CATHAY PACIFIC
Skytrax Airline of the Year 2009

Media Information

5 August 2009

FOR IMMEDIATE RELEASE

CATHAY PACIFIC ANNOUNCES 2009 INTERIM RESULTS

		1H2009	1H2008 (restated)	Change
Turnover	*HK$ million*	**30,921**	42,390	**-27.1%**
Profit/(loss) attributable to owners of Cathay Pacific	*HK$ million*	**812**	(760)	**+1,572**
Earnings/(loss) per share	*HK cents*	**20.6**	(19.3)	**+39.9**
Dividend per share	*HK cents*	**-**	3.0	**-100.0%**

The Cathay Pacific Group reported a profit of HK$812 million for the first six months of 2009. This compares to a loss of HK$760 million in the first half of 2008. Earnings per share rose by HK39.9 cents to HK20.6 cents. The profit declared is primarily a result of a HK$2.1 billion unrealised mark-to-market fuel hedging gain.

Overall Cathay Pacific has been hit by a deep and sustained downturn in its key markets, with sharply reduced passenger and cargo revenues resulting in a 27.1% drop in turnover to HK$30,921 million for the first six months. The airlines actually made an operating loss of HK$765 million in the first half of the year before fuel hedging and tax. The Company had a HK$1.2 billion net outflow of cash from operating activities in the first six months of 2009 leading to rise in its net debt/equity ratio from 0.69 to 0.81.

On the passenger side Cathay Pacific saw a fall in premium business as many major corporate clients, particularly in the financial sector, either reduced or downgraded travel. Load factors in the Economy Class cabin were maintained at high levels but a combination of low fares, due to strong competition in the market, and the impact of the stronger dollar reduced revenue. As a result passenger yield fell by 19.7% to HK49.7 cents. The number of passengers carried by Cathay Pacific and Dragonair fell by 4.2% to 11.9 million against a capacity reduction of 2.1%. The overall passenger load factor fell by 1.5 percentage points to 78.5%.

Cargo demand was very weak. The amount of freight carried by both airlines decreased by 15.3% compared with the first half of 2008 to 700,693 tonnes. The cargo load factor fell by 0.2 percentage point to 66.2%. Capacity was reduced by 14.1% in response to the sustained fall in demand. Yield was under constant pressure for the whole six-month period and fell by 32.8% to HK$1.66.

Fuel prices fell significantly compared to the first half of 2008 but were still higher than in previous years. Prices moved up rapidly in the second quarter with May recording the largest monthly rise in 10 years. This increase in fuel cost was not matched by the fuel surcharges approved by the Hong Kong Civil Aviation Department. Cathay Pacific's and Dragonair's surcharges remain below those charged by most of the airlines' international competitors. There were gains on fuel hedging contracts in the first six months of 2009, with unrealised mark-to-market gains of HK$2.1 billion compared to losses of HK$7.6 billion for the whole of 2008. These gains reflect increases in the forward prices for fuel during the periods in which the relevant fuel hedging contracts will mature.

Cathay Pacific continues to take delivery of new, more efficient aircraft, with two more Boeing 777-300ER "Extended Range" aircraft entering the fleet in the first half of 2009 and the last of six Boeing 747-400ERF "Extended Range Freighters" arriving in April. At the same time the airline accelerated the retirement of the older, fuel-inefficient Boeing 747-200/300 "Classic" freighters. They have all now left the fleet. In response to the substantial reduction in cargo demand the Company has taken six of its Boeing 747-400BCF "Boeing Converted Freighters" out of service – five from Cathay Pacific and one from Dragonair. One of these has been wet-leased to Air Hong Kong. A total of six passenger aircraft will also be parked.

Cathay Pacific continues to work with aircraft manufacturers with a view to deferring some of the deliveries of aircraft on firm order and has deferred other capital expenditure. Staff were asked to join an unpaid leave scheme, which received strong support from employees around the world and will play an important role in reducing overheads. In response to the downturn, Cathay Pacific reduced passenger capacity by 8% and cargo capacity (including freight carried in passenger aircraft bellies) by 11% starting from May, while Dragonair reduced passenger capacity by 13%. The capacity adjustment was a measured response to the circumstances the airlines face and the capacity and network of both carriers will be kept under constant review as the demand and cost picture changes.

Cathay Pacific Chairman Christopher Pratt said: "The global aviation industry, hit hard by soaring fuel prices in 2008, is now having to confront one of the most severe demand downturns in living memory. There are cautious signs that the fall in demand has bottomed but there is, as yet, no indication when a sustained pick-up will begin. The recent strengthening of fuel prices is a cause for concern. Cathay Pacific has taken appropriate measures to get through the current slump and will take further measures as necessary should the cost and demand picture not improve. However, the Company will ensure that quality and brand are not compromised and that the service proposition to the customer remains intact and strong. Despite today's difficult economic conditions Cathay Pacific remains confident in its future and will be in a strong position when the business rebound comes."

