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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2022 Interim Results

Financial and Operational Highlights

Group Financial Statistics

		2022	2021	
		Six months ended 30th June		Change
Results				
Revenue	<i>HK\$ million</i>	18,551	15,854	+17.0%
Loss attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	(4,999)	(7,565)	-33.9%
Loss per ordinary share	<i>HK cents</i>	(82.3)	(122.1)	-32.6%
Dividend per ordinary share	<i>HK\$</i>	-	-	-
Loss margin	<i>%</i>	(26.9)	(47.7)	+20.8%pt
		30th June	31st December	
Financial position				
Funds attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	68,437	72,244	-5.3%
Net borrowings ^(a)	<i>HK\$ million</i>	65,928	70,570	-6.6%
Available unrestricted liquidity	<i>HK\$ million</i>	26,701	30,250	-11.7%
Ordinary shareholders' funds per ordinary share ^(b)	<i>HK\$</i>	7.4	8.1	-8.6%
Net debt/equity ratio ^(a)	<i>Times</i>	0.96	0.98	-0.02 times

Operating Statistics – Cathay Pacific

		2022	2021	
		Six months ended 30th June		Change
Available tonne kilometres ("ATK")	<i>Million</i>	3,094	4,454	-30.5%
Available seat kilometres ("ASK")	<i>Million</i>	3,059	4,167	-26.6%
Available cargo tonne kilometres ("AFTK")	<i>Million</i>	2,801	4,058	-31.0%
Revenue tonne kilometres ("RTK")	<i>Million</i>	2,297	3,377	-32.0%
Passenger revenue per ASK	<i>HK cents</i>	67.6	17.9	+277.7%
Revenue passenger kilometres ("RPK")	<i>Million</i>	1,810	788	+129.7%
Revenue passengers carried	<i>'000</i>	335	157	+113.4%
Passenger load factor	<i>%</i>	59.2	18.9	+40.3%pt
Passenger yield	<i>HK cents</i>	114.3	94.5	+21.0%
Cargo revenue per AFTK	<i>HK\$</i>	4.34	2.74	+58.4%
Cargo revenue tonne kilometres ("RFTK")	<i>Million</i>	2,123	3,301	-35.7%
Cargo carried	<i>'000 tonnes</i>	526	549	-4.2%
Cargo load factor	<i>%</i>	75.8	81.4	-5.6%pt
Cargo yield	<i>HK\$</i>	5.72	3.37	+69.7%
Cost per ATK (with fuel) ^(c)	<i>HK\$</i>	5.88	4.44	+32.4%
Fuel consumption per million RTK	<i>Barrels</i>	1,772	1,463	+21.1%
Fuel consumption per million ATK	<i>Barrels</i>	1,316	1,109	+18.7%
Cost per ATK (without fuel) ^(c)	<i>HK\$</i>	5.19	3.98	+30.4%
Underlying ^(d) cost per ATK (without fuel)	<i>HK\$</i>	5.19	3.79	+36.9%
ATK per HK\$'000 staff cost	<i>Unit</i>	735	919	-20.0%
ATK per staff	<i>'000</i>	191	249	-23.3%
Aircraft utilisation (including parked aircraft)	<i>Hours per day</i>	2.2	2.3	-4.3%
On-time performance	<i>%</i>	82.9	89.7	-6.8%pt
Average age of fleet	<i>Years</i>	11.3	10.6	+0.7 year

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK\$50,908 million and 0.74 respectively. Further details can be found in note 8 below.

(b) Ordinary shareholders' funds are arrived at after deducting preference share capital of HK\$19,500 million and unpaid cumulative dividends attributable to the preference shareholder of HK\$1,124 million and HK\$824 million as at 30th June 2022 and 31st December 2021 respectively.

(c) Cost per ATK represents total operating costs, including impairment and restructuring costs, over ATK for the period.

(d) Underlying costs exclude impairment and related charges, and restructuring costs.

Chairman's Statement

The Cathay Pacific Group had an extremely difficult start to 2022. For more than two years, COVID-19 has had an unprecedented impact on global aviation with the situation often fluctuating between periods of relative improvement and significant setbacks as new variants of the virus have emerged. The first half of 2022 bore similarities to the first half of 2021. The spread of a new COVID-19 variant, Omicron, led to increasingly stringent travel and operational restrictions, most notably in Hong Kong and the Chinese Mainland, which severely constrained our ability to operate flights and greatly affected the demand for travel.

Early in January, Hong Kong saw the introduction of a number of measures intended to combat the virus, including a ban on flights to Hong Kong from nine countries, among them key markets such as the UK and the US, and a ban on transit and transfer services via Hong Kong International Airport. Quarantine rules for Hong Kong-based aircrew as well as the route-specific flight-suspension mechanism were also further tightened.

These restrictions resulted in a particularly unfavourable first few months of 2022 and we significantly reduced our passenger and cargo flight capacities. As our home city endured an especially difficult phase of the pandemic, we supported the safe movement of people and essential goods between Hong Kong and the rest of the world and preserved the fundamental integrity of our passenger and cargo networks.

The challenges posed by COVID-19, and the restrictions in place to combat it, placed a considerable burden on many of our employees, most notably our aircrew, thousands of whom spent countless nights in quarantine hotels. I wish to extend our sincere appreciation to all our people for the selfless endeavour and extraordinary professionalism they displayed throughout this very difficult time.

The progressive adjustments to these restrictions from 1st May were positive developments. Adjustments to the testing and quarantine requirements for Hong Kong-based aircrew enabled us to progressively resume flights to more destinations in May and June. This included the resumption of daily London passenger flights, and a full freighter schedule.

The loss attributable to the Cathay Pacific Group, which includes Cathay Pacific, its subsidiaries and its associates, was HK\$4,999 million in the first half of 2022 (2021 first half: loss of HK\$7,565 million). Cathay Pacific's loss after tax was HK\$1,501 million in the first half of 2022 (2021 first half: loss of HK\$5,031 million). The share of losses from subsidiaries was HK\$1,015 million (2021 first half: loss of HK\$1,224 million), and the share of losses from associates was HK\$2,483 million (2021 first half: loss of HK\$1,310 million).

Business performance of Cathay Pacific

Ongoing COVID-19-related travel restrictions and quarantine requirements severely constrained our passenger operations. Passenger flight capacity decreased by 26.6%. Notwithstanding this, passenger revenue increased by 177.6% to HK\$2,068 million in the first half of 2022 compared with the first half of 2021. Revenue passenger kilometres (RPK) increased by 129.7%. We carried 335 thousand passengers in the first half of the year, an average of 1,853 passengers per day, which was 113.4% more than in the same period last year. The load factor was 59.2%, compared with 18.9% in the first half of 2021.

Our cargo performance was similarly affected by restrictions and quarantine requirements for Hong Kong-based aircrew. Available cargo tonne kilometres (AFTK) decreased by 31.0%. Total tonnage decreased by 4.2% to 526 thousand tonnes. Cargo revenue was HK\$12,148 million, an increase of 9.3% compared to the first half of 2021. Load factor was high at 75.8% (2021 first half: 81.4%), and yield increased 69.7% to HK\$5.72.

