

ANNUAL REPORT

For

Cayman Airways Limited

For the 2020

Financial Year



Cayman Airways Annual Report 31 December 2020



Airline Leadership

Board of Directors

Philip Rankin	Chairman of the Board (2012-current) <i>Director (2009-2012)</i>
Jeffrey DaCosta	Director (2013-current)
Christopher Kirkconnell	Director (2013-current)
Danielle Lookloy	Director (2013-current)
Wilbur Thompson	Director (2009-current)
James Tibbetts	Director (2013-current)
Robert Watler	Director (2015-current)
Raymond Hydes	Director (2018-current) – Public Servant, Cayman Turtle Center employee
Stran Bodden	Ex-officio (2011-current) – Chief Officer, Ministry of District Administration, Tourism and Transportation
Rosa Harris	Ex-officio (2013-current) – Director of Tourism, Cayman Islands
Kenneth Jefferson	Ex-officio (2013-current) – Financial Secretary
Fabian Whorms	Secretary – President & CEO

Executive Team

Fabian Whorms	President and Chief Executive Officer
Paul Tibbetts	Executive Vice President and Chief Financial Officer
Ivan Forbes	Vice President Airport Operations
Wayne Miller	Vice President Maintenance & Engineering
Dave Scott	Vice President Flight Operations
Steve Scott	Director Safety Management
Christopher McTaggart	Director Special Programs/Advisor on Aviation Security
Wendy Evans Williams	Director Human Resources
John Cunningham	Director, Express Maintenance & Engineering

Cayman Airways Limited History

In 1955, Costa Rican airline LACSA started a subsidiary company, "Cayman Brac Airways," operating domestic passenger air service between Grand Cayman and Cayman Brac using Beechcraft 18 (C-45) and Douglas DC-3 aircraft. By the early sixties, a flag stop to Little Cayman had been added, following the construction of a small grass airfield on the island. Later, Cayman Brac Airways' would include limited service between Cayman Brac and Montego Bay, Jamaica – its sole international flight.

On August 7, 1968, some thirteen years after the start of Cayman Brac Airways, the Cayman Islands Government purchased 51% of the airline from LACSA. Following this purchase, the airline was renamed to Cayman Airways Limited ("Cayman Airways" or the "Company" or the "Airline"). The focus of Cayman Airways would now be to not only ensure reliable domestic service, but to look beyond the confines of the Cayman Islands and strategically connect the islands to the world.

Initially, the fledgling Cayman Airways continued with the use of DC-3 aircraft as had Cayman Brac Airways, offering the same service with flights between Grand Cayman and the sister islands. Things were set to change rapidly however. That same year, a British Aircraft Corporation BAC 1-11 jet aircraft (wet leased from LACSA) was added to the fleet and Cayman Airways' international service to Kingston, Jamaica began, following granting of route rights. In 1972,



service began to Miami and, several years later, service to Houston was added. Many more routes would be introduced in the years to come, including Atlanta, Chicago and New York.

In 1977, Cayman Islands Government purchased LACSA's remaining shares resulting in the Airline becoming 100% Cayman owned and being designated as the National Flag Carrier of the Cayman Islands.

Today, Cayman Airways is a corporation registered in the Cayman Islands. The Cayman Islands Government still maintains its 100% ownership of the Airline and is its sole shareholder. As such, the Airline is legally considered a Government Owned Company ("GOC") under the law and therefore, in addition to standard corporate and business laws, the Airline is also subject to additional legislation applying only to GOC's, including the Public Management and Finance Law and the Freedom of Information Law. While the impact of this additional legislation is generally not onerous, it creates a situation where the Airline must comply with additional requirements as compared with its competition.

Cayman Airways holds Air Operators Certificates issued by the Civil Aviation Authority of the Cayman Islands ("CAACI") and licenses from the Cayman Islands Air Transport Licensing Authority, authorizing the Airline to provide passenger and cargo services domestically and internationally.

With its primary hub at Owen Roberts International Airport ("GCM") in Grand Cayman, Cayman Airways provides passenger service to twelve destinations with an annual passenger volume of around 400 thousand. The Company also provides cargo services at many of its locations, transporting over 1,600 tons of cargo each year.



