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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00293)

Announcement
2013 Annual Results

Financial and Operating Highlights

Group Financial Statistics

Results		2013	2012 (restated)	Change
Turnover	*HK$ million*	**100,484**	99,376	**+1.1%**
Profit attributable to the owners of Cathay Pacific	*HK$ million*	**2,620**	862	**+203.9%**
Earnings per share	*HK cents*	**66.6**	21.9	**+204.1%**
Dividend per share	*HK$*	**0.22**	0.08	**+175.0%**
Profit margin	*%*	**2.6**	0.9	**+1.7%pt**
Financial position				
Funds attributable to the owners of Cathay Pacific	*HK$ million*	**62,888**	56,021	**+12.3%**
Net borrowings	*HK$ million*	**39,316**	35,364	**+11.2%**
Shareholders' funds per share	*HK$*	**15.9**	14.2	**+12.0%**
Net debt/equity ratio	*Times*	**0.63**	0.63	**-**

Operating Statistics – Cathay Pacific and Dragonair

		2013	2012 (restated)	Change
Available tonne kilometres (“ATK”)	*Million*	**26,259**	26,250	**-**
Available seat kilometres (“ASK”)	*Million*	**127,215**	129,595	**-1.8%**
Passengers carried	*‘000*	**29,920**	28,961	**+3.3%**
Passenger load factor	*%*	**82.2**	80.1	**+2.1%pt**
Passenger yield	*HK cents*	**68.5**	67.3	**+1.8%**
Cargo and mail carried	*‘000 tonnes*	**1,539**	1,563	**-1.5%**
Cargo and mail load factor	*%*	**61.8**	64.2	**-2.4%pt**
Cargo and mail yield	*HK$*	**2.32**	2.42	**-4.1%**
Cost per ATK (with fuel)	*HK$*	**3.58**	3.65	**-1.9%**
Cost per ATK (without fuel)	*HK$*	**2.16**	2.14	**+0.9%**
Aircraft utilisation	*Hours per day*	**11.8**	12.0	**-1.7%**
On-time performance	*%*	**75.5**	77.4	**-1.9%pt**
Average age of fleet	*Years*	**9.3**	10.1	**-7.9%**
GHG emissions	*Million tonnes of CO_2e*	**15.5**	15.7	**-1.3%**
GHG emissions per ATK	*Grammes of CO_2e*	**589**	600	**-1.8%**
Lost time injury rate	*Number of injuries per 100 full-time equivalent employees*	**4.84**	5.07	**-4.5%**

CATHAY PACIFIC

Capacity, Load Factor and Yield – Cathay Pacific and Dragonair

	Capacity ASK/ATK (million)*			Load factor (%)			Yield
	2013	2012	**Change**	**2013**	2012	**Change**	**Change**
Passenger services							
India, Middle East, Pakistan and Sri Lanka	**10,697**	11,049	**-3.2%**	**75.5**	75.5	**-**	**-4.5%**
Southwest Pacific and South Africa	**17,490**	18,304	**-4.4%**	**80.7**	77.3	**+3.4%pt**	**-1.2%**
Southeast Asia	**18,246**	18,031	**+1.2%**	**80.3**	79.3	**+1.0%pt**	**+1.0%**
Europe	**21,536**	21,509	**+0.1%**	**87.3**	85.0	**+2.3%pt**	**+3.6%**
North Asia	**28,450**	27,980	**+1.7%**	**75.8**	71.9	**+3.9%pt**	**-1.5%**
North America	**30,796**	32,722	**-5.9%**	**88.8**	87.6	**+1.2%pt**	**+8.3%**
Overall	**127,215**	129,595	**-1.8%**	**82.2**	80.1	**+2.1%pt**	**+1.8%**
Cargo services	**14,162**	13,926	**+1.7%**	**61.8**	64.2	**-2.4%pt**	**-4.1%**

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

Passenger Services

Home market - Hong Kong and Pearl River Delta

- Demand for leisure travel on routes originating in Hong Kong was strong throughout most of 2013, especially during the peak holiday periods. However, demand on regional routes did not match the increase in capacity on these routes, which put yield under pressure.
- The depreciation of the yen resulted in increased demand for travel to Japan, which was sustained for most of the year. Demand for travel to Korea usually weakens when demand for travel to Japan strengthens. But this did not happen in 2013.
- There was strong demand for leisure travel from Hong Kong to the newly introduced destinations of Da Nang and Chiang Mai.
- Our weekly "fanfares" promotion has been successful in promoting travel from Hong Kong. More than 79,000 "fanfares" tickets were sold in 2013.
- Demand for leisure and business travel from the Pearl River Delta ("PRD") increased sharply in 2013. We opened an office in Shenzhen in October 2013, in order to strengthen our presence in the PRD.

India, Middle East, Pakistan and Sri Lanka

- We added more capacity on routes to India in 2013. Demand was resilient, but revenues derived from India were adversely affected by the depreciation of the Indian currency and the effect of competition on prices.
- Results from the Cathay Pacific service to Hyderabad, introduced in December 2012, and from Dragonair's service to Kolkata, introduced in November 2012, were satisfactory.
- Capacity was unchanged on the Colombo, Dhaka and Karachi routes. Results on these routes were in line with expectations.
- We introduced a four-times-weekly service to Male in the Maldives in October 2013. We expect a significant portion of the traffic on the route to originate from Hong Kong and Mainland China.
- Market conditions were challenging on Middle Eastern routes. Competition increased as more airlines started to fly direct to Southeast Asia.
- We will launch service to Doha in late March 2014. Cathay Pacific and Qatar Airways will each operate one flight between Hong Kong and Qatar daily under a strategic agreement. We will stop operating flights to Jeddah and Abu Dhabi from March 2014.

Southwest Pacific and South Africa

- The results from our Australian routes were satisfactory in 2013. Demand for travel to and from Mainland China remained strong. However, competition continued to grow, with more Mainland Chinese airlines offering direct services to Australia.
- We made adjustments to our Australia services in March 2014, removing some of the triangular routings in order to strengthen our direct services to and from Adelaide, Brisbane, Cairns and Melbourne.
- Demand for travel on the New Zealand route was strong in 2013, helped by the joint venture with Air New Zealand established at the beginning of 2013.
- The results of the South African routes were adversely affected by the depreciation of the South African currency.

Southeast Asia

- Demand was strong in Southeast Asia but results were affected by strong competition from both full service and low-cost carriers. This put pressure on yield.
- Business of economy class benefited from new traffic from Southeast Asian countries to short-haul destinations and Mainland China, connecting through Hong Kong, and from robust local economies.
- The Philippines routes performed well, with good loads in all classes.
- The Singapore route performed well, despite intense competition.
- The Malaysian routes were weak, reflecting strong competition, particularly on the Kuala Lumpur route. Cathay Pacific will cease flying to Penang in March 2014, when Dragonair will take over the route, operating 10 flights a week.
- Dragonair introduced services to Yangon in Myanmar in January 2013 and to Siem Reap in Cambodia in October 2013. The results from both routes have been satisfactory.
- Dragonair will begin a two-times-weekly service to Denpasar, Bali in Indonesia in April 2014.
- Demand on Thailand routes was strong in 2013. We increased the frequency of Dragonair's Chiang Mai service from five to seven flights a week in October 2013. We added 10 more flights a week to Bangkok in 2013.