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

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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00293)

Announcement
2009 Interim Results

Financial and Operating Highlights

Group Financial Statistics

Results		2009	2008 (restated)	Change
		Six months ended 30th June		
Turnover	*HK$ million*	**30,921**	42,390	**-27.1%**
Profit/(loss) attributable to owners of Cathay Pacific	*HK$ million*	**812**	(760)	**+1,572**
Earnings/(loss) per share	*HK cents*	**20.6**	(19.3)	**+39.9**
Dividend per share	*HK cents*	**-**	3.0	**-100.0%**
Profit/(loss) margin	*%*	**2.6**	(1.8)	**+4.4%pt**

Financial position		30th June	31st December (restated)	
Funds attributable to owners of Cathay Pacific	*HK$ million*	**37,755**	36,709	**+2.8%**
Net borrowings	*HK$ million*	**30,668**	25,198	**+21.7%**
Shareholders' funds per share	*HK$*	**9.6**	9.3	**+3.2%**
Net debt/equity ratio	*Times*	**0.81**	0.69	**+0.12 times**

Operating Statistics – Cathay Pacific and Dragonair

		2009	2008 (restated)	Change
		Six months ended 30th June		
Available tonne kilometres (“ATK”)	*Million*	**11,035**	12,081	**-8.7%**
Passengers carried	*‘000*	**11,938**	12,463	**-4.2%**
Passenger load factor	*%*	**78.5**	80.0	**-1.5%pt**
Passenger yield	*HK cents*	**49.7**	61.9	**-19.7%**
Cargo and mail carried	*‘000 tonnes*	**701**	828	**-15.3%**
Cargo and mail load factor	*%*	**66.2**	66.4	**-0.2%pt**
Cargo and mail yield	*HK$*	**1.66**	2.47	**-32.8%**
Cost per ATK	*HK$*	**2.57**	3.46	**-25.7%**
Cost per ATK without fuel	*HK$*	**1.98**	1.89	**+4.8%**
Aircraft utilisation	*Hours per day*	**11.1**	11.4	**-2.6%**
On-time performance	*%*	**88.3**	79.4	**+8.9%pt**

Capacity, load factor and yield - Cathay Pacific and Dragonair

	Capacity ASK/ATK (million)#			Load factor (%)			Yield
	2009	2008	**Change**	**2009**	2008	**Change**	**Change**
South West Pacific and South Africa	**9,155**	8,617	**+6.2%**	**79.1**	76.3	**+2.8%pt**	**-25.8%**
Europe	**10,450**	9,781	**+6.8%**	**83.1**	86.7	**-3.6%pt**	**-27.0%**
North Asia	**11,458**	11,896	**-3.7%**	**68.0**	73.3	**-5.3%pt**	**-15.9%**
South East Asia and Middle East	**12,054**	10,445	**+15.4%**	**75.5**	80.6	**-5.1%pt**	**-17.5%**
North America	**12,633**	16,210	**-22.1%**	**86.6**	82.6	**+4.0%pt**	**-15.8%**
Overall	**55,750**	56,949	**-2.1%**	**78.5**	80.0	**-1.5%pt**	**-19.7%**
Cargo services	**5,727**	6,666	**-14.1%**	**66.2**	66.4	**-0.2%pt**	**-32.8%**

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

Passenger services

Cathay Pacific

- Economy class demand remained fairly robust, in part reflecting competitive pressure on fares. Demand from premium class passengers was significantly reduced. Changes to corporate travel policies resulted in staff of companies flying less and often being downgraded to economy class on shorter sectors.
- Capacity reductions were introduced on selected routes from May. There were cuts in flight frequencies or seat capacity on routes to Bangkok, Frankfurt, London, Mumbai, Paris, Seoul, Singapore, Sydney, Taipei and Tokyo.
- Cross-Strait traffic on our Taiwan and Mainland China flights has been significantly and adversely affected by the start (in July 2008) of direct cross-Strait charter flights. The impact has been partially offset by an increase in Mainland China tourists travelling to Taiwan via Hong Kong.
- There was healthy growth in traffic from the Pearl River Delta through Hong Kong. Cathay Pacific intends to do more in the Pearl River Delta. Cathay Pacific will codeshare on Dragonair flights to and from Guangzhou when the destination launches in September.
- Passenger traffic to and from Japan was weak due to the economic downturn, with traffic from Hong Kong affected by the appreciation of the Yen. Influenza A (H1N1) has further dampened demand in this key market and a number of flights to Japan were cancelled as a result.
- The Korean market was affected by the economic downturn, though the weak Won helped to draw in travellers from Hong Kong.
- Economy class travel on Southeast Asian routes was generally stable. There was a reduction in premium class travel. Heavy discounts stimulated demand on the Singapore route. Malaysian destinations were subject to strong competition. Demand on the Bangkok route was affected by political instability in Thailand.
- The Philippines route performed well, helped by additional flights to the Middle East and more traffic through Hong Kong to and from North America.
- In India, there was a reduction in traffic on the Mumbai route with reduced traffic through Hong Kong to and from North America. Demand to and from Chennai remained steady. The performance of the Delhi route improved, with a new triangular routing through Bangkok.
- Demand on Middle Eastern routes was generally robust. We added one more flight a week to Riyadh from mid May, making four per week, and plan to make it a daily service from August.
- Traffic on European routes benefited from good growth on Southeast Asian routes to leisure destinations. However, revenue from European markets was adversely affected by weak currencies.