2020 Year in Review

The Airline entered 2020 with two of its Max fleet grounded (a continuation of the grounding that first occurred in March 2019). That grounding would be in effect for the entire year. To ensure that its fleet of three 737-300s was able to cover the scheduled flights, each of the aircraft was scheduled for various intervals of heavy maintenance from February through June, 2020.

On March 22, 2020, as a precaution against the globally expanding SARS-CoV-2 coronavirus ("COVID-19") the Cayman Islands Government closed its international borders. For several weeks there was no international passenger travel. During this time, the Airline's cargo operation remained in operation, but demand fell off as the lock-down in the Cayman Islands restricted the ability of many to ship and move about the island. By April, the Airline began to operate limited international repatriation flights and, as local movement was gradually relaxed, cargo demand experienced a marked increase.

Travel from March through June was limited largely to a few domestic flights (averaging 30 passengers per week, requiring pre-flight testing) with sporadic repatriation flights to the United States, Honduras, Jamaica, Mexico and Costa Rica. All inbound passengers were required to undergo two weeks of quarantine (in a government facility) and receive a negative test prior to being released into the community.

In July, domestic travel resumed without the need for pre-flight COVID-19 testing. This relaxation fueled rapid growth in domestic passengers. With the international borders still closed the domestic market became a primary market for the Airline. International repatriation flights became more structured with generally one flight per week to the United States, one flight every two weeks to Jamaica and one flight per month to Honduras.

On October 1, CIG introduced *Travel Cayman* (an agency designed to manage international travel) to facilitate higher volumes of inbound international travel, allowed other classes of individuals to travel (including ex-patriate homeowners) and allowed individuals to quarantine in private residences. These changes fostered new demand and flights were increased to accommodate (subject to overall restrictions in place by the Government).

The Max aircraft remained grounded throughout the entire year. The border closure resulted in very little passenger volume which was able to be accommodated by the Airline's remaining fleet. On September 28, 2020, some 18 months later than expected, the Airline retired its oldest 737-300 aircraft (VP-CAY). This retirement had originally been planned for March 2019, but was delayed with due to the Max grounding. However, the cost of keep the aircraft in service beyond September was impractical and the aircraft was removed from the fleet.

As in 2019, the scenario of having the Max aircraft grounded and having to retain the B737-300 aircraft in service as the primary aircraft, dominated the airline's plans and was required

to make the maintenance arrangements necessary to support the B737-300 fleet. The CIG agreed in early 2020 to provide additional support to the airline to assist with the necessary maintenance arrangements.

Throughout 2020, Cayman Airways continued receive financial relief from Boeing and the Max aircraft Lessor, negating the expenses associated with the Max leases for the entire period of grounding and to address some of the new and unplanned expenses being incurred through the grounding.

Outside of the Max grounding and Border closure, the airline was able to obtain achieve growth in its cargo and domestic markets.



Looking Ahead

At fiscal year-end, the B737-8Max aircraft were still grounded. However, the Federal Aviation Administration (FAA) had just ungrounded the aircraft and the Civil Aviation Authority of the Cayman Islands intended to unground the aircraft within the first quarter of 2021.

At year-end the international borders were still closed and future travel was still uncertain. Accordingly, the Airline's ability to plan and project accurately is hampered due to the uncertainty of its future operations. Nonetheless, CIG remains committed to the Airline and the Airline stands ready meet the needs of the country.

Oil prices throughout 2020 were significantly lower than 2019, due to a worldwide reduction in demand. Cayman Airways continues to watch oil prices very carefully and will take steps necessary to minimize its exposure to volatile oil prices when appropriate.