As has remained the case throughout the pandemic, we are focused on prudent cost management. Non-fuel costs decreased by 4.9% to HK\$16,056 million compared with the first half of 2021. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) in the first half of 2022 increased by HK\$1,458 million (or 54.8%) compared with the first half of 2021.

Business performance of subsidiaries and associates

HK Express reported a loss of HK\$824 million for the first half of 2022 (2021 first half: loss of HK\$976 million). The quarantine requirements for Hong Kong-based aircrew and stringent travel restrictions adversely affected the airline's results.

Air Hong Kong reported a profit of HK\$383 million for the first half of 2022 (2021 first half: HK\$374 million). Quarantine requirements for locally based aircrew affected its ability to mount further cargo flight capacity.

Our airline services subsidiaries' financial performance was generally better than in the first half of 2021, but nevertheless continued to reflect the substantial reduction in passenger numbers and cargo volumes.

Air China (accounted for three months in arrears) was adversely affected by COVID-19. Its results were worse than those included in the first half of 2021.

Financial position

Our monthly operating cash performance was negatively impacted by the difficult start to the year. However, the Hong Kong SAR Government's adjustments in travel restrictions and quarantine requirements, which came into effect on 1st May, resulted in a better-than-expected monthly cash performance, such that we were operating cash generative towards the end of the first half of the year. As the pandemic situation remains uncertain, we continue to maintain our focus on prudent cash management and are targeting to be operating cash generative going forward.

As of 30th June 2022, our available unrestricted liquidity stood at HK\$26.7 billion. We are grateful to the Hong Kong SAR Government for agreeing to extend the drawdown period of the HK\$7.8 billion bridge loan facility for a further 12 months to 8th June 2023. This gives us greater flexibility to manage our liquidity position.

Prospects

Looking ahead, the most recent adjustments to quarantine arrangements for arriving passengers are expected to improve travel sentiment. We are targeting to progressively increase passenger flight capacity up to a quarter and cargo flight capacity to 65% of the pre-pandemic level by the end of 2022. This gives us confidence that our airlines and subsidiaries will see a stronger second-half than first-half performance. However, the results from associates (the majority of which are reported three months in arrears) will remain very challenging.

As the home carrier of Hong Kong, we are entirely focused on resuming connectivity between Hong Kong and the world. While we are fully committed to supporting our home city, our ability to operate more flight capacity continues to be severely constrained by a bottleneck on crewing resources under the existing quarantine requirements. We will only be able to operate more flight capacity when the existing stringent travel restrictions and quarantine requirements applicable to Hong Kong-based aircrew are lifted.

The National 14th Five-Year Plan sets out the role that Hong Kong will play in the overall development of the country and reinforces the importance of strengthening Hong Kong as a leading international aviation hub. The recent commencement of flight operations on the Third Runway at Hong Kong International Airport gives us confidence, and we are determined to play our part in the revival of a thriving Hong Kong aviation hub, critical to Hong Kong's continued economic success.

On the expectation that borders will reopen, our teams have been actively preparing to meet the rising global demand for travel. In this context, we are bringing aircraft parked overseas back to Hong Kong and have already commenced a comprehensive recruitment plan with the aim of hiring more than 4,000 front-line employees to meet the airline's operational needs over the next 18-24 months.

Finally, I would like to thank all our employees for their dedication and professionalism as they work tirelessly to keep the airline operating under incredibly challenging conditions. They remain the backbone of our organisation, and the heart of the industry-leading service that Cathay Pacific is known for.

Patrick Healy

Chairman

Hong Kong, 10th August 2022

Review of Operations

Capacity, Load Factor and Yield – Cathay Pacific

	Capacity ASK/AFTK (million)*			Load factor (%)			Yield
	2022	2021	Change	2022	2021	Change	Change
Passenger services							
Americas	936	1,712	-45.3%	72.7	21.0	+51.7%pt	+21.7%
Europe	774	563	+37.5%	76.6	31.9	+44.7%pt	+39.4%
North Asia	594	488	+21.7%	27.7	17.7	+10.0%pt	+37.9%
Southwest Pacific	480	935	-48.7%	50.9	7.3	+43.6%pt	-11.8%
Southeast Asia	207	449	-53.9%	49.4	20.5	+28.9%pt	+33.6%
South Asia, Middle East and Africa	68	20	+240.0%	38.8	15.1	+23.7%pt	+23.2%
Overall	3,059	4,167	-26.6%	59.2	18.9	+40.3%pt	+21.0%
Cargo services	2,801	4,058	-31.0%	75.8	81.4	-5.6%pt	+69.7%

* Capacity is measured in available seat kilometres (“ASK”) for passenger services and available cargo tonne kilometres (“AFTK”) for cargo services.

Passenger Services

Home market – Hong Kong and Greater Bay Area

- The Hong Kong SAR Government banned flights from nine “high-risk” places from January and February until 1st April under the place-specific suspension mechanism, due to the COVID-19 situation in those countries.
- Airport Authority Hong Kong banned transit and transfer services via Hong Kong International Airport for passengers from 153 “high-risk” countries from 16th January to 1st April. We launched additional frequencies after the ban was lifted, providing more and better connections for our transit passengers.
- The mandatory quarantine period for Hong Kong arrivals from “high-risk” places was reduced from 21 days to 14 days on 5th February, and was further reduced to seven days on 1st April for fully vaccinated Hong Kong residents.
- We reopened The Pier, Business, our largest lounge at Hong Kong International Airport, in April for eligible passengers transiting through Hong Kong, and those starting their journey from Hong Kong and travelling to any destination other than the Chinese Mainland.
- The Hong Kong SAR Government’s route-specific flight-suspension mechanism, which temporarily bans airlines from operating flights from a specific destination if several passengers test positive for COVID-19, was adjusted from 14 days to seven days on 1st April. This was further adjusted from seven days to five days on 1st May, and the number of positive cases required to trigger the mechanism was increased from three passengers to five passengers. As of 1st June, in situations where three or more passengers on a particular flight route test positive and at least one or more fails to show all the required documentation, airlines will receive a warning and a HK\$20,000 fine for the first instance within a 10-day period, and a five-day ban if a flight on the same route triggers the mechanism again within 10 days. The route-specific flight suspension mechanism was suspended from 7th July until further notice.
- The Hong Kong SAR Government lifted its ban on non-Hong Kong resident arrivals from overseas places on 1st May.
- The testing and quarantine arrangements for aircrew arriving in Hong Kong were revised effective 1st May, with locally based passenger aircrew required to self-isolate in a hotel for three days and cargo aircrew no longer required to self-isolate upon their return to Hong Kong. All aircrew are subject to a stringent closed-loop arrangement when they layover in outports.

Americas

- Flights to Hong Kong from Canada and the United States were banned from 8th January to 1st April under the Hong Kong Government's place-specific flight suspension mechanism.
- In June, we increased passenger flights serving Canada and the US.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in the Americas: Los Angeles, New York, San Francisco, Toronto and Vancouver.

