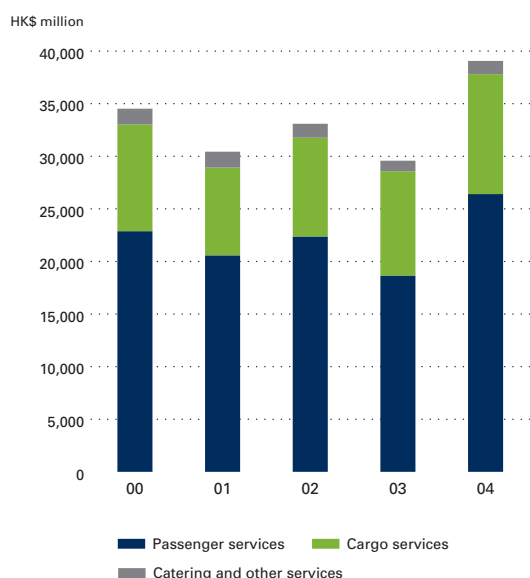


The Cathay Pacific Group reported an attributable profit of HK\$4,417 million against a profit of HK\$1,303 million in 2003. The substantial increase in profit reflects strong traffic demand.

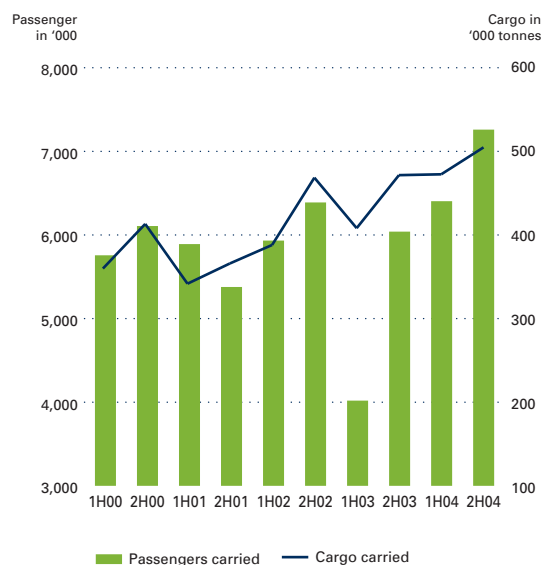
TURNOVER

	Group		Cathay Pacific	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Passenger services	26,407	18,663	26,407	18,663
Cargo services	11,395	9,913	10,549	9,417
Catering and other services	1,263	1,002	–	–
Turnover	39,065	29,578	36,956	28,080

GROUP TURNOVER

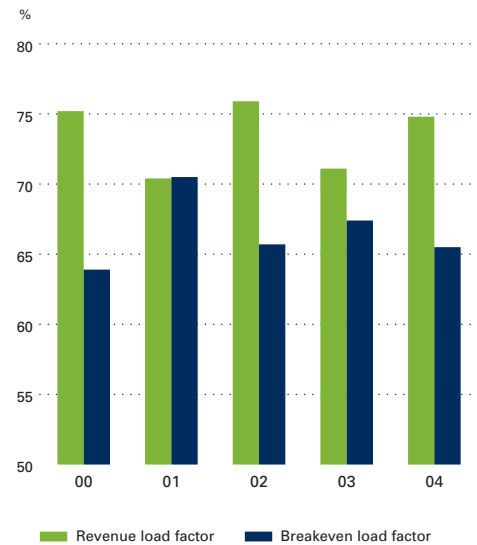


CATHAY PACIFIC: PASSENGERS AND CARGO CARRIED



REVENUE AND BREAKEVEN LOAD FACTOR

- Group turnover rose by 32.1% on 2003.
- Passenger turnover increased significantly by 41.5% to HK\$26,407 million as a result of improved demand. The number of passengers carried increased by 35.8% to 13.7 million and revenue passenger kilometres increased by 33.9%.
- Passenger load factor increased by 5.1 percentage points to 77.3% while capacity, in terms of available seat kilometres, increased by 24.9%.
- Passenger yield increased by 5.8% to HK\$45.8.
- First and business class revenues increased by 45.0% and the front end load factor increased from 57.6% to 63.1%. Economy class revenue increased by 39.9% and the economy class load factor increased from 75.0% to 80.0%.
- Cathay Pacific's cargo turnover increased by 12.0% to HK\$10,549 million. The improvement represents the continued growth in exports from Southern China to Europe, Japan and the United States through Hong Kong.
- Cathay Pacific's cargo load factor remained at 68.7% while capacity increased by 13.4%. Cargo yield decreased by 1.1% to HK\$1.76.
- The improvement in Cathay Pacific's turnover can be analysed as follows:



