

**China Airlines**

**2024 2<sup>nd</sup> Investor Conference**

**Nov. 21 '24**

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# Agenda

- 2024Q1-Q3 Operating Outcomes
- Market Overview and Outlook
- Passenger Market, Performance & Strategies
- Cargo Market, Performance & Strategies
- Fleet Development
- Sustainability Actions and Achievements

# 2024 Q1-Q3 Operating Performance

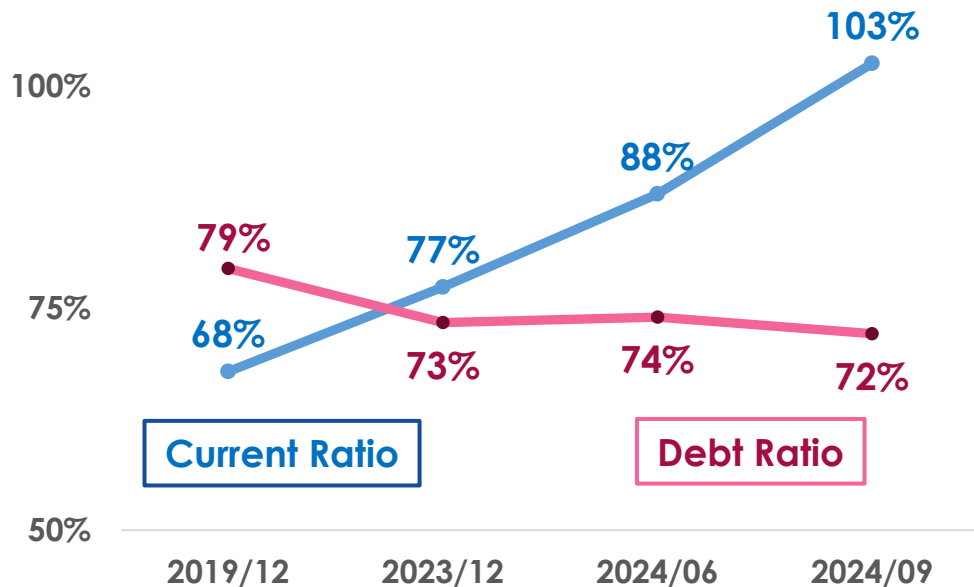
# 2024 Q1-Q3 Financial Performance

(TWD 100 Million)

	2024 Q1-Q3	2023 Q1-Q3	Diff.	YoY
Operating revenue	1,509.3	1,375.6	133.7	9.7%
Passenger revenue	971.5	866.2	105.3	12.2%
Cargo revenue	428.6	424.3	4.3	1.0%
Other operating revenue	109.2	85.1	24.1	28.3%
Net Operating Income	133.5	90.7	42.8	47.2%
Net Income After Tax	113.4	74.0	39.4	53.2%
Net Income Attributable to Owners of the company	103.7	69.0	34.7	50.3%
Earnings Per Share (TWD)	1.71	1.15	0.56	48.7%
Book Value Per Share (TWD)	13.60	12.33	1.27	10.3%

# Group Financial Ratio

## CAL Financial Ratios trend



**Under continuously profit**  
**Current ratio +35ppt v.s 19Q4**  
**Debt ratio -7ppt v.s 19Q4**

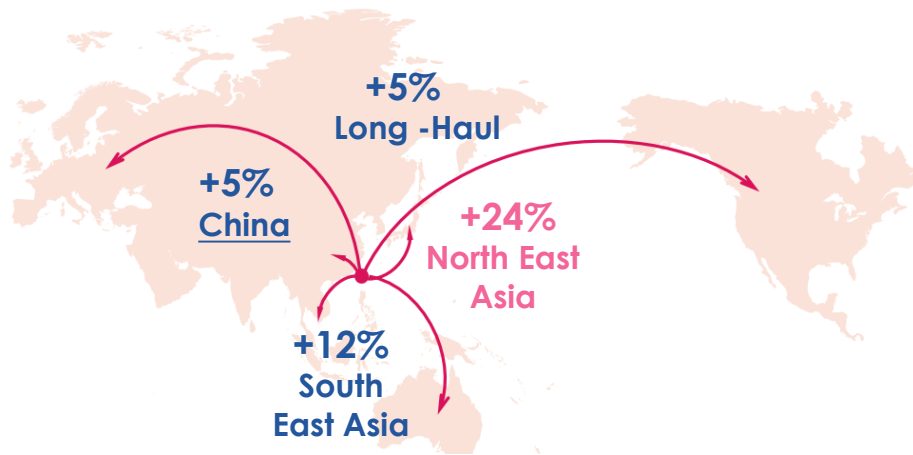
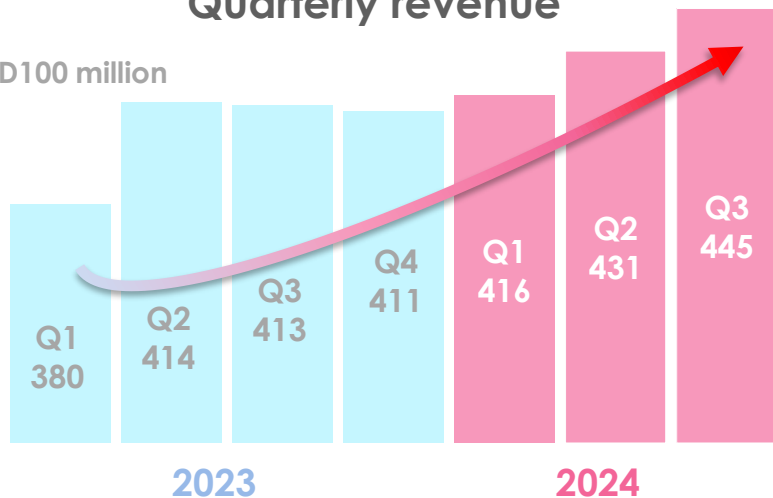
**CAL's financial condition  
and ratios are gradually  
optimized.**