Europe

- Flights to Hong Kong from France and the UK were banned from 8th January to 1st April under the Hong Kong Government's place-specific flight suspension mechanism. We saw increased demand from residents returning home to Hong Kong from the UK in particular following the lifting of the ban.
- We reopened our Cathay Pacific Lounge at London Heathrow Airport in January 2022.
- In June, we began operating daily flights to and from London Heathrow, and increased passenger flights serving Amsterdam, Frankfurt, Manchester and Paris.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in Europe: Amsterdam, Frankfurt, London, Manchester and Paris.

North Asia

- Flights from the Chinese Mainland to long-haul destinations such as Australia, the US and the UK via the Hong Kong hub accounted for a sizeable portion of passenger traffic in the first few months of the year, along with pre- and post-Chinese New Year traffic between Hong Kong and the Chinese Mainland.
- In March and April, with anti-pandemic measures on the Chinese Mainland tightened due to the worsening COVID-19 situation there, we reduced our passenger flight capacity to the Chinese Mainland, and Shanghai in particular.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in North Asia: Beijing, Chengdu, Chongqing, Hangzhou, Kaohsiung, Osaka, Shanghai, Taipei, Tokyo, Seoul (to and from Hong Kong); Fuzhou, Guangzhou, Nanjing, Qingdao, Wuhan, Xiamen, Zhengzhou (to Hong Kong only).

Southwest Pacific

- Flights to Hong Kong from Australia were banned from 8th January to 1st April under the Hong Kong Government's place-specific flight suspension mechanism.
- We resumed passenger flights to New Zealand and increased passenger flights serving Australia in June.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in Southwest Pacific: Auckland, Brisbane, Melbourne, Perth and Sydney.

Southeast Asia

- Flights to Hong Kong from the Philippines were banned from 8th January to 1st April under the Hong Kong Government's place-specific flight suspension mechanism.
- We increased the number of flights to Bangkok, Ho Chi Minh City, Jakarta and Manila in June.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in Southeast Asia: Bangkok, Cebu, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, Manila, Phnom Penh and Singapore.

South Asia, Middle East and Africa

- Flights to Hong Kong from India and Pakistan were banned from 8th January to 1st April, and flights to Hong Kong from Nepal were banned from 12th February to 1st April under the Hong Kong Government's place-specific flight suspension mechanism.
- In May, we resumed passenger flights to and from Delhi and Mumbai, and increased the frequency of these flights in June.
- As of 30th June 2022, Cathay Pacific was operating passenger flights to the following destinations in South Asia, Middle East and Africa: Delhi, Mumbai and Tel Aviv.

Cathay – A Premium Travel Lifestyle Brand

Cathay is our new master brand, which represents much more than airline travel. It represents our evolution into a premium travel lifestyle brand, consisting of a host of complementary categories – flights, holidays, shopping, dining, wellness and payment. Cathay Pacific remains the brand of our airline and proudly so.

Our purpose is to move people forward in life by connecting them to meaningful people, places and experiences, and we have an ambition to be one of the world's greatest service brands. As such, in order to be of better service to our customers, we need to provide a seamless brand experience wherever they are in the world and whatever channel they are on.

- We expanded into the wellness space with the launch of Cathay's wellness journey, our new virtual health companion in the Cathay lifestyle app. Our wellness journey rewards Hong Kong-based Cathay members with miles every day when they complete daily wellness goals.
- We launched a strategic wellness and insurance collaboration with Cigna Hong Kong to offer the exclusive Cigna Cathay Premier Health Plan – the only insurance product where members can directly earn and use miles when purchasing through Cathay. We also now enable members to purchase three more Cigna products through the Cathay website, allowing them to earn and spend miles on their health protection purchases.
- We collaborated with Hong Kong label Native Union to create a collection of tech accessories such as wireless chargers, charging cables and stow organisers that are inspired by our home city and created with the Cathay customer in mind. The pilot collection – the first under our travel lifestyle Cathay brand and our first move into the tech space – is available on our online shopping platform, the Cathay shop.

Cargo Services

- Cathay Pacific Cargo launched its own fully featured chatbot to provide a quicker and more intuitive response to customers' cargo queries. Customers in Hong Kong can access the chatbot, which is available to provide help and advice 24 hours a day, directly from the cathaypacificcargo.com website.
- We launched our new Priority service that provides cargo customers with a suite of different options for time-sensitive shipments across our various cargo solutions, including the new top tier, First (PR1), which guarantees the highest commitment on speed and priority. The Priority solution enables customers to choose the tier best suited to their needs, and can be easily accessed through our online booking portal, Click & Ship, which was launched last year.
- We developed solutions to ship seasonal fruits and vegetables from Australia and Northeast Asia to Hong Kong. Customers of the Cathay shop in Hong Kong are able to order various fresh produce, which is delivered directly to their door with the aid of our cargo services.
- The joint business agreement between Cathay Pacific and Lufthansa Cargo on routes between Hong Kong and Europe was expanded with the entry of Swiss WorldCargo into the arrangement. The three airlines are now working closely together on network planning, sales, IT and ground handling initially on traffic from Hong Kong to Zurich and Frankfurt, providing greater choice and more attractive offers for our cargo customers.

Vaccine Shipments

- To date, our airlines have shipped more than 200 million COVID-19 vaccines around the world.
- We shipped more than 20 million Rapid Antigen Tests (RATs) to Hong Kong during the most critical period of the pandemic in February, as well as essential food and medical supplies to support the pandemic response.

Fleet Development

- At 30th June 2022, Cathay Pacific had 188 aircraft (including 13 that are either pending to be reassigned from Cathay Dragon to Cathay Pacific and HK Express, or to be lease returned or retired on behalf of Cathay Dragon). HK Express had 26 aircraft and Air Hong Kong had 14 aircraft (a total of 228 aircraft).
- Given current conditions, 69 of our passenger aircraft are parked in locations outside of Hong Kong in keeping with prudent operational and asset-management considerations. On the expectation that borders will reopen we are bringing aircraft parked overseas back to Hong Kong.
- Cathay Pacific took delivery of two new aircraft in the first half of 2022. These aircraft were firm commitments made earlier that will help to modernise our fleets and improve efficiency.
- To date, six of our Boeing 777-300ER passenger aircraft have been partially converted into “freighters” by removing some of the seats in the cabins to provide additional cargo-carrying capacity.

Fleet profile*

Aircraft type	Number at 30th June 2022			Total	Average age	Orders			Total	Expiry of operating leases**									
	Leased**					'22	'23	'24 and beyond		'22	'23	'24	'25	'26	'27 and beyond				
	Owned	Finance	Operating																
Cathay Pacific:																			
A320-200	5			5	19.8														
A321-200	2		2	4	17.9						1	1							
A321-200neo		2	5	7	0.9	5	4		9								5		
A330-300	38	9	4	51	15.7								2	2					
A350-900	19	7	2	28	4.6		2		2								2		
A350-1000	10	5		15	3.1	3			3										
747-400ERF	6			6	13.5														
747-8F	3	11		14	9.4														
777-300	17			17	20.7														
777-300ER	28	2	11	41	9.7						2	3	2	4					
777-9							21		21										
Total	128	36	24	188	11.3	8	6	21	35	1	3	3	4	6	7				
HK Express:																			
A320-200			5	5	10.0						1	4							
A320-200neo			10	10	3.3												10		
A321-200			11	11	4.7								1	2	8				
A321-200neo						1	6	9	16										
Total			26	26	5.2	1	6	9	16	1	4	1	2	18					
Air Hong Kong***:																			
A300-600F			9	9	18.2						7	2							
A330-243F			2	2	10.5												2		
A330-300P2F			3	3	14.6												3		
Total			14	14	16.3						7	2			5				
Grand total	128	36	64	228	10.9	9	12	30	51	1	11	9	5	13	25				

* The table does not reflect aircraft movements after 30th June 2022.