Europe

- Business was strong on most European routes in 2013. There was good demand for the new premium economy class seats, particularly on the London and Frankfurt routes.
- Capacity on European routes decreased, as smaller aircraft (Boeing 777-300ERs instead of Boeing 747-400s) were used on some of the routes. Since January 2014, only Boeing 777-300ER aircraft have been used on the London route.
- We reduced frequencies on the Paris route from 14 flights a week to 11 per week and on the Rome route from seven flights to five per week, in each case in October 2013. These are seasonal adjustments.
- The results from the London route were strong in 2013. We added a fifth daily flight on the route in June 2013. Loads were consistently high in all classes. More passengers travelling on this route are connecting with flights to and from Southwest Pacific and Northeast Asian destinations.
- The results from the Moscow route were steady, helped by a new codeshare arrangement with **one**world partner S7 Airlines on a number of routes to cities in Russia.

North Asia

- In Mainland China, Dragonair introduced services to Wenzhou and Zhengzhou in January 2013. The airline now flies to 22 destinations in Mainland China.
- Demand for travel from Mainland China (both from Beijing and Shanghai and from secondary cities) was strong throughout 2013, reflecting the robust Mainland Chinese economy. Demand for travel through Hong Kong to Southeast Asia was particularly strong.

- Demand for travel to Mainland China was disappointing. It was affected by an outbreak of avian flu and by an earthquake in Sichuan in early 2013 and increased competition. An increasing number of international airlines are now flying direct to Mainland China.
- Increased competition and more direct cross straits flights affected results from the Taiwan routes. Taiwan, however, remained a popular leisure destination for Hong Kong travellers.
- The depreciation of the yen led to a considerable increase in traffic from Hong Kong to all our destinations in Japan. Revenues derived from Japan were adversely affected by the depreciation of the yen.
- The results from the Korean routes were strong in 2013. There was good demand for travel to and from Korean destinations.

North America

- Demand for all classes of travel to and from our four United States destinations was strong in 2013. We fully restored frequencies on the Los Angeles and New York routes in response to the strength of demand.
- In March 2014 we introduced a service to Newark, resulting in our operating five flights a day to the greater New York area.
- We will add a fourth daily flight to Los Angeles from June 2014 and three more flights (to the existing seven) a week to Chicago from August 2014.
- There was strong competition from other airlines on Canadian routes in 2013. We restored three flights a week to Toronto in March 2013, returning to 10 flights a week.

Cargo Services

- The air cargo business has been affected by weak demand since April 2011. There was some recovery in business during the last three months (normally the peak period of the year for cargo shipments) of 2013, though business was still weaker than in the corresponding period of 2012. The recovery in the last three months of 2013 reflected shipments of consumer IT products manufactured in Asia. As in 2012, the recovery was not sustained.
- With a view to maintaining load factors and yield, we adjusted capacity in line with demand in 2013, reducing freighter schedules and making ad hoc flight cancellations. We carried more cargo in the bellies of passenger aircraft in order to reduce costs.
- Demand for cargo shipments from Hong Kong was weak for much of the year, particularly on European routes. Demand on transpacific and Asian routes was more robust. However, over capacity put pressure on yield.
- Our cargo business into and out of Mainland China improved during the year. This reflected the strong economy in Mainland China and strong demand for consumer products manufactured in Mainland China. Demand on the Chengdu, Chongqing and Zhengzhou routes continued to mature though competition on these routes became stronger. Demand for shipments from Shanghai and Xiamen improved. We added a third weekly flight on the Xiamen route in September 2013.
- Demand for shipments to and from Japan was weak in 2013. The depreciation of the yen did not increase exports. Strong competition for reduced tonnages led to a decline in yield. Our performance in Korea and Taiwan was stronger by comparison, but was still below expectations.
- Demand for shipments of hi-tech consumer products from Hanoi in Vietnam was strong. We made more capacity available on this route by adding one freighter service in May and one more in July 2013.
- Cambodia is a growth market for air cargo.

- The Indian subcontinent continues to grow in importance as an air cargo market. However, our ability to benefit from this depends on space being available on transpacific flights from Hong Kong. In response to strong growth in exports from Sri Lanka, we introduced a second weekly freighter service to Colombo in October 2013. Demand for shipments from Dhaka was strong throughout the year.
- Demand for shipments to and from Europe remained weak in 2013. In February 2013, we suspended cargo services to Brussels and Stockholm. We carried more freight in the bellies of our Boeing 777-300ER aircraft flying from London. We focused on priority and special cargo, including pharmaceuticals, in an effort to maintain yield.
- Demand for shipments to and from the Americas remained relatively strong in 2013, with a strong increase in demand in the last two months of the year. Shipments to North America benefited from the introduction of new IT products. There was strong demand for shipments of perishables and oil industry equipment from North America. We will add two-times-weekly freighter service to Columbus in the United States in late March 2014.
- We began offering freighter services between Mexico and Asia in 2013. We introduced a two-times-weekly freighter service to Guadalajara in October 2013. This was extended to three-times-weekly in March 2014 and at the same time we extended this service to Mexico City. With these new routes and our existing route to Miami (a centre for Latin American airfreight), we have a stronger presence in this fast-growing region.
- Demand for shipments to the Southwest Pacific was steady. Shipments of perishables were strong, but the market remains challenging. Limited air traffic rights make it difficult to increase our Australian air cargo business.
- High fuel prices continued to affect the financial performance of our cargo operations, particularly on long-haul routes. Fuel surcharges were adjusted in line with movements in fuel prices. We continued to improve the operating efficiency of our freighter fleet.
- In March 2013, we entered into agreements in relation to our cargo fleet as part of a package of transactions among The Boeing Company, Cathay Pacific, Air China Cargo and Air China. Under these transactions, we agreed to purchase three Boeing 747-8F freighters (which were delivered in December 2013), cancelled orders for eight Boeing 777-200F freighters, acquired options to purchase five Boeing 777-200F freighters and agreed to sell four Boeing 747-400BCF converted freighters. All of these converted freighters have already left our fleet.
- We parked one of our Boeing 747-400F production freighters in May 2013. In August 2013 we parked Cathay Pacific’s only remaining operating converted freighter.
- We took delivery of five Boeing 747-8F freighters during the course of the year. These included the last two from our original order of 10 aircraft, which arrived in May and August 2013 respectively, and three delivered under the agreement made with Boeing in March 2013. These three freighters arrived in December 2013.
- Steps taken to improve the financial performance of Air China Cargo included the purchase of fuel-efficient Boeing 777-200F freighters (the first of which was delivered in December 2013) to replace the joint venture’s Boeing 747-400BCF converted freighters.
- Despite current adverse market conditions, we remain confident in Hong Kong’s future as an air cargo centre and believe that our investments in new aircraft and our new HK$5.9 billion air cargo terminal will bear fruit in the long term. The new terminal became fully operational in October 2013 after a phased opening that began in February 2013. It is currently handling the cargo operations of Cathay Pacific, Dragonair and Air Hong Kong. In the long run this facility will reduce costs and improve efficiency in our cargo business, and enable us to provide a wider range of services for our cargo customers. We will open the terminal for third-party business in due course.