About Cayman Airways

As a GOC, Cayman Airways is used in a key role for the tourism and economic development strategies of the country. The Airline often operates under an atypical business model, ensuring that the interests of the Cayman Islands are always given priority even over the Airline's own profit producing ability. Under the larger national strategy, there are ten specific roles for the Airline to fulfil which include:

10 Key Roles of Cayman Airways

1. A lever for Strategic Tourism and Economic Development

Cayman Airways is tasked with driving the Cayman Islands' economic development and growing tourism. To accomplish this, the Airline has a close relationship with the Cayman Islands Department of Tourism ("CIDOT") and other strategic partners. Activities include the joint promotion of the destination in existing and in potential new gateways along with tweaking schedule frequency and convenience. Cayman Airways allows for a complete Caymanian brand experience (Caymankind) for visitors from start to finish.

2. Provide an essential inter-island air-bridge

The Cayman Islands are comprised of three islands and without road connections, a reliable air link is a necessity.

3. Guarantee air service independent of foreign carrier priorities

Airlines are profit driven and factor in a variety of items in determining their operations. As circumstances change or new opportunities arise, foreign airlines can make decisions at any time based on their needs which can severely impact the Cayman Islands.

4. Disaster relief before and after events

In a small country there will always be a need to bring in supplies before or after disasters as well as provide a reliable means of transportation for relief workers, residents and others. This was clearly demonstrated by Cayman Airways during the period leading up to and the turmoil after hurricane Ivan in 2004

5. Tourist evacuation

As of 2015, the Cayman Islands had the dubious distinction of being #1 in the Caribbean for most affected by tropical storms and hurricanes (#4 for all cities and islands in the entire Atlantic basin), with an impact every 1.69 years on average since 1871¹. Therefore, in order to provide a worry-free experience to tourists during hurricane season (and whenever else

¹ <http://www.hurricanecity.com/rank.htm>

the need arises), Cayman Airways ensures that all tourists are able to be evacuated to safer locations when necessary.

6. Ensure competitive fare structure from foreign carriers

Pricing in the airline industry is generally market driven. With foreign carriers generally operating strictly from their hub cities, there is little overlap in service and little pressure to keep prices competitive. Cayman Airways plays a strategic role in ensuring that prices are appropriate simply by the Airline's market presence.

7. Prevent foreign carrier monopolies

The transportation industry, and particularly the Caribbean, is filled with examples where foreign carriers obtain monopolies on routes and then either raise prices or dictate demands to smaller nations that have no alternative, but to comply or lose air service.

8. Provide community support from corporate citizenship

Cayman Airways supports its community in a variety of ways including charitable gifts, humanitarian assistance and sponsorship. This critical role of the Airline is an avenue for the Airline's and the Cayman Islands Government's social responsibility, along with ensuring the success of many events and organizations that would not be possible were it not for the Airline.

9. Contribute over US\$200 million annually to the Cayman economy

In 2001, the Cayman Islands Government recruited the professional services firm Deloitte to conduct a study of Cayman Airways and its impact to the Cayman Islands. In that study, and in the two updated studies since then, it was identified that Cayman Airways contributes over US\$200 million each year to the Cayman Islands economy. Cayman Airways is tasked with ensuring that it maintains this value and continues to contribute meaningfully to the Cayman economy.

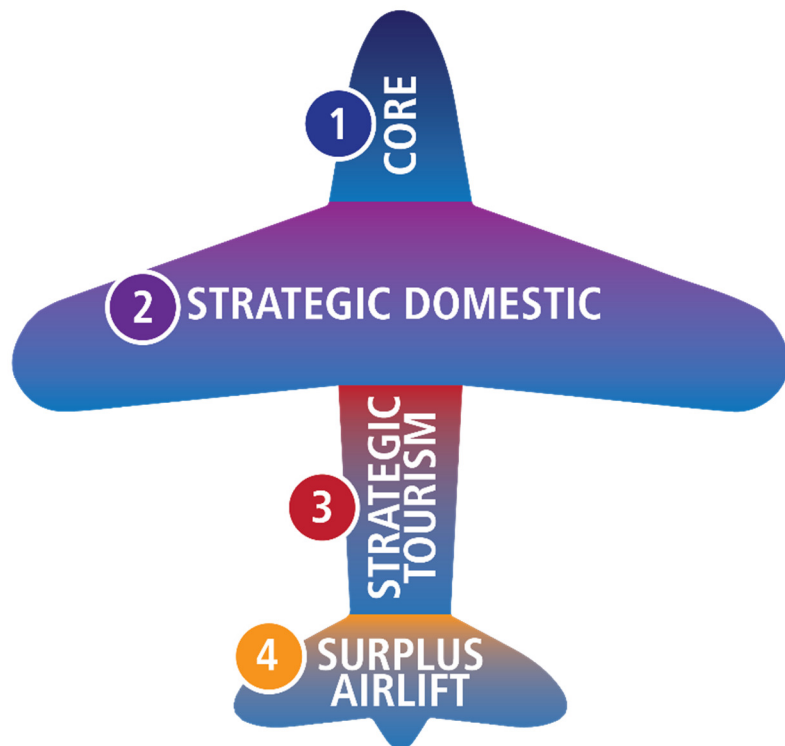
10. Provide direct employment in the Cayman Islands to 370+ people.

