

Media Information

11 August 2004

FOR IMMEDIATE RELEASE

CATHAY PACIFIC ANNOUNCES 2004 INTERIM RESULTS

Results		1H2004	1H2003	Change
Turnover	<i>HK\$ million</i>	18,185.0	12,275.0	+48.1%
Attributable profit/(loss)	<i>HK\$ million</i>	1,771.0	(1,241.0)	+3,012.0
Earnings/(loss) per share	<i>HK cents</i>	52.8	(37.2)	+90.0
Dividend per share	<i>HK cents</i>	20.0	3.0	+566.7%

Cathay Pacific Airways reported a first-half profit attributable to shareholders of HK\$1,771 million in its 2004 Interim Results published today. This was in marked contrast to the HK\$1,241 million loss recorded during the SARS-affected first half of 2003.

An improving world economy and a strong recovery in Hong Kong propelled growth in both the airline's passenger and cargo operations. The airline responded by introducing new services and additional frequencies across its network.

Turnover was sharply higher at HK\$18,185 million, compared to HK\$12,275 million during the same six-month period last year. The number of passengers carried increased 59.3 percent to 6.4 million. Passenger yield improved to HK45.7 cents, up from HK42.8 cents, reflecting both the improved demand for business and leisure travel and currency gains resulting from the weaker US dollar.

Cargo volumes increased 15.8 percent to 469,909 tonnes due to continued growth of re-exports from Southern China and higher volumes carried on trunk routes to Europe, Japan and the United States. Cargo yield remained at HK\$1.72.

Higher revenues were partially offset by higher costs arising from the sharp rise in the price of fuel. The average price before hedging was 16.9 percent higher than in the same period last year. Fuel accounted for 21.8 percent of the airline's operating costs during the period.

Cathay Pacific Chairman James Hughes-Hallett said: "Prospects for the traditionally stronger second half of the year appear to be good, although the high fuel price remains a concern, which if sustained, could dampen global economic growth and the demand for air travel. We remain optimistic over our future and will continue to develop our network, strengthen Hong Kong as a global aviation hub and focus on delivering superior value to customers."

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2004 Interim Results

Consolidated Profit and Loss Account - Unaudited

		Six months ended 30th June	
		2004	2003
	Note	HK\$M	HK\$M
Passenger services		12,341	7,438
Cargo services		5,251	4,405
Catering and other services		593	432
Turnover	1	18,185	12,275
Expenses			
Staff		(4,255)	(3,961)
Route		(3,423)	(2,484)
Fuel		(3,435)	(2,402)
Aircraft maintenance		(1,652)	(1,298)
Depreciation and operating leases		(2,520)	(2,433)
Commissions		(272)	(158)
Others		(398)	(299)
Operating expenses		(15,955)	(13,035)
Operating profit/(loss)	2	2,230	(760)
Finance charges		(827)	(971)
Finance income		511	690
Net finance charges		(316)	(281)
Share of profits of associated companies		151	8
Profit/(loss) before tax		2,065	(1,033)
Taxation	3	(250)	(194)
Profit/(loss) after tax		1,815	(1,227)
Minority interests		(44)	(14)
Profit/(loss) attributable to shareholders		1,771	(1,241)
Dividends			
Interim declared	4	674	100
Earnings/(loss) per share		HK¢	HK¢
Basic	5	52.8	(37.2)
Diluted	5	52.5	(37.0)
Dividend per share	4	20.0	3.0

Consolidated Balance Sheet - Unaudited

		(Audited)
	30th June 2004	31st December 2003
	HK\$M	HK\$M
Note		
ASSETS AND LIABILITIES		
Non-current assets and liabilities		
Fixed assets	51,755	51,357
Intangible assets	376	405
Investments in associated companies	1,599	1,661
Other long-term receivables and investments	1,188	1,263
	54,918	54,686
Long-term liabilities	(29,064)	(33,022)
Related pledged security deposits	10,440	11,604
Net long-term liabilities	(18,624)	(21,418)
Retirement benefit obligations	(147)	(181)
Deferred taxation	(7,912)	(7,762)
	(26,683)	(29,361)
Net non-current assets	28,235	25,325
Current assets and liabilities		
Stock	516	398
Trade and other receivables	4,301	4,753
Liquid funds	11,391	15,200
	16,208	20,351
Current portion of long-term liabilities	(4,735)	(6,754)
Related pledged security deposits	1,736	1,875
Net current portion of long-term liabilities	(2,999)	(4,879)
Trade and other payables	(5,365)	(5,543)
Unearned transportation revenue	(2,893)	(2,839)
Taxation	(1,267)	(1,259)
	(12,524)	(14,520)
Net current assets	3,684	5,831
Total assets less current and non-current liabilities	31,919	31,156
Minority interests	(127)	(104)
Net assets	31,792	31,052
CAPITAL AND RESERVES		
Share capital	674	669
Reserves	31,118	30,383
Shareholders' funds	31,792	31,052

Notes:
1. Turnover

Turnover comprises revenue from transportation services, airline catering and other services provided to third parties.

