

**Press release**  
**8 March 2000**

**CATHAY PACIFIC ANNOUNCES 1999 RESULTS**

	<b>1999</b>	1998	<b>Change</b>
	<b>HK\$M</b>	HK\$M	
Turnover	<b>28,702</b>	26,610	<b>+7.9%</b>
Attributable profit/(loss)	<b>2,191</b>	(542)	<b>+HK\$2,733m</b>

Cathay Pacific Airways reported a profit attributable to shareholders of HK\$2,191 million for 1999, as against a loss of HK\$542 million for 1998. Turnover rose 7.9% to HK\$28,702 million. Total passenger numbers rose 2.1% to 10.5 million. This much-improved result reflected the sustained recovery of key Asian economies and the airline's ongoing effort to improve productivity.

Passenger demand showed improvements across almost all routes, with particularly robust growth seen between Hong Kong and Korea, the Philippines and the United States. The passenger load factor was 71.4%, compared to 67.5% in 1998. Average fares, however, remained under pressure due to strong competition.

Cargo was the outstanding business of the year, setting a new record turnover of HK\$8,391 million, up 20.6% on the previous year. Cargo now accounts for 29% of total turnover. Demand for air cargo was helped by the strong growth in Asian exports and the recovery of regional markets.

Cost targets were met in most areas, but were not helped by fuel prices which rose significantly in the latter part of the year. These are now a cause of concern, particularly if current levels are maintained. The lowering of landing and parking charges at Hong Kong International Airport from January this year is welcomed and will help keep our costs at competitive levels.

“The encouraging results reflect both the improvement in the economic fortunes of Asia and the hard work of our staff in improving our competitiveness,” said Cathay Pacific Chairman James Hughes-Hallett. “We are responding to these new opportunities by expanding our modern fleet and looking to add new services and new routes.”

The year was an eventful one for Cathay Pacific. The airline launched its new frequent-flyer programme Asia Miles and its new global alliance **oneworld** in February. A new First Class was introduced in May. In June, pilot salary negotiations resulted in two weeks of flight disruptions. From July to September, Hong Kong experienced a number of severe typhoons, one of which resulted in the closure of the airport for 24 hours. In October, new uniforms were introduced and, in November, the airline's new corporate headquarters Cathay Pacific City was officially opened.

During the latter part of the year, Cathay Pacific took steps to expand its fleet on signs that regional markets were poised for further growth. In October, three Airbus Industrie A340-300s were leased from Air China, and an agreement was signed to purchase two new Boeing 747-400 freighters. In December, the airline committed to the purchase of three new Airbus Industrie A330-300s. In February this year, an agreement was reached to lease one A340-300 from the International Lease Finance Corporation.

Mr Hughes-Hallett said: “With our new competitive cost structure we are now in better shape than we were before the economic downturn. We have every confidence in the future and we will continue to help strengthen Hong Kong's position as Asia's leading aviation centre.”

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**FOR FURTHER INFORMATION CONTACT:**

Quince Chong, Manager Corporate Communication, (852) 7901-5214(P)

Lavina Chan, Corporate Communication Manager, Public Affairs, (852) 7901-5393(P)

*The Cathay Pacific Internet site can be found at <http://www.cathaypacific.com>. To receive Cathay Pacific media information by e-mail, please register at Inside CX.*

## Press Release Attachments

### 1999 FINAL RESULTS

	Note	Year ended 31st December	
		1999 HK\$M	1998 HK\$M
<b>Turnover</b>			
Passenger services		18,979	18,532
Cargo services		8,391	6,955
Catering and other services		1,332	1,123
<b>Total turnover</b>		<b>28,702</b>	<b>26,610</b>
<b>Expenses</b>			
Staff		(7,299)	(7,786)
Route		(6,352)	(6,476)
Fuel		(3,641)	(3,612)
Aircraft maintenance		(2,714)	(2,891)
Depreciation and operating leases		(3,875)	(4,275)
Commission		(663)	(717)
Others		(1,336)	(1,510)
<b>Operating expenses</b>		<b>(25,880)</b>	<b>(27,267)</b>
<b>Operating profit/(loss)</b>		<b>2,822</b>	<b>(657)</b>
Finance charges		(2,775)	(2,605)
Finance income		1,857	2,294
Net finance charges		(918)	(311)
Profit on sale of investments	1	482	185
Share of profits of associated companies		108	172
<b>Profit/(loss) before taxation</b>		<b>2,494</b>	<b>(611)</b>
Taxation	2	(219)	104
<b>Profit/(loss) after taxation</b>		<b>2,275</b>	<b>(507)</b>
Minority interest		(84)	(35)
<b>Profit/(loss) attributable to shareholders</b>		<b>2,191</b>	<b>(542)</b>
Dividends		(1,016)	(339)
<b>Retained profit/(loss) for the year</b>		<b>1,175</b>	<b>(881)</b>
Dividend per share		HK¢	HK¢
- interim		3.0	3.0
- final, recommended		27.0	7.0
		30.0	10.0
<b>Earnings/(loss) per share</b>	3	<b>64.7</b>	<b>(16.0)</b>
<b>Diluted earnings/(loss) per share</b>	3	<b>64.3</b>	<b>(16.0)</b>

