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

**Announcement**  
**2015 Interim Results**

**Financial and Operating Highlights**

**Group Financial Statistics**

		2015	2014	Change
		Six months ended 30th June		
<b>Results</b>				
Revenue	<i>HK\$ million</i>	<b>50,388</b>	50,840	<b>-0.9%</b>
Profit attributable to the shareholders of				
Cathay Pacific	<i>HK\$ million</i>	<b>1,972</b>	347	<b>+468.3%</b>
Earnings per share	<i>HK cents</i>	<b>50.1</b>	8.8	<b>+469.3%</b>
Dividend per share	<i>HK\$</i>	<b>0.26</b>	0.10	<b>+160.0%</b>
Profit margin	<i>%</i>	<b>3.9</b>	0.7	<b>+3.2%pt</b>
<b>Financial position</b>		30th June	31st December	
Funds attributable to the shareholders of				
Cathay Pacific	<i>HK\$ million</i>	<b>54,816</b>	51,722	<b>+6.0%</b>
Net borrowings	<i>HK\$ million</i>	<b>44,189</b>	43,998	<b>+0.4%</b>
Shareholders' funds per share	<i>HK\$</i>	<b>13.9</b>	13.1	<b>+6.1%</b>
Net debt/equity ratio	<i>Times</i>	<b>0.81</b>	0.85	<b>-0.04 times</b>

**Operating Statistics – Cathay Pacific and Dragonair**

		2015	2014	Change
		Six months ended 30th June		
Available tonne kilometres ("ATK")	<i>Million</i>	<b>14,598</b>	13,545	<b>+7.8%</b>
Available seat kilometres ("ASK")	<i>Million</i>	<b>69,689</b>	65,474	<b>+6.4%</b>
Revenue passengers carried	<i>'000</i>	<b>16,800</b>	15,437	<b>+8.8%</b>
Passenger load factor	<i>%</i>	<b>85.9</b>	83.6	<b>+2.3%pt</b>
Passenger yield	<i>HK cents</i>	<b>60.4</b>	66.6	<b>-9.3%</b>
Cargo and mail carried	<i>'000 tonnes</i>	<b>868</b>	804	<b>+8.0%</b>
Cargo and mail load factor	<i>%</i>	<b>64.1</b>	63.2	<b>+0.9%pt</b>
Cargo and mail yield	<i>HK\$</i>	<b>1.93</b>	2.17	<b>-11.1%</b>
Cost per ATK (with fuel)	<i>HK\$</i>	<b>3.24</b>	3.57	<b>-9.2%</b>
Cost per ATK (without fuel)	<i>HK\$</i>	<b>2.12</b>	2.20	<b>-3.6%</b>
Aircraft utilisation	<i>Hours per day</i>	<b>12.2</b>	12.0	<b>+1.7%</b>
On-time performance	<i>%</i>	<b>65.8</b>	70.7	<b>-4.9%pt</b>

**Capacity, load factor and yield - Cathay Pacific and Dragonair**

	Capacity			Load factor (%)			Yield
	ASK/ATK (million) <sup>#</sup>						
	2015	2014	Change	2015	2014	Change	Change
<b>Passenger services</b>							
India, Middle East, Pakistan and Sri Lanka	<b>4,959</b>	5,512	<b>-10.0%</b>	<b>83.7</b>	78.2	<b>+5.5%pt</b>	<b>-4.3%</b>
Southwest Pacific and South Africa	<b>9,592</b>	8,849	<b>+8.4%</b>	<b>88.8</b>	84.8	<b>+4.0%pt</b>	<b>-8.6%</b>
Southeast Asia	<b>10,221</b>	8,973	<b>+13.9%</b>	<b>83.1</b>	80.4	<b>+2.7%pt</b>	<b>-8.4%</b>
Europe	<b>11,395</b>	10,423	<b>+9.3%</b>	<b>88.1</b>	87.4	<b>+0.7%pt</b>	<b>-10.1%</b>
North Asia	<b>14,987</b>	14,431	<b>+3.9%</b>	<b>80.6</b>	77.9	<b>+2.7%pt</b>	<b>-9.9%</b>
North America	<b>18,535</b>	17,286	<b>+7.2%</b>	<b>89.3</b>	88.7	<b>+0.6%pt</b>	<b>-10.2%</b>
Overall	<b>69,689</b>	65,474	<b>+6.4%</b>	<b>85.9</b>	83.6	<b>+2.3%pt</b>	<b>-9.3%</b>
<b>Cargo services</b>							
	<b>7,971</b>	7,318	<b>+8.9%</b>	<b>64.1</b>	63.2	<b>+0.9%pt</b>	<b>-11.1%</b>

