

# China Airlines

## 2023 2<sup>nd</sup> Investor Conference

NOV.23.'23

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# Agenda

→ **2023Q1-Q3 Operating Performance**

**Operating Challenges**

→ **Passenger Market, Performance & Strategies**

**Cargo Market, Performance & Strategies**

**Fleet Development**

**Sustainability Actions and Achievements**

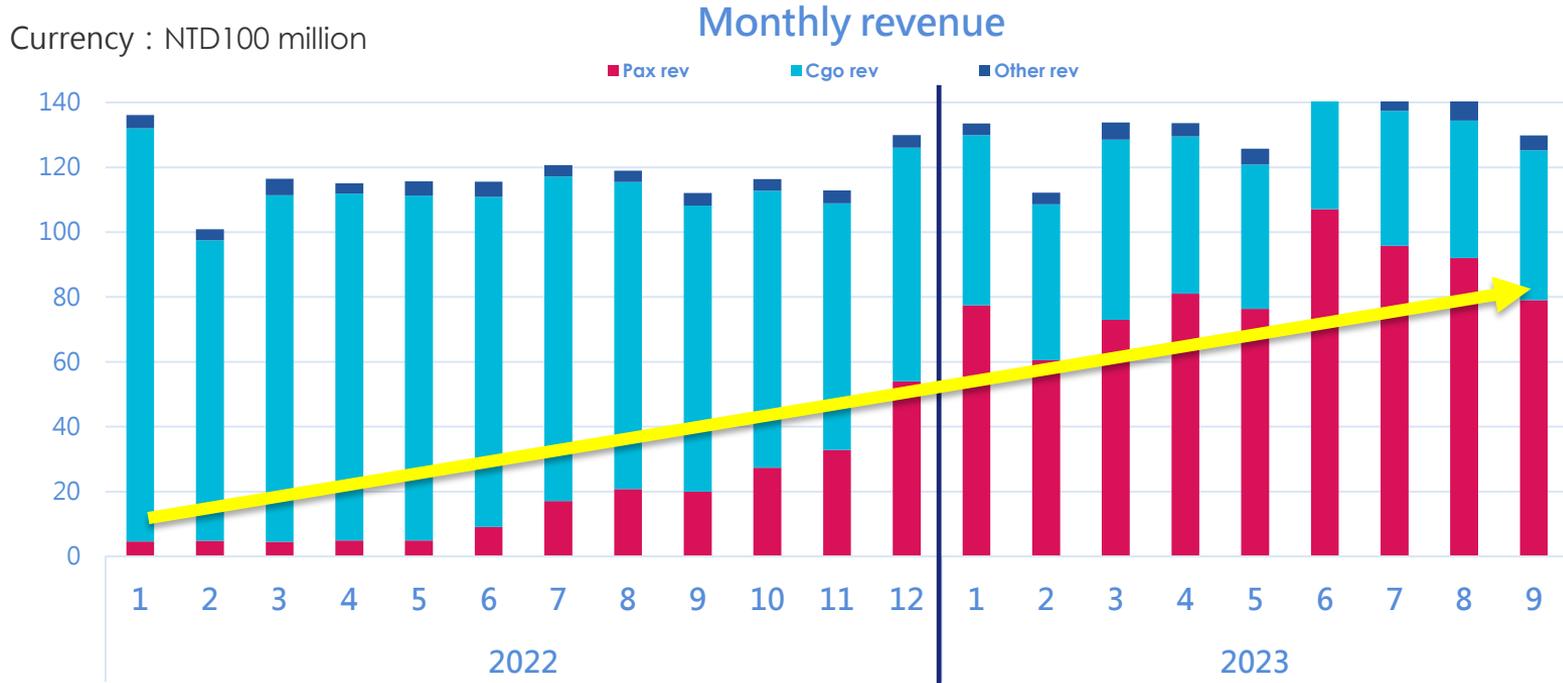
# 2023 Q1-Q3 Operating Results

# 2023 Q1-Q3 Financial Performance

(NTD 100 Million)	2023 Q1-Q3	2022 Q1-Q3	Differences	YoY
Operating revenue				
Passenger revenue	866.2	122.8	743.4	605.4%
Cargo revenue	424.3	928.1	-503.8	-54.3%
Other operating revenue	85.1	66.9	18.2	27.2%
Net Operating Income	90.7	42.5	48.2	113.6%
Net Income After Tax	74.0	31.4	42.6	135.6%
Net Income Attributable to Owners of the company	69.0	36.2	32.8	90.7%
Earnings Per Share (TWD)	1.15	0.60	0.55	91.7%

# Operating Revenue by Source

→ Passenger revenue have exceeded cargo revenue becoming the largest revenue share representing 60% from 2023 Q2



