

China Airlines 2019 Investor Conference

November 25, 2019

TSE : 2610

Legal Disclaimer

- The information contained in this presentation, including all forward-looking information, is subject to change without notice, whether as a result of new information, further events or otherwise, and China Airlines(the “Company”) undertakes no obligation to publicly update or revise the information contained in this presentation.
- No guarantees regarding the completeness, accuracy, and reliability of information contained are made explicitly or implicitly. They are not intended to represent complete statement of the Company, industry or future development.

Agenda

- 1. Operating Results of First Three Quarters in 2019**
- 2. Aviation Industry Outlook**
- 3. Passenger Performance and Strategies**
- 4. Cargo Performance and Strategies**
- 5. Operating Fleet**

Operating Results of First Three Quarters in 2019

Operating Performance - 3rd Quarter

Consolidated Financial Statistics			TWD 100 Million
	2018 Q3	2019 Q3	YoY %
Operating Revenue	451.97	430.05	-4.85%
Net Operating Income	18.95	14.62	-22.85%
Net Income After Tax	12.27	4.96	-59.58%
Net Income Attributable to Owners of the company	10.81	3.40	-68.55%
Earnings Per Share (TWD)	0.20	0.06	-70.00%

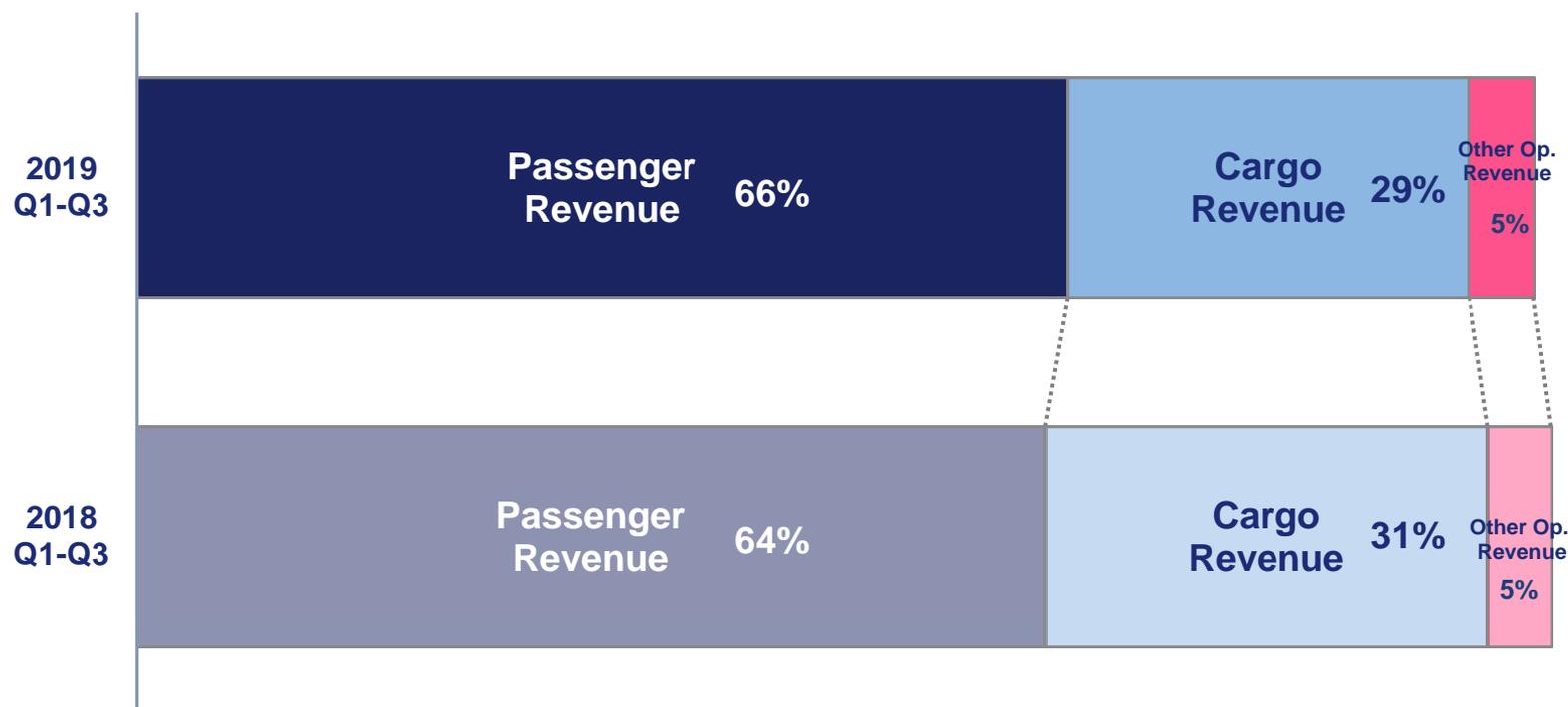
Net Income Attributable to Owners of the company (Exclude adopting IFRS 16 “Leases” impact)			TWD 100 Million
	2018 Q3	2019 Q3	YoY %
Net Income Attributable to Owners of the company	10.81	3.40	-68.55%
Reconcile : adopting IFRS 16 “Leases” impact	0	1.73	-
Adjusted Net Income Attributable to Owners of the company	10.81	5.13	-52.54%