# The Growth Operating Revenue

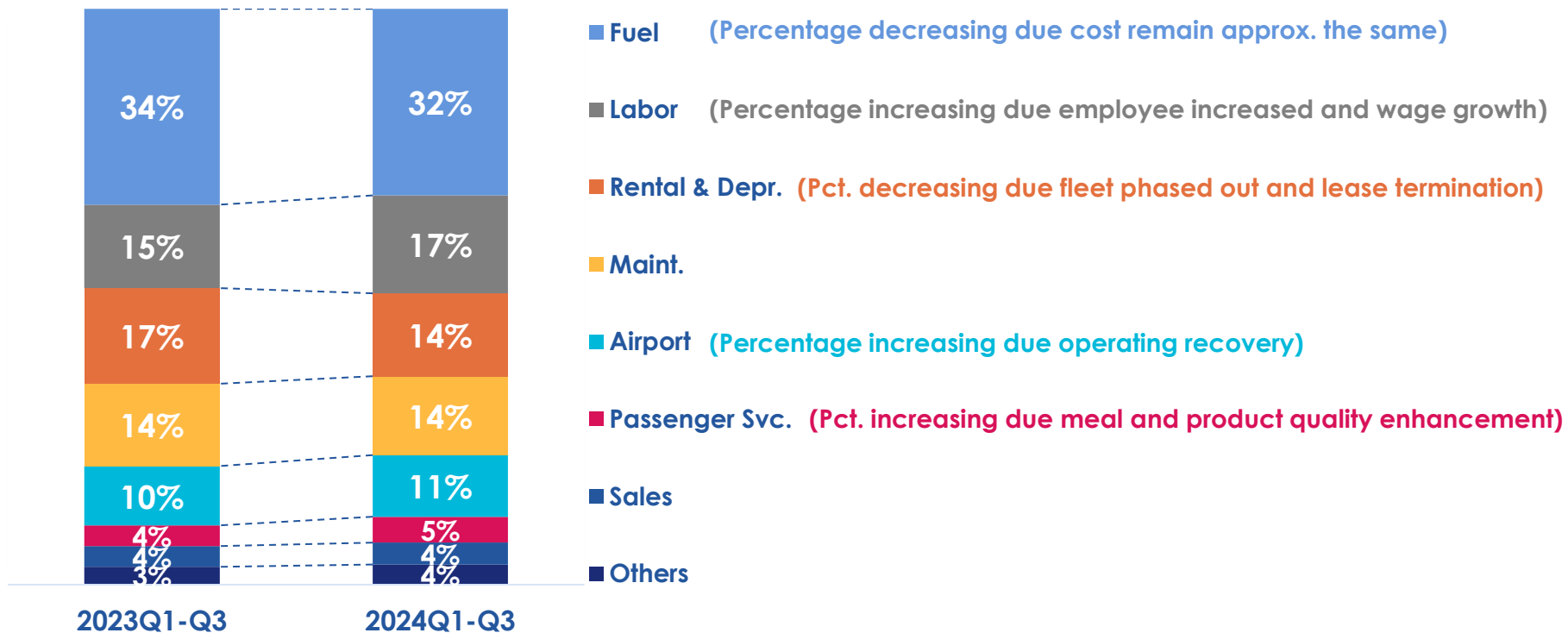
The operating revenue over the first nine months of 2024 increased by 7% compared with the same period last year. Both passenger and cargo revenue remained growth, especially in North East Asia, South East Asia and Long-Haul flight.

## Quarterly revenue

NTD100 million



# Cost Breakdown and Comparison





# Fuel Cost Analysis

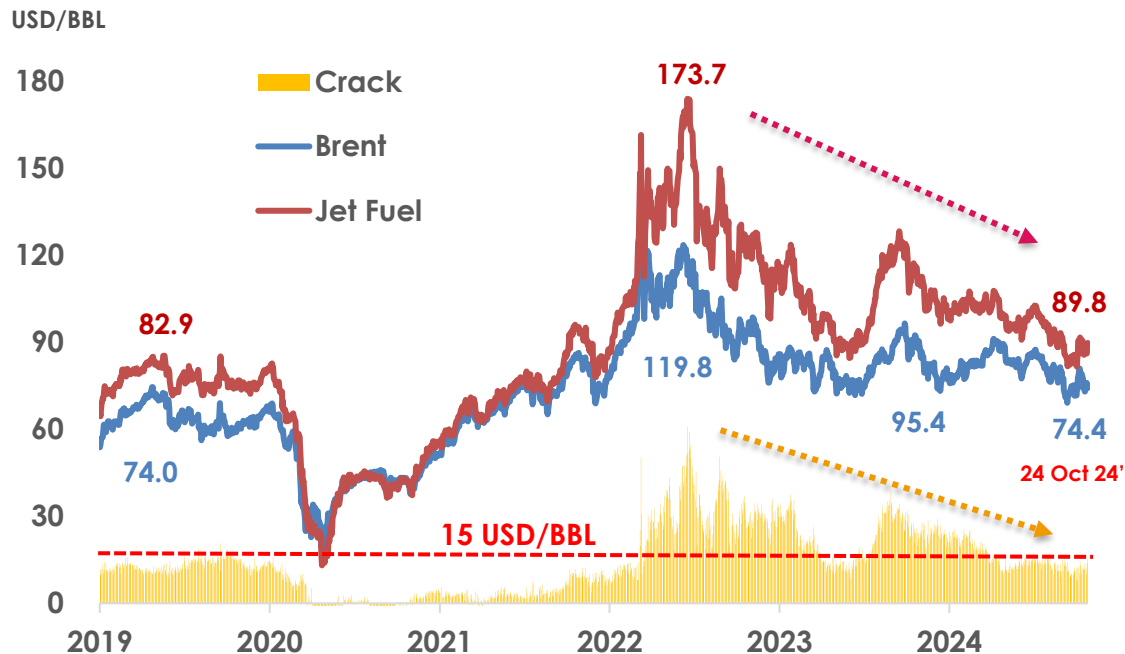
	2024 Q1-Q3	2023 Q1-Q3	YoY
Jet fuel (MOPS) USD/BBL	97.4	103.6	-6.0%
Fuel Consumption 10K/BBL	1,147.1	1,127.2	1.8%
Fuel Cost (TWD 100 million)	391.3	389.1	0.6%
Hedging gain (TWD 100 million)	(0.18)	0.15	-
Total fuel cost (TWD 100 million)	391.1	389.3	0.5%



Despite a 1.8% increase in the fuel consumption compared to the same period in 2023, the average fuel price in first three quarters of 2024 decreased by 6% from last year, resulting in an increase in total fuel costs of only TWD180 million (0.5% increase) compared to last year.