# The growth operating revenue in 2023

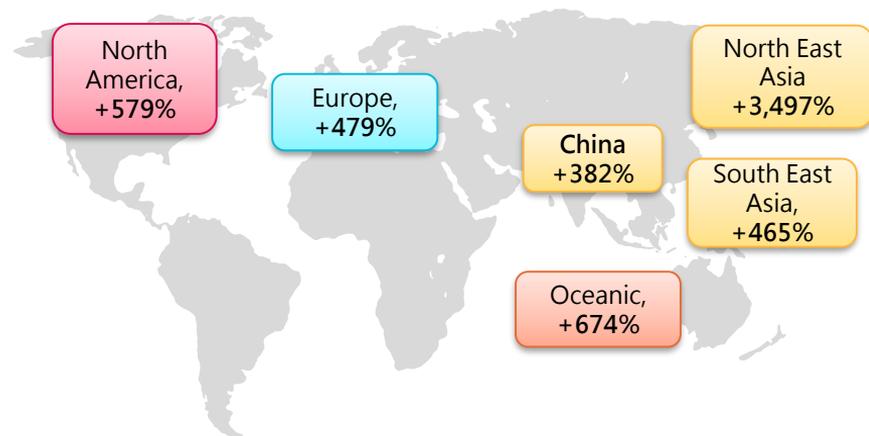
- The operating revenue over the first nine months of 2023 increased by 14.7% compared with the same period last year. Mostly contributed by the 719.4% annual growth rate of passenger revenue, the passenger revenue from all regions increased significantly.