Operating Performance - First Three Quarters

Consolidated Financial Statistics			TWD 100 Million
	2018 Q1-Q3	2019 Q1-Q3	YoY %
Operating Revenue	1,262.07	1,263.02	0.08%
Net Operating Income	30.93	27.96	-9.60%
Net Income After Tax	16.29	0.58	-96.44%
Net Income (Loss) Attributable to Owners of the company	12.69	-3.46	-
Earnings (Losses) Per Share (TWD)	0.23	-0.06	-

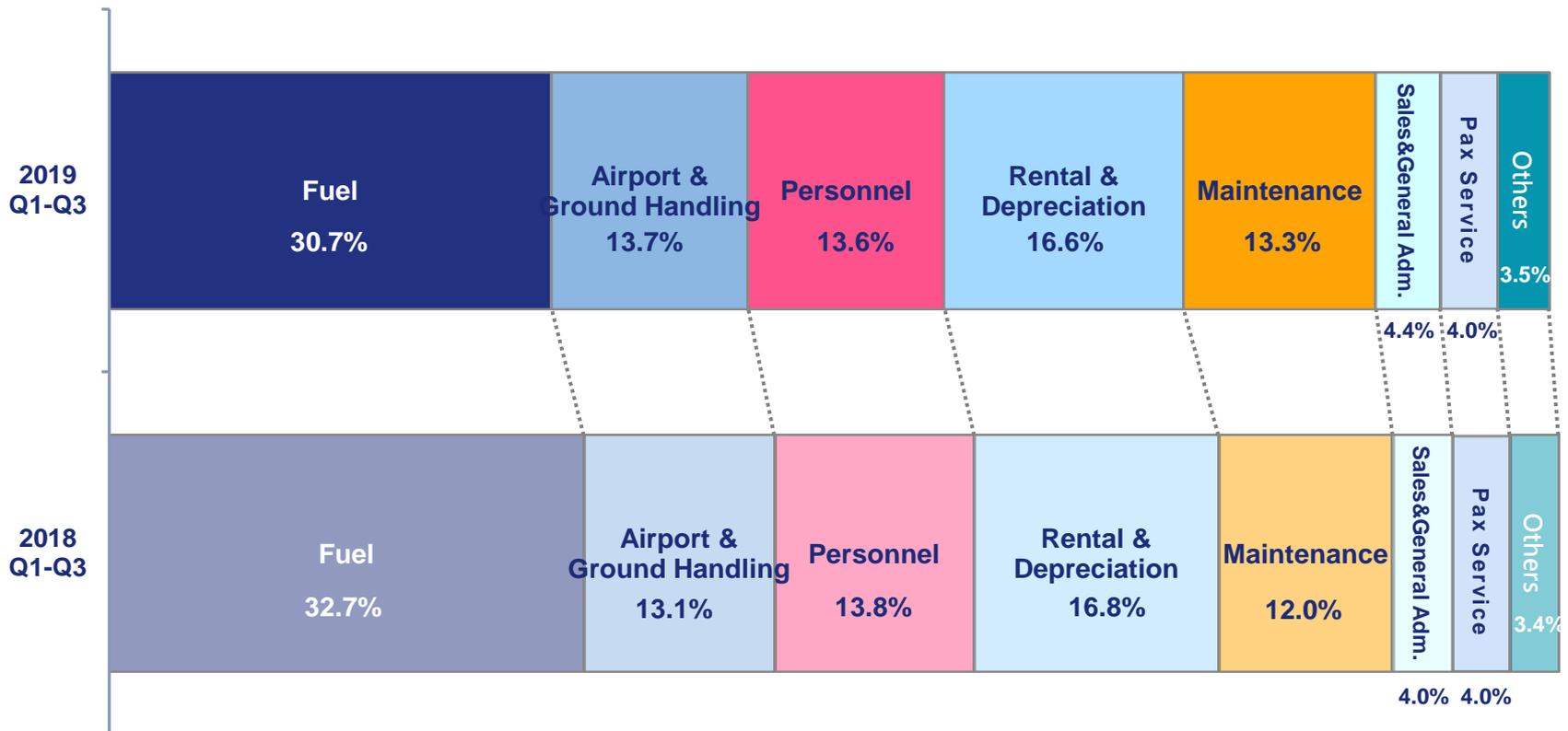
Net Income Attributable to Owners of the company (Exclude adopting IFRS 16 “Leases” impact)			TWD 100 Million
	2018 Q1-Q3	2019 Q1-Q3	YoY %
Net Income (Loss) Attributable to Owners of the company	12.69	-3.46	-
Reconcile : adopting IFRS 16 “Leases” impact	0	5.68	-
Adjusted Net Income Attributable to Owners of the company	12.69	2.22	-82.51%