** Leases previously classified as operating leases are accounted for in a similar manner to finance leases under accounting standards. The majority of operating leases in the above table are within the scope of HKFRS 16.

*** The nine Airbus A300-600F, two Airbus A330-243F and three Airbus A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

Financial Review

Revenue

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2022 HK\$M	2021 HK\$M	Change	2022 HK\$M	2021 HK\$M	Change
Passenger services	2,086	748	+178.9%	2,068	745	+177.6%
Cargo services	13,830	12,702	+8.9%	12,148	11,112	+9.3%
Other services and recoveries	2,635	2,404	+9.6%	2,425	2,507	-3.3%
Total revenue	18,551	15,854	+17.0%	16,641	14,364	+15.9%

Cathay Pacific passenger revenue increased by 177.6% compared with a 26.6% decrease in capacity. Cargo revenue increased by 9.3%, compared with a 31.0% decrease in available freight tonne kilometres. Revenue from other services and recoveries decreased by 3.3%.

Operating Expenses

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2022 HK\$M	2021 HK\$M	Change	2022 HK\$M	2021 HK\$M	Change
Staff	5,057	5,746	-12.0%	4,210	4,853	-13.2%
Inflight service and passenger expenses	166	141	+17.7%	166	140	+18.6%
Landing, parking and route expenses	2,305	2,293	+0.5%	2,091	2,080	+0.5%
Fuel, including hedging gains	2,630	2,312	+13.8%	2,129	2,034	+4.7%
Aircraft maintenance	1,414	1,798	-21.4%	1,093	1,451	-24.7%
Aircraft depreciation and rentals	4,966	5,234	-5.1%	4,613	4,825	-4.4%
Other depreciation, amortisation and rentals	1,221	1,198	+1.9%	877	841	+4.3%
Others	2,045	1,664	+22.9%	2,040	1,738	+17.4%
Operating expenses	19,804	20,386	-2.9%	17,219	17,962	-4.1%
Net finance charges	1,369	1,249	+9.6%	966	947	+2.0%
Total operating expenses	21,173	21,635	-2.1%	18,185	18,909	-3.8%

- The Group's and Cathay Pacific's total operating expenses decreased by 2.1% and 3.8% respectively.
- The cost per ATK (with fuel) of Cathay Pacific increased from HK\$4.44 to HK\$5.88, an increase of 32.4%.
- The cost per ATK (without fuel) of Cathay Pacific increased from HK\$3.98 to HK\$5.19, an increase of 30.4%.
- The underlying cost per ATK (without fuel), which excludes impairment and related charges and restructuring costs, increased from HK\$3.79 to HK\$5.19, an increase of 36.9%.

Operating Results Analysis

	Six months ended 30th June		
	2022 HK\$M	2021 HK\$M	Change
Cathay Pacific's loss before impairment and related charges, restructuring and taxation	(1,544)	(4,545)	-66.0%
Impairment and related charges (note 1)	-	(460)	-100.0%
Restructuring costs	-	(403)	-100.0%
Taxation	43	377	-88.6%
Cathay Pacific's loss after taxation	(1,501)	(5,031)	-70.2%
Share of losses from subsidiaries (note 2)	(1,015)	(1,224)	-17.1%
Share of losses from associates	(2,483)	(1,310)	+89.5%
Loss attributable to the shareholders of the Cathay Pacific Group	(4,999)	(7,565)	-33.9%
Adjusted loss attributable to the shareholders of Cathay Pacific (note 3)	(4,999)	(6,662)	-25.0%

Notes:

- 1) Impairment and related charges of HK\$460 million under Cathay Pacific in 2021 mainly in connection with eight aircraft that were unlikely to re-enter meaningful economic service again before they retire or are returned to lessors.
- 2) Impairment and related charges of HK\$40 million under HK Express in 2021 in connection with three aircraft that were unlikely to re-enter meaningful economic service again before they are returned to lessors.
- 3) The adjusted loss attributable to the shareholders of Cathay Pacific was arrived at after excluding impairment and related charges and restructuring costs.

The movement in Cathay Pacific's loss before impairment and related charges, restructuring costs and taxation can be analysed as follows:

	HK\$M	
2021 interim Cathay Pacific's loss before taxation	(4,545)	
Increase of revenue:		
- Passenger and cargo revenue	2,359	- Passenger revenue increased by 177.6% primarily due to a 129.7% increase in passenger traffic and a 21.0% increase in yield. - Cargo revenue increased due to a 69.7% increase in yield, slightly offset by a 35.7% decrease in cargo traffic.
- Other services and recoveries	(82)	- Reduction in cargo ancillary income and COVID-19 related government grants, partly offset by increase in loyalty programme revenues.
Decrease of costs:		
- Staff	643	- Decreased due to lower headcount.
- Inflight service and passenger expenses	(26)	- Increased on higher passenger volumes.
- Landing, parking and route expenses	(11)	- Increased crew quarantine expenses offset by lower cargo handling costs.
- Fuel, including hedging gains	(95)	- Increased fuel prices were partially offset by fuel hedging gains and lower fuel consumption.
- Aircraft maintenance	358	- Lower due to reduced aircraft flying hours.
- Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	157	- Fewer aircraft leased and lower depreciation.
- Other items (including commissions)	(302)	- Higher exchange losses.
2022 interim Cathay Pacific's loss before taxation	(1,544)	

Fuel Expenditure and Hedging

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

	Six months ended 30th June	
	2022 HK\$M	2021 HK\$M
Gross fuel cost	4,618	2,937
Fuel hedging gains	(1,988)	(625)
Net fuel cost	2,630	2,312

Fuel costs increased due to a 85.1% increase in the average into-plane fuel price, slightly offset by 16.0% decrease in consumption.

Financial Position

Financial position as at 30th June 2022. The comparative period references 31st December 2021.

- Additions to property, plant and equipment during the six months period to 30th June 2022 were HK\$1,882 million, comprising HK\$1,751 million in respect of aircraft and related equipment, HK\$20 million in respect of land and buildings and HK\$111 million in respect of other equipment.
- Borrowings decreased by 7.4% to HK\$83,217 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 6.9% to HK\$68,197 million, which are fully repayable by 2035, with 42% at fixed rates of interest after taking into account derivative transactions.
- Available unrestricted liquidity at 30th June 2022 totalled HK\$26,701 million, comprising liquid funds of HK\$17,289 million and committed undrawn facilities of HK\$9,530 million, less pledged funds of HK\$118 million.
- Net borrowings (after deducting liquid funds) decreased by 6.6% to HK\$65,928 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 5.7% to HK\$50,908 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 5.3% to HK\$68,437 million. This was due to the Group's losses for the period of HK\$4,999 million, partially offset by an increase in other comprehensive income of HK\$1,192 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.75 times to 0.74 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.96 and 0.98 times at 30th June 2022 and 31st December 2021 respectively.
- Use of proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
 - *HK\$31.1 billion rights issue and preference shares and warrants issue in 2020.* HK\$9.6 billion unused proceeds were brought forward on 1st January 2022 and remains unused as at 30th June 2022. The Group intends to apply the HK\$9.6 billion for general corporate purposes in accordance with the intentions previously disclosed by the Company.
- The Group's policies in relation to financial risk management and the management of currency, interest rate and fuel price exposures are set out in the 2021 Annual Report.