NTD100 million

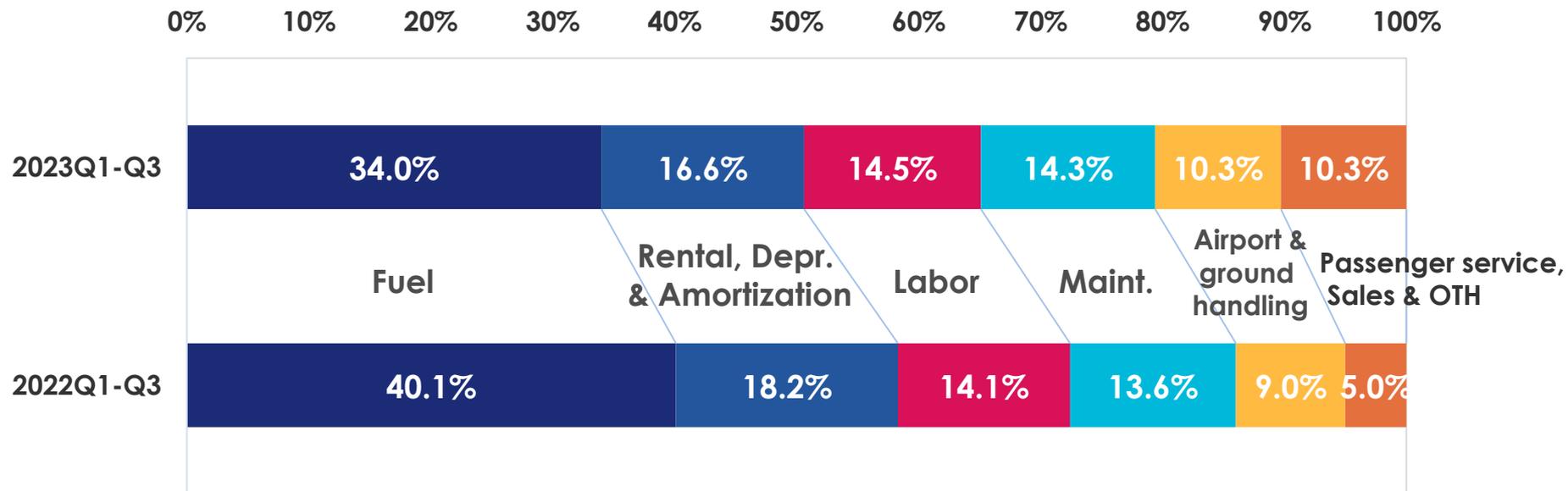
## Quarterly revenue



## 2023Q1-Q3 passenger revenue distribution by region (YoY)



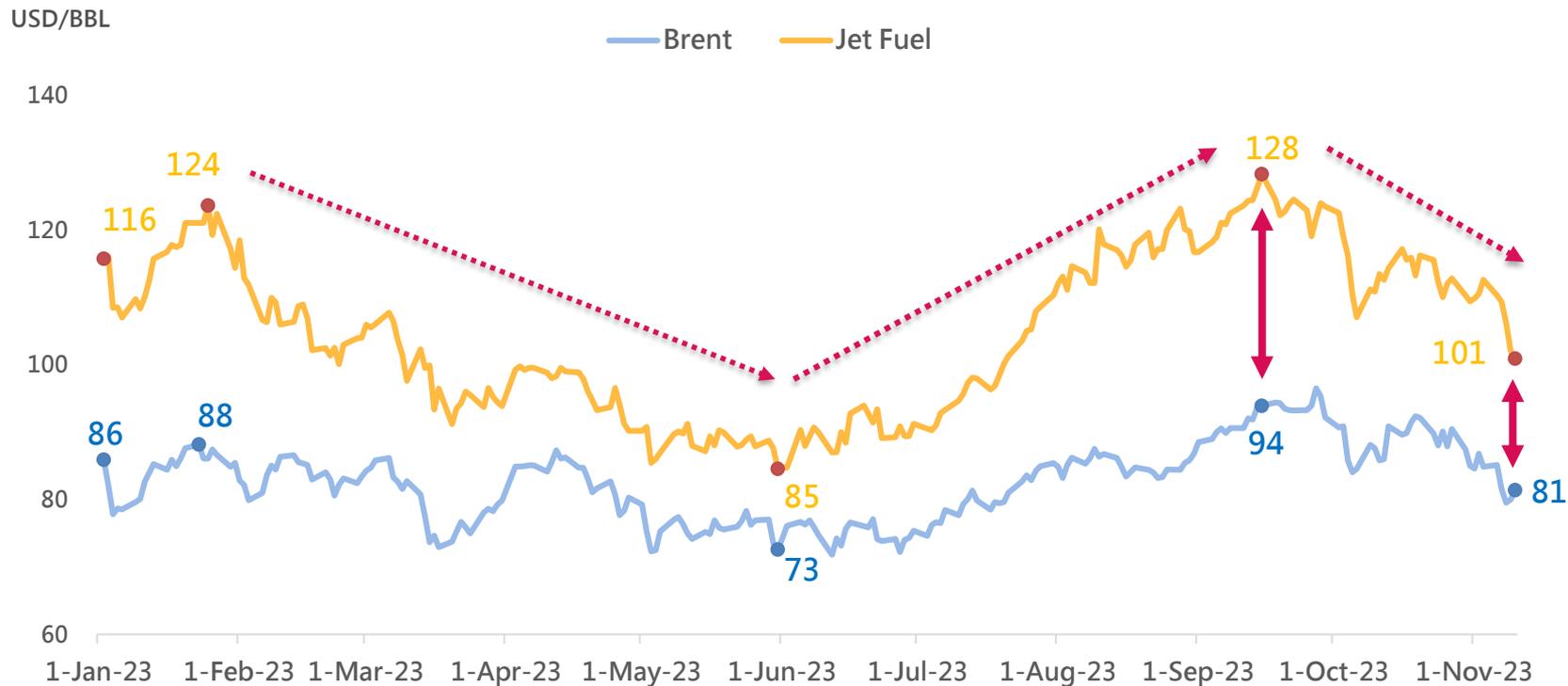
# Cost Breakdown and Comparison



# Fuel Cost Analysis

	Unit	2023Q1-Q3	2022Q1-Q3	YoY
Jet fuel(MOPS)	USD/BBL	103.6	129.8	-20.2%
Fuel Consumption	10K BBL	1,127.2	1,004.2	12.3%
Fuel Cost	TWD 100 million	389.4	395.3	-1.5%
Hedging gain	TWD 100 million	(0.2)	(1.1)	-
Total fuel cost	TWD 100 million	389.2	394.2	-1.2%

# Crude Oil and Jet Fuel Price Trends



# Financial Risk Management

- CAL's hedging of fuel, exchange rates and interests rates etc., are based on the decisions made by the Risk Committee of Board of Directors.
- Exchange rates : Natural hedge is applied in order to reduce exposure to currency fluctuation risks.
- Interest rates : Issue fixed-rate corporate bonds and trade derivative products such as IRS to reduce interest rate risks.

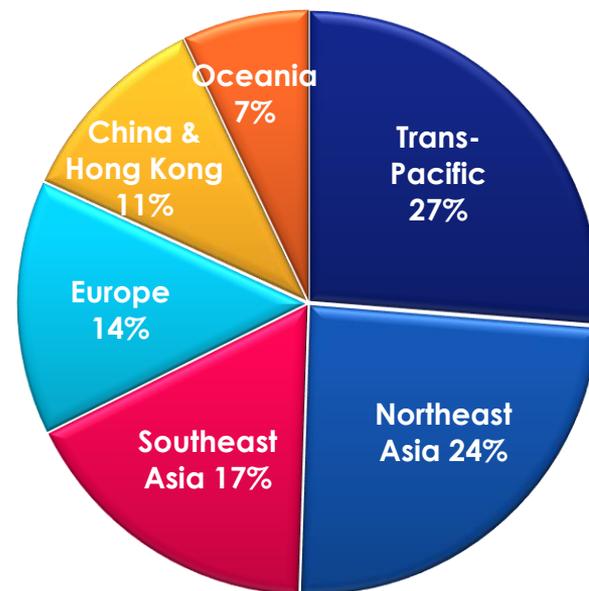
# *Passenger Market, Performance & Strategies*

# 2023 Q1-Q3 Passenger Operational Results



Period (Q1-Q3)	2023	2019	+/- (%)
Passenger revenue (NT \$billion)	742.2	711.2	+4.4%
Revenue passenger (10 K)	691	1,176	-41.2%
Available Seat Kilometer (ASK)(billion)	316	393	-19.5%
Average load factor (%)	78.5	80.7	-2.2 ppt
Passenger yield (TWD/RPK)	2.99	2.25	+32.9%