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

**Passenger services**

- Revenue in the first six months of 2015 was affected by the weakness of a number of currencies relative to the Hong Kong and United States dollars. This adversely affected yield on routes to Australia, Canada, Europe, New Zealand, South Africa and the United Kingdom. The depreciation of the Japanese yen increased demand for travel to Japan and resulted in higher revenue on Japanese routes.
- The significant reduction in fuel prices compared to the same period in 2014 improved the results of our passenger operations, particularly on ultra long-haul routes. However, this was offset in part by fuel hedging losses.
- The passenger load factor was significantly higher in the first half of 2015 than in the corresponding period in 2014, for both Cathay Pacific and Dragonair. The peak periods of New Year, Chinese New Year and Easter were particularly busy, but there was also strong demand outside these periods.
- Premium class demand was robust on short-haul routes. It was weaker than expected on some long-haul routes.
- Passenger capacity in the first half of 2015 was 6.4% higher than in the same period last year. This reflected the introduction of new routes and increased frequencies on existing routes, including those which took effect in the second half of 2014.
- Strong competition, a significant reduction in fuel surcharges, foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield.
- Cathay Pacific increased long-haul capacity by introducing services to Zurich in March and Boston in May and will increase long-haul capacity further by introducing a four-times-weekly service to Dusseldorf in September. We cancelled flights on some routes in order to ensure they were operating profitably.
- Demand for travel originating from Hong Kong was strong in the first half of 2015. It benefited from the weakness of the Japanese yen, the euro and the Australian dollars. Demand for travel to Thailand recovered in full following the end of the 2014 political unrest.
- Our weekly "fanfares" promotions in Hong Kong continue to demonstrate our commitment to offering good-value fares in our home market.
- The number of mainland visitors to Hong Kong dropped significantly following the protests against parallel traders in early 2015. To compensate, we have been promoting connecting traffic from Mainland China through Hong Kong, with some success. Demand for connecting flights to Australia, Europe and Japan was strong.
- Demand originating from the Pearl River Delta area recorded encouraging growth in the first half of 2015, though there is more competition from other airlines and airports.

- Demand for travel to and from Taiwan was strong, despite increasing competition and more non-stop cross-strait services. There was robust demand for travel between Taiwan and Japan.
- Demand on our Korea routes weakened. This was in part because leisure travellers preferred Japan to Korea due to the depreciation of the Japanese yen. But the principal reason was the incidence of middle east respiratory syndrome in June and the subsequent issue of a red outbound travel alert by the Hong Kong government. We adjusted our schedules accordingly.
- Demand for travel to Japan was strong, because of the depreciation of the Japanese yen. Demand for travel originating from Japan was weak, for the same reason. Dragonair introduced a daily flight to Haneda in Tokyo in March and a twice-weekly service to Hiroshima in August. Dragonair is also increasing its Okinawa service to daily over the summer season.
- Demand on our Southeast Asia routes was strong in the first half of 2015. Traffic to Thailand recovered following the end of the 2014 political unrest. In March, the Bangkok service increased from 59 to 63 flights a week and more flights are being put on during the summer peak. Revenue on our Philippines routes is increasing. We increased our Manila service from 47 to 49 flights a week in March. The Indonesian routes were weak, but their performance improved slightly from last year. In January, we increased the Jakarta service from 21 to 26 flights a week.
- Load factors were high on our Middle East routes. Revenue was strong.
- Revenue and load factors on our routes to the Indian subcontinent improved significantly. The Male route in particular benefited from an improved load factor. The new direct flights to Colombo have been well received. In October, the service will increase from four times a week to daily. In May, Dragonair increased its service to Kolkata to six flights a week.
- Our Australian routes performed satisfactorily. Using Boeing 777-300ER aircraft on one Sydney flight a day increased capacity. In October, we will start to use Boeing 777-300ER aircraft on a second Sydney flight. Competition from non-stop services between Mainland China and Australia is increasing.
- There was steady demand on our New Zealand route (which is operated as a joint venture with Air New Zealand).
- The improvement in South Africa route was mainly due to increase in traffic originated from South Africa.
- In June, we stopped flying to Moscow.
- Demand on our United Kingdom and European routes was robust. Using Boeing 777-300ER aircraft to fly to Amsterdam increased the capacity. Our Zurich service, introduced in March, has started well. We will introduce a four-times-weekly service to Dusseldorf in September.
- The United States routes performed satisfactorily, reflecting more economy class travellers transiting through Hong Kong. Premium class travel was weak, reflecting less business travel. We maintained a strong market share despite increasing competition. In June, the service to San Francisco increased from 14 to 17 flights a week. The performance of our Newark route, introduced in March 2014, improved. The load factor and yield on our Boston route, introduced in March 2015, have been good.