- Revenue load factor increased by 3.7 percentage points to 74.8% while the breakeven load factor fell by 1.9 percentage points to 65.5%.
- The annualised revenue effect on changes in yield and load factor is set out below:

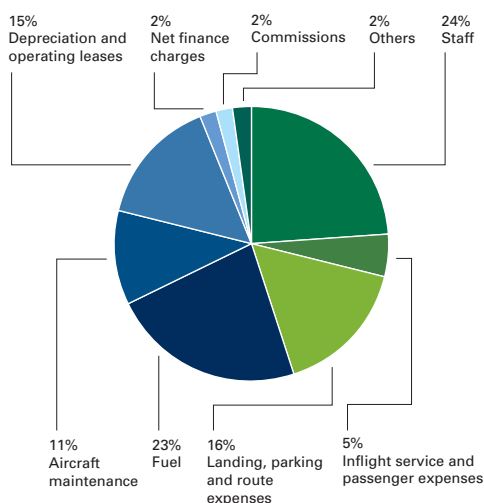
	HK\$M
+24.9% Passenger capacity	4,624
+13.4% Cargo and mail capacity	1,261
+5.1%pt Passenger load factor	1,693
– Cargo and mail load factor	–
+5.8% Passenger yield	1,427
-1.1% Cargo and mail yield	(129)
	8,876

	HK\$M
+ 1 percentage point in passenger load factor	340
+ 1 percentage point in cargo and mail load factor	154
+ HK\$1 in passenger yield	573
+ HK\$1 in cargo and mail yield	60

OPERATING EXPENSES

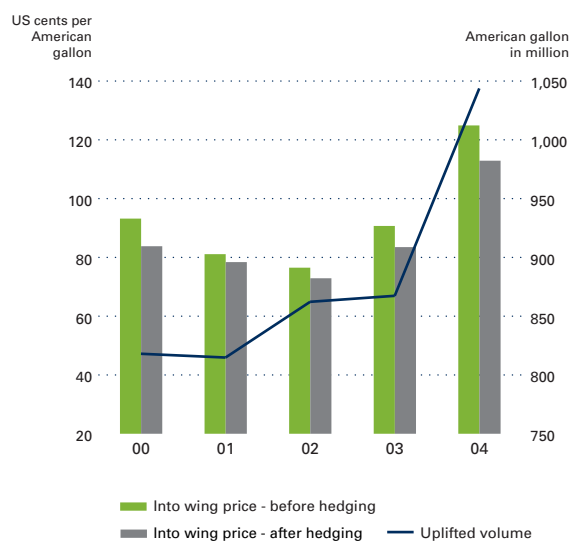
	Group			Cathay Pacific		
	2004 HK\$M	2003 HK\$M	Change	2004 HK\$M	2003 HK\$M	Change
Staff	8,842	8,035	+10.0%	7,985	7,318	+9.1%
Inflight service and passenger expenses	1,566	1,223	+28.0%	1,566	1,223	+28.0%
Landing, parking and route expenses	5,324	4,193	+27.0%	5,209	4,106	+26.9%
Fuel	7,836	5,236	+49.7%	7,704	5,164	+49.2%
Aircraft maintenance	3,784	2,856	+32.5%	3,768	2,853	+32.1%
Aircraft depreciation and operating leases	4,356	3,988	+9.2%	4,206	3,931	+7.0%
Other depreciation and operating leases	814	872	-6.7%	595	649	-8.3%
Commissions	529	400	+32.3%	529	398	+32.9%
Exchange gain	(199)	(244)	-18.4%	(201)	(247)	-18.6%
Others	966	794	+21.7%	820	721	+13.7%
Operating expenses	33,818	27,353	+23.6%	32,181	26,116	+23.2%
Net finance charges	583	620	-6.0%	556	606	-8.3%
Total operating expenses	34,401	27,973	+23.0%	32,737	26,722	+22.5%

CATHAY PACIFIC: TOTAL OPERATING EXPENSES



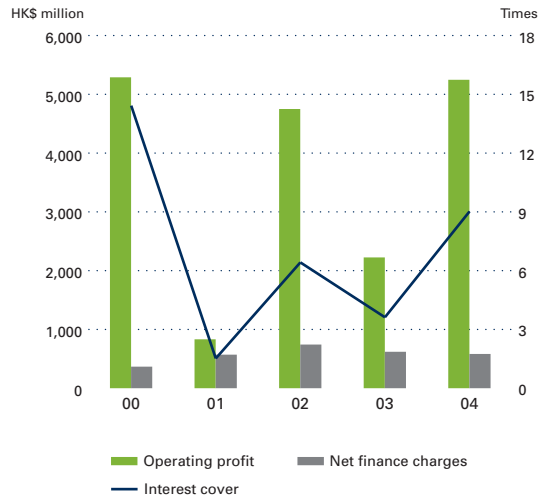
- Staff costs increased due to an increase in average staff numbers and the resumption of bonus and profit share payments.
- Inflight service and passenger expenses increased due to the increase in passenger numbers.