(a) Primary reporting by geographical segment

	Six months ended 30th June	
	2004	2003
	HK\$M	HK\$M
Turnover by origin of sale :		
North Asia		
- Hong Kong and Mainland China	6,764	4,981
- Japan, Korea and Taiwan	3,159	2,193
South East Asia and Middle East	2,136	1,443
Europe	2,293	1,453
South West Pacific and South Africa	1,523	827
North America	2,310	1,378
	18,185	12,275

Countries included in each region are defined in the 2003 annual report. "Pacific and South Africa" is now split into "North America", which includes U.S.A., Canada and Latin America, and "South West Pacific and South Africa". Geographical analysis of segment results, segment assets and segment liabilities are not disclosed for the reasons set out in the 2003 annual report.

(b) Secondary reporting by business segment

	Six months ended 30th June	
	2004	2003
	HK\$M	HK\$M
Revenue – external sales		
- Passenger services	12,341	7,438
- Cargo services	5,251	4,405
	17,592	11,843
Unallocated revenue		
- Catering and other services	593	432
	18,185	12,275

The Group is engaged in two main business segments: in passenger business through the Company and in freight traffic through the Company and a subsidiary. Catering services and other airline supporting services which supplement the Group's main operating business are included in unallocated revenue.

Analysis of net assets by business segment is not disclosed for the reasons set out in the 2003 annual report.

2. Operating profit/(loss)

	Six months ended 30th June	
	2004 HK\$M	2003 HK\$M
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- Leased	936	991
- Owned	967	886
Amortisation of intangible assets	43	56
Operating lease rentals		
- Land and buildings	159	170
- Aircraft and related equipment	409	324
- Others	17	11
Operating lease income		
- Aircraft and related equipment	(11)	(5)
Cost of stock expensed	566	430
Exchange differences	(16)	(113)
Auditors' remuneration	3	3
Income from listed investments	(3)	(6)
Income from unlisted investments	(51)	(36)

3. Taxation

	Six months ended 30th June	
	2004 HK\$M	2003 HK\$M
The Company and its subsidiary companies		
Current tax expenses		
- Hong Kong profits tax	30	6
- Overseas tax	92	69
- Under provision for prior years	34	42
Deferred tax		
- Origination and reversal of temporary differences	66	(5)
- Increase in tax rate	-	64
Share of associated companies' taxation	28	18
	250	194

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) 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.

4. Dividends

On 11th August 2004, the Board of Directors declared an interim dividend of HK\$20 per share (2003: HK\$3 per share) for the period ended 30th June 2004. This interim dividend which totals HK\$674 million (2003: HK\$100 million) will be paid on 4th October 2004 to shareholders registered at the close of business on 10th September 2004. The share register will be closed from 6th September 2004 to 10th September 2004, both dates inclusive.

5. Earnings/(loss) per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to shareholders of HK\$1,771 million (2003 loss: HK\$1,241 million) by the daily weighted average number of shares in issue throughout the period of 3,355 million (2003: 3,337 million) shares and 3,376 million (2003: 3,353 million) shares respectively with the latter adjusted for the effects of the share options.

	2004 million	2003 million
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	3,355	3,337
Deemed issue of ordinary shares for no consideration	21	16
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	3,376	3,353

6. Trade and other receivables

	30th June 2004 HK\$M	31st December 2003 HK\$M
Trade debtors	2,692	2,860
Other receivables and prepayments	1,598	1,879
Due from associated companies	9	10
Due from other related companies	2	4
	4,301	4,753

	30th June 2004 HK\$M	31st December 2003 HK\$M
Analysis of trade debtors by age:		
Current	2,588	2,736
One to three months overdue	41	64
More than three months overdue	63	60
	2,692	2,860

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 guarantee or other monetary collateral.