Chairman's Letter

The Cathay Pacific Group reported an attributable profit of HK$2,620 million in 2013. This compares to a profit of HK$862 million (restated) in the previous year. Earnings per share were HK66.6 cents compared to earnings per share of HK21.9 cents (restated) in 2012. Turnover for the year increased by 1.1% to HK$100,484 million.

The improvement in the Group's performance in 2013 was largely due to the strengthening of the passenger business and the positive impact of measures introduced in 2012 to protect the business from the high price of jet fuel. The cargo business continued to be affected by strong competition and weak demand, though there was some seasonal improvement in the last quarter of 2013. The business overall continued to be affected by the sustained high price of jet fuel. The share of profits from non-airline subsidiaries and from associates decreased to HK$781 million from HK$1,126 million (restated).

Passenger revenue in 2013 increased by 2.4% to HK$71,826 million. Capacity decreased by 1.8% due to the continuation of 2012's reduction in long-haul frequencies and the accelerated retirement of Boeing 747-400 passenger aircraft. However, capacity began to increase towards the end of the year as frequencies were restored and new routes were introduced. The load factor increased by 2.1 percentage points to 82.2%. Yield improved by 1.8% to HK68.5 cents. Passenger demand was strong on long-haul routes in all classes of travel. The introduction of premium economy class has been well received and has improved overall economy class yield. However, demand on regional routes did not match the increase in capacity on these routes, which left yield under pressure.

Our cargo business has been adversely affected by weak demand since April 2011. There was some recovery in business during the last three months (normally the peak period of the year for cargo shipments) of 2013, though business was still weaker than in the corresponding period of 2012. The Group's cargo revenue in 2013 was HK$23,663 million, a decline of 3.6% compared to the previous year. Yield for Cathay Pacific and Dragonair decreased by 4.1% to HK$2.32. Capacity increased by 1.7%. The load factor decreased by 2.4 percentage points to 61.8%. We tried to adjust capacity in line with demand in 2013, reducing freighter schedules and making ad hoc flight cancellations, which helped us to carry more cargo in the bellies of passenger aircraft. Our new cargo terminal at Hong Kong International Airport became fully operational in October 2013. The new terminal will allow us to improve efficiency and to reduce costs in the long term.

The price of jet fuel remains a concern for the Group and the industry as a whole. Fuel remains our most significant cost, accounting for 39.0% of our total operating costs in 2013. In April 2013 we took advantage of a brief drop in fuel prices to extend our fuel hedging into 2016. The Group's fuel costs in 2013 (disregarding the effect of fuel hedging) decreased by 4.6% compared to 2012. This was largely a result of the introduction, in 2012, of measures designed to protect our business against high fuel prices, including changing schedules, reducing capacity, withdrawing older, less fuel-efficient aircraft from service and taking delivery of new, more fuel-efficient aircraft. Managing the risk associated with high and volatile fuel prices remains a high priority.

In 2013 Cathay Pacific took delivery of 19 new aircraft: five Airbus A330-300 aircraft (including one for Dragonair), nine Boeing 777-300ER aircraft and five Boeing 747-8F freighters. Five Boeing 747-400 passenger aircraft were retired during the period. In March 2013, we entered into agreements in relation to our cargo fleet as part of a package of transactions involving The Boeing Company, Cathay Pacific, Air China Cargo Co., Ltd. ("Air China Cargo") and Air China. Under these transactions, we agreed to purchase three Boeing 747-8F freighters (which were delivered in December 2013), cancelled orders for eight Boeing 777-200F freighters, acquired options to purchase five Boeing 777-200F freighters and agreed to sell four Boeing 747-400BCF converted freighters. All of the converted freighters have already left our fleet. In December 2013, we 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. As at 31st December 2013 we had a total of 95 aircraft on firm order for delivery by 2024. We are to take delivery of 16 new aircraft in 2014, one of which was delivered in January 2014.

We continued to develop our passenger and cargo networks in 2013. We fully restored the long-haul passenger frequencies to Los Angeles, Toronto and New York that were cancelled in 2012 and announced the introduction of new flights to a number of new destinations. A fifth daily frequency was added to the London route in June and a four-times-weekly service to Male in the Maldives was introduced in October. We began a daily service to Newark in the United States in March 2014, will begin a daily service to Doha in late March 2014 and will add more frequencies to Los Angeles and Chicago from summer 2014. Dragonair introduced services to Da Nang, Siem Reap, Wenzhou, Yangon and Zhengzhou in 2013 and will begin a two-times-weekly service to Denpasar, Bali in Indonesia in April 2014. We suspended freighter services to Brussels and Stockholm in February 2013 but began offering services between Mexico and Asia later in the year. We introduced freighter services to Guadalajara in October 2013 and extended this service to Mexico City in March 2014. We will add a freighter service to Columbus in the United States in late March 2014.

At the end of 2013, premium economy class was available on 85 of our long-haul and medium-haul aircraft and new regional business class seats had been installed in 11 aircraft. The installation of the new regional business class seats will be completed by the third quarter of 2014 and the introduction of the restyled and upgraded first class cabins on our Boeing 777-300ER aircraft, which began in July 2013, will be completed by the end of 2014. New business class and economy class seats were installed in 18 Dragonair aircraft in 2013. At Hong Kong International Airport we reopened the renovated first class lounge at The Wing in February and opened our fifth departure lounge, The Bridge, in October 2013.

The share of profits from non-airline subsidiaries and from associates decreased by 30.6% to HK$781 million. This mainly reflects the start up costs of our new cargo terminal, which became fully operational in October 2013, after a phased opening which began in February 2013. The results also continued to be affected by the performance of Air China Cargo, our cargo joint venture with Air China. The financial performance of the new cargo terminal in 2014 will benefit from the absence of start up costs. Air China Cargo's financial performance in 2014 will benefit from the steps taken to improve its profitability referred to below.

We continued to develop our strategic partnership with Air China. Steps taken to improve the financial performance of Air China Cargo included the purchase of fuel-efficient Boeing 777-200F freighters (the first of which was delivered in December 2013) to replace the joint venture's Boeing 747-400BCF converted freighters. A new ground-handling company, Shanghai International Airport Services Co., Limited, began operations in February 2013. This joint venture between Cathay Pacific, Air China, Shanghai Airport Authority and Shanghai International Airport Co. Ltd. provides ground-handling services at Shanghai's two international airports, Hongqiao and Pudong.