Cayman Airways is one of the largest employers in the Cayman Islands. Its employees include mechanics, marketers, customer service agents, accountants, pilots and flight attendants and range from entry-level positions through to corporate executives. The financial contribution to the local economy of a Cayman-based work force is in excess of US\$25 million and affords the local community exposure to roles that simply would not be available without the Airline.

In 2018, the Cayman Islands Government purchased CI\$19.5 million worth of services from Cayman Airways. The associated deliverables related to these purchases were detailed in the 2018 Purchase Agreement between Cayman Airways and the Cayman Islands Government, calling for the Airline to provide certain strategic air services as well as carry out the various duties detailed above.

The "Airlift Framework"

In 2009, the Company established an "Airlift Framework" to serve as the basis for the costing and allocation of Government purchases, as well as better defining the Airline's roles and accountability with respect to the strategic operations undertaken by the Airline for the benefit of the Cayman Islands.



This framework features significantly in the Airline's operational planning and funding models and is broken into four primary areas defined as follows:

1. Core

The Core is the business component of the Airline and is operated in a typical business manner with the aim of delivering a profit. This section is comprised of those routes and flights where the Airline has primary, or dominant, market share and has an established history of successful service in that market. Additionally, the Core includes any other profit-producing services such as Cargo operations.

2. Strategic Domestic

With the distance between each of the Cayman Islands, air service is the only practical means of connecting. To ensure that flights are delivered in such quantities and at fares determined to be appropriate to facilitate ease of movement, the Cayman Islands Government buys certain Domestic routes and flights from Cayman Airways.

At the start of each fiscal year, a Purchase Agreement is defined between Cayman Airways and the Cayman Islands Government outlining the number of flights and anticipated loads for the Strategic Domestic service. In the Purchase Agreement the Cayman Islands Government agrees to quantities and a price to pay Cayman Airways for the provision of these services.

Management and the Board of Directors have responsibility to ensure flights are operated as safely and as economically as possible while the Cayman Islands Government has responsibility to fund amounts necessary to ensure that the quantity of flights and seats deemed necessary are provided at an appropriate fare.

3. Strategic Tourism

Under its role as a lever for Strategic Tourism and Economic Development, the Airline is used strategically to ensure that various flights are provided at fares determined to be appropriate to stimulate the market.

As with Strategic Domestic services, at the start of each fiscal year, a Purchase Agreement is defined between Cayman Airways and the Cayman Islands Government outlining the number of flights and anticipated loads for the Strategic Tourism service. In the Purchase Agreement the Cayman Islands Government agrees to quantities and a price to pay Cayman Airways for the provision of these services.

Management and the Board of Directors have responsibility to ensure flights are operated safely and as economically as possible, while the Cayman Islands Government has responsibility to fund amounts necessary to subsidize the passenger fare and to ensure that the quantity of flights and seats deemed necessary are provided.

4. Surplus Airlift

Once the previous three categories are fully serviced (without any displacement and not affecting required redundancy to maintain reliability of scheduled service), the Airline may opt to utilize any surplus capacity. This utilization takes the form of charter flights or other short-term provision of service. In all instances, the surplus is expected to provide good economic return.