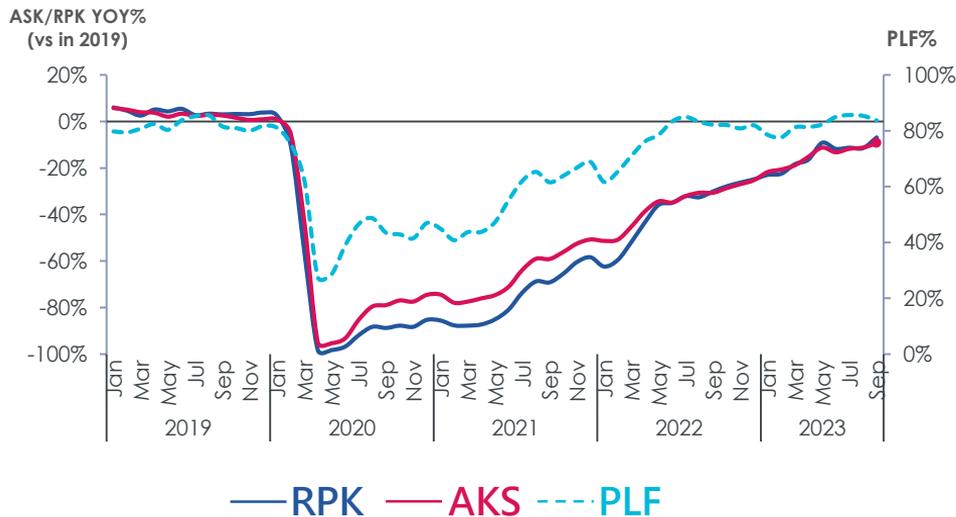
Passenger Revenue Sources by Flight Region



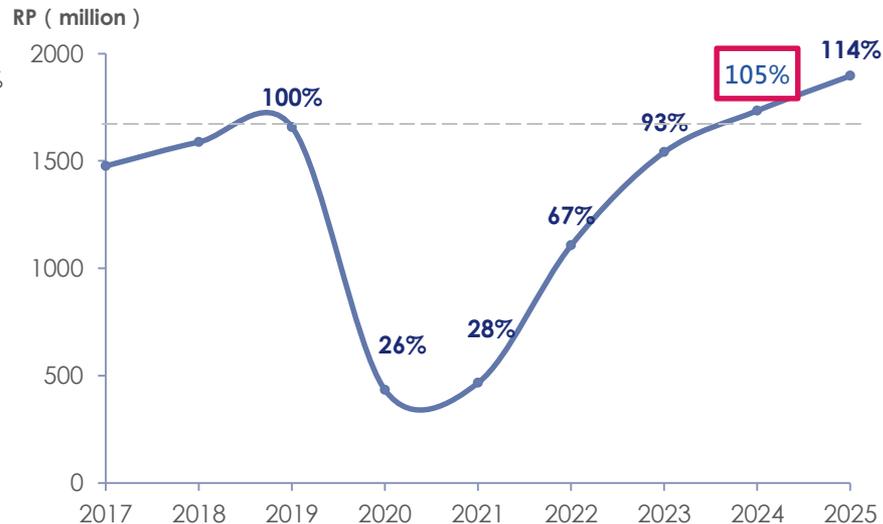
# Global Passenger Market Overview

- The global international passenger market is experiencing stable growth, with high passenger load factors.
- IATA predicts that the market will surpass pre-pandemic levels in 2024.

## Global Int. Passenger Market



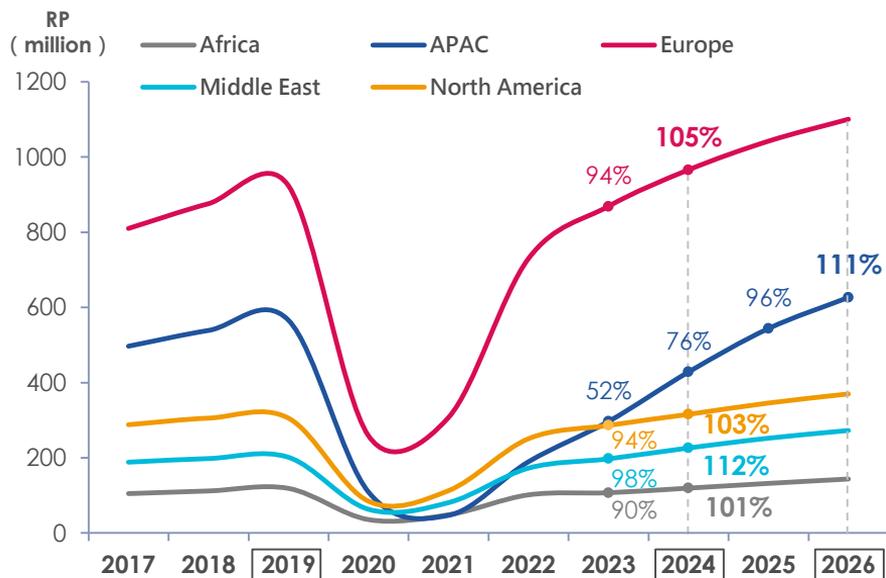
## Global Int. Passenger Market recovery forecast