# Crude Oil and Jet Fuel Price Trends

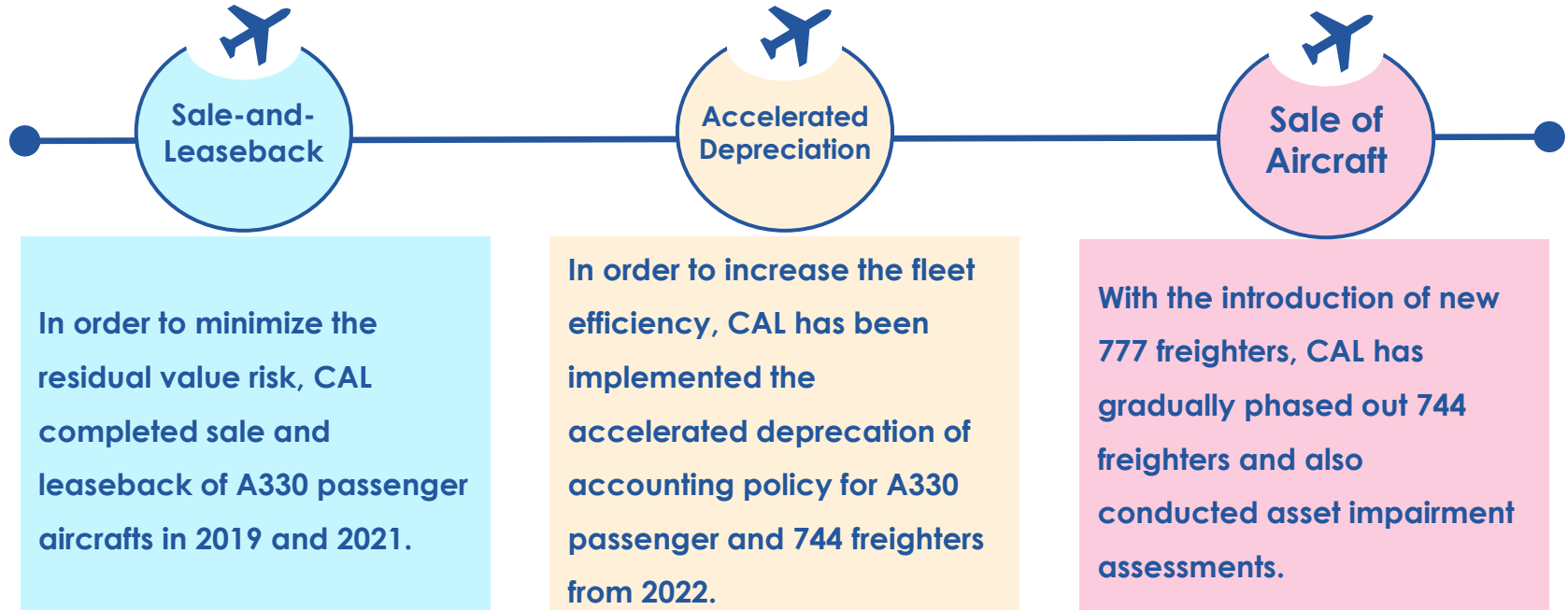
## SinJet and Brent Price



The crude oil market still remains well-supplied. And with the moderate economic data and oil demand from China, the market continues to lower its oil demand growth expectations. The jet fuel crack spread has continued to decline, dropping to the current level of \$15 per barrel.

# The Risk Management of Residual Value for Owned Fleet

Aligning with fleet disposal plan, CAL implemented the risk management of residual value for owned aircraft to mitigate the operational impact on aircraft disposal.



# Long-term Rating upgraded to 「twA-」

Long-Term Rating 「twA-」

Short-Term Rating 「twA-2」

Outlook 「Stable」



In October 2024, the long-term rating of CAL has upgraded as 「twA-」 from 「twBBB+」 by Taiwan Ratings since 2001.

It will definitely enhance the company's image and get opportunity to have better financial conditions in the future.

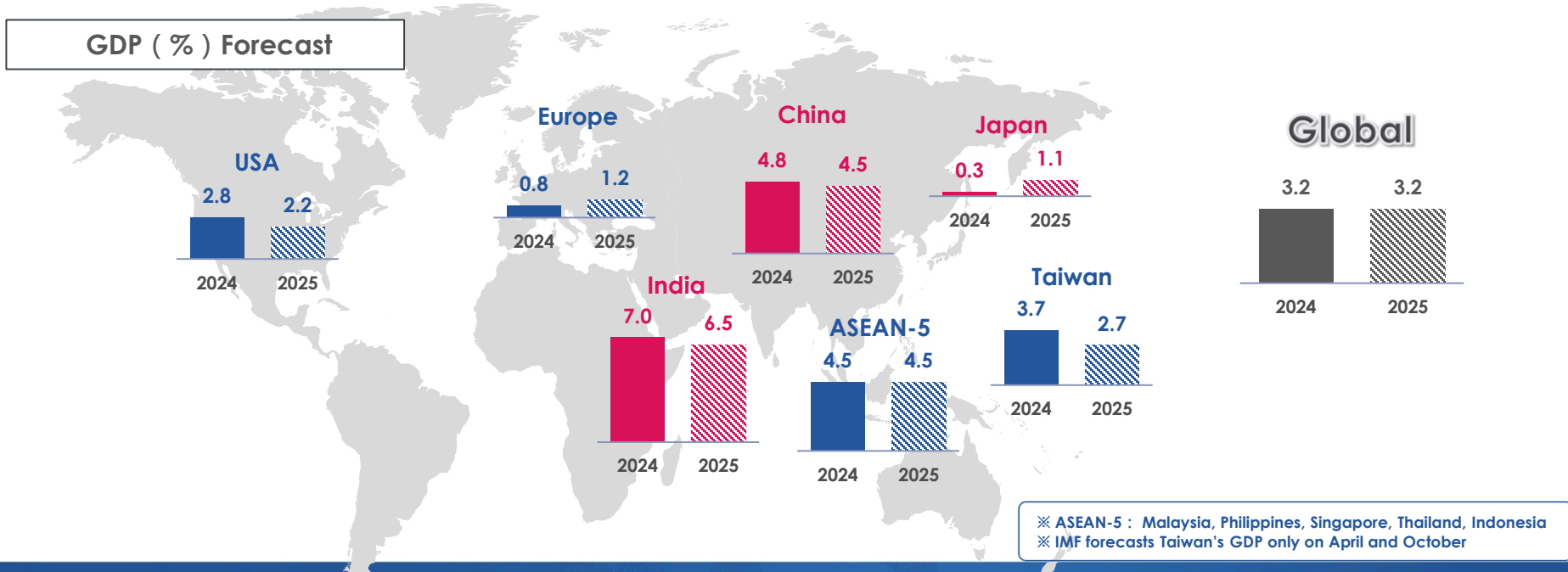
# Stable Development of Company Operations and Financial Status