Summary and Scope of Activities

Approved Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Cayman Airways Limited* operated during the year.

GENERAL NATURE OF ACTIVITIES

Cayman Airways Limited's activities involve providing scheduled passenger and cargo flights to, from and within the Cayman Islands.

SCOPE OF ACTIVITIES

The scope of Cayman Airways Limited activities is as follows:

The Company owns three 737-300 aircraft and leases two 737-8Max for its international service, as well as service to Cayman Brac. The Company provides fee-based passenger air transportation as well as air cargo services.

The Company owns two Twin Otter aircraft through a wholly owned subsidiary – Cayman Airways Express. The aircraft provide service between Grand Cayman and the sister islands of Cayman Brac and Little Cayman. The Company also owns two Saab 340 aircrafts which provide service between Grand Cayman and the sister island of Cayman Brac.

The Company generates additional revenue by providing handling services to other airlines at Owen Roberts Airport in Grand Cayman.

The Company's operations are divided into several distinct categories under an "Airlift Framework". This framework features significantly in the Company's operational planning and funding models and is defined as follows:

Airlift Framework Category	Definition
Core	Routes/Flights/Operations that CAL dominates and knows the market well Routes/Flights/Operations that provide good economic return or at least break-even
Strategic Domestic	Domestic Routes/Flights that are purchased by, and operated on behalf of, the Government
Strategic Tourism	International Routes/Flights that have national tourism importance which are purchased by, and operated on behalf of the Government
Surplus	Assumes prior 3 categories are being adequately serviced (without displacement and not affecting required redundancy to maintain reliability of service). Includes operations which must provide good economic return

Strategic Domestic and Strategic Tourism are operations which are considered critical for the Cayman Islands, but do not provide sufficient economic justification themselves for an airline to operate. Accordingly, the Government purchases these operations from the Company. During periods of economic slow-down, the Government may also purchase certain of the Core operations from the Company as well.

CUSTOMERS AND LOCATION OF ACTIVITIES

The services provided by Cayman Airways Limited are provided to the following customers both locally and internationally:

The services provided by Cayman Airways Limited are provided through scheduled jet service between Grand Cayman, Cayman Brac, Little Cayman, Miami, Tampa, New York, Denver, Havana, Kingston, Montego Bay and La Ceiba.

Additional routes continue to be evaluated in conjunction with the Ministry of Tourism and the Cayman Islands Department of Tourism to facilitate decision making on any potential opportunities.

COMPLIANCE DURING THE YEAR

Cayman Airways Limited provided all services as outlined in the Purchase Agreement with the Government where legally able to do so. The Government-imposed border closure limited the Airline's ability to fully deliver expected outputs. This restriction was discussed and agreed with Government.

Strategic Goals & Objectives

Approved Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for *Cayman Airways Limited* for the 2019 financial year were as follows:

- The mission of Cayman Airways is to be the premier choice of safe, reliable, and enjoyable air transportation to all markets we serve, in the best interests of the Cayman Islands. A national airline of which we can all be immensely proud of, one which reflects a top-quality airline, delivering top quality service; an organization which is attracting the best and brightest Caymanian talent and developing its people and the airline to reach their full potential.
- The Airline is major employer within the Cayman Islands and must strive to attract and develop the best and brightest Caymanian talent. The Airline offers several unique employment opportunities in specialised fields and will continue to create an environment of opportunity for Caymanians. This role has an immeasurable socio-economic impact on the Cayman Islands and is crucial to continued national development and growth. The Airline will therefore, as it continues to target cost reductions, do so in a manner that places emphasis on the retention and provision of services and employment locally, versus overseas when possible.
- The Airline will continue the process of restructuring and operational reform in order to drive revenue, reduce costs, and achieve the maximum levels of efficiency where possible.
- Utilizing the Airlift Framework as a funding model, the Airline and Government shall have a common objective to ensure that the Airline is adequately funded to undertake the core and strategic roles defined in the Airlift Framework. Adequate levels of Government funding and the Airline's continued efforts to operate at maximum efficiency are necessary to ensure that no deficit between revenue and expenses arises.
- After years of historical losses, the Airline is faced with a severe deficiency of working capital. The Government and the Airline must together strive to create adequate levels of working capital in order to ensure that Airline has the ability to invest where necessary to improve efficiency and viability. This working capital deficiency may from time to time require external borrowings or equity injections from the Government in order to ensure the Airline's continued viability. The Airline therefore aims to have its historical debt (formal and informal), refinanced in a manner that improves cash flow and provides adequate levels of working capital to be realised, in order to increase the viability and efficiency of the Airlines of the operations.
- Should a deficit (revenue) arise due to unbudgeted situations during the course of the year, which are beyond the Airline's control, the Government may be asked to provide supplementary funding in order to ensure that the Airline maintains an ability to meet its operating obligations and fulfil the government's strategic