# APAC/Taiwan will Reach 2019 levels by 2025-2026

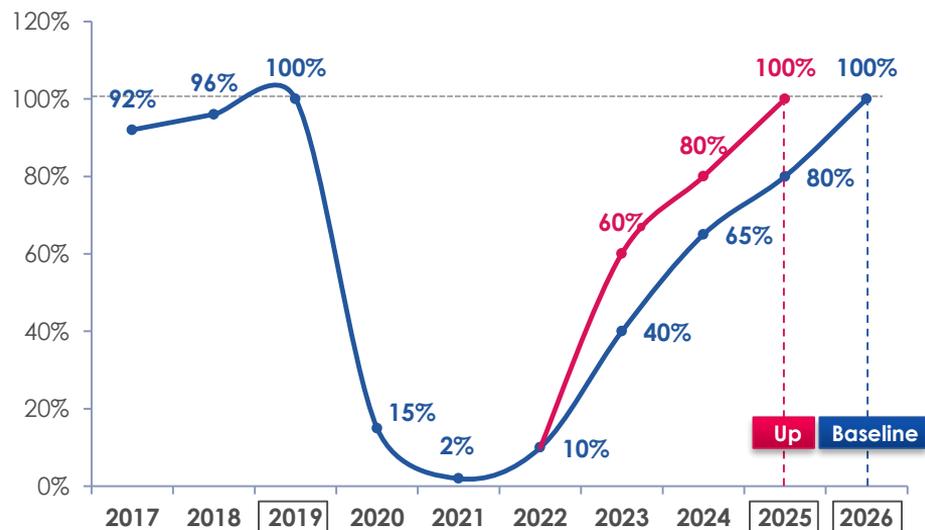
## All Regions

### International Passenger Market recovery forecast



## Taiwan

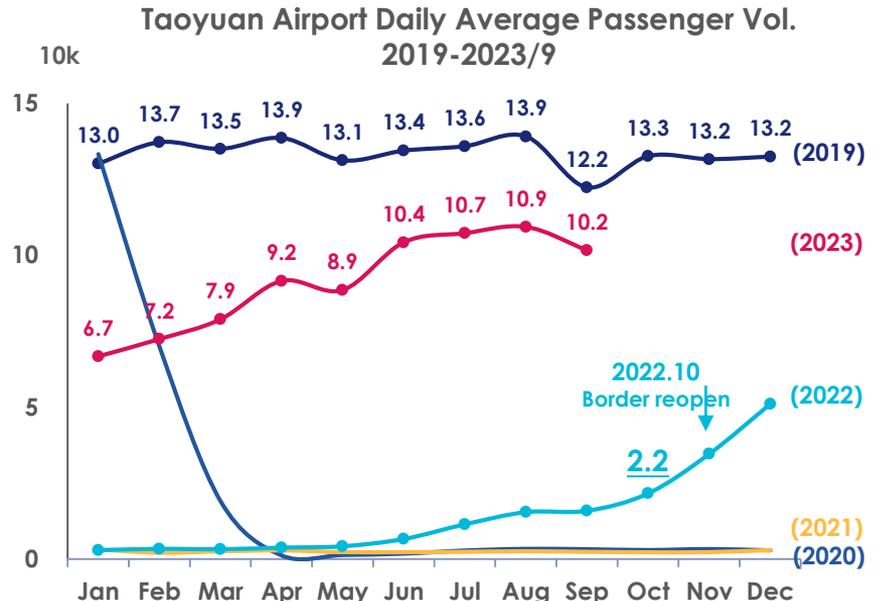
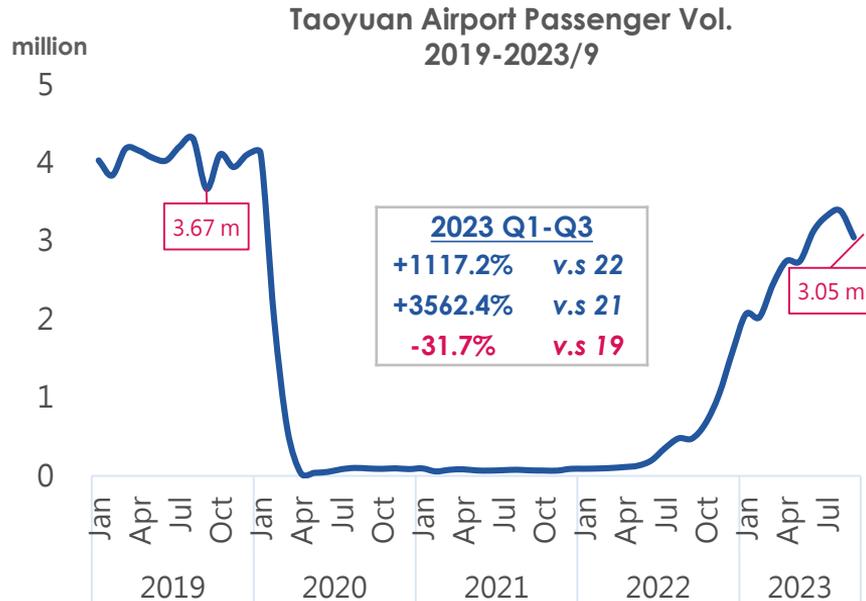
### International Passenger Market recovery forecast



# Passenger Market Outlook

## ---Taoyuan Airport Passenger Demand Continues to Soar

- Passenger volume reaches 6.714 Million, exceeding expectations by 3.3% during the summer vacation.
- TIAC positively predicts total passenger volume till November will surpass 30 million, the annual passenger volume will over 70% of 2019 level



# Capacity (ASK) Reached 80% of pre-COVID19

## Long-Haul

ASK : 82%~105%  
( PAX revenue : 115%~168% )