Composition of Op. Revenue - CI



- In the first three quarters of 2019, Passenger, Cargo and other operating revenues accounted for 66%, 29% and 5% respectively.

Composition of Op. Expenses - CI



- In the first three quarters of 2019, Fuel cost accounted for 30.7% of operating expenses mainly due to the decrease in oil prices.

Financial Risk Management – Fuel (CI)

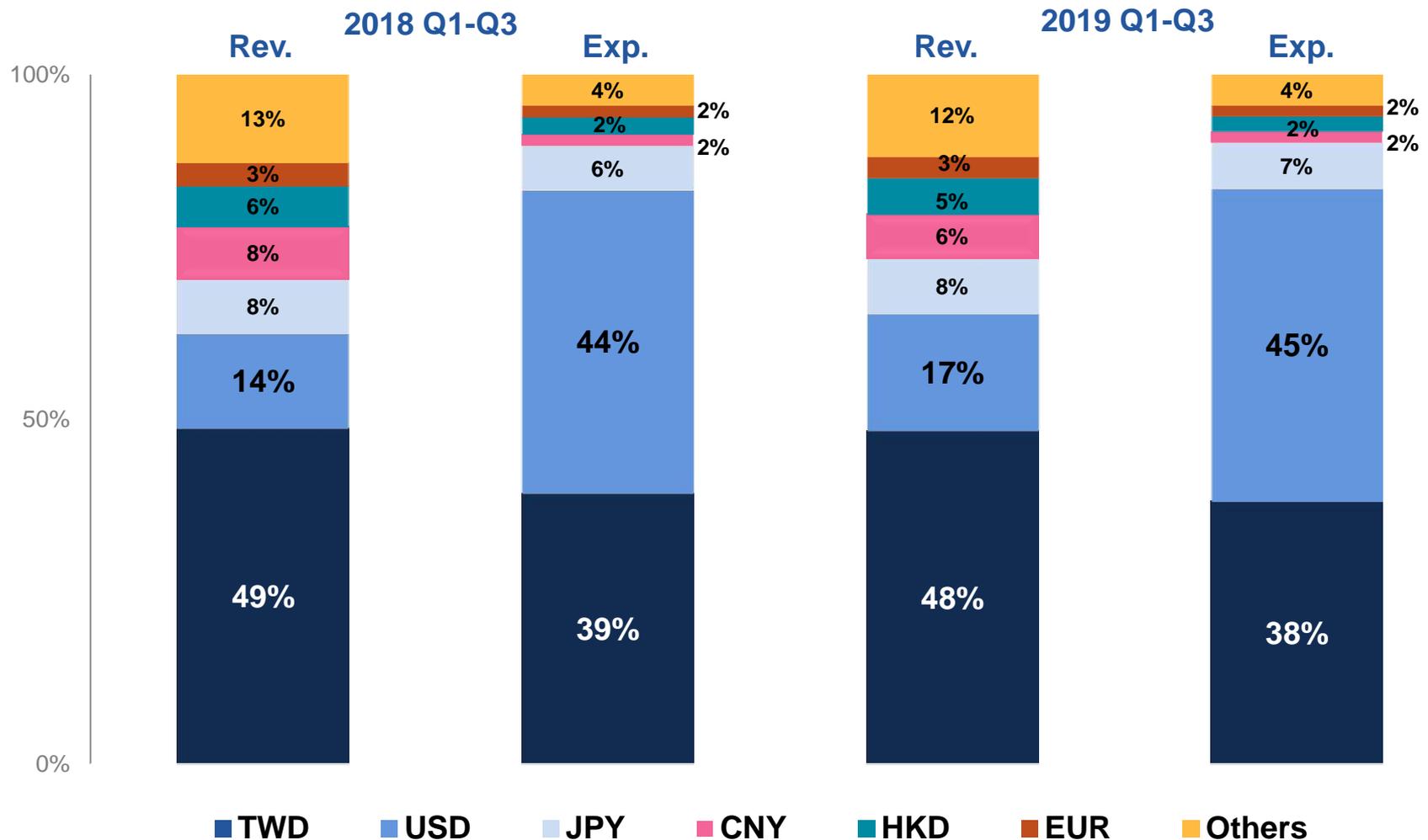
Fuel Cost

		2018 Q1-Q3	2019 Q1-Q3	YoY%
Jet Fuel (MOPS)	USD/BBL	85.37	77.69	-9.0%
Fuel Consumption	10KBBL	1,327.66	1,300.39	-2.05%
Fuel Expend	TWD/100Million	358.43	334.00	-6.82%
Hedging Loss	TWD/100Million	0.02	0.09	350%
Total Fuel Cost	TWD/100Million	358.45	334.09	-6.80%