## Cargo services

- Cargo demand was strong in the first part of 2015, but demand slackened in the second quarter. Strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield. Cargo yield for Cathay Pacific and Dragonair decreased by 11.1% to HK\$1.93 compared to the same period last year.
- Lower fuel prices were welcome, but these were partially offset by fuel hedging losses.
- Lower fuel prices meant more flexibility in deploying our freighter capacity. We managed capacity in line with demand. We put on more flights (including charter flights) to accommodate large shipments.
- The amount of cargo carried in the bellies of our passenger aircraft increased as more Boeing 777-300ER passenger aircraft were brought into service and new passenger routes were introduced.
- The strong demand for cargo shipments from Hong Kong in the last quarter of 2014 continued in the first part of 2015, but demand slackened in the second quarter. Shipments to and from North America were strong, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. We operated more freighter services to meet this demand. It started to decline in May as the backlogs were cleared. Shipments to Europe were below expectations.
- Shipments originating from Mainland China to North America were strong. Exports from the Yangtze River Delta were stable. Exports from Chengdu and Zhengzhou fluctuated in line with major shippers' production schedules. Shipments of mail benefited from the growth of e-commerce. There were more pharmaceutical shipments originating from Mainland China.
- Intra-Asia shipments continued to grow in the first six months of 2015. Production increased in South East Asia. Exports from Thailand increased as the political situation stabilised. Capacity in the bellies of our passenger aircraft increased. So we stopped operating our weekly Bangkok freighter service in May.
- Our Japan business benefited from strong demand for shipments to North America.
- Shipments from Europe and the South West Pacific increased. Revenue was affected by currency weakness.
- Demand for shipments to and from the Indian subcontinent was strong. In March, we introduced a twice-weekly service to Kolkata and increased our Delhi service from seven to eight flights a week. Demand for shipments to and from Dhaka recovered as the political situation in Bangladesh improved.
- We added two cargo flights per week to North America in April. We operate 37 cargo flights per week to North America. We changed routings in order to increase cargo capacity on the Chicago, Los Angeles and New York routes.
- A Boeing 747-400BCF converted freighter, which was parked in August 2013, will return to service in September for the peak period.
- Our cargo terminal handled more than 0.8 million tonnes of cargo in the first six months of 2015, an increase of 17.0% compared to the same period in 2014. The terminal handles cargo for Cathay Pacific, Dragonair, Air Hong Kong and five other airlines. It introduced a cross-border bonded trucking service in the first quarter of 2015.
- We expect our cargo business to be stable in the second half of 2015. We expect more competition on our transpacific routes but intra-Asia shipments traffic will continue to grow. Market conditions will continue to fluctuate. With our professional team and efficient aircraft and terminal, we are well placed to take advantage of any increase in demand.

## Chairman's Letter

The Cathay Pacific Group reported an attributable profit of HK\$1,972 million for the first six months of 2015. This compares to a profit of HK\$347 million in the first half of 2014. Earnings per share were HK50.1 cents compared to HK8.8 cents for the corresponding period in 2014. Revenue for the period decreased by 0.9% to HK\$50,388 million.

The Group's performance in the first six months of 2015 was considerably better than in the same period in 2014. There were higher load factors in our passenger business, reflecting strong economy class demand. The increase in demand in air cargo markets which began in summer 2014 continued in the first part of 2015, but demand slackened in the second quarter. There was an improved contribution from our subsidiary and associated companies. Air China's profits were significantly higher, principally as a result of lower fuel prices.

The Group's passenger revenue decreased by 0.8% to HK\$36,226 million. Capacity increased by 6.4%, reflecting the introduction of new routes (to Boston and Zurich) and increased frequencies on other routes. The load factor increased by 2.3 percentage points to 85.9%. Strong competition, a significant reduction in fuel surcharges, foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 9.3% to HK60.4 cents. Demand on regional routes was strong, particularly in economy class. There was strong economy class demand on long-haul routes. But premium class demand, though robust on short-haul routes, was weaker than expected on some long-haul routes.

The increase in demand for air cargo, which began in summer 2014, continued during the first few months of 2015, but slackened in the second quarter. The Group's cargo revenue for the period was HK\$11,376 million, a decrease of 2.5% compared to the same period in 2014. Capacity for Cathay Pacific and Dragonair grew by 8.9% and the load factor increased by 0.9 percentage points to 64.1%. But strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield, which dropped by 11.1% to HK\$1.93. However, there was strong demand on some of our principal cargo routes, notably to and from North America, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. Intra-Asia shipments grew but traffic to Europe fell short of expectations. Our cargo terminal in Hong Kong has been operating smoothly after its build up to full operations in October 2013. Volumes have been growing and it provides services for five airlines outside the Cathay Pacific Group.

In the first half of 2015, despite an increase in passenger and cargo capacity of 6.4% and 8.9% respectively, our fuel costs (before the effect of fuel hedging) decreased by HK\$7,078 million (or 35.5%) compared to the same period in 2014. Despite lower prices, fuel remains the Group's most significant cost. Fuel accounted for 34.2% of our total operating costs, a reduction of 3.7 percentage points compared to the same period in 2014. This was due to a 38.5% decrease in the average into-plane fuel price, partially offset by a 4.9% increase in consumption. Managing the risk associated with volatile fuel prices remains a priority. In the first half of 2015, lower fuel costs were partially offset by hedging losses, resulting in our net fuel costs decreasing by HK\$2,311 million (or 12.2%). Our fuel hedging extends to 2019. Non-fuel costs were managed effectively and benefited from weakness in a number of currencies.

In the first six months of 2015 we took delivery of seven new aircraft: four Boeing 777-300ERs and three Airbus A330-300s. Four Boeing 747-400 passenger aircraft, one of which will be returned to its lessor by the end of 2015, were retired during the period, as were three A340-300 aircraft. In 2013 we agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these freighters have been delivered, one in November 2014, the other in July 2015. The remaining four freighters will leave the fleet by the end of 2016. At 30th June 2015 we had 72 new aircraft on order for delivery up to 2024. Our first Airbus A350-900XWB aircraft is scheduled to be delivered in February 2016. We took delivery of the first of two simulators for Airbus A350 aircraft in May.