**Note:****1. Profit on sale of investments**

The profit on sale of investments in 1999 represents the gain from the sale of an indirect interest of 0.4% in Equant N.V., a company which provides an international communications network. The Group still maintains an indirect interest of 0.6% in this company.

The net profit arising in 1998 from the sale of investments mainly related to the sale of a 4.5% shareholding in a company operating a computerised reservation system business in Asia. The Company still maintains an 8.4% shareholding in this business.

<b>2. Taxation</b>	<b>1999</b>	1998
	<b>HK\$M</b>	HK\$M
<b>The Company and its subsidiary companies:</b>		
Hong Kong profits tax	<b>3</b>	5
Overseas taxation	<b>141</b>	128
Deferred taxation	<b>158</b>	(97)
Overprovision for prior years	<b>(98)</b>	(163)
	<b>204</b>	(127)
<b>Associated companies:</b>		
Hong Kong profits tax	<b>14</b>	22
Overseas taxation	<b>1</b>	1
	<b>219</b>	(104)

Hong Kong profits tax is calculated at 16% (1998: 16%) on the estimated assessable profits for the year. Overseas taxation 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.

**3. Earnings/(loss) per share**

Basic earnings per share and diluted earnings per share are calculated by dividing profit attributable to shareholders of HK\$2,191 million (1998: loss HK\$542 million) by the daily weighted average number of shares in issue throughout the year of 3,384 million (1998: 3,384 million) shares and 3,407 million shares respectively with the latter adjusted for the effects of the stock options.

	<b>1999</b>	1998
	<b>Million</b>	Million
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>3,384</b>	3,384
Deemed issued of ordinary shares for no consideration	<b>23</b>	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>3,407</b>	3,384

**Final dividend.** The final dividend will be paid on 2nd June 2000 to shareholders registered on 17th May 2000. The shareholders' register will be closed from 12th May 2000 to 17th May 2000, both dates inclusive.

**Annual report.** The 1999 annual report will be sent on 7th April 2000 to the shareholders .

## *CHAIRMAN'S LETTER*

**The Cathay Pacific Group made an attributable profit of HK\$2,191 million in 1999, compared with a loss of HK\$542 million in 1998. Turnover was HK\$28,702 million, up by 7.9 percent compared to the previous year.**

The results for the year reflect a strong second half due to both seasonal factors and a return to growth in the Asian economies. Load factors improved across most routes. The United States market was particularly strong, whilst a number of Asian markets rebounded from previous declines. Passenger yields remained under pressure due to continued competition across the region.

The cargo business, which generates 29% of our overall revenues, was the star performer of the year, achieving record levels for both tonnage and revenue.

Continued cost controls also contributed to the final result. Challenging cost targets have been met in most areas. Thanks to the efforts of our staff, productivity and efficiency targets were met in many areas of the airline's operations, although higher net finance charges and increasing fuel prices during the year have offset some of these gains.

The year 1999 also brought many challenges. In June, the salary negotiations with our pilots resulted in two weeks of flight disruptions. From July to September Hong Kong experienced a number of severe typhoons, one of which resulted in the effective closure of the airport for 24 hours.

In May we introduced our innovative First Class cabin; in October we introduced new uniforms for our cabin crew and airport staff; and in November we celebrated the grand opening of our new corporate headquarters, Cathay Pacific City. We made solid progress in the development of our **oneworld** global airline alliance, and successfully launched our new frequent-flyer programme, Asia Miles.

The announcement of a 15% reduction in landing and parking charges at Hong Kong International Airport will help to maintain the competitiveness of our home base, Hong Kong, as Asia's premier aviation transport hub.

Development of our e-business strategy is a very high priority. We are determined to be an industry leader in this field.

As market conditions continue to improve, steps are being taken to meet anticipated future demand. Towards the end of the year we committed to the purchase of three new A330s from Airbus Industrie and the lease of three A340s from Air China; we also signed an agreement to purchase two new Boeing 747-400 freighter aircraft which will substantially increase our cargo capacity over the next two years. More recently we agreed to lease a new A340. We are currently reviewing our passenger fleet to see how best to meet further expected growth in demand in the years ahead.