- Loads to and from South Africa were generally satisfactory, but yields were significantly down.
- South West Pacific routes did well, with high load factors and volume growth in line with capacity growth. However, weak local currencies had a negative impact on revenues.
- Economy class demand on North American routes was quite strong. However, demand from premium class travellers was greatly reduced, so yield fell significantly.

Dragonair

- Dragonair saw a sharp reduction in premium class passenger traffic as a result of adverse global economic conditions, while cross-Strait direct charters had an impact on travel in all classes. As with Cathay Pacific, economy class demand continued to be reasonably robust, though yields were affected by group traffic taking up a higher proportion of capacity and competitive pressure on fares.
- Dragonair's capacity was 2.6% higher than the first half last year despite a capacity reduction of 13% in May in order to contain operating costs. Services to Bengaluru, Busan, Kota Kinabalu, Ningbo, Sanya, Shanghai and Taipei were reduced. Services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian were suspended.
- Sales in the local Mainland China market in the first half of 2009 provided good support to the network.
- Demand on the Taiwan route was adversely affected by the introduction of direct cross-Strait charter flights. However, this was partly offset by an increase in leisure travellers from secondary Mainland Chinese cities flying to Taiwan through Hong Kong.
- New services launched late last year – to Hanoi and Manila – have both been enjoying strong loads.
- Overall demand on the Kathmandu route has been encouraging, though loads on the Dhaka route have been below expectations.
- The Kota Kinabalu route moved from a daily service to four flights a week from April but demand has since been reasonably steady. The Phuket route moved from a daily service to nine flights a week from March. Traffic was assisted by strong demand from passengers on Cathay Pacific's European flights.

Cargo services

Cathay Pacific

- The fall in consumer demand in the world's major economies had a significant adverse impact on the key export markets of Hong Kong and Mainland China. Air cargo tonnage fell and with it yields, as carriers competed for less freight.
- Cathay Pacific was able to maintain market share on most of its major route groups.
- We reduced capacity with a view to it being better aligned with demand. This was achieved by ad-hoc cancellations and a more structured reduction of schedules from May onwards. Capacity and frequency were reduced on most route groupings, with the exception of India and the Middle East.
- The weekly frequency of the freighter fleet was reduced to 84 compared to the 124 operated during the peak weeks in 2008. Notwithstanding these adjustments the freighter network remains intact. Five Boeing 747-400BCF freighters have been taken out of service. A further Boeing 747-400BCF has been wet leased to Air Hong Kong.
- Operational efficiency improved as a consequence of a significant change in the fleet's composition. The less fuel efficient Boeing 747-200 aircraft have been retired by end of July and the airline has taken delivery of its sixth and final Boeing 747-400ERF freighter.
- The freighter network was expanded and strengthened with the introduction of a new service to Jakarta and Ho Chi Minh City in January and a three-times-weekly service to Miami and Houston in March. Three additional frequencies were added to the Milan service in February.
- The introduction of cross-Strait direct freighter services in November 2008 adversely affected cargo volumes to and from Taiwan and Mainland China.
- Cargo volumes to and from India held up well and our freighter services performed satisfactorily on Indian routes.

Dragonair

- The phased retirement of Dragonair's older Boeing 747-200 and Boeing 747-300 freighters is complete. The last aircraft of these types left the fleet in January.
- Both of Dragonair's Boeing 747-400BCF freighters have been taken out of service with one of them being leased to Cathay Pacific. The airline is currently a passenger-only operation. However, the airline retains its Dragonair Cargo brand and continues to sell space in the belly of passenger aircraft on all routes.

Chairman's Letter

The Cathay Pacific Group reported a profit of HK$812 million for the first six months of 2009. This compares to a loss of HK$760 million in the first half of 2008. Earnings per share rose by HK39.9 cents to HK20.6 cents. Turnover for the period fell by 27.1% to HK$30,921 million.

The global recession in the first half of 2009 saw extremely challenging business conditions for commercial aviation. The downturn in Cathay Pacific's key markets has been deep and sustained and has sharply reduced passenger and cargo revenues. A number of measures were introduced to help address the revenue shortfall, including reducing passenger and freight capacity at Cathay Pacific and Dragonair, introducing an unpaid leave scheme for staff of both airlines, and cutting operating costs and capital expenditure.

Fuel prices fell significantly compared to the first half of 2008 but were still higher than in previous years. Prices moved up rapidly in the second quarter with May recording the largest monthly rise in 10 years. This increase in fuel cost was not matched by the fuel surcharges approved by the Hong Kong Civil Aviation Department. Cathay Pacific's and Dragonair's surcharges remain below those charged by most of the airlines' international competitors. There were gains on fuel hedging contracts in the first six months of 2009, with unrealised mark to market gains of HK$2.1 billion compared to losses of HK$7.6 billion for the whole of 2008. These gains reflect increases in the forward prices for fuel during the periods in which the relevant fuel hedging contracts will mature.