CATHAY PACIFIC: FUEL PRICE AND CONSUMPTION

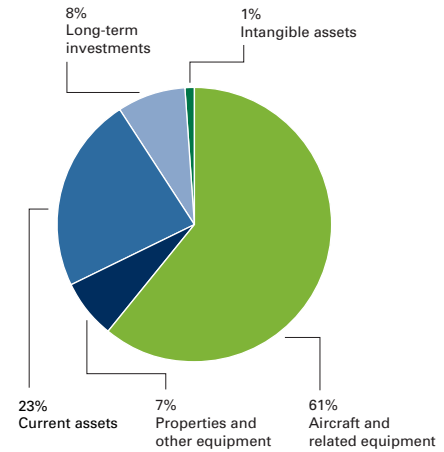


- Landing, parking and route expenses rose as a result of increased operations.
- Fuel costs increased mainly due to the 38% increase in the average fuel price.
- Aircraft maintenance increased as a result of the fleet expansion and increased operations.

GROUP INTEREST COVER



GROUP TOTAL ASSETS



- Aircraft depreciation and operating leases increased due to the new aircraft deliveries.
- Net finance charges decreased due to the lower average net borrowings.
- Cathay Pacific's cost per ATK increased from HK\$2.00 to HK\$2.07 due to higher fuel prices.

ASSOCIATED COMPANIES

- The share of profits from associated companies increased by 135.8% to HK\$356 million.
- Both HAECO and Dragonair reported higher profits than 2003 as a result of improved traffic and the improved business environment in Hong Kong.

TAXATION

- The tax charge of HK\$504 million was HK\$95 million higher than the previous year as a result of increased profit.

DIVIDENDS

- Dividends paid and proposed for the year are HK\$2,191 million representing a dividend cover of 2.0 times.
- Dividends per share increased from HK¢48 to HK¢65.

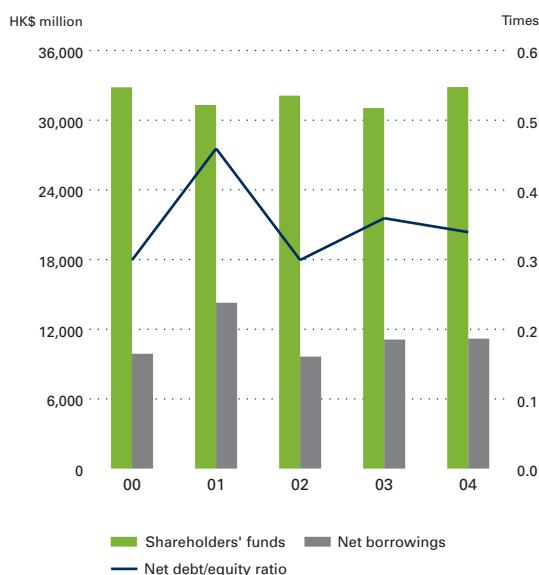
ASSETS

- Total assets as at 31st December 2004 amounted to HK\$75,284 million.
- During the year, additions to fixed assets were HK\$4,329 million, comprising HK\$4,244 million for aircraft and related equipment and HK\$85 million for other equipment and properties.

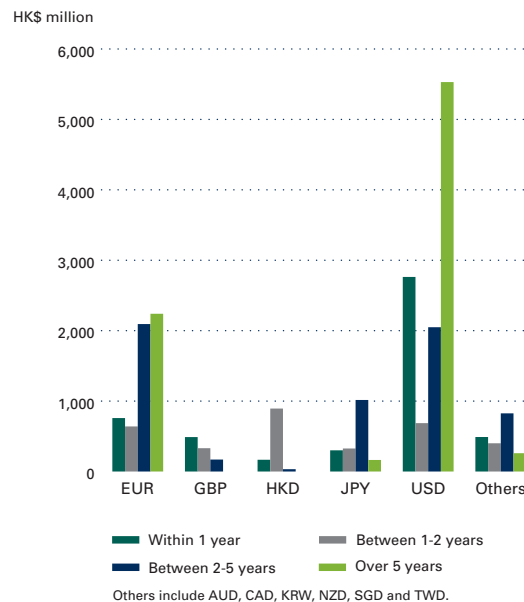
BORROWINGS AND CAPITAL

- Borrowings decreased by 13.9% to HK\$22,631 million compared with HK\$26,297 million in 2003.
- Borrowings are mainly denominated in US dollar, Euro, Japanese yen and Sterling, and are fully repayable by 2018 with 58% at fixed rates of interest.
- Liquid funds, 73% of which are denominated in US dollar, decreased by 24.5% to HK\$11,474 million.
- Net borrowings increased by 0.7% to HK\$11,187 million.
- The Group's shareholders' funds increased by 5.8% to HK\$32,855 million.
- Net debt/equity ratio decreased from 0.36 times to 0.34 times.