Fuel Hedging

Year	Hedging%
2019 Q1-Q3	3.3%

Financial Risk Management – Currency of Revenue and Expenditure

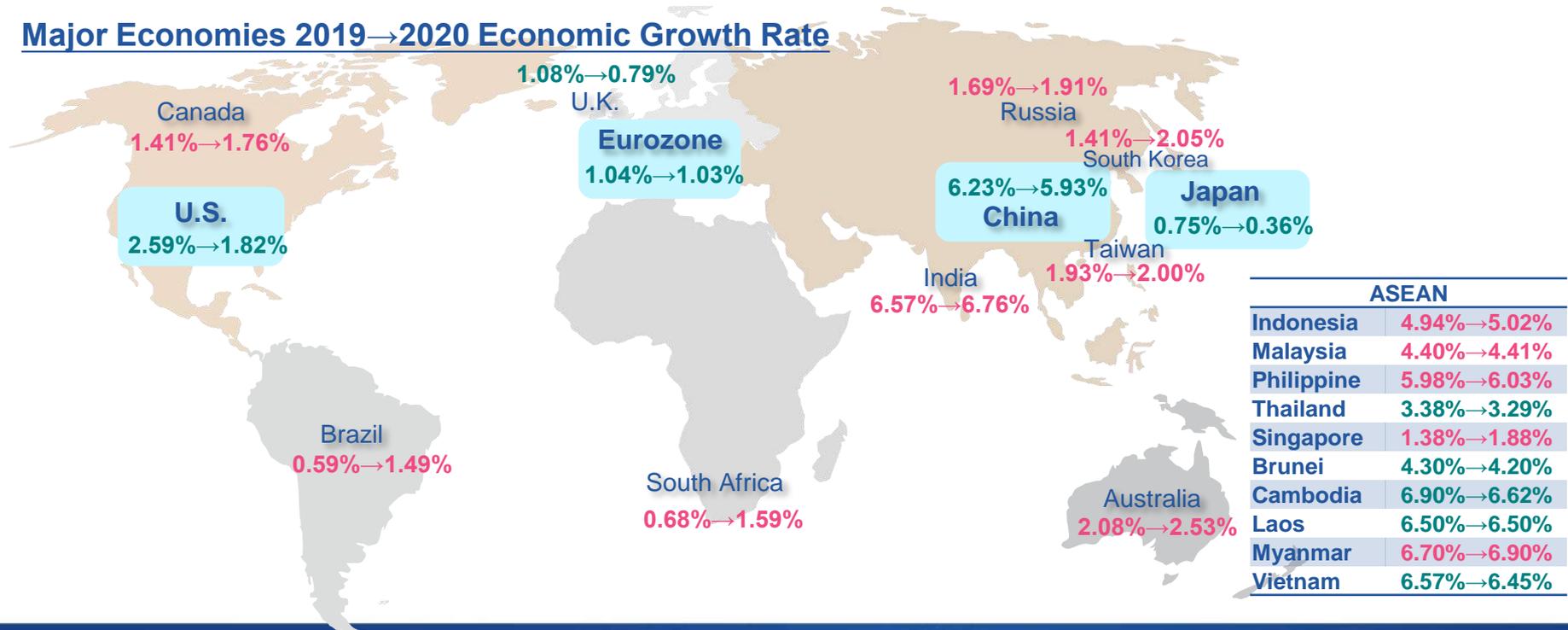


Aviation Industry Outlook

World Economic Outlook

- The Chung-Hwa Institution for Economic Research (CIER) forecasts global economic growth of 2.77% in 2019, compared to 3.19% in 2018, marking the second consecutive year of decline.
- Amid a global slowdown in economic growth, the major economies- America, Eurozone, China