On the passenger side Cathay Pacific saw a fall in premium business as many major corporate clients, particularly in the financial sector, either reduced or downgraded travel. Load factors in the Economy Class cabin were maintained at high levels but a combination of low fares, due to strong competition in the market, and the impact of the stronger dollar reduced revenue. As a result passenger yield fell by 19.7% to HK49.7 cents. The number of passengers carried by Cathay Pacific and Dragonair fell by 4.2% to 11.9 million against a capacity reduction of 2.1%. The overall passenger load factor fell by 1.5 percentage points to 78.5%.

Cargo demand was very weak. The amount of freight carried by both airlines decreased by 15.3% compared with the first half of 2008 to 700,693 tonnes. The cargo load factor fell by 0.2 percentage point to 66.2%. Capacity was reduced by 14.1% in response to the sustained fall in demand. Yield was under constant pressure for the whole six-month period and fell by 32.8% to HK$1.66.

The high price of fuel coupled with increasing environmental concerns around the world and ever-rising pressure on costs make it imperative that Cathay Pacific operates a fuel-efficient fleet. Cathay Pacific continues to take delivery of new, more efficient aircraft, with two more Boeing 777-300ER "Extended Range" aircraft entering the fleet in the first half of 2009 and the last of six Boeing 747-400ERF "Extended Range Freighters" arriving in April. At the same time the airline accelerated the retirement of the older, fuel-inefficient Boeing 747-200/300 "Classic" freighters. They have all now left the fleet. In response to the substantial reduction in cargo demand the Company has taken six of its Boeing 747-400BCF "Boeing Converted Freighters" out of service – five from Cathay Pacific and one from Dragonair. One of these has been wet-leased to Air Hong Kong.

Cathay Pacific continues to work with aircraft manufacturers with a view to deferring some of the deliveries of aircraft on firm order and has deferred other capital expenditure. Staff were asked to join an unpaid leave scheme. The scheme received strong support from staff around the world and it will play an important role in reducing overheads.

Perhaps the most important aspect of the cost-reduction programme in response to the business downturn was a readjustment of capacity for both carriers with effect from May. Cathay Pacific reduced passenger capacity by 8% and cargo capacity (including freight carried in passenger aircraft bellies) by 11%. Dragonair reduced passenger capacity by 13%. No Cathay Pacific destinations have been eliminated as a result of the capacity changes, though six Dragonair destinations – Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian – have been suspended. The capacity adjustment was a measured response to the circumstances the airlines face. The airlines' capacity and network will be kept under constant review as the demand and cost picture changes.

The global aviation industry, hit hard by soaring fuel prices in 2008, is now having to confront one of the most severe demand downturns in living memory. There are cautious signs that the fall in demand has bottomed but there is, as yet, no indication when a sustained pick-up will begin. The recent strengthening of fuel prices is a cause for concern. Cathay Pacific has taken appropriate measures to get through the current slump and will take further measures as necessary should the cost and demand picture not improve. However, the Company will ensure that quality and brand are not compromised and that the service proposition to the customer remains intact and strong.

Despite today's difficult economic conditions Cathay Pacific remains confident in its future. The Company has a capable, committed workforce and management team and a superb international network centred on Asia's premier aviation hub. Cathay Pacific will be in a strong position when the business rebound comes.

Christopher Pratt

Chairman

Hong Kong, 5th August 2009

CATHAY PACIFIC

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2009 – Unaudited

	Note	2009 HK$M	2008 (restated) HK$M
Turnover			
Passenger services		**21,809**	28,287
Cargo services		**7,264**	12,005
Catering, recoveries and other services		**1,848**	2,098
Total turnover	*2*	**30,921**	42,390
Expenses			
Staff		**(6,075)**	(6,284)
Inflight service and passenger expenses		**(1,433)**	(1,646)
Landing, parking and route expenses		**(4,999)**	(5,452)
Fuel		**(6,645)**	(19,307)
Aircraft maintenance		**(3,326)**	(3,923)
Aircraft depreciation and operating leases		**(4,187)**	(3,532)
Other depreciation and operating leases		**(540)**	(512)
Commissions		**(258)**	(461)
Others		**(1,415)**	(1,503)
Operating expenses		**(28,878)**	(42,620)
Operating profit/(loss) before non-recurring items		**2,043**	(230)
Settlement of the United States Department of Justice cargo investigations		**-**	(468)
Operating profit/(loss)	*4*	**2,043**	(698)
Finance charges		**(891)**	(1,147)
Finance income		**454**	679
Net finance charges		**(437)**	(468)
Share of (losses)/profits of associates		**(426)**	506
Profit/(loss) before tax		**1,180**	(660)
Taxation	*5*	**(259)**	7
Profit/(loss) for the period		**921**	(653)
Other comprehensive income			
Cash flow hedges		**175**	(98)
Revaluation surplus arising from available-for-sale financial assets		**11**	218
Share of other comprehensive income of associates		**40**	(125)
Exchange differences on translation of foreign operations		**-**	562
Other comprehensive income for the period, net of tax	*6*	**226**	557
Total comprehensive income for the period		**1,147**	(96)
Profit/(loss) attributable to			
Owners of Cathay Pacific		**812**	(760)
Minority interests		**109**	107
		921	(653)
Total comprehensive income attributable to			
Owners of Cathay Pacific		**1,038**	(203)
Minority interests		**109**	107
		1,147	(96)
Earnings/(loss) per share			
Basic	*7*	**20.6¢**	(19.3¢)
Diluted	*7*	**20.6¢**	(19.3¢)