The operating environment remained challenging throughout 2013, for the Group and the aviation industry as a whole. It was therefore encouraging to see an improvement in our overall performance, and the strength of the passenger business reflects our continuing investment in network development and providing superior service and world-beating products. We were delighted to see our cabin crew win the Skytrax "World's Best Cabin Staff" award – a true acknowledgement of the Service Straight from the Heart that makes the Cathay Pacific experience truly special. The cargo business continues to be problematic. There is still no sign of any sustained improvement in the market. Some changes in the business appear now to be structural rather than cyclical. We thus have reduced the size of our freighter fleet and at the same time increased its efficiency. We remain confident in Hong Kong's future as an air cargo centre and believe that our reshaped freighter fleet and our new cargo terminal will allow us to compete successfully in the long term.

The business outlook for 2014 looks to be improved when compared to 2013. Our passenger business continues to perform well and will benefit from further expansion of frequencies on long-haul routes. Fuel prices remain high but we will benefit from our hedging positions should they remain so. We also expect an improvement in the performance of non-airline subsidiaries and our associates, with the new cargo terminal being fully operational and Air China Cargo benefiting from its upgraded freighter fleet. We will continue to invest to make our business stronger while keeping our financial position strong. As always, we remain committed to strengthening the world class aviation hub in our home, Hong Kong.

Christopher Pratt
Chairman
Hong Kong, 12th March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st December 2013

	Note	2013 HK$M	2012 (restated) HK$M
Turnover			
Passenger services		**71,826**	70,133
Cargo services		**23,663**	24,555
Catering, recoveries and other services		**4,995**	4,688
Total turnover	*2*	**100,484**	99,376
Expenses			
Staff		**(17,027)**	(16,248)
Inflight service and passenger expenses		**(4,138)**	(4,017)
Landing, parking and route expenses		**(13,531)**	(13,603)
Fuel, net of hedging gains		**(38,132)**	(40,470)
Aircraft maintenance		**(7,542)**	(8,197)
Aircraft depreciation and operating leases		**(9,537)**	(8,879)
Other depreciation, amortisation and operating leases		**(1,926)**	(1,432)
Commissions		**(775)**	(777)
Others		**(4,116)**	(4,140)
Operating expenses		**(96,724)**	(97,763)
Operating profit	*4*	**3,760**	1,613
Finance charges		**(1,370)**	(1,629)
Finance income		**351**	745
Net finance charges	*5*	**(1,019)**	(884)
Share of profits of associates		**838**	754
Profit before taxation		**3,579**	1,483
Taxation	*6*	**(675)**	(409)
Profit for the year		**2,904**	1,074
Non-controlling interests		**(284)**	(212)
Profit attributable to the owners of Cathay Pacific		**2,620**	862
Profit for the year		**2,904**	1,074
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plans		**997**	142
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		**3,170**	1,587
Revaluation of available-for-sale financial assets		**53**	46
Share of other comprehensive income of associates		**89**	3
Exchange differences on translation of foreign operations		**491**	83
Other comprehensive income for the year, net of taxation	*7*	**4,800**	1,861
Total comprehensive income for the year		**7,704**	2,935
Total comprehensive income attributable to			
Owners of Cathay Pacific		**7,418**	2,726
Non-controlling interests		**286**	209
		7,704	2,935
Earnings per share (basic and diluted)	*8*	**66.6¢**	21.9¢

Consolidated Statement of Financial Position

at 31st December 2013

	Note	**2013 HK$M**	2012 (restated) HK$M	2011 (restated) HK$M
ASSETS AND LIABILITIES				
Non-current assets and liabilities				
Fixed assets		**94,935**	84,278	73,498
Intangible assets		**9,802**	9,425	8,601
Investments in associates		**20,314**	18,522	17,902
Other long-term receivables and investments		**7,135**	6,254	5,491
Deferred tax assets		**204**	95	40
		132,390	118,574	105,532
Long-term liabilities		**(57,460)**	(52,753)	(38,410)
Related pledged security deposits		**626**	1,364	3,637
Net long-term liabilities		**(56,834)**	(51,389)	(34,773)
Other long-term payables		**(1,318)**	(3,205)	(3,650)
Deferred tax liabilities		**(9,633)**	(8,156)	(6,691)
		(67,785)	(62,750)	(45,114)
Net non-current assets		**64,605**	55,824	60,418
Current assets and liabilities				
Stock		**1,511**	1,194	1,155
Trade, other receivables and other assets	*10*	**9,827**	9,922	9,859
Assets held for sale	*11*	**111**	911	746
Liquid funds		**27,736**	24,182	19,597
		39,185	36,209	31,357
Current portion of long-term liabilities		**(11,179)**	(10,758)	(10,603)
Related pledged security deposits		**961**	2,601	2,041
Net current portion of long-term liabilities		**(10,218)**	(8,157)	(8,562)
Trade and other payables	*12*	**(18,206)**	(17,470)	(17,464)
Unearned transportation revenue		**(11,237)**	(9,581)	(9,613)
Taxation		**(1,116)**	(687)	(1,368)
		(40,777)	(35,895)	(37,007)
Net current (liabilities)/assets		**(1,592)**	314	(5,650)
Total assets less current liabilities		**130,798**	118,888	99,882
Net assets		**63,013**	56,138	54,768
CAPITAL AND RESERVES				
Share capital	*13*	**787**	787	787
Reserves		**62,101**	55,234	53,846
Funds attributable to the owners of Cathay Pacific		**62,888**	56,021	54,633
Non-controlling interests		**125**	117	135
Total equity		**63,013**	56,138	54,768

Notes:

1. Basis of preparation and accounting policies

The annual results set out in this announcement are extracted from the Group's statutory accounts for the year ended 31st December 2013.

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") (which include all applicable Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These accounts also comply with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's accounts:

- HKFRSs (Amendment) "Annual Improvements 2009-2011 Cycle"
- Amendments to HKAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"
- Amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- HKAS 19 (2011) "Employee Benefits"
- HKAS 27 (2011) "Separate Financial Statements"
- HKAS 28 (2011) "Investment in Associates and Joint Ventures"
- HKFRS 10 "Consolidated Financial Statements"
- HKFRS 11 "Joint Arrangements"
- HKFRS 12 "Disclosure of Interests in Other Entities"
- HKFRS 13 "Fair Value Measurement"

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

The annual improvements to HKFRSs 2009 to 2011 Cycle consist of six amendments to five existing standards, including an amendment to HKAS 34. It has had no significant impact on the results and financial position of the Group.

The amendment to HKAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently or not. The Group's presentation of other comprehensive income in the accounts has been modified accordingly.

1. Basis of preparation and accounting policies (continued)

The amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 "Financial Instruments: Presentation" and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The Group has made appropriate disclosures about the offsetting of financial assets and financial liabilities.