Review of Other Subsidiaries and Associates

- Hong Kong Express Airways Limited recorded an after-tax loss of HK\$824 million in the first half of 2022, compared with a HK\$976 million loss in the first half of 2021. In the first half of 2022, flight capacity amounted to 69 million available seat kilometres, reflecting the airline's 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 global COVID-19 pandemic. The average flown load factor was 18.5%, an increase of 11.6 percentage points compared with the same period in 2021.
- AHK Air Hong Kong Limited recorded an increase in profit in the first half of 2022 compared with the same period in 2021.
- The financial results of Cathay Pacific Catering Services (H.K.) Limited in the first half of 2022 improved compared to the same period in 2021. The financial results of flight kitchens outside Hong Kong in the first half of 2022 improved compared with the same period in 2021.
- The financial results of Cathay Pacific Services Limited in the first half of 2022 declined compared with the same period in 2021 and remained lower than pre-COVID-19 levels due to the reduced cargo capacity at Cathay Pacific caused by restrictions placed on locally based aircrew between January and May 2022.
- The financial results of Hong Kong Airport Services Limited in the first half of 2022 improved compared with the same period in 2021.
- The financial results of Vogue Laundry Service Limited in the first half of 2022 declined compared with the same period in 2021.
- The Group's share of Air China Limited's ("Air China") results is based on its financial statements drawn up three months in arrear. Consequently the 2022 interim results include Air China's results for the six months ended 31st March 2022. For the six months ended 31st March 2022, Air China's financial results declined compared to those for the six months ended 31st March 2021. On 2nd August 2022, the Board of Air China approved the Non-public Issuance of A shares (the "Issuance"). The Issuance remains subject to certain conditions being satisfied. On the assumption that additional shares are issued, Cathay Pacific's shareholdings in Air China could be diluted. This has no impact to the results of the Group for the six months ended 30th June 2022.
- Air China Cargo Co., Ltd. ("Air China Cargo"), in which the Cathay Pacific Group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. Following the dilution of economic interest in Air China Cargo during the year ended 31st December 2021, our share of Air China Cargo's results is based on its financial statements drawn up three months in arrear since September 2021. Our 2022 interim results include Air China Cargo's results for the six months ended 31st March 2022. The Group's interim results for the comparative period included Air China Cargo's results for the six months ended 30th June 2021.

Corporate Responsibility

- Reaffirming our commitment to achieving net-zero carbon emissions by 2050 as well as 10% Sustainable Aviation Fuel (SAF) for our total fuel use by 2030, we launched our Corporate Sustainable Aviation Fuel Programme in April. The programme is part of our ongoing commitment to combat climate change, and the first major programme of its kind in Asia. With financial support from eight launch customers in the pilot phase, we have helped to scale up the use of SAF in Hong Kong, supplying SAF for flights departing from our home base at Hong Kong International Airport for the first time in April this year.
- Cathay Pacific participates in the International Civil Aviation Organization (ICAO) Working Group 4 task force that leads the aviation industry's work in developing proposals for a fair, equitable and effective global agreement on emissions. We also take part in the ICAO Fuel Task Group, which specialises in the adoption of sustainable fuel for aviation use.
- Cathay Pacific engages with regulators and groups (the IATA Sustainability and Environment Advisory Committee, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping aviation policy with respect to climate change. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.
- In compliance with the European Union's Emissions Trading Scheme (EU ETS), our 2021 emissions data from intra-EU flights were reported on by an external auditor and submitted to the authority in March 2022. We also reported our 2021 emissions data under the United Kingdom Emissions Trading Scheme (UK ETS) for the first time. Cathay Pacific also surrendered its 2021 emissions offsetting obligation allowances under the two schemes in April 2022. In response to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSI A), our 2021 Emissions Report was verified by an external auditor and submitted to the Hong Kong Civil Aviation Department in April 2022.
- We continued to operate our Fly Greener voluntary carbon-offset programme. Our two carbon-offset projects are certified under the Gold Standard to ensure that they are verifiable, credible and make a difference to local communities and the environment. Since the Fly Greener programme was launched in 2007, over 300,000 tonnes of CO₂ has been offset.
- Following the introduction of Rapid Antigen Tests (RATs) as part of the Hong Kong SAR Government's COVID-19 testing protocols, we operated freighters to deliver RATs from the Chinese Mainland to Hong Kong under harsh weather conditions in early 2022. We shipped more than 20 million RATs to Hong Kong during the most critical period of the pandemic in February.
- We have been working with local non-profit organisations Feeding Hong Kong and Food Angel, which provide surplus food to Hong Kong charities for distribution to people in need. The Company donated over 21,000kg of food and beverage items to the Hong Kong community in the first half of 2022.
- We donated various necessities, including blankets and masks, to the most in-need groups in the community, including the elderly and the homeless, in almost all districts in Hong Kong via our charity network. We also donated refurbished smart devices for underprivileged children to assist their online learning during the suspension of in-person school lessons. In the first half of 2022, over 626,000 items had been donated.
- At 30th June 2022, the Cathay Pacific Group employed more than 20,800 people worldwide. Around 17,000 of these people are based in Hong Kong. Cathay Pacific itself employed around 16,200 permanent employees worldwide, with around 12,400 of these people 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2022 - Unaudited

	Note	2022 HK\$M	2021 HK\$M
Revenue			
Passenger services		2,086	748
Cargo services		13,830	12,702
Other services and recoveries		2,635	2,404
Total revenue		18,551	15,854
Expenses			
Staff		(5,057)	(5,746)
Inflight service and passenger expenses		(166)	(141)
Landing, parking and route expenses		(2,305)	(2,293)
Fuel, including hedging gains		(2,630)	(2,312)
Aircraft maintenance		(1,414)	(1,798)
Aircraft depreciation and rentals		(4,966)	(5,234)
Other depreciation, amortisation and rentals		(1,221)	(1,198)
Others		(2,045)	(1,664)
Operating expenses		(19,804)	(20,386)
Operating loss before non-recurring items		(1,253)	(4,532)
Restructuring costs	14	-	(403)
Impairment and related charges	14	-	(500)
Operating loss	4	(1,253)	(5,435)
Finance charges		(1,386)	(1,307)
Finance income		17	58
Net finance charges		(1,369)	(1,249)
Share of losses of associates		(2,726)	(1,509)
Loss before taxation		(5,348)	(8,193)
Taxation	5	349	629
Loss for the period		(4,999)	(7,564)
Attributable to			
Ordinary shareholders of Cathay Pacific		(5,299)	(7,858)
Preference shareholder of Cathay Pacific		300	293
Non-controlling interests		-	1
Loss for the period		(4,999)	(7,564)
Loss per ordinary share			
Basic and diluted	6	(82.3)¢	(122.1)¢
Loss for the period		(4,999)	(7,564)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		1,981	3,251
Share of other comprehensive income of associates		149	162
Exchange differences on translation of foreign operations		(938)	251
Other comprehensive income for the period, net of taxation	7	1,192	3,664
Total comprehensive income for the period		(3,807)	(3,900)
Total comprehensive income attributable to			
Ordinary shareholders of Cathay Pacific		(4,107)	(4,194)
Preference shareholder of Cathay Pacific		300	293
Non-controlling interests		-	1
		(3,807)	(3,900)