CATHAY PACIFIC

Consolidated Statement of Financial Position

at 30th June 2009 - Unaudited

	Note	**30th June 2009 HK$M**	31st December 2008 (restated) HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Fixed assets		**66,846**	66,039
Intangible assets		**7,817**	7,782
Investments in associates		**9,056**	9,581
Other long-term receivables and investments		**4,649**	4,949
		88,368	88,351
Long-term liabilities		**(39,977)**	(43,221)
Related pledged security deposits		**5,615**	7,196
Net long-term liabilities		**(34,362)**	(36,025)
Other long-term payables		**(1,947)**	(4,606)
Deferred taxation		**(5,156)**	(4,831)
		(41,465)	(45,462)
Net non-current assets		**46,903**	42,889
Current assets and liabilities			
Stock		**1,014**	960
Trade, other receivables and other assets	*9*	**8,428**	10,647
Liquid funds		**11,341**	15,088
		20,783	26,695
Current portion of long-term liabilities		**(8,586)**	(4,556)
Related pledged security deposits		**976**	301
Net current portion of long-term liabilities		**(7,610)**	(4,255)
Trade and other payables	*10*	**(12,720)**	(17,722)
Unearned transportation revenue		**(7,952)**	(8,649)
Taxation		**(1,464)**	(2,129)
		(29,746)	(32,755)
Net current liabilities		**(8,963)**	(6,060)
Net assets		**37,940**	36,829
CAPITAL AND RESERVES			
Share capital	*11*	**787**	787
Reserves		**36,968**	35,922
Funds attributable to owners of Cathay Pacific		**37,755**	36,709
Minority interests		**185**	120
Total equity		**37,940**	36,829

Notes:

1. Basis of preparation and accounting policies

The unaudited interim report has been prepared on a basis consistent with the principal accounting policies adopted in the 2008 Annual Report except that the following new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants were adopted:

(a) HK (IFRIC) Interpretation 13 "Customer Loyalty Programmes"

The interpretation requires that part of the revenue from the initial sales transaction equal to the awards at their fair value is deferred until the awards are redeemed and for redemption on the Group's flights the transportation service is provided. This change in accounting treatment results in a reduction of the opening retained earnings as at 1st January 2008 and 2009 by HK$1,320 million and HK$1,424 million respectively. There is a positive impact of HK$68 million on the 2009 result up to 30th June 2009.

During the year ended 31st December 2008, Air China made certain adjustments to its opening retained profits as at 1st January 2008 on adopting HK (IFRIC) Interpretation 13. Accordingly, adjustments have been made to decrease the opening retained profits as at 1st January 2008 and 2009 by HK$158 million and HK$192 million.

(b) HKAS 1 (revised) "Presentation of Financial Statements"

Derivative financial assets and liabilities were previously classified as current assets and current liabilities. However, with the adoption of HKAS 1 (revised), derivative financial instruments that are not expected to be realised within 12 months after the reporting period are classified as non-current assets or non-current liabilities. The effects of the reclassification of derivative financial instruments as at 31st December 2008 are as follows:

	HK$M
Increase in other long-term receivables and investments	1,862
Increase in long-term payables	4,325
Decrease in trade, other receivables and other assets	1,365
Decrease in trade and other payables	3,828

The above changes have been applied retrospectively and 2008 comparatives have been restated accordingly.

The interim report has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Turnover

Turnover comprises revenue and surcharges from transportation services, airline catering, recoveries and other services provided to third parties. Fuel surcharges, insurance surcharges and cargo security charges collected upon sales of transportation services are treated as traffic turnover and a total amount of HK$6,659 million have been reclassified in the 2008 comparatives.

3. Segment information

(a) Primary reporting by business segment

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2009 HK$M	2008 (restated) HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 (restated) HK$M
Revenue								
Sales to external customers	**30,487**	41,674	**434**	716			**30,921**	42,390
Inter-segment sales	**-**	12	**605**	650			**605**	662
Segment revenue	**30,487**	41,686	**1,039**	1,366			**31,526**	43,052
Segment results	**1,999**	(821)	**44**	123			**2,043**	(698)
Net finance charges	**(426)**	(469)	**(11)**	1			**(437)**	(468)
	1,573	(1,290)	**33**	124			**1,606**	(1,166)
Share of(loss)/ profits of associates					**(426)**	506	**(426)**	506
Profit/(loss) before tax	**1,573**	(1,290)	**33**	124	**(426)**	506	**1,180**	(660)
Taxation	**(252)**	26	**(7)**	(19)			**(259)**	7
Profit/(loss) for the period							**921**	(653)

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 jointly used by the 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.