1. In the first three quarters of 2024, CAL's consolidated and individual operating revenues and net profits after tax reached historical highs.
2. Stable company operation has led to sustained growth in book value per share, along with continuous improvement in financial leverage ratios.
3. Aligning with fleet disposal plan, CAL implemented the risk management of residual value for owned aircraft to mitigate the operational impact on aircraft disposal.
4. The company's long-term credit rating has upgraded by Taiwan Ratings to "twA-," enhancing the company's credit standing, funding flexibility, and having better terms to lower operating costs.
5. Continued optimization of overall cash management to maintain adequate cash reserves, preparing the company for future demands and market changes.

# *Market Overview and Outlook*

# 2024-2025 Global Economics Outlook

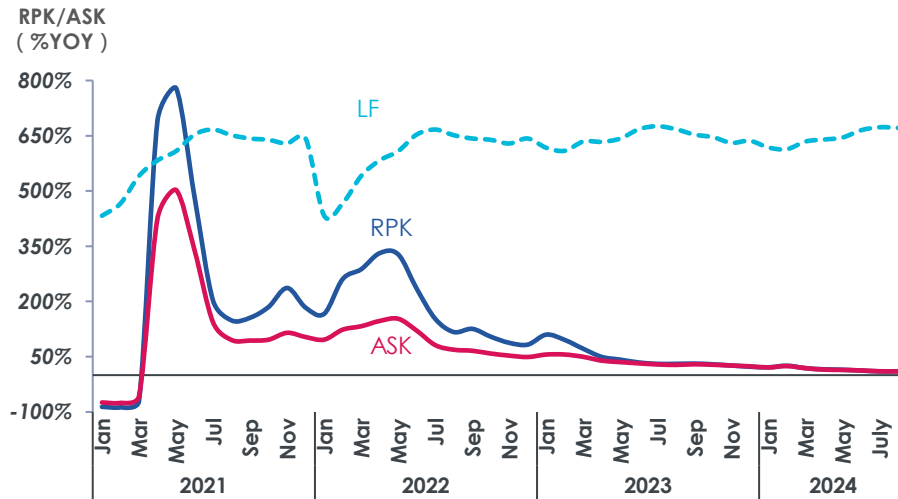
- Global GDP growth stabilizes amid easing inflation; however, geopolitical tensions, trade protectionism, and tighter monetary policies pose certain risks, leading to a 2025 growth forecast on par with 2024.



# Global Passenger Market Overview

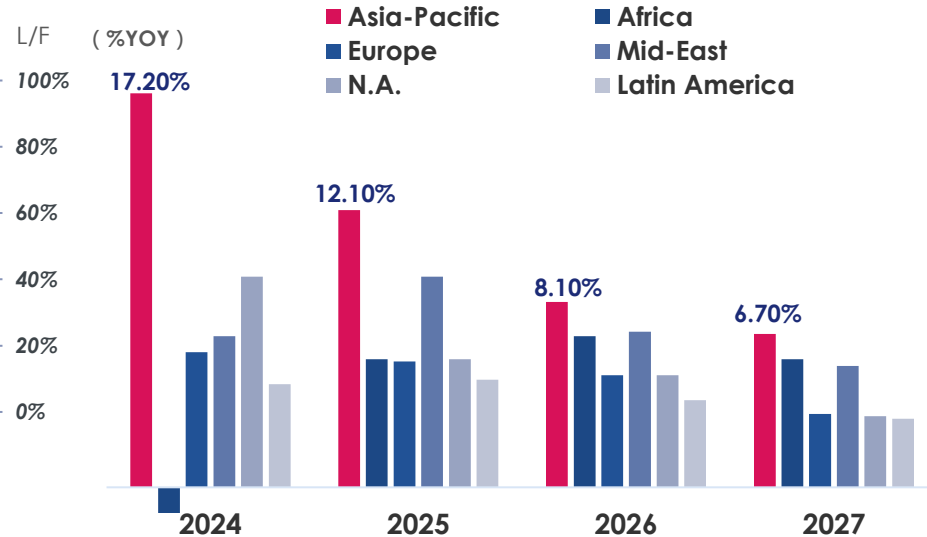
- Global passenger traffic has been on a steady climb since April 2021, reaching 40 consecutive months of growth by August 2024. IATA forecasts an 11.6% increase in passenger traffic for 2024.
- The Asia-Pacific region is expected to achieve double-digit growth in 2024 and 2025, driven by a lower base due to later reopening, and is poised to continue leading other regions.

