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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)

**December 2021 Traffic Figures,
Update on 2021 Full-year Performance and 2022 Outlook**

The appended press release contains traffic figures for December 2021, an update on 2021 full-year performance and 2022 outlook for Cathay Pacific Airways Limited (“**Cathay Pacific**”), and together with its subsidiaries, “**Cathay Pacific Group**” or the “**Group**”). 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, Rebecca Sharpe, Augustus Tang;

Non-Executive Directors: Guy Bradley, Ma Chongxian, 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

Joanna Lai

Company Secretary

Hong Kong, 24 January 2022

24 January 2022

**Cathay Pacific publishes traffic figures for December 2021,
releases update on 2021 performance and 2022 outlook**

Cathay Pacific today released its traffic figures for December 2021 together with an update on its performance in the year ended 31 December 2021, which continued to reflect the airline's substantial capacity reductions in response to significantly reduced demand as well as travel restrictions and quarantine requirements in Hong Kong and other markets amid the ongoing COVID-19 pandemic.

Traffic figures for December 2021

Cathay Pacific carried a total of 92,219 passengers in December 2021, an increase of 130.6% compared to December 2020, but a 96.9% decrease compared to the pre-pandemic level in December 2019. The month's revenue passenger kilometres (RPKs) rose 156.5% year-on-year, but were down 95.1% versus December 2019. Passenger load factor increased by 18.2 percentage points to 36.6%, while capacity, measured in available seat kilometres (ASKs), increased by 28.6%, but remained 88.6% down on December 2019 levels. In the full year of 2021, the number of passengers carried dropped by 84.5% against a 61.8% decrease in capacity and a 79.5% decrease in RPKs, as compared to 2020.

The airline carried 134,691 tonnes of cargo last month, an increase of 12% compared to December 2020, but a 24.1% decrease compared with the same period in 2019. The month's cargo revenue tonne kilometres (RFTKs) rose 11.7% year-on-year, but were down 14.7% compared to December 2019. The cargo load factor increased by 4 percentage points to 84.3%, while capacity, measured in available cargo tonne kilometres (AFTKs), was up by 6.5% year-on-year, but was down 32.9% versus December 2019. In the full year of 2021, the tonnage increased by 0.1% against a 10.9% drop in capacity and a 1.1% decrease in RFTKs, as compared to 2020.

2021 full-year performance

Based on a preliminary review of the unaudited consolidated management accounts of the Cathay Pacific Group for the year ended 31 December 2021 and the information currently available to the Board of Directors of Cathay Pacific, the Group is expected to record a consolidated loss attributable to shareholders of approximately HK\$5.6-6.1 billion. While the expected loss is substantial, it compares favourably to the attributable loss to shareholders of HK\$21.6 billion for the year ended 31 December 2020. The improvement was primarily driven by strong cargo demand, high cargo yield and load factors, together with continued focus on effective cash and cost management. In addition, the full-year 2020 result included the recognition of one-off items such as impairment charges and restructuring, which were significantly reduced in 2021.

Chief Executive Officer Augustus Tang said: “Passenger travel remained extremely subdued throughout 2021, as a result of ongoing travel restrictions and strict quarantine requirements. We flew 717,059 passengers during 2021, getting people home, reuniting many of them with family, and helping students travel to and from school or university overseas. This compares to the 4.6 million passengers that we flew in 2020 and 35.2 million passengers that we flew in 2019.

“While passenger travel continued to be acutely affected, cargo demand was strong throughout the year. We carried approximately 1.3 million tonnes of cargo in 2021, which compares to around 1.3 million tonnes in 2020 and 2 million tonnes in 2019. Throughout 2021, we deployed all available capacity to meet the consistently high demand, achieving strong yield and high load factors and transporting a wide range of goods including daily necessities, fresh produce, electrical items and pharmaceutical products.

“Despite quarantine restrictions and operational challenges, Cathay Pacific surpassed the milestone of 120 million COVID-19 vaccines carried in 2021. We carried more than 13.3 million doses in a single day. As a group, our airlines have carried more than 165 million doses of different COVID-19 vaccines around the world since the pandemic began.

“Having worked hard to tackle the challenges presented by the COVID-19 pandemic, taken decisive actions to create a more focused, efficient and competitive business and responded to strong cargo demand, we have reduced operating cash burn from the HK\$2.5-3.0 billion range in the first half of 2020 down to marginally cash generative in the second half of 2021.”

Cathay Pacific is still in the process of finalising the Group’s annual results for the year ended 31 December 2021, and will publish its annual results in March 2022.