## S.E. Asia

ASK : 83%  
( PAX revenue : 93% )

Up to 80% at the  
end of year 2023

## China & Hong Kong

ASK : 37%~40%  
( PAX revenue : 42%~60% )

## Japan · Korea

ASK : 59%  
( PAX revenue : 82% )

# Passenger Operation Strategy



## Steady Development

- Take advantage of Taiwan's geographic position as a transit hub, and increase frequencies to North America as well as short-haul network.
- Develop bilateral tourism by integrating local resources
- Strengthen cooperation between partner airlines
- Develop diversified and global business customers
- Cultivate new generation customers



## Continuous Innovation

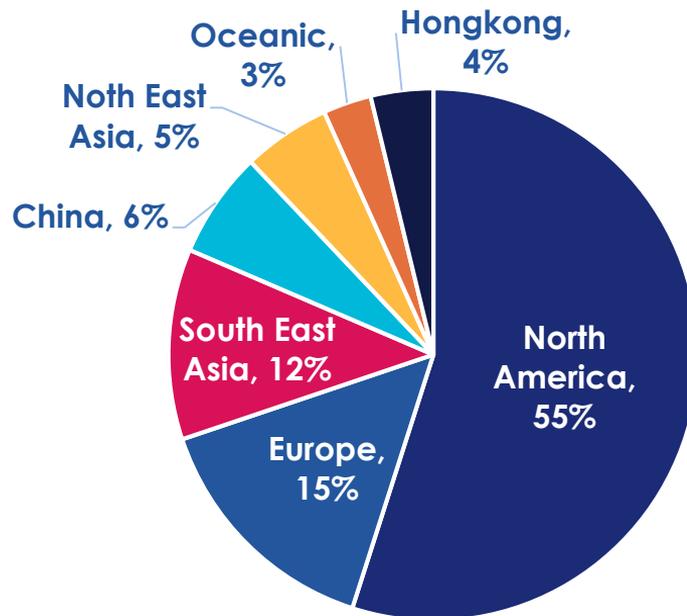
- Provide a unique journey to passengers with enhanced digitalized customer service
- Upgrade member system
- Enhance official website and app function
- Digitalize Corporate Card Service (CFS)
- Enhance product value by cross-industry collaboration.

# *Cargo Market, Performance & Strategies*

# 2023 Q1-Q3 Cargo operational results

Period (Q1-Q3)	2023	vs 2022	vs 2019
Cargo revenue (NT \$billion)	422.0	-54.4%	33.6%
Carried tonnes (10 K)	54.6	-23.6%	-5.2%
Available Freight Ton Kilometer (FATK)(billion)	6.1	-3.0%	3.3%
Average load factor (%)	67.1	-10.8 ppt	0.8 ppt
Cargo yield (TWD/FRTK)	10.39	-45.4%	27.8%