Intl. Passenger Market - RPK/ASK/LF



\* 2024.FEB RPK / ASK Over 2019's Level

2024-2027 Regional Traffic Growth Rate





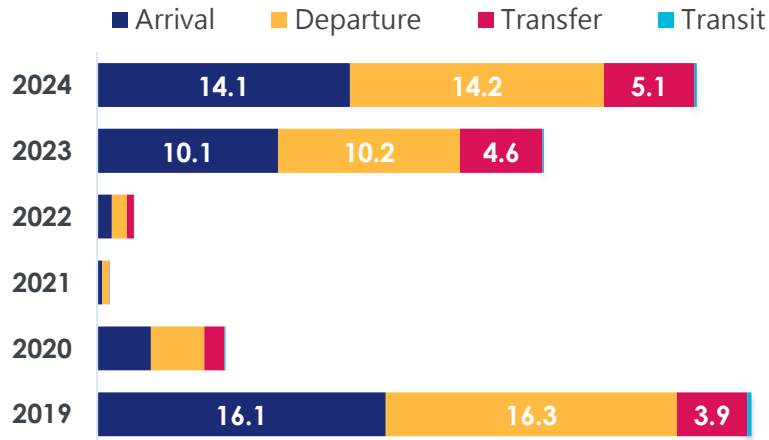
# Taoyuan Airport Passenger Market

-nearing pre-pandemic level, with connecting passengers on the rise.

- Taoyuan Airport Passenger Traffic reaches 33.46 million from January to September, achieving 91.6% of 2019 levels and growing 34.2% compared to 2023.
- Taiwanese carriers strengthen sixth freedom products, driving a surge in transit passengers at Taoyuan Airport. Transit traffic reaches 5.1 million from January to September, a 31% increase compared to the same period in 2019.
- Due to the slow recovery of international capacity by certain operators at neighboring airports, transit passenger numbers at Taoyuan (TPE), Incheon (ICN), Haneda (HND), and Singapore (SIN) have surpassed pre-pandemic levels

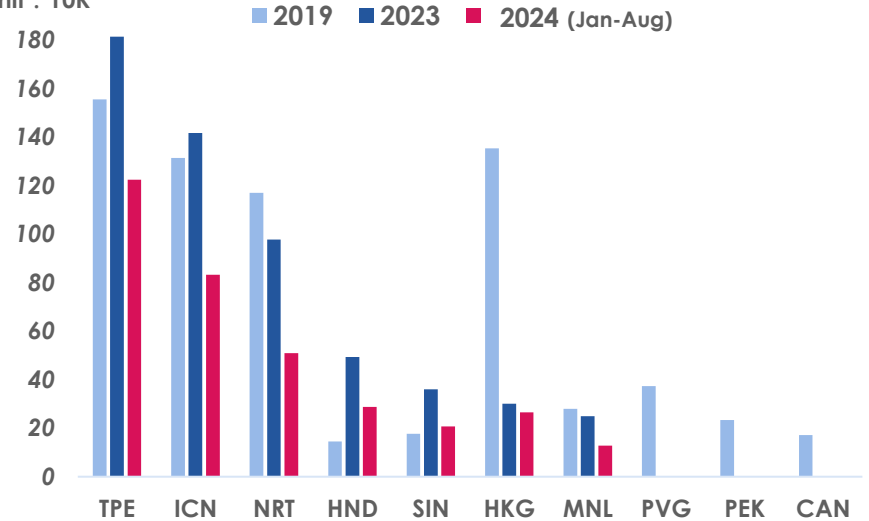
Q1-Q3 Taoyuan Airport Passenger Distribution (2019-2024)

Unit : million



SEA-TPA Transfer Passenger Vol.

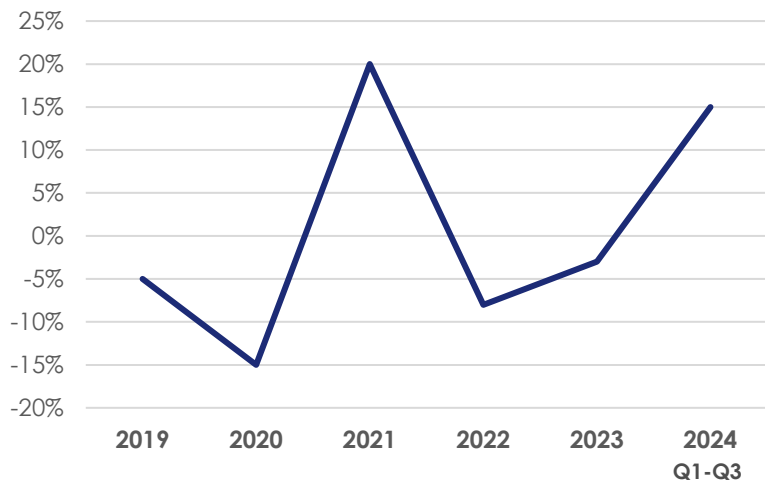
Unit : 10K



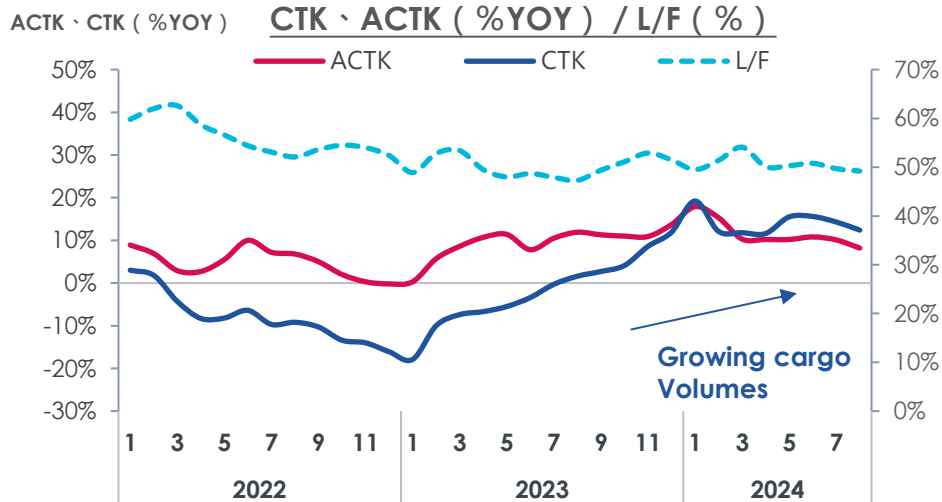
# Global Cargo Market Review

- Global trade growth, economic recovery, and constraints on maritime shipping capacity have driven continued growth in air cargo demand. Air cargo demand in 2024 is expected to increase by 15% compared to 2023.
- According to IATA's June outlook report, international cargo volumes are expected to grow by 5% in 2024 compared to the previous year.