(b) Secondary reporting by geographical segment

	Six months ended 30th June	
	2009 HK$M	2008 (restated) HK$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	**13,053**	17,597
- Japan, Korea and Taiwan	**3,785**	5,885
South West Pacific and South Africa	**2,148**	3,008
Europe	**3,803**	5,197
South East Asia and Middle East	**4,027**	4,581
North America	**4,105**	6,122
	30,921	42,390

Countries included in each region are defined in the 2008 Annual Report. Geographical analysis of segment results, segment assets and segment liabilities is not disclosed for the reasons set out in the 2008 Annual Report.

4. Operating profit/(loss)

	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- Leased	**967**	984
- Owned	**1,821**	1,551
Amortisation of intangible assets	**14**	13
Operating lease rentals		
- Land and buildings	**325**	287
- Aircraft and related equipment	**1,590**	1,197
- Others	**10**	12
Operating lease income		
- Aircraft and related equipment	**-**	(48)
Impairment loss for aircraft held for sale	**169**	-
Cost of stock expensed	**930**	1,006
Exchange differences	**(274)**	(386)
Auditors' remuneration	**4**	3
Net gains on financial assets and liabilities classified as held for trading	**(2,102)**	(361)
Net (gains)/loss on financial assets and liabilities designated as at fair value through profit and loss	**(208)**	188
Income from listed investments	**-**	(3)
Income from unlisted investments	**(44)**	(42)

5. Taxation

	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 (restated) HK$M
Current tax expenses		
- Hong Kong profits tax	**12**	18
- Overseas tax	**152**	181
- Over provision for prior years	**(210)**	(20)
Deferred tax		
- Origination and reversal of temporary differences	**305**	(110)
- Decrease in tax rate	**-**	(76)
	259	(7)

Hong Kong profits tax is calculated at 16.5% (2008: 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 18(d) to the accounts in the 2009 Interim Report).

6. Other comprehensive income

	Six months ended 30th June	
	2009	2008
	HK$M	HK$M
Cash flow hedges		
- recognised during the period	**79**	(253)
- transferred to profit and loss	**116**	147
- deferred tax recognised	**(20)**	8
Revaluation surplus arising from available-for-sale financial assets	**11**	218
Share of other comprehensive income of associates	**40**	(125)
Exchange differences on translation of foreign operations	**-**	562
Other comprehensive income for the period	**226**	557

7. Earnings/(loss) per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to owners of Cathay Pacific of HK$812 million (2008: a loss of HK$760 million (restated)) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2008: 3,935 million) shares and 3,934 million (2008: 3,937 million) shares respectively with the latter adjusted for the effects of the share options.

	2009	2008
	million	million
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	**3,934**	3,935
Deemed issue of ordinary shares for no consideration	**-**	2
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	**3,934**	3,937

8. Dividends

No interim dividends were declared by the Board of Directors (2008: HK¢3 per share) for the period ended 30th June 2009.

9. Trade, other receivables and other assets

	30th June 2009 HK$M	31st December 2008 (restated) HK$M
Trade debtors	**3,713**	4,640
Derivative financial assets	**778**	2,463
Other receivables and prepayments	**3,189**	3,496
Due from associates	**46**	48
Aircraft held for sale	**702**	-
	8,428	10,647

	30th June 2009 HK$M	31st December 2008 HK$M
Analysis of trade debtors by age:		
Current	**3,556**	4,558
One to three months overdue	**148**	69
More than three months overdue	**9**	13
	3,713	4,640

Aircraft held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. An impairment loss amounted to HK$169 million was recognised for the period ended 30th June 2009.

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.

10. Trade and other payables

	30th June 2009 HK$M	31st December 2008 (restated) HK$M
Trade creditors	**4,248**	5,571
Derivative financial liabilities	**2,833**	6,639
Other payables	**5,415**	5,297
Due to associates	**118**	170
Due to other related companies	**69**	39
Bank overdrafts - unsecured	**37**	6
	12,720	17,722

	30th June 2009 HK$M	31st December 2008 HK$M
Analysis of trade creditors by age:		
Current	**4,174**	5,321
One to three months overdue	**55**	240
More than three months overdue	**19**	10
	4,248	5,571

11. Share capital

During the period under review, the Group did not purchase, sell or redeem any shares in the Company. At 30th June 2009, 3,933,844,572 shares were in issue (31st December 2008: 3,932,746,072 shares).

The Company adopted a share option scheme (the "Scheme") on 10th March 1999. During the period under review, 1,098,500 shares were issued under the Scheme.

All unexercised options lapsed in accordance with the terms of the Scheme on 15th March 2009.

12. 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 2009 interim result has been reviewed by the Audit Committee and external auditors. Details on Corporate Governance can be found in the 2008 Annual Report and in the 2009 Interim Report.