The amendments to HKFRSs 10, 11 and 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments have had no significant impact on the Group's accounts.

HKAS 27 (2011) "Separate Financial Statements" was issued following the issuance of HKFRS 10. The revised HKAS 27 only deals with the accounting for subsidiaries, joint ventures and associates in the separate financial statements of the parent company. The amendment has had no significant impact on the results and financial position of the Company as it already complies with the requirements of the standard.

HKAS 28 (2011) "Investments in Associates and Joint Ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The amendment has had no significant impact on the results and financial position of the Group.

HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st January 2013.

HKFRS 11 "Joint Arrangements" which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of HKFRS 11, which converges with International Financial Reporting Standard ("IFRS") 11 "Joint Arrangements", has affected the Group's share of profits of associates. One of the Group's associates, on adoption of IFRS 11 in the current year, has changed its accounting policy with respect to the interests in joint ventures, for which proportionate consolidation was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31st December 2012 and the result for the year ended 31st December 2012 as summarised in the table below.

HKFRS 12 "Disclosure of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has provided the disclosure requirements applicable to the Group.

1. Basis of preparation and accounting policies (continued)

HKAS 19 (2011) "Employee Benefits" was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits is as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it removes the accounting policy choice that previously permitted the recognition of only those actuarial gains and losses outside the 10% "corridor" in the statement of profit or loss. Instead all such remeasurements are required to be recognised in other comprehensive income when they occur. The above change is required to be applied retrospectively. Some of the Group's associates also made certain adjustments to their opening retained profit as at 1st January 2012 on adopting the revised HKAS 19.

The effect of the adoption of the revised HKAS 19 and HKFRS/IFRS 11 is summarised in the table below.

	As previously reported HK$M	Effect of adopting revised HKAS 19 HK$M	Effect of adopting HKFRS/ IFRS 11 HK$M	As restated HK$M
Consolidated statement of profit or loss and other comprehensive income for the year ended 31st December 2012:				
Staff expenses	(16,073)	(175)	-	(16,248)
Share of profits of associates	641	(10)	123	754
Taxation	(417)	19	(11)	(409)
Profit attributable to the owners of Cathay Pacific	916	(166)	112	862
Defined benefit plans	-	142	-	142
Share of other comprehensive income of associates	83	(80)	-	3
Exchange differences on translation of foreign operations	83	(1)	1	83
Total comprehensive income attributable to the owners of Cathay Pacific	2,715	(102)	113	2,726
Total comprehensive income attributable to non-controlling interests	212	(3)	-	209
Consolidated statement of financial position as at 31st December 2012:				
Investments in associates	18,481	(94)	135	18,522
Other long-term receivables and investments	6,617	(363)	-	6,254
Other long-term payables	(2,222)	(983)	-	(3,205)
Deferred tax assets	79	16	-	95
Deferred tax liabilities	(8,277)	133	(12)	(8,156)
Reserves	(56,399)	1,288	(123)	(55,234)
Non-controlling interests	(120)	3	-	(117)
Consolidated statement of financial position as at 31st December 2011:				
Investments in associates	17,894	(1)	9	17,902
Other long-term receivables and investments	5,783	(292)	-	5,491
Other long-term payables	(2,612)	(1,038)	-	(3,650)
Deferred tax assets	28	12	-	40
Deferred tax liabilities	(6,825)	135	(1)	(6,691)
Reserves	(55,022)	1,184	(8)	(53,846)

1. Basis of preparation and accounting policies (continued)

HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. The adoption of HKFRS 13 only affects disclosures of fair value measurements of financial assets and financial liabilities in the Group's accounts.

2. Turnover

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

3. Segment information

(a) Segment results

	Airline business		Non-airline business		Unallocated		Total	
	2013	2012 (restated)	**2013**	2012 (restated)	**2013**	2012 (restated)	**2013**	2012 (restated)
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Profit or loss								
Sales to external customers	**99,284**	98,198	**1,200**	1,178			**100,484**	99,376
Inter-segment sales	**8**	8	**2,206**	1,685			**2,214**	1,693
Segment revenue	**99,292**	98,206	**3,406**	2,863			**102,698**	101,069
Segment results	**4,214**	1,484	**(454)**	129			**3,760**	1,613
Net finance charges	**(1,008)**	(876)	**(11)**	(8)			**(1,019)**	(884)
	3,206	608	**(465)**	121			**2,741**	729
Share of profits of associates					**838**	754	**838**	754
Profit before taxation							**3,579**	1,483
Taxation	**(681)**	(371)	**6**	(38)			**(675)**	(409)
Profit for the year							**2,904**	1,074
Other segment information								
Depreciation and amortisation	**6,948**	6,571	**404**	168			**7,352**	6,739
Purchase of fixed and intangible assets	**19,751**	19,656	**783**	1,319			**20,534**	20,975

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 profits of associates.

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.

3. Segment information (continued)

(b) Geographical information

	2013 **HK$M**	2012 HK$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	**48,293**	44,970
- Japan, Korea and Taiwan	**11,145**	12,775
India, Middle East, Pakistan and Sri Lanka	**4,775**	4,521
Southwest Pacific and South Africa	**6,455**	6,875
Southeast Asia	**7,970**	7,968
Europe	**8,791**	8,760
North America	**13,055**	13,507
	100,484	99,376

Geographical segment results and segment net assets are not disclosed for the reasons set out in the 2013 Annual Report.

4. Operating profit

	2013 **HK$M**	2012 HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- leased	**2,525**	2,317
- owned	**4,617**	4,300
Amortisation of intangible assets	**210**	122
Operating lease rentals		
- land and buildings	**938**	823
- aircraft and related equipment	**3,139**	2,715
- others	**34**	34
Provision for impairment of fixed assets	**210**	52
Provision for impairment of assets held for sale	**13**	140
Loss on scrapping an aircraft	**-**	247
(Gain)/loss on disposal of fixed assets, net	**(213)**	101
Gain on disposal of assets held for sale	**-**	(34)
Gain on deemed disposal of an associate	**(24)**	-
Cost of stock expensed	**2,152**	2,074
Exchange differences, net	**171**	(173)
Auditors' remuneration	**16**	13
Net losses on financial assets and liabilities classified as held for trading	**5**	19
Dividend income from unlisted investments	**(26)**	(58)
Dividend income from listed investments	**(5)**	(4)

5. Net finance charges

	2013 HK$M	2012 HK$M
Net interest charges comprise:		
- obligations under finance leases stated at amortised cost	**659**	752
- interest income on related security deposits, notes and zero coupon bonds	**(96)**	(247)
	563	505
- bank loans and overdrafts		
- wholly repayable within five years	**231**	186
- not wholly repayable within five years	**96**	74
- other loans		
- wholly repayable within five years	**96**	55
- not wholly repayable within five years	**24**	40
- other long-term receivables	**(26)**	(28)
	984	832
Income from liquid funds:		
- funds with investment managers and other liquid investments at fair value through profit or loss	**(53)**	(164)
- bank deposits and others	**(152)**	(98)
	(205)	(262)
Fair value change:		
- loss on obligations under finance leases designated as at fair value through profit or loss	**29**	224
- loss on financial derivatives	**211**	90
	240	314
	1,019	884

Finance income and charges relating to defeasance arrangements have been netted off in the above figures.

