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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)

August 2020 Traffic Figures

The appended press release contains combined traffic figures for August 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. 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, 14th September 2020

14 September 2020

FOR IMMEDIATE RELEASE

**CATHAY PACIFIC RELEASES COMBINED TRAFFIC FIGURES
FOR AUGUST 2020**

The Cathay Pacific Group today released its combined traffic figures for August 2020 that reflected the airlines' continued substantial capacity reductions in response to significantly reduced demand as well as travel restrictions and quarantine requirements in place in Hong Kong and other markets amid the ongoing global COVID-19 pandemic.

Cathay Pacific and Cathay Dragon carried a total of 35,773 passengers last month, a decrease of 98.8% compared to August 2019. The month's revenue passenger kilometres (RPKs) fell 98.1% year-on-year. Passenger load factor dropped by 60 percentage points to 19.9%, while capacity, measured in available seat kilometres (ASKs), decreased by 92.2%. In the first eight months of 2020, the number of passengers carried dropped by 81.7% against a 72.8% decrease in capacity and a 79.2% decrease in RPKs, as compared to the same period for 2019.

The two airlines carried 102,122 tonnes of cargo and mail last month, a decrease of 36.7% compared to August 2019. The month's revenue freight tonne kilometres (RFTKs) fell 30.3% year-on-year. The cargo and mail load factor increased by 14.2 percentage points to 75%, while capacity, measured in available freight tonne kilometres (AFTKs), was down by 43.5%. In the first eight months of 2020, the tonnage fell by 33.5% against a 34.4% drop in capacity and a 26.5% decrease in RFTKs, as compared to the same period for 2019.

Cathay Pacific Group Chief Customer and Commercial Officer Ronald Lam said: "It is clear that we are facing a long and uncertain road to recovery. The entire aviation industry has been hit hard by COVID-19 and the environment will continue to be extremely challenging for many years. The International Air Transport Association (IATA) has pushed back its forecast for passenger recovery by a year to 2024, demonstrating just how slow a return to pre-pandemic levels will be.

"We have already taken decisive actions to reduce our costs, but despite these efforts we are burning cash at a rate of HK\$1.5 billion to HK\$2 billion per month, and will continue to experience significant cash burn until the market recovers. The recapitalisation provides us time and a platform from which to transform our business and continue to operate in the short term; however, it is an investment that we need to repay.

“We are weathering the storm for now, but the fact remains that we simply will not survive unless we adapt our airlines for the new travel market. A restructuring will therefore be inevitable to protect the company, the Hong Kong aviation hub, and the livelihoods of as many people as possible. We continue to move forward with our comprehensive review of all aspects of the business, and will make our recommendations to the board in the fourth quarter on the size and shape of the company to allow us to survive and thrive in this new environment.”

Passenger

Speaking on the Group’s August traffic figures, Mr Lam said: “Passenger demand continued to be very weak as new waves of Covid-19 in our key markets dampened overall travel sentiment. With no new destinations being resumed in August, we saw only minimal increase in passenger flight capacity compared to the previous month. We operated just 7.8% of our normal capacity – a marginal increase from 7.1% in July – however our overall passenger volume was down month on month and our load factor dipped below 20%.

“We did see stronger demand on certain routes, notably student traffic to the UK with flights recording load factors of up to 90%. The lifting of the ban on transit flights departing from the Chinese mainland via Hong Kong in mid-August helped to generate reasonable demand towards the end of the month. We also launched a charter service from Shanghai to Tel Aviv.

Cargo

“Cargo remains the stronger performer in our business and we saw similar overall cargo tonnage and load factors in August as we did in July. There were greater movements of pharmaceutical products and live animal shipments across the network, while our time-sensitive product – Priority LIFT – was also in good demand.

“We continued to introduce additional cargo capacity where possible. Our two Boeing 777-300ER aircraft introduced in July with some of their passenger seats removed continue to be well received and have been predominantly used for long-haul shipments. Overall in August we operated 436 pairs of cargo-only passenger flights – a similar number to July – of which 23 had cargo loaded into the cabins.

Outlook

“Looking ahead, we are cautiously optimistic of a reasonably promising cargo peak season, having received strong pre-orders that will serve the capacity needs of our customers. Beyond the traditional peak season, however, prospects are very unclear. Regional geopolitical tensions and the ongoing China-US trade dispute could have a significant adverse effect on airfreight demand, and the situation has the potential to deteriorate rapidly.”

“On the passenger demand front, we still haven’t seen solid signs of immediate improvement. We have therefore revised our operating passenger flight capacity down to about 10% in September and similar levels in October, subject to the further relaxation or tightening of travel restrictions and quarantine requirements.

“We welcome and are encouraged by the efforts of the HKSAR Government to engage in discussions with 11 countries on the establishment of travel bubbles. We look forward to further relaxation measures in future that will help revitalise travel activities and ensure the continued strength and importance of Hong Kong as a global aviation hub.”

“Given that we will be operating just a fraction of our services in the foreseeable future, we will continue to transfer some of our passenger fleet – approximately 40% – to locations outside of Hong Kong in keeping with prudent operational and asset management considerations.”

The full August figures are on the next page.

CATHAY PACIFIC / CATHAY DRAGON COMBINED TRAFFIC	AUG	% Change	Cumulative	% Change
	2020	VS AUG 2019	AUG 2020	YTD
RPK (000)				
- Chinese mainland	5,653	-99.1%	769,832	-87.2%
- North East Asia	5,472	-99.6%	2,019,648	-82.0%
- South East Asia	16,696	-98.8%	2,349,951	-80.3%
- South Asia, Middle East & Africa	-	-100.0%	1,449,874	-79.3%
- South West Pacific	23,465	-98.1%	3,154,124	-70.2%
- North America	91,909	-97.1%	5,496,739	-78.2%
- Europe	79,349	-97.1%	3,893,362	-80.8%
RPK Total (000)	222,544	-98.1%	19,133,530	-79.2%
Passengers carried	35,773	-98.8%	4,467,849	-81.7%
Cargo and mail revenue tonne km (000)	645,048	-30.3%	5,408,942	-26.5%
Cargo and mail carried (000kg)	102,122	-36.7%	870,775	-33.5%
Number of flights	1,157	-83.2%	18,009	-67.3%

CATHAY PACIFIC / CATHAY DRAGON COMBINED CAPACITY	AUG	% Change	Cumulative	% Change
	2020	VS AUG 2019	AUG 2020	YTD
ASK (000)				
- Chinese mainland	32,632	-96.5%	1,309,331	-83.2%
- North East Asia	34,408	-98.1%	3,037,215	-78.3%
- South East Asia	95,359	-94.8%	3,868,986	-73.1%
- South Asia, Middle East & Africa	-	-100.0%	2,278,996	-72.9%
- South West Pacific	114,210	-92.4%	4,608,168	-62.9%
- North America	586,471	-85.5%	8,788,486	-70.4%
- Europe	256,676	-92.0%	5,996,789	-74.2%
ASK Total (000)	1,119,756	-92.2%	29,887,971	-72.8%
Passenger load factor	19.9%	-60.0pt	64.0%	-19.9pt
Available cargo/mail tonne km (000)	859,880	-43.5%	7,655,104	-34.4%
Cargo and mail load factor	75.0%	14.2pt	70.7%	7.6pt
ATK (000)	966,438	-66.5%	10,496,922	-52.5%

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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:

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