2022 outlook

Augustus Tang continued: “In late December and then early January, the Hong Kong SAR Government further tightened aircrew quarantine requirements and travel restrictions. These measures will have a significant impact on our passenger and cargo flight capacity. While we are fully committed to increasing our cargo capacity when conditions allow and to upholding Hong Kong’s international aviation hub status, for the month of January 2022, cargo has reduced to 20% of its pre-pandemic capacity and passenger flights have reduced to around 2% of their pre-pandemic capacity.

“Regrettably, the capacity reduction will have an impact on Cathay Pacific’s business and we have been evaluating the potential impact of these measures on our operations and cost base. According to our preliminary assessment, we expect these capacity levels to result in an operating cash burn of HK\$1.0-1.5 billion per month from February.

“Until conditions improve, we are doing everything in our power to maximise capacity, and estimate that mitigation measures to increase crew resources will enable us to operate approximately an additional 5% more cargo flight capacity than we are currently operating.

“We continue to operate freighter services to the Chinese Mainland and regional destinations, as well as a daily freighter operation to North America. The shipment of goods to and from Europe and the Southwest Pacific is being served by passenger aircraft carrying only cargo.

“On the travel side, we will strive to maintain passenger connectivity with key destinations, although at reduced frequencies, under the confines of the place-specific and flight-specific suspension mechanism. While passenger flights to the Chinese Mainland will remain largely unaffected, capacity to the rest of the Cathay Pacific network will see a reduction to ensure continued compliance with the latest Government measures. We will also leverage the capacity provided by our low-cost subsidiary HK Express to maintain connectivity with a number of regional destinations.

“As Hong Kong’s home airline, we remain resolutely committed to keeping the city safely connected with the world. We are exploring all options to keep the flow of people and goods moving despite the considerable challenges we continue to face. We also want to reiterate that the health and wellbeing of our people, customers and the Hong Kong community remain our top priority.”

The full December figures and glossary are on the following pages.

AIRLINES COMBINED TRAFFIC	Dec	% Change	Cumulative	% Change
	2021	VS Dec 2020	Dec 2021	YTD
RPK (000)				
- Chinese Mainland	30,466	169.4%	306,694	-62.2%
- North East Asia	4,745	-45.5%	70,681	-96.6%
- South East Asia	20,682	-5.8%	225,657	-90.7%
- South Asia, Middle East & Africa	7,901	-	46,514	-96.8%
- South West Pacific	99,118	297.5%	287,695	-91.1%
- North America	237,206	170.5%	1,971,231	-66.2%
- Europe	173,906	151.4%	1,211,456	-71.5%
RPK Total (000)	574,024	156.5%	4,119,928	-79.5%
Passengers carried	92,219	130.6%	717,059	-84.5%
Cargo revenue tonne km (000)	835,068	11.7%	8,219,977	-1.1%
Cargo carried (000kg)	134,691	12.0%	1,333,353	0.1%
Number of flights	2,062	37.2%	18,004	-23.8%

AIRLINES COMBINED CAPACITY	Dec	% Change	Cumulative	% Change
	2021	VS Dec 2020	Dec 2021	YTD
ASK (000)				
- Chinese Mainland	97,418	114.8%	816,555	-46.0%
- North East Asia	35,030	-19.6%	527,686	-83.4%
- South East Asia	76,490	-28.6%	1,016,203	-76.1%
- South Asia, Middle East & Africa	23,474	-	152,999	-93.3%
- South West Pacific	442,418	74.8%	3,182,749	-40.4%
- North America	550,322	10.5%	4,869,465	-54.8%
- Europe	343,689	26.1%	2,661,951	-63.4%
ASK Total (000)	1,568,841	28.6%	13,227,608	-61.8%
Passenger load factor	36.6%	18.2pt	31.1%	-26.9pt
Available cargo tonne km (000)	990,863	6.5%	10,094,037	-10.9%
Cargo load factor	84.3%	4.0pt	81.4%	8.1pt
ATK (000)	1,140,427	8.9%	11,354,007	-22.3%

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 on each sector multiplied by the sector distance.

Available cargo tonne kilometres (“AFTK”)

Cargo capacity measured in tonnes available for the carriage of freight 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 revenue tonne kilometres (“RFTK”)

Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

Operating cash burn / generation

Operating cash burn / generation includes aircraft loan and lease repayments, fuel hedging settlements, but excludes unsecured loan repayment or refinancing, capital expenditure and related new funding and one-off restructuring costs.

Ratio:

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

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