses increased 20.0% to HK$44,307 million.
- The combined cost per ATK of Cathay Pacific and Dragonair rose from HK$3.14 to HK$3.35, principally due to the 38.8% increase in the average fuel price.

Cathay Pacific and Dragonair operating results analysis

	Six months ended 30th June	
	2011 HK$M	2010 HK$M
Airlines' operating profit before fuel hedging, non-recurring items and tax	**1,171**	4,195
Profit on disposal of Hactl and HAECO shares	**-**	2,165
Net provision for impairment of aircraft and related equipment	**-**	(9)
Airlines' profit before fuel hedging gains/(losses) and tax	**1,171**	6,351
Realised and unrealised fuel hedging gains/(losses)	**962**	(104)
Tax charge	**(380)**	(403)
Airlines' profit after tax	**1,753**	5,844
Share of profits from subsidiaries and associates	**1,055**	996
Profit attributable to owners of Cathay Pacific	**2,808**	6,840

Cathay Pacific and Dragonair operating results analysis (continued)

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

	HK$M	
2010 interim airlines' operating profit before fuel hedging, non-recurring items and tax	**4,195**	
Passenger and cargo turnover	**4,363**	**Passenger** - Increased HK$2,676 million due to a 9.8% increase in capacity. - A 4.7 percentage points decrease in load factor contributed to a decrease of HK$1,672 million. - HK$3,359 million increase from an 11.8% increase in yield resulting from higher premium class demand, favourable currency movements and higher fuel surcharges.
	834	**Cargo** - Increased HK$1,576 million due to a 14.6% increase in capacity. - A 9.6 percentage points decrease in load factor contributed to a decrease of HK$1,520 million. - HK$778 million increase from a 7.1% increase in yield partly due to higher fuel surcharges.
Fuel	**(6,343)**	- Fuel costs increased due to a 38.8% increase in the average into-plane fuel price to US$128.0 per barrel and a 7.6% increase in consumption to 19.2 million barrels.
Landing, parking and route expenses	**(954)**	- Increased mainly due to an increase in operation.
Aircraft maintenance	**(566)**	- Increased mainly due to an increase in operation.
Staff	**(370)**	- Increased mainly due to an increase in headcount.
Others	**12**	
2011 interim airlines' operating profit before fuel hedging, non-recurring items and tax	**1,171**	

Fuel expenditure and hedging

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

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Gross fuel cost	**19,526**	13,065
Realised hedging (gains)/losses	**(1,134)**	72
Unrealised mark to market losses	**172**	32
Net fuel cost	**18,564**	13,169

Financial position

- Additions to fixed assets were HK$6,491 million, comprising HK$5,139 million for aircraft and related equipment and HK$1,352 million for other equipment and buildings.
- Borrowings decreased by 1.0% to HK$39,238 million. These are fully repayable by 2023 and are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars, Japanese yen and Euros with 32.4% at fixed rates of interest after taking into account the effect of related derivatives.
- Liquid funds, 79.7% of which are denominated in US dollars, decreased by 23.0% to HK$18,641 million.
- Net borrowings increased by 33.4% to HK$20,598 million.
- Funds attributable to the owners of Cathay Pacific increased by 1.2% to HK$54,899 million. The net debt/equity ratio increased to 0.38 times.
- The Group's policies in relation to financial risk management and the management of currency, interest rate and fuel price exposures are set out in the 2010 Annual Report.

Fleet profile *

Aircraft type	Number as at 30th June 2011				Firm orders				Expiry of operating leases						Options	Purchase rights
		Leased														
	Owned	Finance	Operating	Total	'11	'12	'13 and beyond	Total	'11	'12	'13	'14	'15	'16 and beyond		
Aircraft operated by Cathay Pacific:																
A330-300	11	15	6	32	1	6	13	20					2	4		
A340-300	6	5	3	14					3							
A350-900							32[a]	32							10[b]	
747-400	16		5	21						2			2	1		
747-400F	3	3		6												
747-400BCF	5		4	9							2	1		1		
747-400ERF		6		6												
747-8F					5	5		10								
777-200	5			5												
777-300	3	9		12												
777-300ER	3	8	11	22	2	5	17	24						11		20[c]
Total	52	46	29	127	8	16	62	86	3	2	2	1	4	17	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	11									2	4		
A321-200	2		4	6									2	2		
A330-300	4	1	10	15						3	3	1	1	2		
747-400BCF	1			1[d]												
Total	12	1	20	33						3	3	1	5	8		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		8												
747-400BCF			2	2										2		
Total	2	6	2	10										2		
Grand total	**66**	**53**	**51**	**170**	**8**	**16**	**62**	**86**	**3**	**5**	**5**	**2**	**9**	**27**	**10**	**20**

* Includes parked aircraft. This profile does not reflect aircraft movements after 30th June 2011.