We introduced passenger services to Zurich in March and to Boston in May. Both services have been well received. We will introduce a four-times-weekly service to Dusseldorf in September. We increased frequencies on our Jakarta service in January, on our Bangkok and Manila services in March and on our San Francisco service in June. We are increasing flights to Bangkok and Osaka over the summer peak. In June, we reduced flights to Seoul in response to the incidence of middle east respiratory syndrome and the resulting drop in demand. We discontinued services to Moscow in June. Dragonair started to fly daily to Haneda in Tokyo in March and twice-weekly to Hiroshima in August. Dragonair increased frequencies on the Phnom Penh, Wuhan and Kolkata routes and is increasing flights to Okinawa over the summer season. We introduced a cargo service to Kolkata in March and increased frequencies on cargo services to North America and India. We adjust our freighter network and capacity in line with demand.

Except for Boeing 747-400 and Airbus A340-300 passenger aircraft due to be retired in the next years, all Cathay Pacific and Dragonair wide-bodied passenger aircraft have been fitted or refitted with new or refreshed seats in all classes. Our Airbus A350XWB aircraft will have new cabins, seats and entertainment systems. We opened lounges in Manila in May and Bangkok in June. We reopened the first class lounge at The Pier, at Hong Kong International Airport, in June. The lounges follow the design of the Haneda lounge, which opened in November 2014. Two more lounges (one in San Francisco, the other in Taipei) will open in the fourth quarter of 2015.

The operating environment was generally positive in the first half of 2015. Passenger and cargo demand was generally strong. We reduced our operating costs due to lower fuel prices, partially offset by fuel hedging losses. We continued to manage non-fuel costs effectively. But we face challenges. Yield remained under pressure. There is increasing congestion at Hong Kong International Airport. We strongly support the construction of a third runway at the airport and believe that construction should start as soon as possible. We think the Airport Authority Hong Kong can, and should, finance the construction itself without burdening airport users unduly with additional charges. Airport charges must be competitive if Hong Kong's aviation, tourism and related industries are to continue to grow.

We usually perform better in the second half of the year than in the first. We expect our business to do well in the remainder of 2015. We will focus on providing high-quality products and services. We will continue to invest in aircraft, in our products and in the development of our network. Our financial position remains strong. Our commitment to our world-class team and to the aviation hub in our home city, Hong Kong, is unwavering.

**John Slosar**

Chairman

Hong Kong, 19th August 2015

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2015 – Unaudited

	<i>Note</i>	2015 HK\$M	2014 HK\$M
<b>Revenue</b>			
Passenger services		36,226	36,520
Cargo services		11,376	11,663
Catering, recoveries and other services		2,786	2,657
<b>Total revenue</b>		<b>50,388</b>	50,840
<b>Expenses</b>			
Staff		(9,373)	(8,899)
Inflight service and passenger expenses		(2,284)	(2,162)
Landing, parking and route expenses		(7,266)	(6,944)
Fuel, net of hedging (losses)/gains		(16,619)	(18,930)
Aircraft maintenance		(3,653)	(3,664)
Aircraft depreciation and operating leases		(5,568)	(5,049)
Other depreciation, amortisation and operating leases		(1,133)	(1,039)
Commissions		(400)	(401)
Others		(1,730)	(2,176)
<b>Operating expenses</b>		<b>(48,026)</b>	(49,264)
<b>Operating profit</b>	4	<b>2,362</b>	1,576
Finance charges		(686)	(896)
Finance income		127	275
Net finance charges		(559)	(621)
Share of profits/(losses) of associates		771	(265)
<b>Profit before taxation</b>		<b>2,574</b>	690
Taxation	5	(444)	(196)
<b>Profit for the period</b>		<b>2,130</b>	494
Non-controlling interests		(158)	(147)
<b>Profit attributable to the shareholders of Cathay Pacific</b>		<b>1,972</b>	347
Profit for the period		2,130	494
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		2,713	(1,287)
Revaluation of available-for-sale financial assets		103	(18)
Share of other comprehensive income of associates		(674)	45
Exchange differences on translation of foreign operations		3	(516)
<b>Other comprehensive income for the period, net of taxation</b>	6	<b>2,145</b>	(1,776)
<b>Total comprehensive income for the period</b>		<b>4,275</b>	(1,282)
<b>Total comprehensive income attributable to</b>			
Shareholders of Cathay Pacific		4,117	(1,429)
Non-controlling interests		158	147
		<b>4,275</b>	(1,282)
<b>Earnings per share (basic and diluted)</b>	7	<b>50.1¢</b>	8.8¢