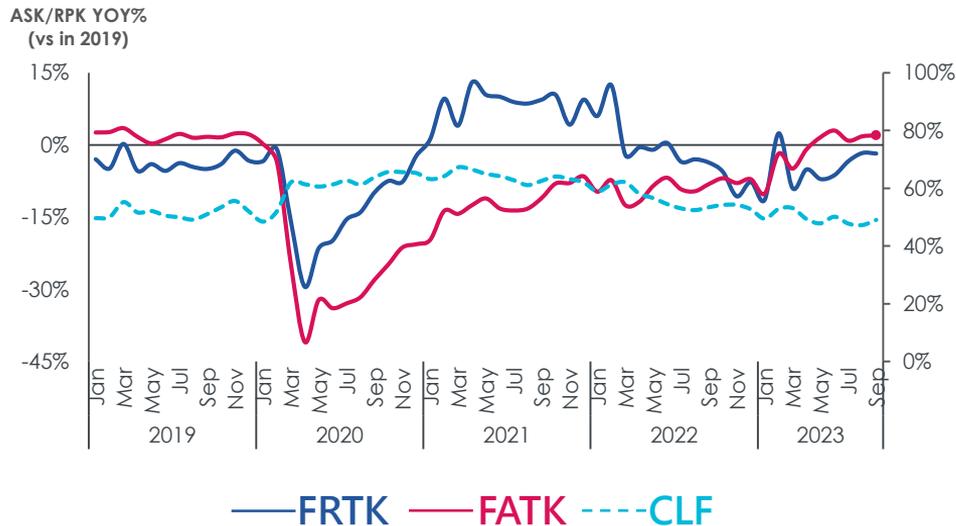
Cargo revenue distribution by region



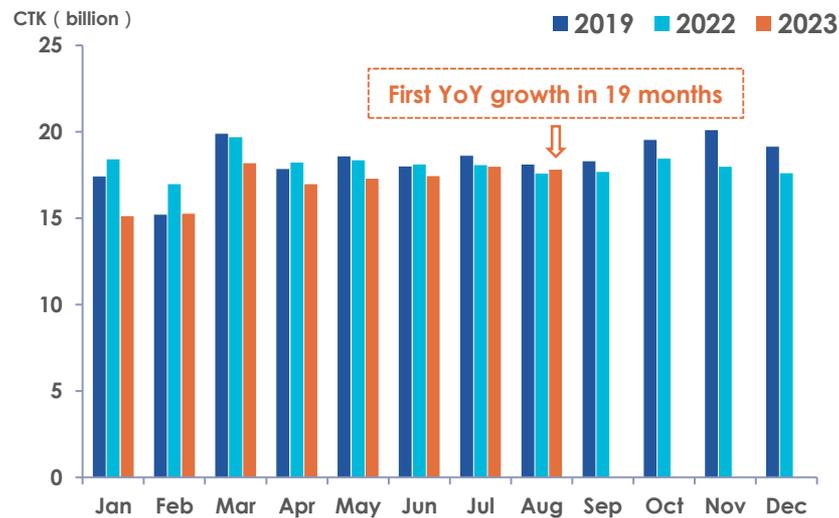
# Global Cargo Market Overview

- The increasing of belly cargo capacity drives FATK's growth which has surpassed 2019 level.
- Cargo demand has been steadily growing since May.
- In August, the monthly international CTK recorded its first YoY growth in 19 months.

## Global Int. Market – FATK/FRTK/CLF

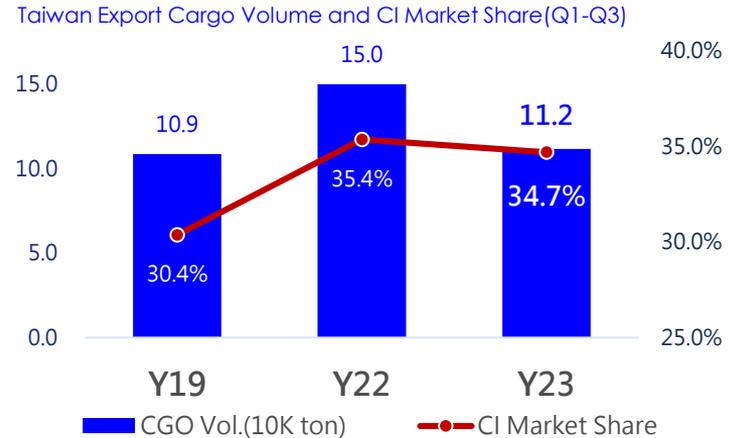
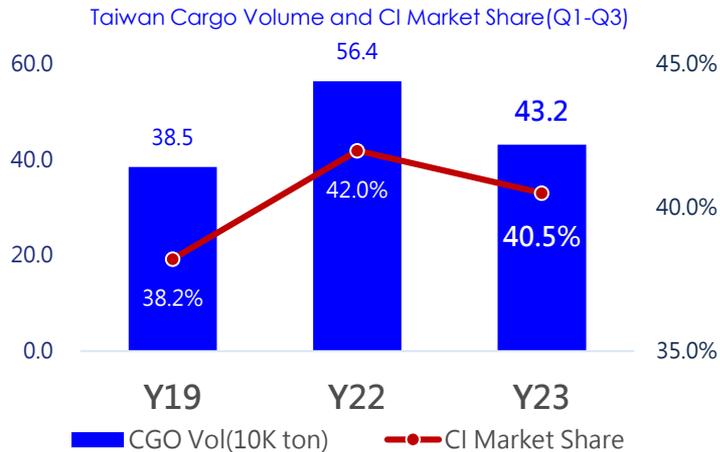


## Global Monthly Int. CTK ( 2019 、 2022 、 2023 )



# 2023 China Airlines Cargo Performance and Market Share

- For Taiwan import/export/transfer cargo in 2023Q1-Q3, China Airlines carried nearly 432 thousand tons with market share of 40.5%, ranking NO. 1 among all airlines although the belly capacities were largely increasing after pandemic released.
- In terms of Taiwan export volume, China Airlines carried 112 thousand tons in 2023Q1-Q3 with market share of 34.7%, which was dropped by 0.7ppt as compared to 2022 same period, also in a leading position.



# Cargo Market Outlook

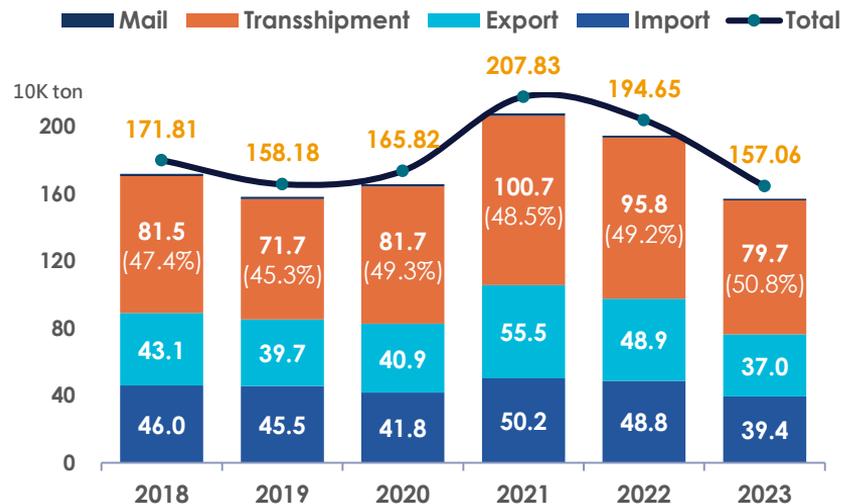
## —Taoyuan Airport Cargo Demand Stabilizing

- Q1-Q3 cargo volume experienced a 19.31% decrease compared to 2022, but nearly reached the 2019 level.
- The proportion of Taoyuan Airport's transshipment cargo continues to rise year by year.
- The destocking phase nears its end, expecting the demands will be gradually stable in upcoming 2023 Q4 and 2024.