7. Trade and other payables

	30th June 2004	31st December 2003
	HK\$M	HK\$M
Trade creditors	1,774	1,947
Other payables	3,273	3,228
Due to associated companies	210	197
Due to other related companies	88	157
Bank overdrafts - unsecured	20	14
	5,365	5,543

	30th June 2004	31st December 2003
	HK\$M	HK\$M
Analysis of trade creditors by age:		
Current	1,423	1,478
One to three months overdue	301	367
More than three months overdue	50	102
	1,774	1,947

8. Share capital

During the period under review, the Group did not purchase, sell or redeem any shares in the Company. At 30th June 2004, 3,368,048,848 shares were in issue (31st December 2003: 3,343,515,048 shares).

The Company adopted a share option scheme (the "Scheme") on 10th March 1999. During the period under review, 24,533,800 shares were issued under the Scheme. Details of the Scheme can be found in note 14 to the accounts in the 2004 interim report.

9. Corporate governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The 2004 interim result has been reviewed by the audit committee. Details on Corporate Governance can be found in the 2003 annual report and in the 2004 interim report.

10. Interim report

The 2004 interim report will be sent to shareholders on 25th August 2004. It will also be available on the Stock Exchange's website and the Company's website www.cathaypacific.com before the end of August 2004.

Chairman's Letter

The Group made a profit attributable to shareholders of HK\$1,771 million during the first six months of 2004. This was in marked contrast to the HK\$1,241 million loss recorded in the SARS-affected first half of 2003. Turnover was HK\$18,185 million, also sharply higher than the comparative figure of HK\$12,275 million. The number of passengers carried was up 59.3% to 6.4 million, whilst the amount of cargo carried at 469,909 tonnes was 15.8% higher than in the same period last year.

Strong passenger demand, particularly on long haul services, led to record first half passenger revenue. Passenger yield was HK45.7 cents compared to HK42.8 cents in the same period in 2003, reflecting both the improved demand for travel and currency gains resulting from the weaker US dollar.

Demand for cargo services out of Hong Kong remained buoyant throughout the first half due to the continued growth in re-exports from Southern China. Cargo volumes increased on trunk routes to Europe, Japan and the United States. Cargo yield remained at HK\$1.72.

The benefits accruing from revenue growth were partially offset by a sharp increase in the price of fuel. The average fuel price, before hedging, was 16.9% higher than last year, with fuel now accounting for 21.8% of total operating costs. Fuel surcharges for both cargo and passenger services only partly offset the additional cost.

Within the Asia Pacific region, low cost carriers are entering a highly competitive and increasingly deregulated market place. It remains to be seen what impact such intensified competition will have. For our part, we will continue to provide a range of products and services tailored to meet the needs of our customers, offering both high standards of service and value for money. We will maintain our focus on productivity improvements and cost management measures, and target a further reduction of 10% in our unit cost by 2007.

In June we launched a codeshare service to Moscow with Aeroflot - Russian Airlines. The following month we introduced twice daily services to New York with the addition of a daily non-stop service using the polar route. In addition we now operate daily to Colombo and have increased flight frequencies to Osaka, Riyadh and Taipei. New freighter services will soon be launched to Munich.

Our recently launched passenger service to Beijing has strengthened Hong Kong's ties with Mainland China and we are hopeful that we will soon be able to resume services to Shanghai.

To continue our growth plans we have ordered one new Boeing 747-400 freighter and eight new Boeing and Airbus passenger aircraft for our regional fleet. We are also to take delivery of eight long haul B747-400 passenger aircraft. This will see Cathay Pacific with a fleet of 100 wide-bodied aircraft by 2006.

Prospects for the traditionally stronger second half appear to be good, although the high fuel price remains a concern which, if sustained, could dampen global economic growth and the demand for air travel. Nevertheless, we remain optimistic over our future and will continue to develop our network, strengthen Hong Kong as a global aviation hub and focus on delivering superior value to our customers.