and Japan- will experience a deceleration of growth in 2020.

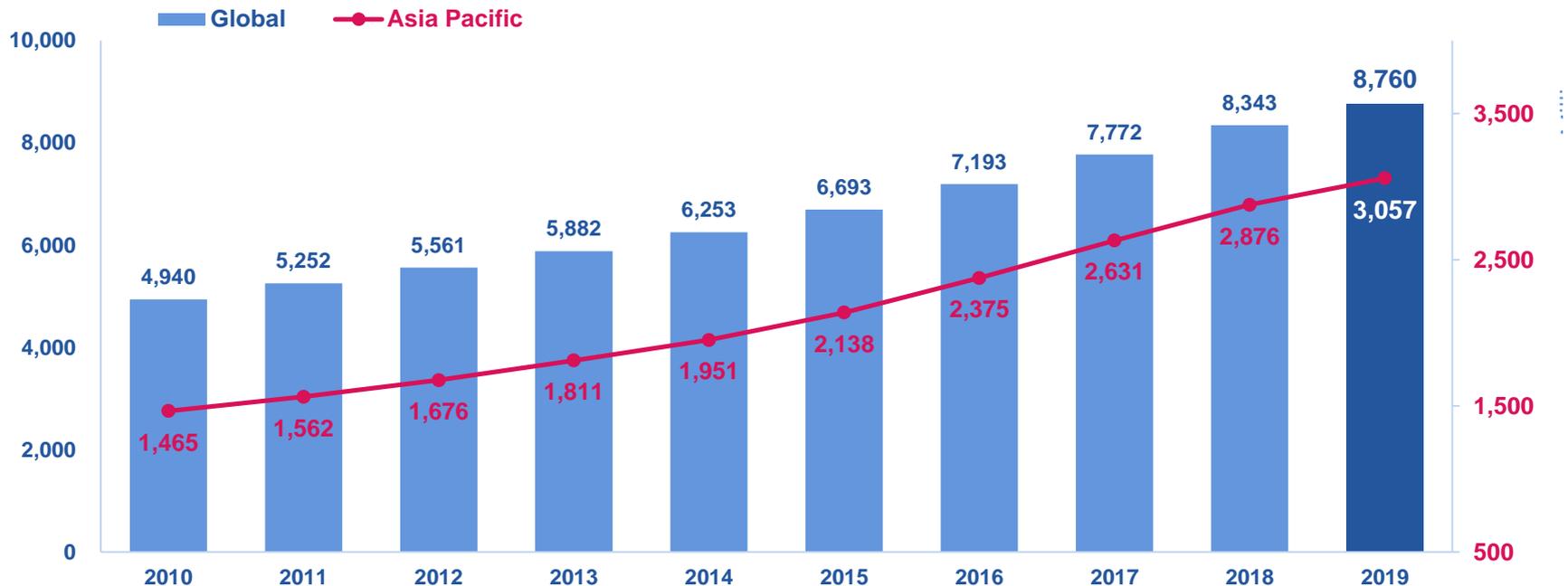
Major Economies 2019→2020 Economic Growth Rate



Passenger Traffic Continues to Grow

- According to IATA mid-year report, the growth rate of global and Asia-Pacific RPK is estimated to be 5% and 6.3% respectively at the end of 2019.
- RPK growth is expected to slow down worldwide in 2019 while the growth rate of Asia-Pacific remains strong.