Consolidated Statement of Financial Position

at 30th June 2022 - Unaudited

	Note	30th June 2022 HK\$M	31st December 2021 HK\$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment		120,024	123,990
Intangible assets		14,966	15,035
Investments in associates		20,906	24,532
Other long-term receivables and investments		3,491	3,327
Deferred tax assets		987	846
		160,374	167,730
Interest-bearing liabilities	8	(63,928)	(67,504)
Other long-term payables		(2,548)	(3,441)
Other long-term contract liabilities		(213)	(478)
Deferred tax liabilities		(9,685)	(9,820)
		(76,374)	(81,243)
Net non-current assets		84,000	86,487
Current assets and liabilities			
Stock		1,373	1,269
Trade and other receivables	9	8,148	8,296
Assets held for sale		11	48
Liquid funds	10	17,289	19,284
		26,821	28,897
Interest-bearing liabilities	8	(19,289)	(22,350)
Trade and other payables	11	(10,092)	(10,095)
Contract liabilities		(10,361)	(7,925)
Taxation		(2,637)	(2,765)
		(42,379)	(43,135)
Net current liabilities		(15,558)	(14,238)
Total assets less current liabilities		144,816	153,492
Net assets		68,442	72,249
CAPITAL AND RESERVES			
Share capital	12	48,322	48,322
Reserves		20,115	23,922
Funds attributable to the shareholders of Cathay Pacific		68,437	72,244
Non-controlling interests		5	5
Total equity		68,442	72,249

Consolidated Statement of Cash Flows

for the six months ended 30th June 2022 - Unaudited

	2022 HK\$M	2021 HK\$M
Operating activities		
Cash generated from operations	6,993	2,423
Interest received	16	34
Interest paid	(1,071)	(807)
Tax paid	(302)	(225)
Net cash inflow from operating activities	5,636	1,425
Investing activities		
Net increase in liquid funds other than cash and cash equivalents	(278)	(1,121)
Proceeds from sales of property, plant and equipment	27	40
Net increase in other long-term receivables and investments	(26)	(8)
Payments for property, plant and equipment and intangible assets	(1,379)	(1,016)
Dividends received from associates	1,006	-
(Loan to)/net repayments of loans to associates	(16)	93
Net cash outflow from investing activities	(666)	(2,012)
Financing activities		
New financing	4,173	13,022
Loan and lease repayments	(11,381)	(9,370)
Net cash (outflow)/inflow from financing activities	(7,208)	3,652
Net (decrease)/increase in cash and cash equivalents	(2,238)	3,065
Cash and cash equivalents at 1st January	8,573	6,166
Effect of exchange differences	(35)	(1)
Cash and cash equivalents at 30th June	6,300	9,230

Notes:**1. Basis of preparation and accounting policies**

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 10th August 2022.

The financial information relating to the year ended 31st December 2021 that is included in this document as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the “Ordinance”)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2021 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor’s report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2021 annual financial statements except for changes in accounting policies in note 2 below.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) for the current accounting period of the Group.

- Amendments to HKAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”

Amendments to HKAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”

The amendments require that the recognition of expected losses on onerous contracts should include an assessment of both incremental costs and an allocation of direct costs. Previously, the standard only specified incremental costs. The amendments resulted in a change in accounting policy for performing an onerous contract assessment. The Group has assessed contracts existing at 1st January 2022 and determined this change would have no impact on opening equity balances as at 1st January 2022.

3. Segment information

(a) Segment results

Six months ended 30th June 2022						
	Cathay Pacific HK\$M	HK Express HK\$M	Air Hong Kong HK\$M	Airline services HK\$M	Associates HK\$M	Total HK\$M
Profit or loss						
Sales to external customers	16,435	34	1,664	418		18,551
Inter-segment sales	206	-	3	637		846
Segment revenue	16,641	34	1,667	1,055		19,397
Segment (loss)/profit	(578)	(770)	458	(363)		(1,253)
Net finance charges	(966)	(195)	-	(208)		(1,369)
	(1,544)	(965)	458	(571)		(2,622)
Share of losses of associates	-	-	-	-	(2,726)	(2,726)
(Loss)/profit before taxation	(1,544)	(965)	458	(571)	(2,726)	(5,348)
Taxation	43	141	(75)	(3)	243	349
(Loss)/profit for the period	(1,501)	(824)	383	(574)	(2,483)	(4,999)
Non-controlling interests	-	-	-	-	-	-
(Loss)/profit attributable to the shareholders of Cathay Pacific	(1,501)	(824)	383	(574)	(2,483)	(4,999)

Six months ended 30th June 2021						
	Cathay Pacific HK\$M	HK Express HK\$M	Air Hong Kong HK\$M	Airline services HK\$M	Associates HK\$M	Total HK\$M
Profit or loss						
Sales to external customers	14,205	10	1,411	228		15,854
Inter-segment sales	159	-	31	647		837
Segment revenue	14,364	10	1,442	875		16,691
Segment (loss)/profit, before restructuring costs, impairment and related charges	(3,598)	(905)	448	(477)		(4,532)
Restructuring costs	(403)	-	-	-		(403)
Impairment and related charges	(460)	(40)	-	-		(500)
Segment (loss)/profit	(4,461)	(945)	448	(477)		(5,435)
Net finance charges	(947)	(153)	-	(149)		(1,249)
	(5,408)	(1,098)	448	(626)		(6,684)
Share of losses of associates	-	-	-	-	(1,509)	(1,509)
(Loss)/profit before taxation	(5,408)	(1,098)	448	(626)	(1,509)	(8,193)
Taxation	377	122	(74)	5	199	629
(Loss)/profit for the period	(5,031)	(976)	374	(621)	(1,310)	(7,564)
Non-controlling interests	-	-	-	(1)	-	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(5,031)	(976)	374	(622)	(1,310)	(7,565)

- (i) Cathay Pacific provides full service international passenger and cargo air transportation. Management considers that there is no suitable basis for allocating operating results between passenger and cargo operations. Accordingly these are not disclosed as separate business segments.
- (ii) HK Express is a low cost passenger carrier offering scheduled services within Asia.
- (iii) Air Hong Kong provides express cargo air transportation offering scheduled services within Asia.
- (iv) Airline services represents our supporting airline operations including catering, cargo terminal operations, ground handling services and commercial laundry operations.