Cathay Pacific is emerging from the recent downturn in better shape than that in which we entered it; with a more competitive cost structure, we are now well positioned to take advantage of new opportunities. We have every confidence in the future of the airline.

James Hughes-Hallett  
Chairman  
8th March 2000

## Fleet profile

Aircraft Type	Number per fleet as at 31st December 1999			Total	Firm orders		Total	Expiry of operating leases			Options (delivery date)			
	Owned	Finance	Operating		'00	'01		'01	'02	'03	'02	'03	'04	Total
<b>Aircraft operated by Cathay Pacific :</b>														
B747-400	2	15	2	19				1	1					
B747-200F	3	1		4										
B747-400F	1	1		2	1	1	2							
B777-200	1	3		4										
B777-300		7		7							3	4	3	10
A330-300		12		12		3	3					3	3	6 <sup>#</sup>
A340-300		11	3	14		1 <sup>##</sup>	1	3						
<b>Total</b>	<b>7</b>	<b>50</b>	<b>5</b>	<b>62</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>16</b>
<b>Aircraft not operated by Cathay Pacific :</b>														
B747-300	1 <sup>*</sup>	5		6										
B747-200	6			6										
B747-200F		3 <sup>**</sup>		3										
<b>Total</b>	<b>7</b>	<b>8</b>		<b>15</b>										

# Options are interchangeable between A330/A340.

## Aircraft on five year operating lease

\* Aircraft not leased out as at 31st December 1999.

\*\* Aircraft operated by AHK.

## Operating expenses

	Group			Cathay Pacific		
	1999 HK\$M	1998 HK\$M	Change	1999 HK\$M	1998 HK\$M	Change
Staff	7,299	7,786	-6.3%	6,511	7,082	-8.1%
Inflight service and passenger	1,381	1,563	-11.6%	1,381	1,563	-11.6%
Landing, parking and route expenses	4,971	4,913	+1.2%	4,642	4,618	+0.5%
Fuel	3,641	3,612	+0.8%	3,357	3,377	-0.6%
Aircraft maintenance	2,714	2,891	-6.1%	2,533	2,670	-5.1%
Aircraft depreciation and operating	2,855	3,334	-14.4%	2,711	3,192	-15.1%
Other depreciation and operating	1,020	941	+8.4%	773	813	-4.9%
Commissions	663	717	-7.5%	657	673	-2.4%
Exchange loss	41	88	-53.4%	38	89	-57.3%
Others	1,295	1,422	-8.9%	935	1,128	-17.1%
<b>Operating expenses</b>	<b>25,880</b>	<b>27,267</b>	<b>-5.1%</b>	<b>23,538</b>	<b>25,205</b>	<b>-6.6%</b>
Net finance charges	918	311	+195.2%	855	229	+273.4%
<b>Total operating expenses</b>	<b>26,798</b>	<b>27,578</b>	<b>-2.8%</b>	<b>24,393</b>	<b>25,434</b>	<b>-4.1%</b>

- Staff costs decreased due to lower staff numbers and a contribution holiday for certain retirement funds.
- Inflight service and passenger expenses reduced as a result of better cost control.
- Landing, parking and route expenses increased due to higher costs from the first full year of operation at the Hong Kong International Airport.

- Fuel costs remained largely unchanged with the higher fuel price being offset by lower consumption, due in part to the increased use of fuel-efficient aircraft.
- Aircraft maintenance costs reduced as a result of the younger average fleet age, the phasing out of the B747 “classics” and the implementation of successful productivity initiatives.
- Aircraft depreciation and operating lease costs decreased because of the provision made in 1998 for the impairment in value of the B747 “classics”.
- Cathay Pacific’s cost per ATK before finance charges fell by 6.5% to HK\$2.17.
- Cost per ATK after finance charges decreased by 4.3% to HK\$2.24.
- Net finance charges increased as a result of higher average borrowings, lower returns from short-term funds and adverse movements in exchange and interest rates.
- The interest cover improved to 3.1 times.

## FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL (Group)		1999	1998	Change
<b>Results</b>				
Turnover	<i>HK\$ million</i>	<b>28,702</b>	26,610	<b>+7.9%</b>
Profit/(loss) attributable to shareholders	<i>HK\$ million</i>	<b>2,191</b>	(542)	<b>+2,733</b>
Earnings/(loss) per share	<i>HK\$</i>	<b>0.65</b>	(0.16)	<b>+0.81</b>
Dividend per share	<i>HK\$</i>	<b>0.30</b>	0.10	<b>+200%</b>
<b>Balance Sheet</b>				
Shareholders' funds	<i>HK\$ million</i>	<b>27,028</b>	25,795*	<b>+4.8%</b>
Net borrowings	<i>HK\$ million</i>	<b>13,216</b>	14,958	<b>-11.7%</b>
Shareholders' funds per share	<i>HK\$</i>	<b>7.99</b>	7.62*	<b>+4.9%</b>
<b>Key ratios</b>				
Profit/(loss) margin	<i>%</i>	<b>7.6</b>	(2.0)	<b>+9.6%pt</b>
Net debt equity ratio	<i>Times</i>	<b>0.49</b>	0.58*	<b>-0.09times</b>