Air Cargo Demand ( %YOY )



Asia-Pacific Intl. Cargo Market

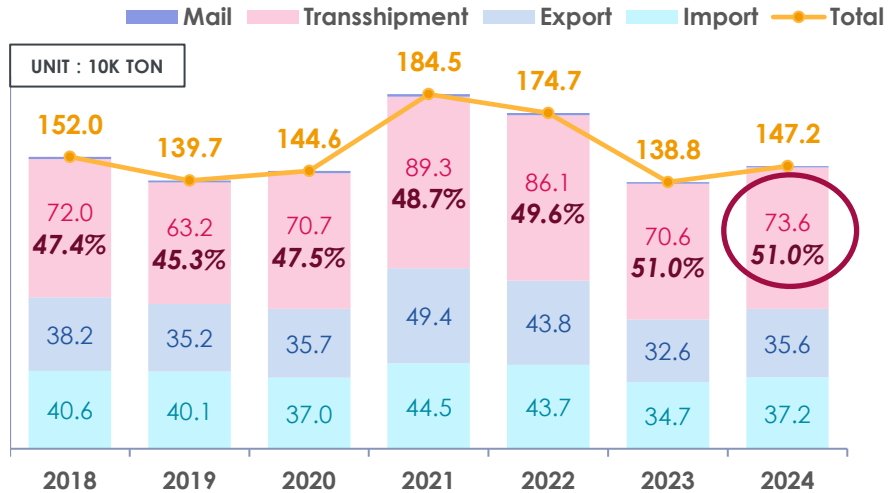


# Taoyuan Airport Cargo Market

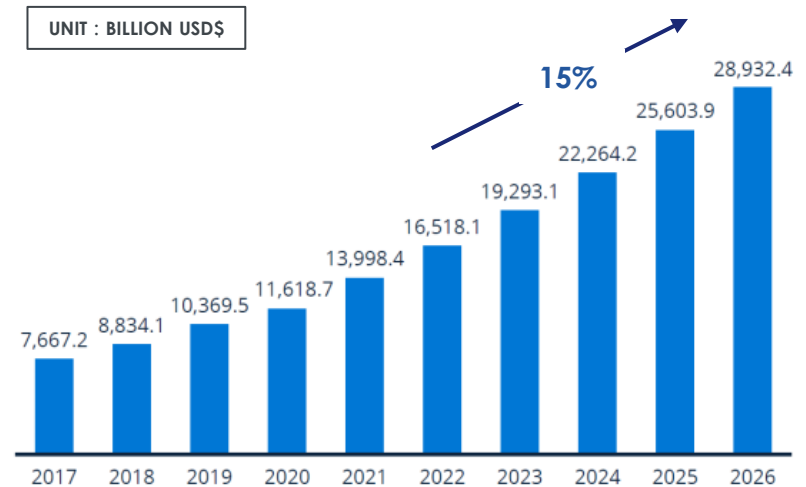
-transshipment is on the rise, driven by the dynamic e-commerce growth in Asia-Pacific.

- Taiwanese carriers' expansion in North American routes, coupled with increased cargo capacity in passenger aircraft, has driven a sustained growth in transshipment. From January to August, transshipment reached 736k tons
- The Asia-Pacific cross-border e-commerce market is growing at an average annual rate of 15%, projected to surpass USD 28.9 trillion in value by 2026.

Taoyuan Airport's Import/Export/Transshipment vol.  
( 2018-2024 Jan-Aug )



Asia-Pacific Cross-Border E-Commerce  
Trade Volume



# Strategic Route Optimization in Response to Industry Dynamics

## Industry Dynamics

- Aircraft manufacturing supply chain shortages are hindering capacity expansion.
- Inflation is driving up operating costs, contributing to high ticket prices.
- Direct flights between the US and China have decreased, leading to an increase in transfer passengers to Taiwan.



**Passenger  
Demands  
Stable**



- Semiconductor and AI server demand remains robust.
- Geopolitical tensions.
- E-commerce is driving a continued increase in transshipment, utilizing both air and sea transportation.



**Cargo  
Demands  
Strong**



## Response & Strategies

- Aircraft fleet strategy ensures stable capacity.
- Flexible flight adjustments enhance operational efficiency.
- Southeast Asia night flights boost North American passenger numbers.

- Cargo fleet strategy: Continuous fleet renewal.
- Flexible cargo pricing strategy drives revenue growth.
- Capturing peak season opportunities with sea-to-air cargo transfers.

# Enhancing the Passenger Experience

- China Airlines continues to elevate its cabin offerings, with the A321neo fleet featuring the industry's latest cabin interiors, including spacious seating, extra-large screens, and a diverse selection of in-flight entertainment. The onboard dining experience has also been refined to perfection, allowing passengers to enjoy exclusive collaborations such as WOOTEA, MIPON restaurant, and YOSHI BAKERY at 30,000 feet, enriching their journey. Through these continuous efforts, China Airlines has proudly been awarded the prestigious APEX Five Star Global Airline honor for the ninth consecutive year