Included in fair value change in respect of financial derivatives are net gains from derivatives that are classified as held for trading of HK$34 million (2012: HK$115 million).

6. Taxation

	2013 HK$M	2012 (restated) HK$M
Current tax expenses		
- Hong Kong profits tax	**182**	145
- overseas tax	**182**	218
- over provisions for prior years	**(36)**	(149)
Deferred tax		
- origination and reversal of temporary differences	**347**	195
	675	409

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. 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 30(d) to the accounts in the 2013 Annual Report).

6. Taxation (continued)

A reconciliation between tax charge and accounting profit at applicable tax rates is as follows:

	2013 HK$M	2012 (restated) HK$M
Consolidated profit before taxation	**3,579**	1,483
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**(591)**	(245)
Expenses not deductible for tax purposes	**(287)**	(310)
Tax over provisions arising from prior years	**36**	149
Effect of different tax rates in other countries	**216**	22
Tax losses not recognised	**(80)**	(109)
Income not subject to tax	**31**	84
Tax charge	**(675)**	(409)

Further information on deferred taxation is shown in note 18 to the accounts in the 2013 Annual Report.

7. Other comprehensive income

	2013 HK$M	2012 (restated) HK$M
Defined benefit plans		
- remeasurements recognised during the year	**1,119**	159
- deferred taxation	**(122)**	(17)
Cash flow hedges		
- recognised during the year	**4,147**	1,818
- transferred to profit or loss	**(664)**	(222)
- transferred to intangible assets	**66**	148
- deferred tax recognised	**(379)**	(157)
Revaluation of available-for-sale financial assets		
- recognised during the year	**53**	46
Share of other comprehensive income of associates		
- recognised during the year	**78**	3
- reclassified to profit or loss	**11**	-
Exchange differences on translation of foreign operations		
- recognised during the year	**525**	83
- reclassified to profit or loss	**(34)**	-
Other comprehensive income for the year	**4,800**	1,861

8. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the owners of Cathay Pacific of HK$2,620 million (2012: HK$862 million (restated)) by the daily weighted average number of shares in issue throughout the year of 3,934 million (2012: 3,934 million) shares.

9. Dividends

	2013 HK$M	2012 HK$M
First interim dividend paid on 3rd October 2013 of HK$0.06 per share (2012: nil)	**236**	-
Second interim dividend proposed on 12th March 2014 of HK$0.16 per share (2012: interim dividend of HK$0.08 per share)	**629**	315
	865	315

9. Dividends (continued)

The second interim dividend is not accounted for in 2013 because it had not been declared at the year end date. The actual amount payable in respect of 2013 will be accounted for as an appropriation of the retained profit in the year ending 31st December 2014.

The Directors have declared a second interim dividend of HK$0.16 per share for the year ended 31st December 2013. Together with the first interim dividend of HK$0.06 per share paid on 3rd October 2013, this makes a total dividend for the year of HK$0.22 per share. This represents a total distribution for the year of HK$865 million. The second interim dividend will be paid on 8th May 2014 to shareholders registered at the close of business on the record date, being Friday, 4th April 2014. Shares of the Company will be traded ex-dividend as from Wednesday, 2nd April 2014.

The register of members will be closed on Friday, 4th April 2014, during which day no transfer of shares will be effected. In order to qualify for entitlement to the 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, 3rd April 2014.

To facilitate the processing of proxy voting for the annual general meeting to be held on 14th May 2014, the register of members will be closed from 9th May 2014 to 14th May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, 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, 8th May 2014.

10. Trade, other receivables and other assets

	Group	
	2013	2012
	HK$M	HK$M
Trade debtors	**5,421**	5,600
Derivative financial assets – current portion	**2,022**	1,094
Other receivables and prepayments	**2,314**	3,141
Due from associates and other related companies	**70**	87
	9,827	9,922

As at 31st December 2013, total derivative financial assets of the Group which did not qualify for hedge accounting amounted to HK$1,329 million (2012: HK$1,349 million).

	Group	
	2013	2012
	HK$M	HK$M
Analysis of trade debtors (net of allowance for doubtful debts) by age:		
Current	**5,319**	5,467
One to three months overdue	**86**	115
More than three months overdue	**16**	18
	5,421	5,600

10. Trade, other receivables and other assets (continued)

The overdue trade debtors are not impaired and relate to a number of independent customers for whom there is no recent history of default. 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 guarantees or other monetary collateral.

11. Assets held for sale

	Group	
	2013	2012
	HK$M	HK$M
Assets held for sale	**111**	911
	111	911

Impairment of assets held for sale is considered by writing down the carrying value to fair value less costs of disposal, determined by reference to the estimated sales value as at 31st December 2013 and 2012. An impairment loss amounting to HK$13 million was recognised for the year ended 31st December 2013 (2012: HK$140 million).

12. Trade and other payables

	Group	
	2013	2012
	HK$M	HK$M
Trade creditors	**7,601**	7,357
Derivative financial liabilities - current portion	**799**	1,087
Other payables	**9,331**	8,716
Due to associates	**166**	56
Due to other related companies	**309**	254
	18,206	17,470

As at 31st December 2013, total derivative financial liabilities of the Group which did not qualify for hedge accounting amounted to HK$233 million (2012: HK$339 million).

	Group	
	2013	2012
	HK$M	HK$M
Analysis of trade creditors by age:		
Current	**7,408**	7,039
One to three months overdue	**174**	298
More than three months overdue	**19**	20
	7,601	7,357

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

13. Share capital

During the year under review, the Group did not purchase, sell or redeem any shares in the Company and the Group has not adopted any share option scheme.

At 31st December 2013, 3,933,844,572 shares were in issue (31st December 2012: 3,933,844,572 shares). There has been no movement in share capital during the year.

14. Corporate governance

The Company 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 ("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 year 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") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual 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.

Details of the Company's corporate governance principles and processes will be available in the 2013 Annual Report.

The annual results have been reviewed by the Audit Committee of the Company.

15. Annual Report

The 2013 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website *www.cathaypacific.com* by 2nd April 2014. It will be available to shareholders by 4th April 2014.

