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CATHAY PACIFIC AIRWAYS LIMITED

國泰航空有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

**Profit Warning
and
June 2020 Traffic Figures**

The appended press release contains a profit warning and combined traffic figures for June 2020 for Cathay Pacific Airways Limited (“**Cathay Pacific**”) and its wholly owned subsidiary, Hong Kong Dragon Airlines Limited (“**Cathay Dragon**”). The information in the press release may be price sensitive. This announcement containing the press release is accordingly being issued pursuant to Part XIVA of the Securities and Futures Ordinance. The information in the press release has been prepared on the basis of internal management records. Unless otherwise indicated, it has not been audited or reviewed by external auditors.

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Investors are advised to exercise caution in dealing in shares of Cathay Pacific.

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

Executive Directors: Patrick Healy (Chairman), Gregory Hughes, Ronald Lam, Martin Murray, Augustus Tang;

Non-Executive Directors: Cai Jianjiang, Michelle Low, Song Zhiyong, Merlin Swire, Samuel Swire, Xiao Feng, Zhang Zhuo Ping, Zhao Xiaohang;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Robert Milton and Andrew Tung.

By Order of the Board

Cathay Pacific Airways Limited

Paul Chow

Company Secretary

Hong Kong, 17th July 2020

17 July 2020

FOR IMMEDIATE RELEASE

**CATHAY PACIFIC GROUP ISSUES PROFIT WARNING AND
RELEASES COMBINED TRAFFIC FIGURES
FOR JUNE 2020**

The Cathay Pacific Group (the “Group”) today issued a profit warning and released combined Cathay Pacific and Cathay Dragon traffic figures for June 2020.

Profit Warning

In its 2019 annual results announcement dated 11 March 2020, the Group had disclosed that it expected to incur a substantial loss for the first half of 2020. Based on the unaudited results of the Group for the six months ended 30 June 2020, and on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report for the year ended 31 December 2019, the Directors of Cathay Pacific Airways Limited estimate that for the six months ended 30 June 2020, the Group will record a net loss attributable to shareholders of approximately HK\$9.9 billion, which compares to a net profit to shareholders of HK\$1.3 billion for the same period in 2019. This includes impairment charges amounting to approximately HK\$2.4 billion, which mainly relate to 16 aircraft that are unlikely to re-enter meaningful economic service again before the 2021 summer season together with certain airline service subsidiaries assets. This estimated interim net loss is in the process of being reviewed by our auditors and may be subject to adjustments.

Traffic Figures for June 2020

Cathay Pacific and Cathay Dragon carried a total of 27,106 passengers last month, a decrease of 99.1% compared to June 2019. The month’s revenue passenger kilometres (RPKs) fell 98.8% year-on-year. Passenger load factor dropped by 59.3 percentage points to 27.3%, while capacity, measured in available seat kilometres (ASKs), decreased by 96.1%. In the first six months of 2020, the number of passengers carried dropped by 76% against a 65.7% decrease in capacity and a 72.6% decrease in RPKs, as compared to the same half-year period for 2019.

The two airlines carried 93,228 tonnes of cargo and mail last month, a decrease of 43.1% compared to June 2019. The month’s revenue freight tonne kilometres (RFTKs) fell 35.8% year-on-year. The cargo and mail load factor increased by 11.7 percentage points to 74.5%, while capacity, measured in available freight tonne kilometres (AFTKs), was down by 45.9%. In the first six months of 2020, the tonnage fell by 31.9% against a 31% drop in capacity and a 24.6% decrease in RFTKs, as compared to the first-half period for 2019.

Cathay Pacific Group Chief Customer and Commercial Officer Ronald Lam said: “The landscape of international aviation remains incredibly uncertain with border restrictions and quarantine measures still in place across the globe. Although we have begun to see some initial developments, notably a slight increase in the number of transit passengers following the easing of transit restrictions through Hong Kong International Airport, we are still yet to see any significant signs of immediate improvement.”

Passenger

Mr Lam said of the airlines’ June traffic performance: “Demand continued to be very weak in June with our airlines carrying less than 1% of the passengers we carried in the same month in 2019. We operated about 4% of our normal passenger flight capacity in June. This was slightly more than we operated in May, having resumed services to some destinations such as New York, San Francisco, Amsterdam and Melbourne in late June. Load factor remained low at 27.3%, and on average we carried approximately 900 passengers a day only.

“We observed a gradual pickup in connecting passenger demand as the ban on transit traffic through Hong Kong International Airport began being partially eased. Towards the end of the month, transit traffic reached about 32% of overall traffic, with notable demand from destinations in Southeast Asia such as the Philippines and Vietnam to North America. This change in traffic mix meant a more tapered average yield performance though.”

Cargo

Cathay Pacific continued to operate a full freighter schedule as well as chartered flights from its all-cargo subsidiary, Air Hong Kong, in June. There were fewer cargo-only passenger flights compared with May.