### OPERATING (Company)

Available tonne kilometres ("ATK")	<i>Million</i>	<b>10,867</b>	10,857	<b>+0.1%</b>
Passenger load factor	<i>%</i>	<b>71.4</b>	67.5	<b>+3.9%pt</b>
Passenger yield	<i>HK cents</i>	<b>45.4</b>	45.2	<b>+0.4%</b>
Cargo and mail load factor	<i>%</i>	<b>71.5</b>	65.2	<b>+6.3%pt</b>
Cargo and mail yield	<i>HK\$</i>	<b>1.9</b>	1.7	<b>+11.8%</b>
Cost per ATK	<i>HK\$</i>	<b>2.24</b>	2.34*	<b>-4.3%</b>
Aircraft utilisation (average)	<i>Hours per day</i>	<b>12.4</b>	12.2	<b>+1.6%</b>
On-time performance	<i>%</i>	<b>83.5</b>	80.3	<b>+3.2%pt</b>

\* Comparatives figures have been restated to comply with changes in HK SSAPs.

### CAPACITY, LOAD FACTOR AND YIELD (Company)

	<i>Capacity</i>						<i>Yield</i>
	<i>ASK /ATK (million)*</i>			<i>Load Factor (%)</i>			
	1999	1998	Change	1999	1998	Change	
<b>Passenger services</b>							
Europe	<b>13,905</b>	13,927	<b>-0.2%</b>	<b>74.5</b>	74.3	<b>+0.2%pt</b>	<b>-5.2%</b>
Pacific and South Africa	<b>23,473</b>	23,862	<b>-1.6%</b>	<b>71.8</b>	68.6	<b>+3.2%pt</b>	<b>+1.8%</b>
North Asia	<b>9,475</b>	10,423	<b>-9.1%</b>	<b>67.0</b>	62.5	<b>+4.5%pt</b>	<b>+5.2%</b>
South East Asia and Middle East	<b>11,261</b>	12,083	<b>-6.8%</b>	<b>70.6</b>	61.8	<b>+8.8%pt</b>	<b>-0.1%</b>
<b>Overall</b>	<b>58,114</b>	60,295	<b>-3.6%</b>	<b>71.4</b>	67.5	<b>+3.9%pt</b>	<b>+0.4%</b>
<b>Cargo services</b>							
All routes	<b>5,337</b>	5,119	<b>+4.3%</b>	<b>71.5</b>	65.2	<b>+6.3%pt</b>	<b>+11.8%</b>

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

## Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited.

In compliance with the additional requirement of The Stock Exchange of Hong Kong Limited to its Code of Best Practice, on 30th October 1998 the Company established an Audit Committee with written terms of reference.

## Share capital

The Group did not purchase, sell or redeem any shares in Cathay Pacific Airways Limited in 1999.

The Company adopted a share option scheme on 10th March 1999, whereby certain flight deck crew were granted options to subscribe to shares at a price not less than the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of the shares. As at 31st December 1999, options to subscribe for a total of 67,837,097 shares were granted at a subscription price of HK\$7.47 per share. Other than in limited circumstances, the options in relation to 50% of the shares will become exercisable on 15th March 2002, and the balance on 15th March 2004. The options will, except in limited circumstances, be exercisable until 14th March 2009. A resolution will be proposed at the Annual General Meeting of the Company on 17th May 2000 to formally ratify certain minor amendments made to the original share option scheme approved by shareholders at an Extraordinary General Meeting held on 10th March 1999.

## Reserves (Group)

	<b>1999</b>	1998
	<b>HK\$M</b>	HK\$M
At beginning of the year	<b>25,119</b>	25,686
Retained profit/(loss) for the year	<b>1,175</b>	(881)
Purchase of Company's shares	-	(18)
Movement of goodwill taken directly to reserves	<b>(5)</b>	(1)
Exchange differences on cashflow		
- recognised during the year	<b>48</b>	(618)
- transferred to profit for the year	<b>71</b>	65
Revaluation surpluses		
- recognised during the year	<b>422</b>	895
- transferred to profit for the year	<b>(482)</b>	-
Exchange differences	<b>4</b>	(9)
At end of the year	<b>26,352</b>	25,119