9 **Five Star Global Airline**  
consecutive years



**Best Wi-Fi**



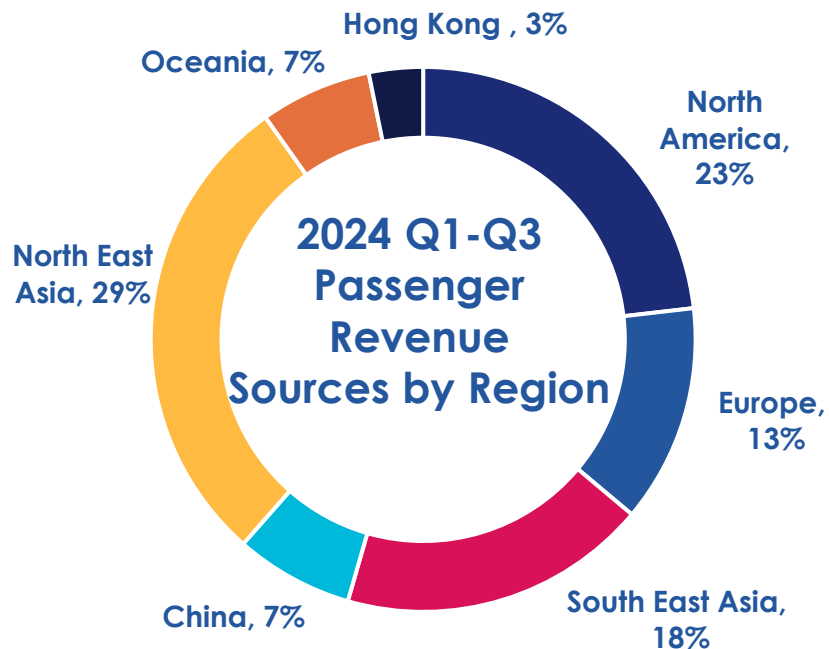
**Best Food  
&  
Beverage**

# *Passenger Market, Performance & Strategies*

# 2024 Q1-Q3 Passenger Operational Results



	2024 Q1-Q3	2023 Q1-Q3	+/- (%)
Passenger revenue (TWD 100 million)	813	742	+9.6%
Revenue passenger ('000)	859	691	+24.2%
Available Seat Kilometer (100 million)	354	316	+12.1%
Average load factor (%)	79.2	78.5	+0.7ppt
Passenger yield (TWD/RPK)	2.90	2.99	-3.1%



# Capacity (ASK) increased up to 12.1% & Revenue up to 9.6% of 2024 Q1-Q3

## Long-Haul

ASK YoY : 7.6%

( PAX revenue YoY : 1.7% )

## S.E. Asia

ASK YoY : 9.0%

( PAX revenue YoY : 20.6% )

## China & Hong Kong

ASK YoY : 26.4%

( PAX revenue YoY : 8.6% )

## Japan · Korea

ASK YoY : 28.9%

( PAX revenue YoY : 29.5% )

ASK up to 12.1%  
Revenue up to 9.6%  
in 2024 Q1-Q3



# Capacity (ASK) Reached 90% & Revenue up to 109% of pre-COVID19

## Long-Haul

ASK : 105%

( PAX revenue : 148% )

## S.E. Asia

ASK : 91%

( PAX revenue : 112% )

## China & Hong Kong

ASK : 48%

( PAX revenue : 51% )

## Japan · Korea

ASK : 77%

( PAX revenue : 106% )

ASK up to 90%  
Revenue up to 109%  
in 2024Q1~Q3

# Passenger Operation Strategy



## Steady Development

- Take advantage of Taiwan's geographic position as a transit hub.
- Develop bilateral tourism by integrating local resources.
- Strengthen cooperation between partner airlines.
- Develop diversified and global business customers.
- Cultivate new generation customers.
- Flexibly passenger schedule flights to maximize capacity.



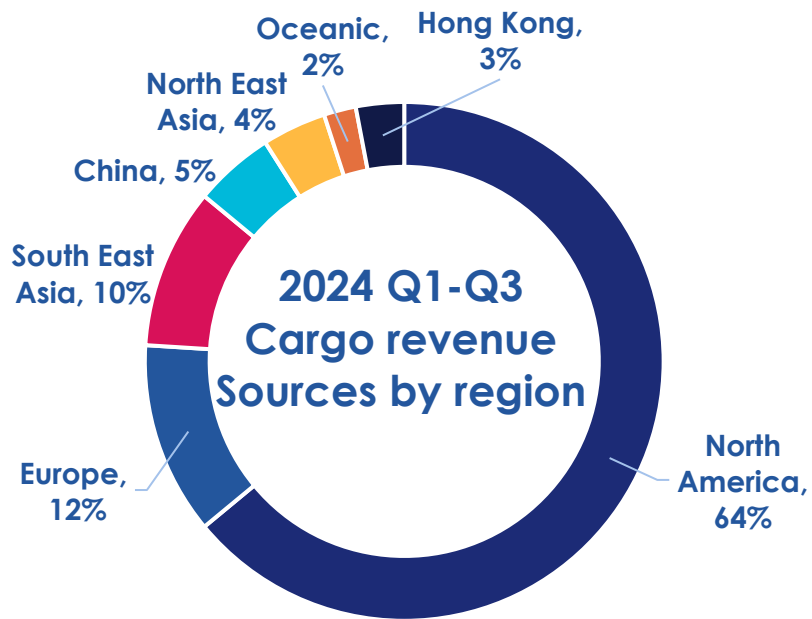
## Continuous Innovation

- Provide a unique journey to passengers with enhanced digitalized customer service.
- Upgrade member system.
- Optimize official website and app function.
- Enhance product value by cross-industry collaboration.

# *Cargo Market, Performance & Strategies*

# 2024 Q1-Q3 Cargo Operational Results

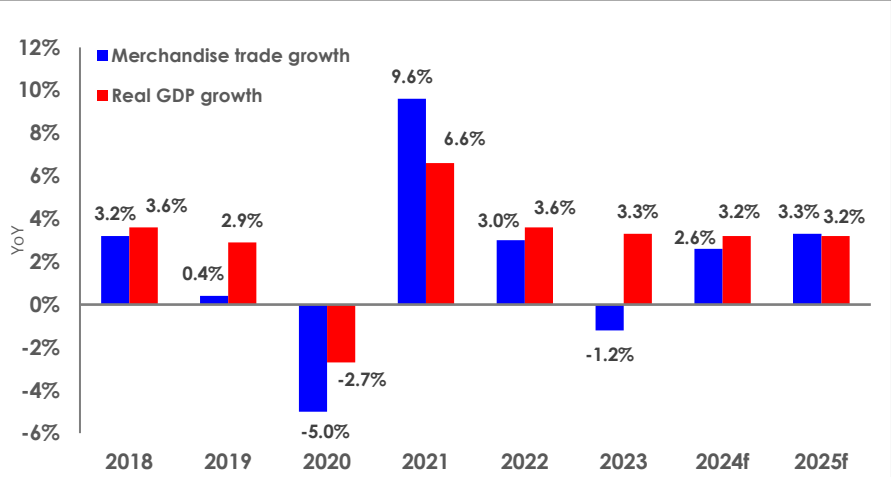
	2024 Q1-Q3	vs 2023 Q1-Q3	vs 2019 Q1-Q3
Cargo revenue (TWD 100 million)	<b>426.6</b>	+1.1%	+35.4%
Revenue Freight Ton Kilometer (100 million)	<b>38.7</b>	-4.8%	-0.5%
Available Freight Ton Kilometer (100 million)	<b>56.1</b>	-7.4%	-4.3%
Average load factor (%)	<b>69.0</b>	+1.9ppt	+2.7ppt
Cargo yield (TWD)	<b>11.03</b>	+6.2%	+36.1%



# The international cargo market is expected to maintain stable growth

- According to the latest World Economic Outlook by the International Monetary Fund (IMF), the global economy is expected to show **moderate growth** in the next two years.
- The World Trade Organization (WTO) also predicts growth in GDP and global trade volume for this year and next year.
- Looking ahead to 2025, driven by continuous waves in global cross-border e-commerce and AI-related hardware and software upgrades, the cargo market is expected to maintain **stable growth** in the short term.