Operating Expenses

	Group			Cathay Pacific and Dragonair		
	2013	2012 (restated)		**2013**	2012 (restated)	
	HK$M	HK$M	**Change**	**HK$M**	HK$M	**Change**
Staff	**17,027**	16,248	**+4.8%**	**15,269**	14,705	**+3.8%**
Inflight service and passenger expenses	**4,138**	4,017	**+3.0%**	**4,138**	4,017	**+3.0%**
Landing, parking and route expenses	**13,531**	13,603	**-0.5%**	**13,287**	13,330	**-0.3%**
Fuel, net of hedging gains	**38,132**	40,470	**-5.8%**	**37,264**	39,590	**-5.9%**
Aircraft maintenance	**7,542**	8,197	**-8.0%**	**7,207**	7,961	**-9.5%**
Aircraft depreciation and operating leases	**9,537**	8,879	**+7.4%**	**9,298**	8,738	**+6.4%**
Other depreciation, amortisation and operating leases	**1,926**	1,432	**+34.5%**	**1,354**	1,173	**+15.4%**
Commissions	**775**	777	**-0.3%**	**775**	777	**-0.3%**
Others	**4,116**	4,140	**-0.6%**	**4,500**	4,644	**-3.1%**
Operating expenses	**96,724**	97,763	**-1.1%**	**93,092**	94,935	**-1.9%**
Net finance charges	**1,019**	884	**+15.3%**	**974**	838	**+16.2%**
Total operating expenses	**97,743**	98,647	**-0.9%**	**94,066**	95,773	**-1.8%**

- The Group's total operating expenses decreased by 0.9% to HK$97,743 million.
- The combined cost per ATK (with fuel) of Cathay Pacific and Dragonair decreased from HK$3.65 (restated) to HK$3.58.

Cathay Pacific and Dragonair Operating Results Analysis

	2013	2012 (restated)
	HK$M	HK$M
Airlines' profit/(loss) before taxation	**2,375**	(2)
Tax charge	**(536)**	(262)
Airlines' profit/(loss) after taxation	**1,839**	(264)
Share of profits from subsidiaries and associates	**781**	1,126
Profit attributable to the owners of Cathay Pacific	**2,620**	862

Cathay Pacific and Dragonair Operating Results Analysis (continued)

The change in the airlines' profit/(loss) before taxation can be analysed as follows:

	HK$M	
2012 airlines' loss before taxation (restated)	**(2)**	
Turnover	**670**	- Passenger turnover increased due to a 2.1% points increase in load factor and a 1.8% increase in yield despite a 1.8% decrease in capacity. - Cargo turnover decreased due to a 2.4% points decrease in load factor and a 4.1% decrease in yield despite a 1.7% increase in capacity.
Fuel, net of hedging gains	**2,326**	- Fuel costs decreased due to a 3.0% decrease in the average into-plane fuel price, a 1.5% decrease in consumption and a 81.1% increase in fuel hedging gains.
Aircraft maintenance	**754**	- Decreased mainly due to the retirement of older aircraft resulting in a reduction in the requirement for maintenance.
Depreciation, amortisation and operating leases	**(741)**	- Increased mainly due to the accelerated retirement of Boeing 747-400 aircraft and the addition of new aircraft.
Staff	**(564)**	- Increased mainly due to an increase in headcount and salary.
Inflight service, landing & parking, commissions, net finance charges and others	**(68)**	- Increased due to a net increase from various operating expenses.
2013 airlines' profit before taxation	**2,375**	

Fuel Expenditure and Hedging

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

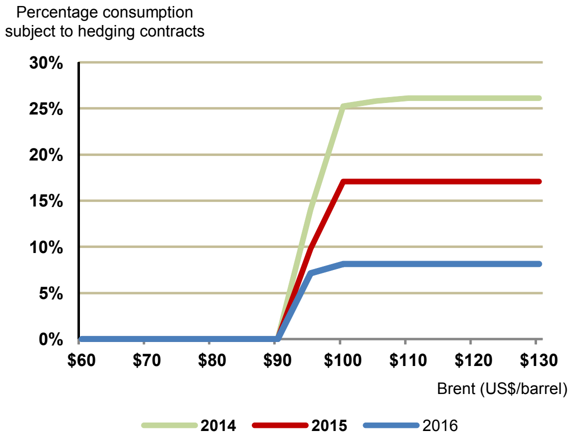
	2013 HK$M	2012 HK$M
Gross fuel cost	**39,117**	41,014
Fuel hedging gains	**(985)**	(544)
Net fuel cost	**38,132**	40,470

Fuel consumption in 2013 was 39.5 million barrels (2012: 40.1 million barrels).

The Group's fuel hedging exposure at 31st December 2013 is set out in the table opposite:

The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. As the Group uses a combination of fuel derivatives to achieve its desired hedging position, the percentage of expected consumption hedged will vary depending on the nature and combination of contracts which generate payments in any particular range of fuel prices. The chart indicates the estimated maximum percentage of projected consumption by year covered by hedging transactions at various settled Brent prices.

Maximum fuel hedging exposure



Assets

- Total assets as at 31st December 2013 were HK$171,575 million.
- During the year, additions to fixed assets were HK$20,003 million, comprising HK$18,847 million for aircraft and related equipment, HK$772 million for buildings and HK$384 million for other equipment.

Borrowings and Capital

- Borrowings increased by 12.6% to HK$67,052 million in 2013 from HK$59,546 million in 2012.
- Borrowings are mainly denominated in United States dollars, Hong Kong dollars, Japanese yen and Euros, and are fully repayable by 2025 with 56.0% currently at fixed rates of interest after taking into account derivative transactions.
- Liquid funds, 53.7% of which are denominated in United States dollars, increased by 14.7% to HK$27,736 million.
- Net borrowings increased by 11.2% to HK$39,316 million.
- Funds attributable to the owners of Cathay Pacific increased by 12.3% to HK$62,888 million.
- The net debt/equity ratio remained at 0.63 times.

Fleet Profile*

Aircraft type	Number as at 31st December 2013	Leased		Total	Firm orders			Total	Expiry of operating leases						Options
	Owned	Finance	Operating		'14	'15	'16 and beyond		'14	'15	'16	'17	'18	'19 and beyond	
Aircraft operated by Cathay Pacific:															
A330-300	14	15	6	35	5	3		8		2	1	1		2	
A340-300	6	5		11											
A350-900							22[a]	22							
A350-1000							26	26							
747-400	12[b]		1	13						1					
747-400F	3[c]	3[d]		6[e]											
747-400BCF			1[f]	1									1		
747-400ERF		6		6											
747-8F	2	11		13			1[e]	1							
777-200	5			5											
777-200F															5[g]
777-300	7	5		12											
777-300ER	8	11	19	38	9	6[e]		15				2	2	15	
777-9X							21[e]	21							
Total	57	56	27	140	14	9	70	93		3	1	3	3	17	5
Aircraft operated by Dragonair:															
A320-200	5		10	15									2	8	
A321-200	2		4	6	2[h]			2						4	
A330-300	5	1	14[i]	20					7	1	2	4			
Total	12	1	28	41	2			2	7	1	2	4	2	12	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		8											
747-400BCF			3	3							1	2			
Total	2	6	3	11[j]							1	2			
Grand total	**71**	**63**	**58**	**192**	**16**	**9**	**70**	**95**	**7**	**4**	**4**	**9**	**5**	**29**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2013.