objectives for the Airline. The Airline will do all possible to avoid this scenario and will keep the Government promptly educated on all situations that may lead to a need for additional funding within the budget year.

- The Airline is a major contributor to the Cayman Islands economy both directly and indirectly through employment and the purchase of goods and services within the Cayman Islands. The Airline is also a strategic tool used by the Government to drive economic activity, particularly in the tourism industry by providing guaranteed airlift and competitive market environment. This includes providing direct air service to the leading tourist source markets, targeted by the Cayman Islands Department of Tourism. The Airline will therefore continue to work with the Cayman Islands Department of Tourism to realise the maximum benefit from the Department of Tourism's marketing efforts by aligning capacity with the demand generated from the Department of Tourism's efforts.
- The total economic impact or contribution to the Cayman Islands by Cayman Airways (from studies going back more than ten years), is over CI\$150M per annum. The Airline must therefore continue to balance its efforts to operate at peak efficiency with its efforts to create the maximum economic impact possible. The Airline's value on a macroeconomic level outweighs the Government's annual investment through this purchase agreement. Whilst this is an overriding value and an excellent return on investment, the Airline's economic contribution must continue to be provided in the most efficient manner. The Airline and the Government must therefore maintain alignment through consultation in the budget year to ensure the correct balance between the Airline's performance and the Airline's contribution to the local economy.
- Whilst the Airline is equipped with the full infrastructure of a typical Airline, the Airline is challenged to cover all its fixed costs from operating revenues, because of its relatively small size and the relatively small markets served (economies of scale). The Airline must therefore seek out opportunities within the surplus category of the Airlift Framework that increases passenger and cargo throughput, in order to maximise efficiency and reduce dependence on Government funding. This should include the exploration of strategic partnerships with other airlines and potential industry partners, to reduce costs and enhance revenue potential, but in a manner that does not degrade the Airline's strategic value to the Cayman Islands. The Airline expects to continue working with the public sector as well as to embark on joint initiatives with the private sector to coordinate marketing and advertising efforts. A key objective of the Airline is to stimulate incremental visitation through increased visitor arrivals and incremental room nights.
- Fuel is the most volatile and unpredictable cost facing the Airline. The company intends to continue to monitor and aggressively pursue alternatives to minimize the costs of fuel. Cayman Airways however expects to continue to be faced with high fuel prices and extreme volatility for the budget year. The Airline optimistically expects fuel prices to be between US\$85 and US\$100 per barrel for the budget year and has budget fuel expense and associated revenue from airfares accordingly. It must be noted that the Airline is not always able to pass on increases in fuel, without negatively affecting demand and overall revenues. The Airline will therefore strive to recoup fuel increases from the consumer to the maximum extent possible but will be limited in its efforts so as to not negatively impact the Airline's overall

revenue performance nor the Airline's strategic value the local economy and tourism industry.

- The Airline has historically been operating with several outdated or manual systems to manage and control some of its commercial and operating functions. The Airline will continue to strive to implement technological advances that will improve the Airlines operating and financial performance.
- The National Flag Carrier will continue to explore commercial agreements with select international carriers where deemed beneficial to the Cayman Islands. The commercial agreements may range from connected websites to full code share agreements. Cayman Airways is committed to working closely with foreign carriers flying into the Cayman Islands, provided that the foreign carrier provides direct economic benefit to the country or serves to provide additional visitation opportunities.