13. Interim report

The 2009 Interim Report will be sent to shareholders on 19th August 2009. It will also be available on the Stock Exchange's website and the Company's website *www.cathaypacific.com* by 19th August 2009.

Operating expenses

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2009 HK$M	2008 (restated) HK$M	**Change**	**2009 HK$M**	2008 (restated) HK$M	**Change**
Staff	**6,075**	6,284	**-3.3%**	**5,535**	5,701	**-2.9%**
Inflight service and passenger expenses	**1,433**	1,646	**-12.9%**	**1,433**	1,646	**-12.9%**
Landing, parking and route expenses	**4,999**	5,452	**-8.3%**	**4,910**	5,384	**-8.8%**
Fuel	**6,645**	19,307	**-65.6%**	**6,478**	18,977	**-65.9%**
Aircraft maintenance	**3,326**	3,923	**-15.2%**	**3,260**	3,862	**-15.6%**
Aircraft depreciation and operating leases	**4,187**	3,532	**+18.5%**	**4,093**	3,440	**+19.0%**
Other depreciation and operating leases	**540**	512	**+5.5%**	**423**	394	**+7.4%**
Commissions	**258**	461	**-44.0%**	**258**	460	**-43.9%**
Others	**1,415**	1,503	**-5.9%**	**1,545**	1,513	**+2.1%**
Operating expenses	**28,878**	42,620	**-32.2%**	**27,935**	41,377	**-32.5%**
Net finance charges	**437**	468	**-6.6%**	**398**	412	**-3.4%**
Total operating expenses	**29,315**	43,088	**-32.0%**	**28,333**	41,789	**-32.2%**

- Group total operating expenses fell 32.0% to HK$29,315 million.
- The combined cost per ATK of Cathay Pacific and Dragonair fell from HK$3.46 to HK$2.57 due to the 51.9% decrease in the average fuel price.

Underlying loss

The following provides a reconciliation on the Group's interim reported profit/(loss) and underlying loss.

	2009 HK$M	2008 HK$M
Profit/(loss) attributable to owners of Cathay Pacific	**812**	(760)
Adjustment to reverse the impact of Hong Kong Accounting Standards 39*		
- Fuel derivatives		
- Reversal of fuel hedging gains	**(2,003)**	(365)
- Recognition of settlement amounts in profit/loss	**(2,873)**	268
- Currency and interest rate derivatives	**(431)**	(199)
Provision for operating lease charge for parked aircraft	**396**	-
Provision for aircraft impairment	**169**	-
Settlement of the United States Department of Justice Cargo Investigations	**-**	468
Taxation effect of the above	**463**	(17)
Underlying loss	**(3,467)**	(605)

* The adjustment reverses both the unrealised mark to market gain/(loss) and the subsequent realised gain/(loss) and instead recognises the cash amount received/(paid) on settlement.

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Underlying loss (continued)

The change in the interim underlying loss can be analysed as follows:

	HK$M	
2008 interim underlying loss	**(605)**	
Passenger and cargo turnover	**(11,219)**	**Passenger** - Decreased HK$594 million due to 2.1% reduction in capacity. - 1.5% points decrease in load factor contributed to a decrease of HK$533 million. - HK$5,351 million decrease from the 19.7% decrease in yield. **Cargo** - Decreased HK$1,539 million due to 14.1% decrease in capacity. - 0.2% point decrease in load factor contributed to a decrease of HK$38 million. - HK$3,059 million decrease from the 32.8% decrease in yield. - HK$105 million decrease from Air Hong Kong.
Catering, recoveries and other services	**(250)**	
Staff	**209**	- Decreased due to no provision for bonus and introduction of no pay leave partly offset by a rise in the average number of staff and higher retirement fund costs.
Inflight service and passenger expenses	**213**	- Decreased due to a 4.2% decrease in passenger numbers.
Landing, parking and route expenses	**453**	- Decreased as a result of reduction in capacity.
Fuel	**7,883**	- Fuel costs decreased due to a 51.9% decrease in the average into-plane fuel price to US$63.7 per barrel and an 8.1% reduction in consumption to 17.5 million barrels.
Aircraft maintenance	**597**	- Decreased with capacity reduction partly offset by provisions for return conditions.
Depreciation and operating leases	**(287)**	- Increased due to new aircraft deliveries.
Net finance charges	**(97)**	- Increased as a result of increase in gross borrowings and lower return on investment funds.
Share of losses/profits of associates	**(932)**	- The reduction was mainly a result of the Group's share of Air China's losses.
Taxation	**214**	- The tax charge decreased with a higher underlying loss.
Others	**354**	
2009 interim underlying loss	**(3,467)**	

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Fuel expenditure

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

	Six months ended 30th June	
	2009	2008
	HK$M	HK$M
Gross fuel cost	**8,648**	19,672
Realised hedging losses/(gains)	**71**	(171)
Unrealised mark to market gains	**(2,074)**	(194)
Net fuel cost	**6,645**	19,307

Financial position

- Additions to fixed assets were HK$4,864 million, comprising HK$4,596 million for aircraft and related equipment and HK$268 million for other equipment and buildings.
- Borrowings increased by 4.2% to HK$41,972 million. These are fully repayable by 2023 and are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars, Japanese yen and Euros with 42.0% at fixed rates of interest net of derivatives.
- Liquid funds, 61.5% of which are denominated in US dollars, decreased by 24.8% to HK$11,341 million.
- Net borrowings increased by 21.7% to HK$30,668 million.
- Funds attributable to owners of Cathay Pacific increased by 2.8% to HK$37,755 million while the net debt/equity ratio increased to 0.81 times.
- The Group's policy on financial risk management and the management of currency, interest rate and fuel price exposures is set out in the 2008 Annual Report.