James Hughes-Hallett

Chairman

Hong Kong, 11th August 2004

Financial and Operating Highlights

Group Financial Statistics		2004	2003	Change
Results		Six months ended 30th June		
Turnover	<i>HK\$ million</i>	18,185	12,275	+48.1%
Profit/(loss) attributable to shareholders	<i>HK\$ million</i>	1,771	(1,241)	+3,012.0
Earnings/(loss) per share	<i>HK cents</i>	52.8	(37.2)	+90.0
Dividend per share	<i>HK cents</i>	20.0	3.0	+566.7%
Profit/(loss) margin	<i>%</i>	9.7	(10.1)	+19.8%pt

Balance Sheet		30th June	31st December	
Shareholders' funds	<i>HK\$ million</i>	31,792	31,052	+2.4%
Net borrowings	<i>HK\$ million</i>	10,252	11,111	-7.7%
Shareholders' funds per share	<i>HK\$</i>	9.4	9.3	+1.1%
Net debt/equity ratio	<i>Times</i>	0.32	0.36	-0.04 times

Operating Statistics - Cathay Pacific		Six months ended 30th June		Change
Available tonne kilometres ("ATK")	<i>Million</i>	7,493	6,087	+23.1%
Passengers carried	<i>'000</i>	6,404	4,019	+59.3%
Passenger load factor	<i>%</i>	76.1	64.4	+11.7%pt
Passenger yield	<i>HK cents</i>	45.7	42.8	+6.8%
Cargo carried	<i>'000 tonnes</i>	470	406	+15.8%
Cargo and mail load factor	<i>%</i>	68.7	69.2	-0.5%pt
Cargo and mail yield	<i>HK\$</i>	1.72	1.72	-
Cost per ATK	<i>HK\$</i>	2.07	2.09	-1.0%
Cost per ATK without fuel	<i>HK\$</i>	1.62	1.70	-4.7%
Aircraft utilisation	<i>Hours per day</i>	11.7	11.1	+5.4%
On-time performance	<i>%</i>	91.2	91.7	-0.5%pt

Capacity, load factor and yield - Cathay Pacific

	Capacity			Load factor (%)			Yield
	ASK/ATK (million)*						Change
	2004	2003	Change	2004	2003	Change	Change
Passenger services							
North Asia	6,015	4,077	+47.5%	61.5	55.6	+5.9%pt	-0.9%
South East Asia and Middle East	7,619	5,851	+30.2%	72.3	59.2	+13.1%pt	+0.2%
Europe	7,490	5,481	+36.7%	81.1	69.6	+11.5%pt	+13.5%
South West Pacific and South Africa	5,886	4,757	+23.7%	72.1	66.0	+6.1%pt	+17.0%
North America	8,240	6,665	+23.6%	88.7	69.0	+19.7%pt	+6.4%
Overall	35,250	26,831	+31.4%	76.1	64.4	+11.7%pt	+6.8%
Cargo services	4,140	3,535	+17.1%	68.7	69.2	-0.5%pt	-

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

Passenger services

- A very strong first half resulted in new records for both revenue and the number of passengers carried.
- Passenger revenue increased 65.9% year on year as a result of improved demand, together with a 31.4% increase in seat capacity and weak US dollar-related currency gains.
- In the first six months of 2004 6.4 million passengers were carried, an increase of 2.4 million.
- A new record of 45,803 passengers carried in a single day was set on 4th July.
- Overall load factor increased from 64.4% to 76.1%.
- Passenger yield increased to HK\$45.7, an improvement of 6.8%.
- Most long haul routes, in particular London and North America, performed consistently well.
- The Hong Kong market grew with strong front-end demand on long haul services and with more travellers taking flight and hotel packages.
- North Asian routes were relatively weak, with the Japan outbound market only recovering slowly and Taiwan suffering from increased price competition.

Cargo services

- In the first six months of 2004 we carried 469,909 tonnes of freight, an increase of 15.8% on 2003 and a 21.8% increase on 2002, a record tonnage uplift year.
- Revenue increased by 16.5% with strong export growth on trunk routes to Europe, Japan and the United States. Inbound loads from Europe, Japan, New Zealand and North America also increased.
- Demand out of Hong Kong remained strong due to the continued growth in re-exports from Southern China.
- A new one-week cargo uplift record of 21,000 tonnes was set in March.
- Cargo ATKs grew by 17.1%, load factor decreased to 68.7% while cargo yield remained at HK\$1.72.
- A new freighter service to Munich will be launched soon.
- Cathay Pacific is to be the launch customer for the B747-400 Special Freighter aircraft conversion. The first aircraft is expected to be delivered in December 2005 with five others to be delivered by 2007. Taikoo (Xiamen) Aircraft Engineering Company Limited will undertake the conversion.