(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.
(d) The aircraft was sold to Air China Cargo in July 2011.

Review of other subsidiaries and associates

- AHK Air Hong Kong Limited achieved a moderate increase in profit in the first half of 2011 compared with the first half of 2010.
- Cathay Pacific Catering Services (H.K.) Limited reported a minor decrease in profit in the first half of 2011 compared to the first half of 2010. There was a 3% growth in meal volumes, but margins were adversely affected by food price inflation and higher operating costs.
- The financial results of Hong Kong Airport Services Limited for the first half of 2011 were significantly improved compared to those of the first half of 2010. The improvement primarily reflected the increased number of flights handled and improved yields.
- The Group's share of Air China Limited's ("Air China") results is based on accounts drawn up three months in arrear and consequently the 2011 interim results include Air China's results for the six months ended 31st March 2011. The Group recorded an increase in profit from Air China's results in the first half of 2011. This primarily reflected strong demand in the fourth quarter of 2010.
- Air China Cargo Limited, in which Cathay Pacific owns an equity and an economic interest, is the leading provider of cargo services in Mainland China.

Corporate Responsibility

- In July, Cathay Pacific published its second Sustainable Development Report for 2010. The title, "Our Shared Journey", underlines our commitment to engage with our stakeholders. Once again the report achieved the Global Reporting Initiative (GRI) A+ rating, the highest level possible under GRI guidelines.
- We continue to engage with regulators and work with groups such as the International Air Transport Association that are involved in shaping aviation policy in relation to climate change. We aim to increase awareness of climate change issues and to develop appropriate solutions for the aviation industry.
- In April, Cathay Pacific won the Hong Kong Awards for Environmental Excellence gold award for Transport and Logistics. This follows our silver award in 2010 and our bronze award in 2009.
- The Cathay Pacific Group and its staff raised a total of HK$10 million for victims of the earthquake and tsunami in Japan in March. The funds (including HK$1 million from the Swire Group Charitable Trust) were donated to the Red Cross. We also provided and transported relief items such as blankets, socks and towels, sponsored tickets and made a donation from the "Change for Good" funds. These additional items were valued at more than HK$3 million.
- The "Cathay Pacific Green Explorer" programme was launched in May. In August, 40 participants, aged 16 to 18, will participate in the programme in Hong Kong and in Sichuan (in Mainland China). The aim is to improve the participants' understanding of environmental issues and of the importance of conservation.
- The CX Volunteers continued to help the local community. Their activities include the "English on Air" programme, which has helped more than 1,500 students improve their conversational English skills. Thirty-eight staff contributed to a new book telling stories of their volunteering efforts around the world.
- Cathay Pacific continued to support UNICEF through its "Change for Good" inflight fundraising programme. In June we announced that the airline's passengers contributed more than HK$12.3 million in 2010 to help improve the lives of disadvantaged children around the world. Since the programme's launch in 1991, more than HK$110 million has been raised through "Change for Good".

- In May we launched the "Connecting Your World" campaign as part of the celebrations to mark 100 years of aviation in Hong Kong. The campaign invited the Hong Kong public to offer their ideas on how aviation has connected Hong Kong to the world, with 1,800 air tickets shared amongst Hong Kong's 18 districts as prizes. More than 6,500 people submitted entries. Other initiatives to mark the aviation centenary included a major fare promotion in March, a record-breaking aircraft pull, and an aviation knowledge contest for local secondary school students.
- At the end of June, the Group employed some 28,100 people worldwide. More than 21,000 of these staff are based in Hong Kong. We will continue to recruit new staff as we expand our operations and expect to recruit more than 1,500 new staff in 2011. We regularly review our human resource and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

The Directors of the Company as at the date of this announcement are:
Executive Directors: Christopher Pratt (Chairman), James Barrington, Ivan Chu, James E. Hughes-Hallett and John Slosar;
Non-Executive Directors: Cai Jianjiang, Fan Cheng, James W. J. Hughes-Hallett, Peter Kilgour, Kong Dong, Ian Shiu, Merlin Swire and Zhao Xiaohang; 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, 10th August 2011

Website: http://www.cathaypacific.com