Fleet profile *

Aircraft type	Number as at 30th June 2009				Firm orders				Expiry of operating leases						Purchase rights
		Leased													
	Owned	Finance	Operating	Total	'09	'10	'11 and beyond	Total	'09	'10	'11	'12	'13	'14 and beyond	
Aircraft operated by Cathay Pacific:															
A330-300	9	17	6	32		2	6	8			3			3	
A340-300	6	5	4	15							4				
747-400	17		6	23								3		3	
747-200F	1			1											
747-400F	2	4		6											
747-400BCF	7	1	4[a]	12									3	1	
747-400ERF		6		6											
747-8F						4	6	10							
777-200	2	3		5											
777-300	3	9		12											
777-300ER	2	4	5	11	2	5	12	19						5	20[b]
Total	49	49	25	123	2	11	24	37			7	3	3	12	20
Aircraft operated by Dragonair:															
A320-200	4	1	5	10	1	1		2[c]	1	1	3				
A321-200	2		4	6						2	2				
A330-300	4	1	9	14						1	2	3	3		
747-400BCF	1			1											
Total	11	2	18	31	1	1		2	1	4	7	3	3		
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		8											
Grand total	**62**	**57**	**43**	**162**	**3**	**12**	**24**	**39**	**1**	**4**	**14**	**6**	**6**	**12**	**20**

* Include parked aircraft but exclude wet-leased aircraft.

(a) One aircraft under conversion.
(b) Purchase rights for aircraft delivered by 2017.
(c) Two aircraft on 8 year operating leases.

Review of other subsidiaries and associates

- AHK Air Hong Kong (“Air Hong Kong) Limited achieved a higher profit in the first half of 2009 than in the first half of 2008.
- Cathay Pacific Catering Services (H.K.) Limited reported a lower profit in the first half of 2009 than in the first half of 2008, with lower meal volumes and meal yield. Airline customers’ cost saving initiatives adversely affected profit margin.
- Hong Kong Airport Services Limited recorded a lower profit in the first half of 2009 than in the first half of 2008 despite implementing a number of cost-saving initiatives being put in place to mitigate the impact of the adverse economic conditions (including an unpaid leave scheme for management). The business environment was extremely difficult in the first half of 2009, with a reduction in business volume and an increase in costs. However, the company maintained its market share of ramp and passenger handling business.
- The Group’s share of Air China Limited’s (“Air China”) profit is based on accounts drawn up three months in arrears and consequently the 2009 interim results include Air China’s six months’ results ended 31st March 2009. This excludes the Group’s share of Air China’s fuel hedging losses of HK$1 billion in 2008 which were included in the Group’s 2008 annual results. The Group shared a loss from Air China’s results.
- Hong Kong Aircraft Engineering Company Limited recorded a profit of HK$430 million for the first half of 2009, a decrease of 27% compared with the first half of 2008. Demand for heavy maintenance work fell both in Hong Kong and Xiamen as a result of aircraft being grounded and deferral of work by customers.

Human resources

- Cathay Pacific and its subsidiaries employed some 26,800 people worldwide on 30th June 2009. Of those, 18,800 worked for the airline itself, with 12,700 employed in Hong Kong. The workforce decreased by 1% in the first half of the year.
- In April Cathay Pacific introduced a Special Leave Scheme as part of its response to the sustained drop in revenues. The scheme is in addition to the voluntary unpaid leave scheme introduced in 2008. A key feature of the scheme was that senior staff were asked to take more unpaid leave than junior staff. The response from all staff groups to the Special Leave Scheme was extremely positive.
- We regularly review our human resource and remuneration policies in the light of local legislation, industry practice, market conditions and the performance of both the individuals and the Company.

The Directors of the Company as at the date of this announcement are:
Executive Directors: Christopher Pratt (Chairman), James E. Hughes-Hallett, Ian Shiu, John Slosar, and Tony Tyler;
Non-Executive Directors: Chang Zhenming, Philip Chen, James W. J. Hughes-Hallett, Kong Dong, Peter Kilgour, Vernon Moore, Robert Woods and Zhang Lan;
Independent Non-Executive Directors: Peter Lee, Jack So, Tung Chee Chen and Peter Wong.

By Order of the Board
Cathay Pacific Airways Limited
Christopher Pratt
Chairman
Hong Kong, 5th August 2009

Website: http://www.cathaypacific.com