(a) Including two aircraft on 12-year operating leases.
(b) One aircraft was retired in January 2014.
(c) One aircraft was parked in May 2013.
(d) The finance leases of these three aircraft were early terminated in January 2014.
(e) In December 2013, we 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.
(f) Aircraft was parked in August 2013.
(g) Purchase options to purchase five Boeing 777-200F freighters.
(h) Aircraft on 8-year operating leases, one of which was delivered in January 2014.
(i) Six aircraft (four owned by the Company and two leased by the Company) were leased to Dragonair during the year. Dragonair purchased one such aircraft from the Company upon its lease expiry in February 2014.
(j) Air Hong Kong also has two Airbus A300-600F freighters on wet leases, with lease terms ending in 2015. Accordingly, it operates a total of 13 aircraft.

Review of Subsidiaries and Associates

- AHK Air Hong Kong Limited achieved an increase in profit for 2013 compared with 2012. Capacity increased by 3%, the load factor decreased by 1 percentage point and revenue tonne kilometers increased by 2% respectively.
- Cathay Pacific Catering Services (H.K.) Limited produced 25.7 million meals and handled 65,000 flights in 2013 (representing a daily average of 70,000 meals and 179 flights and an increase of 3% and 4% respectively over 2012). The increase in business volume and effective management of costs resulted in higher turnover and profit in 2013. Outside Hong Kong, profits increased in all kitchens.
- Cathay Pacific Services Limited ("CPSL") provided cargo handling services to the Cathay Pacific Group. It handled more than 580,000 tonnes of cargo during the year. CPSL reported a loss in 2013. This reflected the fact that it was not fully operational until October 2013.
- The financial results of Hong Kong Airport Services Limited for 2013 deteriorated compared to 2012. This reflected manpower shortages at Hong Kong International Airport and the associated higher costs incurred in attracting and retaining staff.
- Air China Limited ("Air China"), in which Cathay Pacific owns a 20.13% interest, is the national flag carrier and leading provider of passenger, cargo and other airline related services in Mainland China. The Group's share of Air China's results is based on its accounts drawn up three months in arrear and consequently the 2013 results include Air China's results for the 12 months ended 30th September 2013, adjusted for any significant events or transactions for the period from 1st October 2013 to 31st December 2013. The Group recorded a decrease in profit from Air China in 2013. This primarily reflected increased fuel costs. In March 2013, as part of a package of transactions between the Group, The Boeing Company, Air China and Air China Cargo, Air China agreed to purchase two Boeing 747-8I aircraft, one Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft from The Boeing Company.
- 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. The Group recorded a decreased loss from Air China Cargo in 2013. This was mainly due to the retirement of older aircraft, which resulted in a decrease in maintenance costs. In March 2013, as part of a package of transactions between the Group, The Boeing Company, Air China and Air China Cargo, Air China Cargo agreed to purchase eight Boeing 777-200F freighters and to sell seven Boeing 747-400BCF converted freighters.
- HAECO ITM Limited ("HXITM") provides aircraft inventory technical management services to Cathay Pacific Group and other airlines. HXITM reported a profit in 2013.
- Shanghai International Airport Services Co., Limited ("SIAS") provides airport ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport. SIAS made a loss in 2013. The loss was less than expected, principally because of cost savings.

Corporate Responsibility

- Our Sustainable Development Report for 2012, entitled "Sustainability Matters", was issued in September 2013 at www.cathaypacific.com/sdreport.
- Cathay Pacific continues to engage with regulators and groups involved in shaping aviation policy as part of our climate change strategy.
- Cathay Pacific is engaged with the International Air Transport Association in developing airlines' commitment to carbon neutral growth by 2020, and is engaged with the International Civil Aviation Organization (ICAO) in developing proposals for a fair and equitable global agreement on emissions.
- In compliance with the European Union Emissions Trading Scheme (EU ETS), our emissions data for 2012 were externally verified and our emissions report for 2012 was submitted to the UK Environment Agency at the end of March 2013. Verification of our 2013 emissions data is in progress.
- The European Union Commission is negotiating amendments and limitations to the scope of the EU ETS. While this is happening, Cathay Pacific continues to prepare for compliance with the relevant laws by undertaking the required monitoring, reporting and verification on the basis of the original scope of the EU ETS.

- In July 2013, we launched "The Spirit of Hong Kong" contest in support of the "Hong Kong: Our Home" campaign being run by the Hong Kong SAR Government. The contest called on Hong Kong people to submit creative entries that illustrate the spirit of Cathay Pacific's home city. More than 5,200 entries were received and there were more than 400,000 visits to the contest's website. The winners of the contest had their images incorporated into a special "Spirit of Hong Kong" aircraft livery. The livery, painted onto a Cathay Pacific Boeing 777-300ER aircraft, was unveiled at a ceremony in December 2013.
- Cathay Pacific continues to support UNICEF through its "Change for Good" inflight fundraising programme. In June 2013, we announced that the airline's passengers had contributed more than HK$14.3 million in 2012 to help improve the lives of disadvantaged children around the world. Since its introduction in 1991, more than HK$133 million has been raised through "Change for Good". In March 2013, a group of Cathay Pacific staff went to Vietnam to see how "Change for Good" donations are put to good use in the local community.
- Cathay Pacific and its subsidiaries employed more than 31,600 people worldwide at the end of 2013, with more than 24,200 of these people are based in Hong Kong. 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.

Extract of the Independent Auditor's Report

The Company's auditor has qualified its report on the Group's consolidated financial statements for the year ended 31st December 2013, an extract of which is as follows:

Basis for qualified opinion

Our auditor's report on the Group's consolidated financial statements for the year ended 31st December 2012 was qualified due to our inability to obtain sufficient appropriate audit evidence as to whether the carrying amount of the Group's investments in Air China Limited ("Air China") and Air China Cargo Co., Ltd. ("Air China Cargo") and the Group's share of results of these investees included in the Group's consolidated financial statements for the year ended 31st December 2012 were fairly stated. Air China and Air China Cargo are associates of the Group accounted for under the equity method. As this limitation in the scope of our audit with respect to the Group's share of the results of Air China and Air China Cargo for the year ended 31st December 2012 still exists, our opinion on the current year's consolidated financial statements is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

Qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

As at the date of this announcement, the Directors of Cathay Pacific are:
Executive Directors: Christopher Pratt (Chairman), James Barrington, Ivan Chu, Martin Murray and John Slosar;
Non-Executive Directors: Cai Jianjiang, Fan Cheng, James W.J. Hughes-Hallett, Peter Kilgour, Ian Shiu, Merlin Swire and Zhao Xiaohang; and
Independent Non-Executive Directors: Irene Lee, Jack So, Tung Chee Chen and Peter Wong.

By Order of the Board
Cathay Pacific Airways Limited
Christopher Pratt
Chairman
Hong Kong, 12th March 2014

Website: www.cathaypacific.com