Taoyuan Airport Monthly Cargo Vol.  
2019 – 2023/9



Taoyuan Airport Import/Export/Transshipment vol.  
2018-2023 (Q1-Q3)



# Cargo operation strategy



## Optimize Network and Strengthen Revenue Management

- Introduce 777F new freighter
- strive for high-yield sources of goods, e.g., semiconductor, cool chain products, etc.
- Focus on industrial supply chain reconstruction and optimize cargo network
- Strive for medium/ long-term customized services /chartered flights
- Cooperate with major integrators and expand CI network

# *Fleet Development*

# Operating Fleet

Aircraft Type	SEP 2023	Year End 2023	Diff.
 777-300ER	10	10	0
 A350-900	14	14	0
 A330-300	19	19	0
 737-800	12	10	-2
 A321neo	10	10	0
<b>Passenger Total</b>	<b>65</b>	<b>63</b>	<b>-2</b>
 744F	14	13	-1
 777F	7	7	0
<b>Freighter Total</b>	<b>21</b>	<b>20</b>	<b>-1</b>
<b>Total Fleet</b>	<b>86</b>	<b>83</b>	<b>-3</b>

## Recent Plan :

### Passenger

#### Regional Routes :

In response to delayed A321 deliveries, extending Lease agreement



737-800 & A330-300  
Extend Lease



A321 neo  
Receiving x 15 in 2025-2028

#### Long Haul :

For Developing New Routes and Enhancing the existing one



A350-900  
Receiving in 2024



787-9 & 10  
Receiving X 24 in 2025-2028

## Freighter

#### Replacement :

Phasing Out 744F, Introducing Next-Generation 777F for Performance Enhancement



747F  
Remaining x 8 In the End of 2024



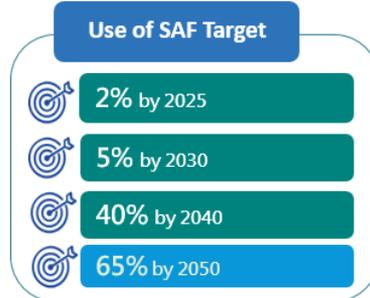
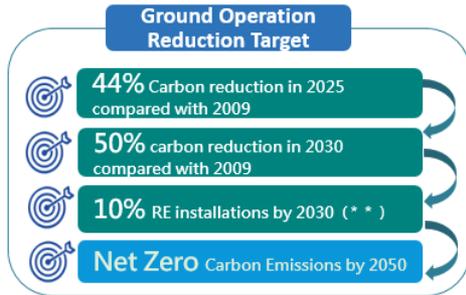
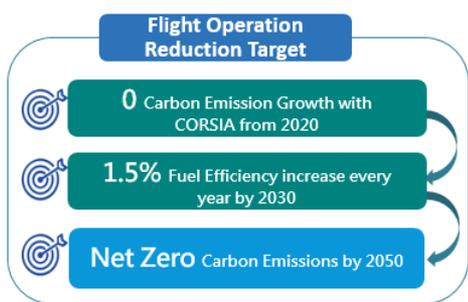
777F  
The Fleet will be 10 in 2024

# *Sustainability Actions and Achievements*



# Carbon Reduction Target/Strategy

→ In response to the global 2050 net zero emissions target, CAL is the first airline in Taiwan to announce that its operational activities will reach net zero emissions by 2050, and has developed short, medium, and long-term carbon reduction targets for flight and ground operations as well as the usage targets of SAF(Sustainable Aviation Fuel) and ground renewable energy installation capacity targets.



CAL CSR Climate Change

\*\* This is not the proportion of electricity use. This is an additional target beside the Taiwan national power grid target. China Airlines expects to use 40% renewable energy by 2030 if Taiwan National Grid target is included.

# Sustainable Performance & Achievement

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

**7** consecutive years selected for DJSI Emerging Market Index  
2016-2022

**Ranked 1st in Global  
Aviation Industry**



**6** consecutive years Sustainability Yearbook  
2017-2023

**TOP 1% Highest Honor**

  
FTSE4Good  
TIP Taiwan ESG Index

**8** consecutive years selected for FTSE4Good Index Series  
2016-2023



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

 TCSA

**10** consecutive years Taiwan Corporate Sustainability Award  
2014-2023

**First year Top 10 Taiwan Sustainable Model Corporate  
2 Consecutive years Top Sustainability Report award**



**7** consecutive years Taiwan High Compensation 100 Index  
2017-2023

 GCSA

**5** consecutive years Global Corporate Sustainability Awards  
2019-2023



**7** consecutive years Taiwan Employment Creation 99 Index  
2017-2023



**1** first year National Sustainable Development Award  
2022



**1** first year Annual Enterprises Protection Award  
2022

Thank you