**Consolidated Statement of Financial Position**

at 30th June 2015 - Unaudited

	<i>Note</i>	30th June 2015 HK\$M	31st December 2014 HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets and liabilities</b>			
Property, plant and equipment		101,141	98,471
Intangible assets		10,424	10,318
Investments in associates		22,827	22,918
Other long-term receivables and investments		6,533	6,372
Deferred tax assets		554	428
		<b>141,479</b>	<b>138,507</b>
Long-term liabilities		<b>(53,258)</b>	<b>(55,814)</b>
Related pledged security deposits		477	499
Net long-term liabilities		<b>(52,781)</b>	<b>(55,315)</b>
Other long-term payables		<b>(8,878)</b>	<b>(9,354)</b>
Deferred tax liabilities		<b>(10,291)</b>	<b>(9,691)</b>
		<b>(71,950)</b>	<b>(74,360)</b>
<b>Net non-current assets</b>		<b>69,529</b>	<b>64,147</b>
<b>Current assets and liabilities</b>			
Stock		1,483	1,589
Trade, other receivables and other assets	9	10,209	10,591
Assets held for sale	10	739	189
Liquid funds		19,252	21,098
		<b>31,683</b>	<b>33,467</b>
Current portion of long-term liabilities		<b>(10,704)</b>	<b>(10,002)</b>
Related pledged security deposits		44	221
Net current portion of long-term liabilities		<b>(10,660)</b>	<b>(9,781)</b>
Trade and other payables	11	<b>(21,176)</b>	<b>(23,543)</b>
Unearned transportation revenue		<b>(14,073)</b>	<b>(12,238)</b>
Taxation		<b>(338)</b>	<b>(199)</b>
		<b>(46,247)</b>	<b>(45,761)</b>
<b>Net current liabilities</b>		<b>(14,564)</b>	<b>(12,294)</b>
<b>Total assets less current liabilities</b>		<b>126,915</b>	<b>126,213</b>
<b>Net assets</b>		<b>54,965</b>	<b>51,853</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	17,106	17,106
Reserves		37,710	34,616
Funds attributable to the shareholders of Cathay Pacific		54,816	51,722
Non-controlling interests		149	131
<b>Total equity</b>		<b>54,965</b>	<b>51,853</b>



**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 (the “Listing Rules”) 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 (“HKICPA”). It was authorised for issue on 19th August 2015.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2014 annual financial statements except for those noted in note 2 below.

**2. Changes in accounting policies**

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRS”) that are first effective for the current accounting period of the Group:

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

The adoption of the amendments has had no significant impact on the results and financial position of the Group.

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

**3. Segment information**
**(a) Segment results**

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M
Sales to external customers	<b>49,822</b>	50,264	<b>566</b>	576			<b>50,388</b>	50,840
Inter-segment sales	<b>4</b>	4	<b>1,797</b>	1,750			<b>1,801</b>	1,754
Segment revenue	<b>49,826</b>	50,268	<b>2,363</b>	2,326			<b>52,189</b>	52,594
Segment results	<b>2,270</b>	1,585	<b>92</b>	(9)			<b>2,362</b>	1,576
Net finance charges	<b>(495)</b>	(615)	<b>(64)</b>	(6)			<b>(559)</b>	(621)
	<b>1,775</b>	970	<b>28</b>	(15)			<b>1,803</b>	955
Share of profits/(losses) of associates					<b>771</b>	(265)	<b>771</b>	(265)
Profit before taxation							<b>2,574</b>	690
Taxation	<b>(441)</b>	(215)	<b>(3)</b>	19			<b>(444)</b>	(196)
Profit for the period							<b>2,130</b>	494

The Group’s two reportable segments are classified according to the nature of the business. The airline business segment comprises the Group’s passenger and cargo operations. The non-airline business segment includes mainly catering, ground handling, aircraft ramp handling services and cargo terminal operations. The unallocated results represent the Group’s share of profit/(losses) of associates.

### 3. Segment information (continued)

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.

#### (b) Geographical information

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Revenue by origin of sale:		
North Asia		
- Hong Kong and Mainland China	24,699	24,246
- Japan, Korea and Taiwan	4,767	5,293
India, Middle East, Pakistan and Sri Lanka	2,260	2,294
Southwest Pacific and South Africa	3,327	3,246
Southeast Asia	4,179	4,038
Europe	4,217	4,593
North America	6,939	7,130
	<b>50,388</b>	<b>50,840</b>

India, Middle East, Pakistan and Sri Lanka includes the Indian sub-continent, the Maldives, the Middle East, Pakistan, Sri Lanka and Bangladesh. Southwest Pacific and South Africa includes Australia, New Zealand and Southern Africa. Southeast Asia includes Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Cambodia. Europe includes continental Europe, the United Kingdom, Scandinavia, Russia, the Baltic states and Turkey. North America includes the U.S.A., Canada and Latin America. A geographic analysis of segment results is not disclosed for the reasons set out in the 2014 Annual Report.

### 4. Operating profit

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- leased	1,129	1,254
- owned	3,174	2,658
Amortisation of intangible assets	223	153
Operating lease rentals		
- land and buildings	478	493
- aircraft and related equipment	1,675	1,509
- others	24	21
Provision for impairment of property, plant and equipment	-	347
Provision for impairment of assets held for sale	-	9
Loss/(gain) on disposal of property, plant and equipment, net	101	(2)
Cost of stock expensed	979	965
Exchange differences, net	42	14
Auditors' remuneration	7	6
Dividend income from unlisted investments	(74)	(8)

## 5. Taxation

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Current tax expenses		
- Hong Kong profits tax	103	95
- overseas tax	116	98
Deferred tax		
- origination and reversal of temporary differences	225	3
	<b>444</b>	<b>196</b>

Hong Kong profits tax is calculated at 16.5% (2014: 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 the status of negotiations (see note 21(d) to the financial statements in the 2015 Interim Report).