World Merchandise Trade Volume and GDP



International Air Cargo Market



# Cargo Operation Strategy



## Optimize Network and Strengthen Revenue Management

- After the last 777F is delivered, 10 777Fs and 8 744Fs will be deployed on both long and short-haul routes, leveraging high cargo capacity and fuel efficiency to enhance operational performance.
- Focus on market trends such as cross-border e-commerce and AI-related semiconductors to seize opportunities for charter flights.
- Flexibly adjust the Southeast Asia freighter network to adapt to industry chain development trends.
- Attract high-yield cargo sources, such as semiconductor equipment, cold chain goods, engines, and aviation materials.
- Strengthen cooperation with integrated express carriers and interlines.

# *Fleet Plan*

# Passenger Fleet - Sustain Operational Capacity

	2024.SEP	End of 2024	End of 2025	Remark
777-300ER	10	10	10	Extend Leasing
787-9	-	-	2	2025 Commencing Introduction
A350-900	15	15	15	
A330-300	16	16	10	Return Flight / Extend Leasing
737-800	10	10	8	
A321neo	13	14	19	Continue to Introduce
<b>Total Passenger Fleets</b>	<b>64</b>	<b>65</b>	<b>64</b>	

## Recent Fleet Plan



**A330-300** Extend Leasing x **8**



**777-300ER** Extend Leasing x **10**



# Cargo Fleet - Continuous fleet renewal

	2024.SEP	End of 2024	End of 2025	Remark
744F	8	8	8	Maintain Capacity With 8 747F
777F	9	9	10	Continue to Introduce
<b>Total Cargo Fleets</b>	<b>17</b>	<b>17</b>	<b>18</b>	

2024  
Introduce



777F

2024 H1 x 2  
2025 x 1

2024  
Phase out



747-400F

Sold x 5

With the phase-out of the 744F fleet and the full deployment of the 777F, along with the addition of 787 belly cargo capacity, China Airlines is poised to further enhance its freight capacity and revenue

# *Sustainable Operation*

# Key Implementations for ESG

## Environmental

- ✓ **5Rs : Reduce 、 Reuse 、 Recycle 、 Refuse 、 Repair**, Implementing fuel, water, and energy-saving initiatives, and promoting paperless services
- ✓ Developing **in-flight amenities made from recycled materials**
- ✓ Signed and committed to the Science Based Targets (SBTi)
- ✓ Organizing seminars to promote **Sustainable Aviation Fuel (SAF)** initiatives
- ✓ Launching Taiwan's first '**Sustainable Demonstration Flight**' and '**Net-Zero Carbon Flight**,' showcasing the use of sustainable aviation fuel (SAF) in passenger operations

## Society

- ✓ Transported **70,000 units** of medical supplies
- ✓ Contributed to public welfare, charitable, and community investment activities, totaling **NT\$46.4 million**
- ✓ Donated **NT\$310,000** through charity sales, benefiting approximately **300 individuals**
- ✓ Provided assistance to underprivileged students and communities, with contributions exceeding **NT\$4.5 million** and benefiting **over 90,000 individuals**
- ✓ Gender Equality – **Supporting the IATA 25by2025 initiative** to increase the proportion of female managers and fostering female leadership development programs

## Governance

- ✓ **Operational Strategy** – Capitalizing on global passenger recovery opportunities by expanding new routes, resuming services, and strengthening network reach
- ✓ In 2023, passenger satisfaction reached **93.6%**, and cargo satisfaction reached **91.6%**
- ✓ **Harmonious Labor Relations** – Signed a collective agreement fostering stable labor-management development.
- ✓ **Supply Chain Management** – Established supplier guidelines, held annual supplier conferences, and conducted sustainable supplier audits.

# Driving Value Chain Sustainability with Corporate Partners

- Third participation in the SkyTeam The Aviation Challenge, TAC : Utilizing SAF and partnering with CTBC Bank and ENEOS Corporation to achieve Carbon Reduction Goals ◦
- Industry First in Taiwan: Signed an MoU with corporate client Holin Global Logistics Group to collaborate on sustainable aviation fuel (SAF), jointly contributing to sustainable development in the aviation industry



SkyTeam The Aviation Challenge –  
with CTBC Bank & ENEOS Corporation



China Airlines Cargo Signs SAF Partnership MOU  
with Holin Global Logistics

# Continuously Achieving Excellence

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

**8** consecutive years selected for **DJSI Emerging Market Index**  
2016-2023

**Ranked 2<sup>nd</sup> in Global Aviation Industry**



**7** consecutive years  
2017-2024

**Sustainability Yearbook**



**10** consecutive years  
2014-2023

**2022-2023 Top Sustainability Report award**  
**Taiwan Corporate Sustainability Award**

**1** first year  
2023

**Top 10 Taiwan Sustainable Model Corporate**



FTSE4Good

**9** consecutive years selected for **FTSE4Good Index Series**  
2016-2024



**2** consecutive years  
2022-2023

**The Sustainable Flight Challenge**



**5** consecutive years selected for **FTSE4Good TIP Taiwan ESG Index**  
2018-2019 · 2021-2023



**Approved by the Science Based Targets initiative (SBTi)**  
2024



**8** consecutive years  
2017-2024

**Taiwan High Compensation 100 Index**  
**Taiwan Employment Creation 99 Index**

*Thank you*