Operating expenses

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2004 HK\$M	2003 HK\$M	Change	2004 HK\$M	2003 HK\$M	Change
Staff	4,255	3,961	+7.4%	3,871	3,611	+7.2%
Inflight service and passenger expenses	749	559	+34.0%	749	559	+34.0%
Landing, parking and route expenses	2,674	1,925	+38.9%	2,615	1,885	+38.7%
Fuel	3,435	2,402	+43.0%	3,385	2,369	+42.9%
Aircraft maintenance	1,652	1,298	+27.3%	1,610	1,263	+27.5%
Aircraft depreciation and operating leases	2,115	1,975	+7.1%	2,041	1,954	+4.5%
Other depreciation and operating leases	405	458	-11.6%	299	343	-12.8%
Commissions	272	158	+72.2%	272	158	+72.2%
Exchange gain	(16)	(113)	-85.8%	(15)	(112)	-86.6%
Others	414	412	+0.5%	386	418	-7.7%
Operating expenses	15,955	13,035	+22.4%	15,213	12,448	+22.2%
Net finance charges	316	281	+12.5%	310	275	+12.7%
Total operating expenses	16,271	13,316	+22.2%	15,523	12,723	+22.0%

- Staff cost increased due mainly to the impact of the weaker US dollar.
- Inflight service and passenger expenses rose by 34.0% due to the increase in passenger numbers.
- Landing, parking and route expenses increased as a result of additional flights and the impact of the weaker US dollar.
- Fuel cost increased as a result of the rise in the fuel price and increased consumption from additional flights.
- Aircraft maintenance increased as a result of the larger operating fleet.
- Cost per ATK decreased by 1.0% while the cost per ATK without fuel decreased by 4.7%.

Financial position

- Additions to fixed assets were HK\$2,326 million, comprising HK\$2,289 million for aircraft and related equipment and HK\$37 million for other equipment.
- Borrowings decreased by 17.8% to HK\$21,623 million. These are fully repayable by 2017 and are mainly denominated in US dollars, Japanese yen, Sterling, and Euro with 57% at fixed rates of interest.
- Liquid funds, 82% of which is denominated in US dollars, decreased by 25.1% to HK\$11,391 million.
- Net borrowings decreased by 7.7% to HK\$10,252 million.
- The Group's shareholders' funds increased by 2.4% to HK\$31,792 million whilst the net debt/equity ratio decreased to 0.32 times.
- The Group's policy on financial risk management and the management of currency and interest rate exposures is set out in the 2003 annual report.

Fleet profile

Aircraft type	Number as at 30th June 2004			Total	Firm orders				Total	Expiry of operating leases					Options
	Leased				'04	'05	'06'	'07		'04	'05	'06	'07	'08	
	Owned	Finance	Operating												
Aircraft operated by Cathay Pacific :															
B747-400	13	4	2	19	2	1	5		8			1	1		
B747-200F	4	2		6											
B747-400F	1	4		5		1			1						
B777-200	1	4		5											
B777-300	1	9		10		1	1		2					3 ^(a)	
A330-300		23		23		3 ^(b)	1	2	6						
A340-300		11	4	15							4				
A340-600			3	3								2	1		
Total	20	57	9	86	2	6	7	2	17			4	3	2	
Aircraft operated by AHK :															
B747-200F		1		1											
A300-600F					4	2			6					4 ^(c)	
A300F/ B727F ^(d)			4	4						3	1				
Total		1	4	5	4	2			6	3	1			4	

(a) Operating lease options expire in 2007 and are for any B777 model.

(b) Aircraft on six year operating leases.

(c) Purchase options expire in 2004 and 2005.

(d) Aircraft on wet lease.

Human resources

- Hong Kong based jobs for 600 cabin crew and 70 customer service officers were opened at the Youth Expo job fair.
- A new overseas base for cabin crew was created in London.
- Cathay Pacific now employs 14,800 staff in 30 countries and territories, 10,700 of whom are based in Hong Kong. Together with our subsidiaries and associates we employ over 21,000 staff in Hong Kong.
- We review our human resources and remuneration policy regularly in the light of local legislation, industry practice, market conditions and the performance of both individuals and the Company.

Review of subsidiary and associated companies

- AHK Air Hong Kong Limited launched services to Taipei and recorded a satisfactory profit in the first half of 2004.
- Cathay Pacific Catering Services (H.K.) Limited recorded a satisfactory interim profit due to increased meal volumes. However the profit margin remained under pressure due to competition and the avian flu outbreak which led to a higher food cost.
- Hong Kong Dragon Airlines Limited recorded an improved interim profit in 2004 in comparison with the previous interim which was significantly affected by the SARS outbreak.
- Hong Kong Aircraft Engineering Company Limited recorded an interim profit of HK\$232 million, representing a 22% increase from 2003.