## 6. Other comprehensive income

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Cash flow hedges		
- recognised during the period	(367)	(853)
- transferred to profit or loss	3,316	(584)
- deferred tax recognised	(236)	150
Revaluation of available-for-sale financial assets		
- recognised during the period	103	(18)
Share of other comprehensive income of associates		
- recognised during the period	(674)	45
Exchange differences on translation of foreign operations		
- recognised during the period	(7)	(514)
- reclassified to profit or loss	10	(2)
Other comprehensive income for the period	<b>2,145</b>	<b>(1,776)</b>

## 7. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the shareholders of Cathay Pacific of HK\$1,972 million (2014: HK\$347 million) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2014: 3,934 million) shares.

## 8. Dividend

The Directors have declared a first interim dividend of HK\$0.26 per share (2014: HK\$0.10 per share) for the six months ended 30th June 2015. The interim dividend which totals HK\$1,023 million (2014: HK\$393 million) will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015. This interim dividend has not been recognised as a liability at the reporting date.

The register of members will be closed on Friday, 11th September 2015, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first 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, 10th September 2015.

**9. Trade, other receivables and other assets**

	30th June 2015	31st December 2014
	HK\$M	HK\$M
Trade debtors	5,585	5,527
Derivative financial assets - current portion	1,131	891
Other receivables and prepayments	3,387	4,050
Due from associates and other related companies	106	123
	<b>10,209</b>	<b>10,591</b>

	30th June 2015	31st December 2014
	HK\$M	HK\$M
Analysis of trade debtors (net of allowance for doubtful debts) by age:		
Current	5,219	5,379
One to three months overdue	170	96
More than three months overdue	196	52
	<b>5,585</b>	<b>5,527</b>

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.

**10. Assets held for sale**

	30th June 2015	31st December 2014
	HK\$M	HK\$M
Assets held for sale	739	189
	<b>739</b>	<b>189</b>

**11. Trade and other payables**

	30th June 2015	31st December 2014
	HK\$M	HK\$M
Trade creditors	6,865	6,756
Derivative financial liabilities – current portion	5,549	7,291
Other payables	8,272	8,996
Due to associates	222	239
Due to other related companies	268	261
	<b>21,176</b>	<b>23,543</b>

	30th June 2015	31st December 2014
	HK\$M	HK\$M
Analysis of trade creditors by age:		
Current	6,711	6,561
One to three months overdue	143	176
More than three months overdue	11	19
	<b>6,865</b>	<b>6,756</b>

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

## 12. Share capital

	30th June 2015		31st December 2014	
	Number of shares	HK\$M	Number of shares	HK\$M
Issued and fully paid				
At 1st January	3,933,844,572	17,106	3,933,844,572	787
Transition to no-par value regime on 3rd March 2014	-	-	-	16,319
At 30th June / 31st December	3,933,844,572	17,106	3,933,844,572	17,106

During the period, the Company did not purchase, sell or redeem any of its shares (2014: nil). At 30th June 2015, 3,933,844,572 shares were in issue (31st December 2014: 3,933,844,572 shares). The transition to the no-par value regime under the new Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3rd March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the new Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the new Ordinance.

## 13. Corporate governance

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

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

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

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

The 2015 interim results have been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2014 Annual Report and in the 2015 Interim Report.

## 14. Interim report

The 2015 Interim Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website ([www.cathaypacific.com](http://www.cathaypacific.com)) on or before 2nd September 2015. Printed copies will be sent to shareholders who have elected to receive printed copies on 4th September 2015.

## 15. Event after the reporting period

On 3rd July 2015, the Group sold the 52.96% shareholding in Abacus Distribution Systems (Hong Kong) Limited (“Abacus HK”), which is based in Hong Kong for a cash consideration of US\$16.12 million (approximately HK\$124.96 million at the exchange rate current at date of payment). Effective on that date Abacus HK ceased to be a subsidiary of the Group.

## Operating expenses

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2015	2014	Change	2015	2014	Change
	HK\$M	HK\$M		HK\$M	HK\$M	
Staff	9,373	8,899	+5.3%	8,399	7,976	+5.3%
Inflight service and passenger expenses	2,284	2,162	+5.6%	2,284	2,162	+5.6%
Landing, parking and route expenses	7,266	6,944	+4.6%	7,101	6,830	+4.0%
Fuel, net of hedging losses/(gains)	16,619	18,930	-12.2%	16,357	18,504	-11.6%
Aircraft maintenance	3,653	3,664	-0.3%	3,509	3,545	-1.0%
Aircraft depreciation and operating leases	5,568	5,049	+10.3%	5,482	4,934	+11.1%
Other depreciation, amortisation and operating leases	1,133	1,039	+9.0%	825	736	+12.1%
Commissions	400	401	-0.2%	400	401	-0.2%
Others	1,730	2,176	-20.5%	2,406	2,660	-9.5%
<b>Operating expenses</b>	<b>48,026</b>	<b>49,264</b>	<b>-2.5%</b>	<b>46,763</b>	<b>47,748</b>	<b>-2.1%</b>
Net finance charges	559	621	-10.0%	479	599	-20.0%
<b>Total operating expenses</b>	<b>48,585</b>	<b>49,885</b>	<b>-2.6%</b>	<b>47,242</b>	<b>48,347</b>	<b>-2.3%</b>

- The Group's total operating expenses decreased by 2.6% to HK\$48,585 million.
- The combined cost per ATK (with fuel) of Cathay Pacific and Dragonair decreased from HK\$3.57 to HK\$3.24.

