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CATHAY PACIFIC AIRWAYS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 293)

Trading Statement
Profit Warning
Issue of Price Sensitive Information

In an announcement made on 5th November 2008 (the “November Announcement”) Cathay Pacific Airways Limited (“Cathay Pacific”) said that its financial results for 2008 were expected to be disappointing. Fuel prices had fallen substantially, but two other factors (weakness in revenue and mark to market losses on fuel hedging contracts) were expected to affect the results adversely. The 2008 financial results are still expected to be disappointing. The purpose of this announcement is to provide updated information about the revenue position and about the mark to market losses on fuel hedging contracts.

Weakness in revenue

Since the November Announcement revenue has continued to weaken. First and business class traffic in particular have fallen significantly. This decline and the impact of currency movements have caused a weakening of passenger yields. Advance bookings for the first quarter of 2009 are markedly down on the same period in 2008.

The air cargo market ex-Hong Kong and Mainland China has been weak. Fourth quarter cargo loads and yields have declined significantly against the same period in 2007. The percentage year-on-year reduction in cargo revenue has been greater than that of passenger revenue.

Losses on fuel hedging contracts

In the November Announcement, Cathay Pacific said that its unrealized mark to market losses on fuel hedging contracts as at 31st October 2008 were estimated to be HK\$2.8 billion. It is now possible to estimate the unrealized mark to market losses, as at 31st December 2008, which will be included in Cathay Pacific’s consolidated profit and loss account for the year ended 31st December 2008. They are HK\$7.6 billion. The increase in the losses was caused by a further substantial reduction in the oil price between 31st October 2008 and the end of 2008. (Between 11th July 2008, when the oil price peaked, and 31st December 2008, the oil price fell by a total of 69.1%, from US\$147.5 to US\$45.59 per barrel.) In addition net realized losses on

fuel hedging contracts of approximately HK\$0.3 billion will be included in the consolidated profit and loss account for the year ended 31st December 2008.

It is important to set the unrealized mark to market losses in context. First, they are unrealized; the amount of losses actually realized and payable will depend on future movements in fuel prices.

Second, marking the losses to market means that all the current unrealized losses on the fuel hedging contracts are accounted for in one financial year instead of being spread over the years in which the hedging contracts mature, and in which their effects on cash flow will be felt. Were the mark to market losses as at 31st December 2008 to be spread over the financial years up to and including 2011 in which the hedging contracts mature, losses of HK\$4.9 billion would be incurred in 2009, losses of HK\$2.2 billion would be incurred in 2010 and losses of HK\$0.5 billion would be incurred in 2011. The accounting treatment by some airlines of profits and losses in respect of certain fuel hedging contracts can have the effect of spreading those profits and losses over the periods in which the hedging contracts mature.

Third, the Cathay Pacific group has benefited (and will continue to benefit) from the reduction in oil prices notwithstanding the mark to market losses. Had the jet fuel price remained at its July 2008 peak, the cash costs of obtaining fuel in 2008 would have been approximately HK\$7.9 billion higher than they proved to be. If oil prices are on average the same in 2009 as they were at the end of 2008, expenditure on fuel in 2009 will, on the basis of currently projected usage, be approximately HK\$20.3 billion lower than in 2008.

Finally, it is important to note the commercial purpose of Cathay Pacific's hedging. Fuel is the group's largest single cost and it is Cathay Pacific's policy that at any one time a portion of its fuel purchases over the next three years should be hedged. As indicated in the November Announcement, it is Cathay Pacific's policy not to enter into hedging contracts which in aggregate exceed its expected commercial requirements for fuel.

Investors are advised to exercise caution in dealing in shares of Cathay Pacific.

This announcement is issued by Cathay Pacific pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors of Cathay Pacific

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

Executive Directors: Christopher Pratt (Chairman), Robert Atkinson, Ian Shiu, John Slosar and Tony Tyler;

Non-Executive Directors: Philip Chen, Martin Cubbon, Henry Fan, James Hughes-Hallett, Kong Dong, Vernon Moore, Robert Woods and Zhang Lan ; and

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

By Order of the Board
Cathay Pacific Airways Limited
David Fu
Company Secretary
Hong Kong, 7th January 2009