GROUP NET DEBT AND EQUITY



GROUP MATURITY PROFILE BY CURRENCY: BORROWINGS



FINANCIAL RISK MANAGEMENT POLICY

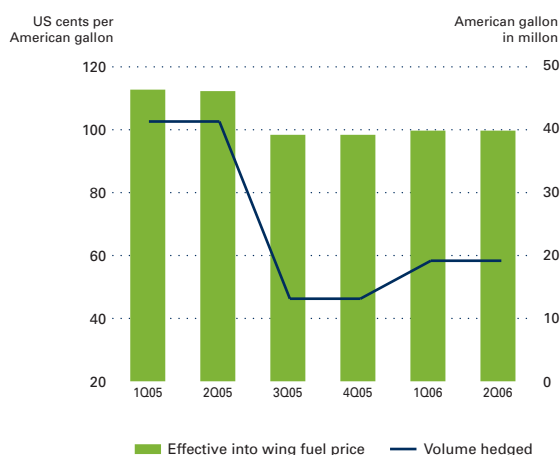
- In the normal course of business the Company is exposed to movements in foreign exchange rates, interest rates and jet fuel prices.
- These exposures are managed, sometimes with the use of derivative financial instruments, in accordance with policies approved by the Finance Committee.
- Derivative financial instruments are used solely for financial risk management purposes and the Company does not hold or issue derivative financial instruments for trading purposes.
- Derivative financial instruments which constitute a hedge do not expose the Company to market risk since any change in their market value will be offset by a compensating change in the market value of the asset, liability or transaction being hedged.
- Exposures to movements in foreign exchange rates, interest rates and jet fuel prices are regularly reviewed and positions are amended in compliance with policy guidelines.

- To manage credit risk, transactions are only carried out with financial institutions of high repute and all counterparties are subject to prescribed trading limits which are regularly reviewed. Risk exposures are monitored regularly by reference to market values.

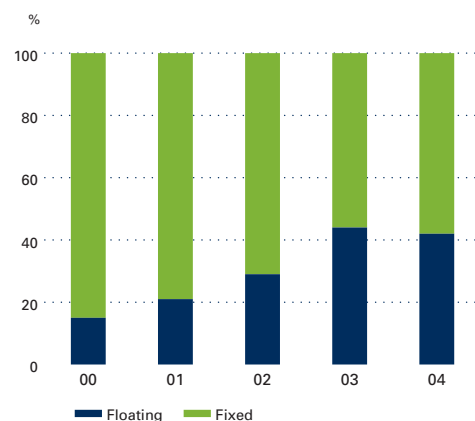
MANAGEMENT OF CURRENCY EXPOSURES

- As an international airline, the Company's revenue streams are denominated in a number of foreign currencies resulting in exposure to fluctuations in foreign exchange rates.
- To manage this exposure, assets are, where possible, financed in those foreign currencies in which net operating surpluses are anticipated, thereby establishing a natural hedge. In addition, the Company uses currency derivatives to reduce anticipated foreign currency surpluses.
- The use of foreign currency borrowings and currency derivatives to hedge future operating revenues is a key component of the financial risk management process. Exchange differences realised on the repayment of financial commitments are effectively matched by the change in value of the foreign currency earnings used to make those repayments.

CATHAY PACIFIC: FUEL HEDGING



GROUP INTEREST RATE PROFILE: BORROWINGS



VALUE ADDED

The following table summarises the distribution of the Group's value added in 2003 and 2004.

	2004 HK\$M	2003 HK\$M
Total revenue	39,065	29,578
Less: Purchases of goods and services	(21,281)	(15,846)
Value added by the Group	17,784	13,732
Add: Income from investments	106	273
Share of profits of associated companies	356	151
Total value added available for distribution	18,246	14,156
<i>Applied as follows:</i>		
To employees		
- Salaries and other staff costs	8,842	8,035
To governments		
- Corporation taxes	504	409
To providers of capital		
- Dividends - paid	674	100
- proposed	1,517	1,515
- Minority interests	99	44
- Net finance charges	583	620
Retained for re-investment and future growth		
- Depreciation	3,801	3,745
- Profit/(loss) after dividends	2,226	(312)
Total value added	18,246	14,156

- The Group value added increased by HK\$4,090 million mainly due to an increase in revenue.
- Dividends paid and proposed increased

by HK\$576 million while the amount retained for re-investment and future growth increased by HK\$2,594 million.