## Cathay Pacific and Dragonair operating results analysis

	Six months ended 30th June	
	2015	2014
	HK\$M	HK\$M
Airlines' profit before taxation	1,323	547
Taxation	(368)	(148)
<b>Airlines' profit after taxation</b>	<b>955</b>	<b>399</b>
Share of profits/(losses) from subsidiaries and associates	1,017	(52)
<b>Profit attributable to the shareholders of Cathay Pacific</b>	<b>1,972</b>	<b>347</b>

## Cathay Pacific and Dragonair operating results analysis (continued)

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

	<b>HK\$M</b>	
2014 interim airlines' profit before taxation	<b>547</b>	
Decrease of revenue	<b>(329)</b>	- Passenger revenue decreased due to a 9.3% decrease in yield, offset in part by a 2.3% point increase in load factor and a 6.4% increase in capacity. - Cargo revenue decreased due to a 11.1% decrease in yield, offset in part by a 0.9% point increase in load factor and a 8.9% increase in capacity.
Decrease/(increase) of:		
- Fuel, net of hedging losses/(gains)	<b>2,147</b>	- Fuel costs decreased primarily due to a 38.5% decrease in the average into-plane fuel price, which was partially offset by a 4.9% increase in consumption and an increase in hedging losses.
- Aircraft maintenance	<b>36</b>	- Decreased mainly due to retirement of older aircraft resulting in a reduction in maintenance costs.
- Landing, parking and route expenses	<b>(271)</b>	- Increased mainly due to an increase in flight frequencies.
- Depreciation, amortisation and operating leases	<b>(637)</b>	- Increased mainly due to the accelerated retirement of Airbus A340-300 aircraft and the addition of new aircraft.
- Staff	<b>(423)</b>	- Increased mainly due to an increase in headcount and salaries.
- Inflight service, commissions, net finance charges and others	<b>253</b>	- Decreased mainly due to the decrease in net finance charges.
<b>2015 interim airlines' profit before taxation</b>	<b>1,323</b>	

## Fuel expenditure and hedging

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

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Gross fuel cost	<b>12,876</b>	19,954
Fuel hedging losses/(gains)	<b>3,743</b>	(1,024)
Net fuel cost	<b>16,619</b>	18,930

## Financial position

- Additions to property, plant and equipment were HK\$7,725 million, comprising HK\$7,039 million for aircraft and related equipment and HK\$686 million for other equipment and buildings.
- Borrowings decreased by 2.5% to HK\$63,441 million. These are fully repayable by 2027 and are mainly denominated in the United States dollars, Hong Kong dollars, Japanese yen and Euros, with 75.2% at fixed rates of interest after taking into account the effect of related derivatives.
- Liquid funds, 72.0% of which are denominated in the United States dollars, decreased by 8.7% to HK\$19,252 million.
- Net borrowings increased by 0.4% to HK\$44,189 million.
- Funds attributable to the shareholders of Cathay Pacific increased by 6.0% to HK\$54,816 million.
- The unrealised hedging losses in the cash flow hedge reserve decreased from HK\$10,128 million at 31st December 2014 to HK\$7,415 million at 30th June 2015.
- The net debt/equity ratio decreased from 0.85 times to 0.81 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 2014 Annual Report.



**Fleet profile \***

Aircraft type	Number at 30th June 2015			Total	Firm orders			Total	Expiry of operating leases						Options
	Leased				'15	'16	'17 and beyond		'15	'16	'17	'18	'19	'20 and beyond	
	Owned	Finance	Operating												
<b>Aircraft operated by Cathay Pacific:</b>															
A330-300	22	15	6	43					1	3			2		
A340-300	6	2		8											
A350-900					12 <sup>(a)</sup>	10	22								
A350-1000						26	26								
747-400	3		1 <sup>(b)</sup>	4					1						
747-400F	5			5 <sup>(c/d)</sup>											
747-400BCF			1 <sup>(e)</sup>	1							1				
747-400ERF		6		6											
747-8F	2	11		13		1 <sup>(d)</sup>	1								
777-200	5			5											
777-200F														5 <sup>(f)</sup>	
777-300	9	3		12											
777-300ER	17	11	23	51	2 <sup>(d)</sup>		2			2	2		19		
777-9X						21 <sup>(d)</sup>	21								
<b>Total</b>	<b>69</b>	<b>48</b>	<b>31</b>	<b>148</b>	<b>2</b>	<b>13</b>	<b>57</b>	<b>72</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>21</b>	<b>5</b>	
<b>Aircraft operated by Dragonair:</b>															
A320-200	5		10	15							2	1	7		
A321-200	2		6	8									6		
A330-300	10		8	18					2	5		1			
<b>Total</b>	<b>17</b>		<b>24</b>	<b>41</b>					<b>2</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>13</b>		
<b>Aircraft operated by Air Hong Kong:</b>															
A300-600F	2	6	2	10							2				
747-400BCF			3	3					1	2					
<b>Total</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>13</b>					<b>1</b>	<b>2</b>	<b>2</b>				
<b>Grand total</b>	<b>88</b>	<b>54</b>	<b>60</b>	<b>202</b>	<b>2</b>	<b>13</b>	<b>57</b>	<b>72</b>	<b>1</b>	<b>4</b>	<b>12</b>	<b>7</b>	<b>2</b>	<b>34</b>	