Mr Lam said: “Despite a mild pickup in general airfreight movements, our cargo tonnage fell by 5% month-on-month as demand for medical supplies waned following a peak month in May. The reduction of long-haul carriage from the Chinese mainland and Hong Kong made way for movements from Southeast Asia and the Indian sub-continent as local lockdown measures eased.

“Meanwhile, the improvement in inbound Hong Kong loads and network support led to a higher load factor, which increased 11.7 percentage points year-on-year to 74.5%. Yields came down following the significant rise seen in May.”

Outlook

Earlier this week, Cathay Pacific’s shareholders passed the resolutions pertaining to the company’s HK\$39 billion recapitalisation plan. The management team is moving forward with a comprehensive review of all aspects of the Group’s operations and will make its recommendations to the Board on the future size and shape of the airlines by the fourth quarter.

Mr Lam said: “While some markets are starting to relax border restrictions and quarantine requirements in July, we remain cautious and agile in our approach to resuming our passenger flight services. We have adjusted our overall capacity for July to approximately 7%, which remains subject to the potential further relaxation or tightening of government health measures. We expect that our airlines will operate up to 10% of the normal flight schedule in August and will continue to assess the potential of increasing more flights and adding destinations for our customers in the coming months.

“The one certainty facing the global aviation industry is that the landscape will be significantly changed when international air travel recovers. The Group is moving decisively to best position the business to be competitive and to secure its financial health over the long term in a new normal. What will not change is our resolute commitment to safety, to serving our customers and our dedication to contributing to the success of the Hong Kong international aviation hub. We remain absolutely confident in the long-term prospects of both the Cathay Pacific Group and our home hub.”

The full June figures are on the next page.

CATHAY PACIFIC / CATHAY DRAGON COMBINED TRAFFIC	JUN 2020	% Change VS JUN 2019	Cumulative JUN 2020	% Change YTD
RPK (000)				
- Chinese Mainland	3,350	-99.5%	757,639	-83.4%
- North East Asia	5,791	-99.6%	2,007,121	-76.1%
- South East Asia	17,796	-98.8%	2,308,206	-74.1%
- South Asia, Middle East & Africa	-	-100.0%	1,449,874	-72.6%
- South West Pacific	21,713	-98.2%	3,102,322	-61.3%
- North America	71,010	-97.9%	5,276,304	-71.4%
- Europe	26,053	-99.1%	3,766,593	-74.0%
RPK Total (000)	145,713	-98.8%	18,668,059	-72.6%
Passengers carried	27,106	-99.1%	4,389,092	-76.0%
Cargo and mail revenue tonne km (000)	596,037	-35.8%	4,129,114	-24.6%
Cargo and mail carried (000kg)	93,228	-43.1%	666,525	-31.9%
Number of flights	1,110	-83.7%	15,713	-61.7%

CATHAY PACIFIC / CATHAY DRAGON COMBINED CAPACITY	JUN 2020	% Change VS JUN 2019	Cumulative JUN 2020	% Change YTD
ASK (000)				
- Chinese Mainland	22,811	-97.6%	1,244,583	-78.7%
- North East Asia	26,101	-98.4%	2,970,028	-71.1%
- South East Asia	74,624	-95.9%	3,667,936	-65.7%
- South Asia, Middle East & Africa	-	-100.0%	2,278,996	-64.1%
- South West Pacific	67,500	-95.2%	4,385,990	-53.3%
- North America	234,994	-93.7%	7,639,514	-64.5%
- Europe	107,117	-96.5%	5,544,914	-66.9%
ASK Total (000)	533,147	-96.1%	27,731,961	-65.7%
Passenger load factor	27.3%	-59.3pt	67.3%	-16.9pt
Available cargo/mail tonne km (000)	799,987	-45.9%	5,958,145	-31.0%
Cargo and mail load factor	74.5%	11.7pt	69.3%	5.9pt
ATK (000)	850,713	-69.4%	8,594,749	-47.3%

Media Contact:

Email: press@cathaypacific.com Tel: +852 2747 5393

Cathay Pacific website: www.cathaypacific.com

Glossary

Terms:

Available seat kilometres (“ASK”)

Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres (“ATK”)

Overall capacity measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

Available cargo/mail tonne kilometres

Cargo capacity measured in tonnes available for the carriage of cargo and mail on each sector multiplied by the sector distance.

Revenue passenger kilometres (“RPK”)

Number of passengers carried on each sector multiplied by the sector distance.

Cargo and Mail revenue tonne kilometres

Traffic volume, measured in load tonnes from the carriage of cargo and mail on each sector multiplied by the sector distance.

Ratio:

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/} \\ \text{Cargo and mail revenue tonne kilometres}}{\text{Available seat kilometres/} \\ \text{Available cargo and mail tonne kilometres}}$$