3. Segment information (continued)

The composition of reportable segments of the Group is determined according to the nature of the business, and is aligned with financial information provided regularly to the Group's executive management.

Inter-segment sales are based on prices set on an arm's length basis.

(b) Geographical information

	Six months ended 30th June	
	2022 HK\$M	2021 (restated) HK\$M
Revenue by origin of sale:		
North Asia		
- Hong Kong, Taiwan and the Chinese Mainland	12,599	10,848
- Japan and Korea	1,283	1,015
Americas	1,203	1,116
Southwest Pacific	261	338
Europe	654	465
Southeast Asia	1,923	1,439
South Asia, Middle East and Africa	628	633
	18,551	15,854

A geographic analysis of segment results is not disclosed for the reasons set out in the 2021 Annual Report.

4. Operating loss

	Six months ended 30th June	
	2022 HK\$M	2021 HK\$M
Operating loss has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- right-of-use assets	2,428	2,693
- owned	3,387	3,503
Amortisation of intangible assets	298	267
Impairment		
- property, plant and equipment	-	763
Expenses relating to short-term leases and leases of low-value assets	24	12
COVID-19-related rent concessions recognised	(113)	(178)
Gain on disposal of property, plant and equipment, net	(10)	(9)
Loss on disposal of intangible assets	-	5
Cost of stock expensed	268	287
Exchange differences, net	295	(25)
Auditors' remuneration	8	8
Dividend income from unlisted investments	(26)	(26)

5. Taxation

	Six months ended 30th June	
	2022 HK\$M	2021 HK\$M
Current tax expenses		
- Hong Kong profits tax	71	73
- overseas tax	41	23
- under provisions for prior years	16	15
Deferred tax		
- origination and reversal of temporary differences	(477)	(740)
	(349)	(629)

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the period. 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.

6. Loss per ordinary share

	2022			2021		
	Loss ^(a) HK\$M	Weighted average number of ordinary shares	Per share amount HK cents	Loss ^(a) HK\$M	Weighted average number of ordinary shares	Per share amount HK cents
Basic and diluted loss per ordinary share	(5,299)	6,437,200,203	(82.3)	(7,858)	6,437,200,203	(122.1)

- (a) The amounts represent the loss attributable to the ordinary shareholders of Cathay Pacific, which is the loss for the period after non-controlling interests and dividends attributable to the holder of the cumulative preference shares classified as equity.
- (b) On 12th August 2020, the Company issued warrants which entitle the holder to subscribe for up to 416,666,666 ordinary shares. On 5th February 2021, the Company issued convertible bonds which entitle the holder to convert up to 786,464,410 ordinary shares. The Company's warrants and convertible bonds as at 30th June 2022 and 2021 have an anti-dilutive effect to the loss per ordinary share and there are no other dilutive potential ordinary shares in existence during the period ended 30th June 2022 and 2021, and hence diluted loss per ordinary share is the same as the basic loss per ordinary share.

7. Other comprehensive income

	Six months ended 30th June	
	2022 HK\$M	2021 HK\$M
Cash flow hedges		
- gain recognised during the period	4,082	3,682
- gain transferred to profit or loss	(1,897)	(84)
- deferred taxation	(204)	(347)
Share of other comprehensive income of associates	149	162
Exchange differences on translation of foreign operations		
- (loss)/gain recognised during the period	(938)	251
Other comprehensive income for the period	1,192	3,664

8. Interest-bearing liabilities

	30th June 2022		31st December 2021	
	Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Loans and other borrowings ^(a)	13,333	37,861	16,061	39,061
Lease liabilities	5,956	26,067	6,289	28,443
	19,289	63,928	22,350	67,504

(a) On 5th February 2021, the Group completed the issuance of HK\$6,740 million guaranteed convertible bonds at a rate of 2.75%, with maturity in 2026. The bonds are convertible at a conversion price of HK\$8.57 per share and entitle the holder to convert up to 786,464,410 ordinary shares of Cathay Pacific Airways Limited. The bonds are accounted for as compound financial instruments, with both a liability component and an equity component.

The Group's net debt/equity ratio and adjusted net debt/equity ratio at the end of the current and previous reporting periods are summarised below:

	30th June 2022 HK\$M	31st December 2021 HK\$M
Non-current liabilities:		
Loans and other borrowings	37,861	39,061
Lease liabilities	26,067	28,443
	63,928	67,504
Current liabilities:		
Loans and other borrowings	13,333	16,061
Lease liabilities	5,956	6,289
	19,289	22,350
Total borrowings	83,217	89,854
Liquid funds	(17,289)	(19,284)
Net borrowings	65,928	70,570
Funds attributable to the shareholders of Cathay Pacific	68,437	72,244
Net debt/equity ratio	0.96	0.98

To allow for comparability of gearing ratios against group borrowing covenants, the Group has chosen to present a subset of net borrowings and the net debt/equity ratio which exclude leases without asset transfer components. Only lease liabilities which transfer ownership of the underlying asset to the Group by the end of the lease term or contain a purchase option that the Group is reasonably certain to exercise are included.

	30th June 2022 HK\$M	31st December 2021 HK\$M
Net borrowings	65,928	70,570
Less: lease liabilities without asset transfer components	(15,020)	(16,591)
Adjusted net borrowings, excluding leases without asset transfer components	50,908	53,979
Adjusted net debt/equity ratio, excluding leases without asset transfer components	0.74	0.75

9. Trade and other receivables

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Trade debtors, net of loss allowances	3,233	3,919
Derivative financial assets - current portion	2,778	1,759
Other receivables and prepayments	2,130	2,615
Due from associates and other related companies	7	3
	8,148	8,296

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	3,079	3,441
One to three months	88	420
More than three months	66	58
	3,233	3,919

10. Liquid funds

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Cash and cash equivalents		
Short-term deposits and bank balances	6,300	8,573
Other liquid funds		
Short-term deposits maturing beyond three months when placed	340	1
Funds with investment managers		
- debt securities listed outside Hong Kong	10,178	10,470
- bank deposits	353	101
Other liquid investments		
- debt securities listed outside Hong Kong	5	5
- bank deposits	113	134
Liquid funds	17,289	19,284

Included in other liquid investments are bank deposits of HK\$113 million (31st December 2021: HK\$134 million) and debt securities of HK\$5 million (31st December 2021: HK\$5 million) which are pledged as part of long-term financing arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

Available unrestricted funds to the Group are as follows:

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Liquid funds	17,289	19,284
Less amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	(5)	(5)
- bank deposits	(113)	(134)
Committed undrawn facilities	9,530	11,105
Available unrestricted liquidity to the Group	26,701	30,250

Committed undrawn facilities may be drawn at any time in either Hong Kong dollar or United States dollar.