\* Includes parked aircraft. The table does not reflect aircraft movements after 30th June 2015.

- (a) Including two aircraft on 12-year operating leases.
- (b) The operating lease of the aircraft expired in June 2015 and the aircraft will leave the fleet by the end of 2015.
- (c) Two aircraft were parked in January 2014.
- (d) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. Two of the Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, the other in July 2015. Two of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, the other in July 2015.
- (e) The aircraft was parked in August 2013 and will return to service in September 2015.
- (f) Purchase options in respect of five Boeing 777-200F freighters.

## Review of other subsidiaries and associates

- AHK Air Hong Kong Limited achieved an increase in profit in the first half of 2015 compared with the first half of 2014.
- Asia Miles Limited achieved an increase in profit in the first half of 2015 compared with the first half of 2014 due to an increase in business volume.
- Cathay Pacific Catering Services (H.K.) Limited's profit in the first half of 2015 decreased slightly compared with the first half of 2014. Increases in staff, maintenance and depreciation costs offset an increase in revenue.
- The financial results of Cathay Pacific Services Limited in the first half of 2015 improved compared with the first half of 2014. This reflected the addition of customers and effective management of operating costs.
- The financial results of Hong Kong Airport Services Limited for the first half of 2015 improved compared with the same period in 2014. The improvement reflected lower fuel prices and the fact that increases in staff costs did not exceed the increase in revenue.
- The Group's share of Air China Limited's ("Air China") results is based on its financial statements drawn up three months in arrear. Consequently the 2015 interim results include Air China's results for the six months ended 31st March 2015, adjusted for any significant events or transactions for the period from 1st April 2015 to 30th June 2015. Air China's results improved significantly in the six months to 31st March 2015. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.
- Air China Cargo Co., Ltd. ("Air China Cargo"), in which Cathay Pacific owns an equity and an economic interest, is the leading provider of air cargo services in Mainland China. Air China Cargo's financial results improved in the first half of 2015. This reflected the general improvement in the air cargo market, lower fuel prices and improved operating efficiency resulting from the replacement of old aircraft with new aircraft.

## Corporate Responsibility

- Our Sustainable Development Report for 2014 will be published in August 2015. It will be available for viewing at [www.cathaypacific.com/sdreport](http://www.cathaypacific.com/sdreport).
- Cathay Pacific is involved in the Global Market-based Measure Technical Task Force, under the auspices of the International Civil Aviation Organization. This task force is leading the industry's work to develop airlines' commitment to carbon neutral growth by 2020, and in developing proposals for a fair and equitable global agreement on emissions.
- Cathay Pacific engages with groups (the IATA Environment Committee, the Airlines Advisory Group on Global Market-Based Measures, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping climate change and aviation policy. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.
- In compliance with the European Union's Emissions Trading Scheme (EU ETS), our emissions data for 2014 were externally verified in February and our emissions report was submitted to the UK Environment Agency (UKEA) in March 2015. In April, we surrendered the credits required to cover our 2013 and 2014 emissions under the EU ETS to the UKEA.
- In February, Hong Kong SAR Chief Executive CY Leung was guest of honour on a special community flight organised by Cathay Pacific. The 90-minute flight on a Boeing 777-200 aircraft was a special treat for 200 people from 60 less-advantaged families in Hong Kong. Most of the participants had never flown before. This is the fifth such community flight we have organised since 2007.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. Cathay Pacific and Dragonair appealed for help for the people of Nepal following the earthquake in April. HK\$6 million was donated to UNICEF following the appeal. The donations were from staff (which were matched by the Company) and funds collected from the "Change for Good" inflight fundraising programme. Dragonair flew tents, solar lighting and medical and infrastructure supplies to Kathmandu,

the capital of Nepal. The Group's total contribution to the relief effort, including cash donations and free-of-charge tickets and shipments for relief agencies, was valued at HK\$10 million.

- At 30th June 2015, the Cathay Pacific Group employed more than 33,300 people worldwide. Around 25,700 of these people are employed in Hong Kong. Cathay Pacific itself employs almost 23,000 people worldwide. Dragonair employs more than 3,450 people. We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

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

Executive Directors: John Slosar (Chairman), James Barrington, Ivan Chu, Rupert Hogg, Martin Murray;

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

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

By Order of the Board

**Cathay Pacific Airways Limited**

John Slosar

Chairman

Hong Kong, 19th August 2015

Website: <http://www.cathaypacific.com>