Achievements during the Period

Throughout 2020, in keeping with its business plan, the Company focused its efforts on accomplishing its targeted objectives but was faced with many challenges including the continued erosion of a key market, increased competition and cost increases. Nonetheless, below is a summary of some of the 2020 achievements:

- Mission
 - a. Cayman Airways continued to fulfil its mission, as National Airline, of seeking to be the premier choice of safe, reliable and enjoyable transportation to all markets it serves in the best interest of the Cayman Islands.
- Caymanian Employment
 - a. Despite the sharp decline in revenue and cash flow, the Airline did not layoff any of its Cayman-based staff. Improving customer service and technical competence continues to be a focus of the airline.
- Cost Reductions and Increased Efficiencies
 - a. The ongoing grounding of the Airline's Boeing 737-8 Max aircraft, obtained as part of its jet fleet modernization plan aimed at increasing revenue while cutting costs, meant that the Airline was unable to realize any of the benefits. However, a reduction in flying and aggressive targeting of any non-regulatory costs resulted in significant reduction of the Airline's costs.
- Airline Framework to ensure adequate funding
 - a. Due to the grounding of the Max aircraft, the Airline was unable to achieve its goal of adequate funding across its four categories of flight operations.
- Debt Refinancing
 - a. In December 2020, the Airline restructured its existing bank debt with its sole lender (Royal Bank of Canada). This restructure allowed for an improved financial situation and savings to the Airline.
- CIG Supplementary Funding
 - a. CIG worked to provide CAL with sufficient funding to manage its operation during the unprecedented border closure and grounding of the Max aircraft.
- Strategic Tool
 - a. Where feasible, and until the International border closure, the Airline worked in tandem with the CIDOT to coordinate marketing and advertising efforts. Following

the international border closure, the Airline worked strategically with the CIG to provide repatriation flights and accommodate various strategic needs (including transporting COVID test kits etc.).

- Airline Partnerships

- a. Up until the international border closure, Cayman Airways provided ground handling services to several foreign carriers, including United, West Jet and Air Canada. During the border closure, Cayman Airways assisted various Airlines with repatriation and cargo flights.
- b. Cayman Airways continued to manage its interline agreements with various foreign carriers to ensure that people were able to easily and affordably travel to the Cayman Islands.

- Stakeholder Partnerships

- a. During the year, both before and during the border closure, the Airline worked with many different organizations to stimulate or prepare for future stimulation of travel to the Cayman Islands. Examples of this effort include Sporting Events, National Events (Pirates week, Batabano, etc.) and local accommodation partners.

- Fuel

- a. Flight optimization and the “right-sizing” of domestic aircraft has resulted in optimized fuel consumption. The Max aircraft was set to deliver up to 25% fuel savings over the B737-300 jet service, but its ongoing grounding has continued to hamper that particular initiative.
- b. Reduced fuel prices and reduced fuel consumption in 2020 has resulted in a significant drop in fuel expense.

- IT System Efficiencies

- a. During the year, the Airline continued to promote the use of its website for booking. The Airline remains focused on the continued development and promotion of this resource.
- b. The Airline enhanced its cyber security and resiliency of its IT systems in early 2020.

Ownership Performance Targets

The ownership performance targets achieved for *Cayman Airways Limited* for the 2020 financial year are as follows:

Financial Performance

Financial Performance Measure	2020 Actual CI\$000s	2020 Budget CI\$000s	Annual Variance CI\$000s
Revenue from Cabinet	36,401	18,523	17,878
Revenue from ministries, portfolios, statutory authorities and government companies	1,000	2,130	(1,130)
Revenue from other persons or organisations	23,551	54,788	(31,237)
Surplus/deficit from outputs	60,952	75,441	(14,489)
Other expenses	61,416	82,551	(21,135)
Net Surplus/Deficit	(464)	(7,110)	7,958
Total Assets	38,403	36,372	2,031
Total Liabilities	60,944	54,541	6,403
Net Worth	(22,101)	(18,169)	(3,932)
Cash flows from operating activities	2,555	(889)	3,444
Cash flows from investing activities	(2,527)	(3,244)	717
Cash flows from financing activities	726	7,392	(6,666)
Change in cash balances	754	3,259	(2,505)