11. Trade and other payables

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Trade creditors	4,508	4,327
Derivative financial liabilities – current portion	29	186
Other payables	5,207	5,311
Due to associates	153	55
Due to other related companies	195	216
	10,092	10,095

	30th June 2022	31st December 2021
	HK\$M	HK\$M
Analysis of trade creditors by invoice date:		
Within one month	4,042	3,706
One to three months	224	328
More than three months	242	293
	4,508	4,327

12. Share capital

	30th June 2022		31st December 2021	
	Number of shares	HK\$M	Number of shares	HK\$M
Issued and fully paid				
Ordinary shares				
At 30th June / 31st December	6,437,200,203	28,822	6,437,200,203	28,822
Preference shares				
At 30th June / 31st December	195,000,000	19,500	195,000,000	19,500
	48,322		48,322	

The preference shares are not redeemable at the option of the holder. The Company may redeem all or some of the preference shares, in an aggregate amount equal to the issue price of the preference share HK\$100 each plus any unpaid dividends.

The Company also issued warrants on 12th August 2020 which entitle the holder to subscribe for up to 416,666,666 fully paid ordinary shares at the warrant exercise price of HK\$4.68 per share (subject to adjustment). The expiry date of the warrant is five years from 12th August 2020.

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's ordinary shares and no exercise of warrants during the period (2021: nil). At 30th June 2022, 6,437,200,203 ordinary shares and 195,000,000 preference shares were in issue (31st December 2021: 6,437,200,203 ordinary shares and 195,000,000 preference shares).

13. Dividends

(a) Dividends on cumulative preference shares issued by the Company

The preference shares will accrue dividends at the rate of:

- (i) 3% per annum from and including the Issue Date (12th August 2020) to but excluding the date falling three years from the Issue Date (the “First Step-up Date”);
- (ii) 5% per annum from and including the First Step-up Date to but excluding the date falling four years from the Issue Date (the “Second Step-up Date”);
- (iii) 7% per annum from and including the Second Step-up Date to but excluding the date falling five years from the Issue Date (the “Third Step-up Date”); and
- (iv) 9% per annum from and including the Third Step-up Date

Dividends on cumulative preference shares are paid semi-annually in arrears at the current rate of 3% per annum, compounding, and can be deferred in whole or in part at the Company’s discretion. Dividends on cumulative preference shares are not accrued until declared and are classified as distributions from equity.

The dividend attributable to the preference shareholder for the period ended 30th June 2022 was HK\$300 million (2021: HK\$293 million).

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute “Arrears of Dividend”. The accumulated Arrears of Dividend at 30th June 2022 was HK\$1,124 million (31st December 2021: HK\$824 million).

The dividends payable on 12th August 2022 have been deferred. The cumulative amount deferred of HK\$1,197 million was in respect of dividends for the 24-month period from the Issue Date 12th August 2020 and the compounding effect of unpaid dividends.

(b) Dividends payable to ordinary shareholders

The Articles of Association of the Company require that any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute “Arrears of Dividend” and that the Company shall not make any discretionary distribution or dividend in cash or otherwise on any ordinary shares until all outstanding Arrears of Dividend have been paid in full.

There remain Arrears of Dividend as at 30th June 2022 and 31st December 2021 and accordingly no dividends to ordinary equity shareholders were proposed.

No dividends to ordinary equity shareholders attributable to the period and previous financial year were declared, approved nor paid during 2022 and 2021.

Note 13(a) details the cumulative Arrears of Dividend as at 30th June 2022.

14. Impacts of COVID-19

COVID-19 has continued to impact the Group's operations and financial position. As of June 2022, Cathay Pacific was operating 11% of pre-pandemic passenger flight capacity and 56% of pre-pandemic cargo flight capacity.

(a) Liquidity and going concern

The Group's cost base and cash outflows continue to be closely managed and monitored. Revenues improved from the comparative period and costs were no higher. The Group generated cash inflows from operating activities of HK\$5.6 billion during the six month period (30th June 2021: inflows of HK\$1.4 billion).

Available unrestricted liquidity for the Group was HK\$26.7 billion at 30th June 2022 (31st December 2021: HK\$30.3 billion).

Management have assessed cash flow forecasts under various scenarios, including downside assumptions of route restrictions and tight quarantine measures across the Group's network through the forecast period. The Group will continue to benefit from costs savings resulting from restructuring and remains focused on maintaining our passenger and cargo networks as far as possible and will try to increase our cargo capacity as much as practical. Management are of the opinion that the Group has sufficient unrestricted liquidity for at least the next 12 months from the date of approval of the consolidated financial statements. Accordingly management concludes that it is appropriate to prepare the financial statements on a going concern basis.

(b) Asset carrying values

Management has performed impairment assessments on 1.) Aircraft assets, and whether they are likely to re-enter meaningful economic service again before their retirement or return to lessors and 2.) Comparing the recoverable amounts of cash generating units with their respective carrying values. No impairments were identified.

(c) Over-hedging

Management have compared the volume of hedging instruments and associated forecasts of hedged items and concluded that there is no over-hedging.

(d) Government grants and other assistance

The Group recognised HK\$750 million (30th June 2021: HK\$710 million) of government grants globally, mostly as a result of COVID-19.

HK\$121 million (30th June 2021: HK\$158 million) in respect of income grants, net of penalties paid, are presented as revenue from other services and recoveries. The majority of amounts presented under income were amounts received from employee support schemes, including the Hong Kong SAR Government Employee Support Scheme and amounts received from governments worldwide.

HK\$629 million (30th June 2021: HK\$552 million) in relation to cost reductions and waivers are presented net of the respective cost categories. Cost reductions were predominantly from the Hong Kong Airport Authority, representing HK\$609 million (30th June 2021: HK\$508 million) discounts and waivers on airport facility costs. There were no unfulfilled conditions or contingencies attached to the grants at the year end.

14. Impacts of COVID-19 (continued)

(e) COVID-19 related rent concessions

During the six months ended 30th June 2022, the Group received rent concessions in the form of a discount on fixed payments as a direct consequence of the COVID-19 pandemic.

Rent concessions of HK\$113 million (30th June 2021: HK\$178 million) received up to 30th June 2022 have been accounted for as negative variable lease payments recognised in profit or loss in accordance with the Amendment to HKFRS 16, applying the practical expedient under COVID-19-Related Rent Concessions. This amount includes concessions of HK\$106 million (30th June 2021: HK\$154 million) received from government vendors during the period and included as government grants and other assistance as disclosed above.

15. Corporate governance

Cathay Pacific 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 (the “CG Code”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the interim report.

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. The changes are applicable to financial years commencing on or after 1st January 2022 and relevant changes will be reflected in the Company’s 2022 Annual Report.

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”) set out in Appendix 10 to the Listing Rules.

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

The 2022 interim results have been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2021 Annual Report and in the 2022 Interim Report.

16. Interim report

The 2022 Interim Report containing all the information required by the Listing Rules will be published on the Stock Exchange’s website and the Company’s website (www.cathaypacific.com) on or before 25th August 2022. Printed copies will be dispatched to shareholders who have elected to receive printed copies on 26th August 2022.

Disclaimer

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including the effects of COVID-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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, Sun Yuquan, Merlin Swire, Samuel Swire, Xiao Feng, Zhang Zhuo Ping;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung.

By Order of the Board

Cathay Pacific Airways Limited

Patrick Healy

Chairman

Hong Kong, 10th August 2022

Website: www.cathaypacific.com

References in this document to Hong Kong are to Hong Kong SAR, to Macau are to Macao SAR and to Taiwan are to the Taiwan region.