Explanation of Variances:

Performance Overview

Funding from Cabinet

In order to better allocate its funding and to cope with the financial shortfall (and necessary passenger refunds) as a result of the COVID related border closure, CIG agreed to transfer and reclassify \$12.9 million in already approved funds for CAL as follows:

- Reallocation of *existing* 2020 funds
 - \$6.35 million reclassified from Equity Injection to Output Payment
- Transfer from 2021 (next fiscal year) to 2020 (current fiscal year)
 - \$6.538 million from 2021 to 2020
 - \$3.0 million to pay out to CIAA (2021 EI to 2020 OP)
 - \$1.0 million for voluntary separation packages (2021 EI to 2020 OP)
 - \$1.0 million for heavy maintenance needs (2021 EI to 2020 OP)
 - \$1.538 million to assist with refunds (2021 OP to 2020 OP)

Additionally, in early 2020, CIG agreed to provide CAL with new additional funding of CI\$4.99 million for heavy maintenance of its 737-300 aircraft and to accommodate any needed subservice as a result of the grounded Max aircraft.

The Airline ended the 2020 fiscal year with a Net Operating Loss of \$464,255 (Budget: Net Operating Loss of \$7.11 million). This \$7.8 million variation was primarily due to the reclassification of the \$6.35 million of Equity Injection to Output payment. The Airline's ability to reduce expenses (fuel, aircraft services etc.) in a corresponding ratio to the reduction in revenue, then offset by new funding from Cabinet and compensation from the manufacturer for the Max grounding meant that the Airline was able to cope with the international border closure.

Summarized Financial Statements

A full set of financial statements for *Cayman Airways Limited* is provided in the Appendix to this Ownership Agreement Annual Report.

A summary of the actual and budget data is as follows.

Operating Statement	2020 Actual CI\$000s	2020 Budget CI\$000s	Annual Variance CI\$000s
Revenue (includes Government funding)	60,952	75,441	(14,489)
Total Expenses	61,416	82,551	(21,135)
Net Surplus/Deficit	(464)	(7,110)	7,958

Balance Sheet	2020 Actual CI\$000s	2020 Budget CI\$000s	Annual Variance CI\$000s
Assets	38,403	36,372	2,031
Liabilities	60,944	54,541	6,403
Net Worth	(22,101)	(18,169)	(3,932)

Statement of Cash Flows	2020 Actual CI\$000s	2020 Budget CI\$000s	Annual Variance CI\$000s
Net cash flows from operating activities	2,555	(889)	3,444
Net cash flows from investing activities	(2,527)	(3,244)	717
Net cash flows from financing activities	726	7,392	(6,666)

Explanation of Variances:

See *Ownership Performance Targets* section above

Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the Public Management and Finance Law.

Transaction	2020 Actual CI\$	2020 Budget CI\$	Annual Variance CI\$
Equity Investments into <i>Cayman Airways Limited</i>	3,392,000	9,100,000	(5,708,000)
Government Grant	-	-	-
Capital Withdrawals from <i>Cayman Airways Limited</i>	-	-	-
Dividend or Profit Distributions to be made by <i>Cayman Airways Limited</i>	-	-	-
Government Loans to be made to <i>Cayman Airways Limited</i>	-	-	-
Government Guarantees to be issued in relation to <i>Cayman Airways Limited</i>	No New Guarantees	Up to CI\$19M for CIG approved borrowing to address informal debt	-

Explanation of Variances:

Equity Investments

- Reallocation of existing 2020 funds
 - -\$6.35 million removed from Equity Injection and transferred to Output Payment
- New funds
 - \$0.3 million added to EI for Covid-19 Honorarium payments

Appendix A:

2020 Financial Statements

See Attached

Note: Audited financial statements are expressed in United States Dollars. This Annual Report is in Cayman Islands Dollars with a standard conversion of US\$1 = CI\$0.84.

SENT UNDER SEPARATE COVER