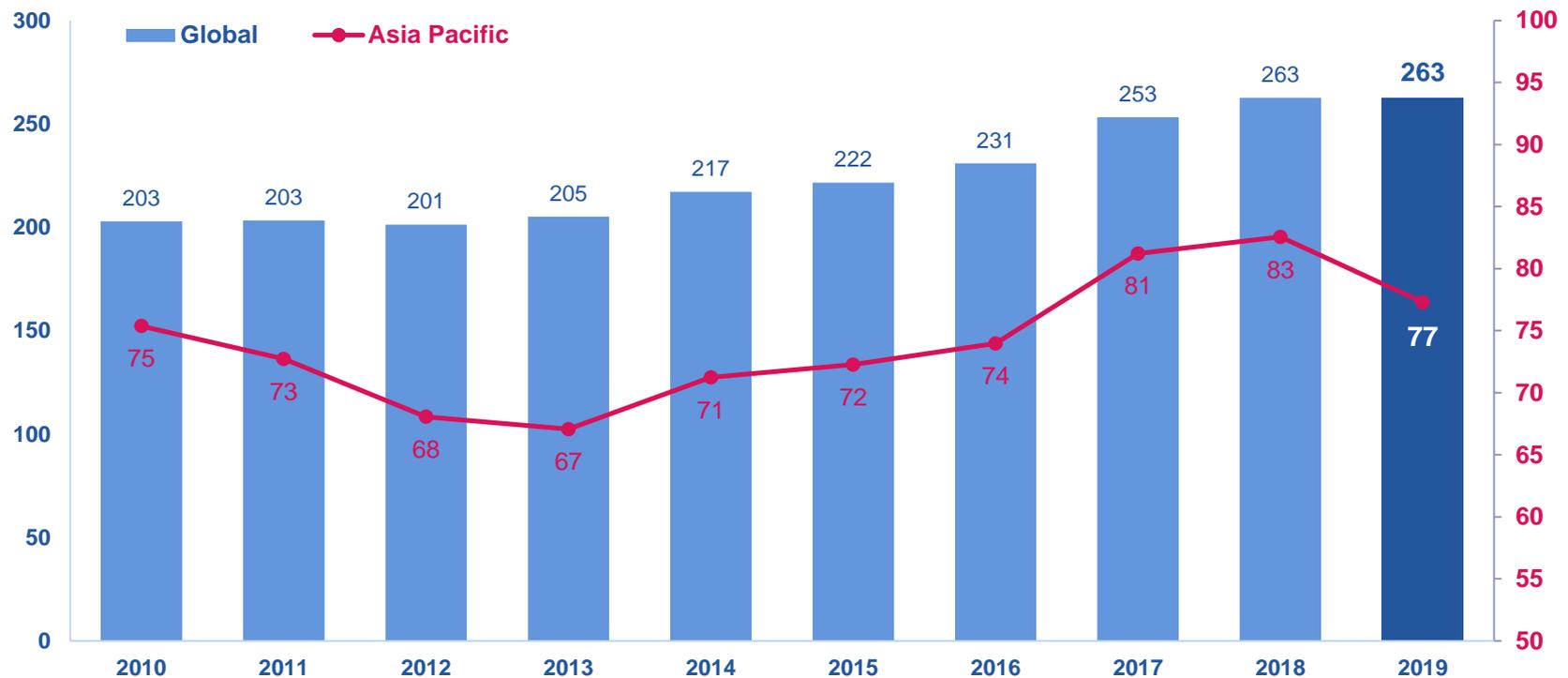
(Billion) RPK



Air Cargo Growth Slows Down

- IATA suggests global freight volume will stay flat in 2019 and Asia Pacific FRTK volumes contracted due to the mounting trade tensions in the region and a economic slowdown in Mainland China.

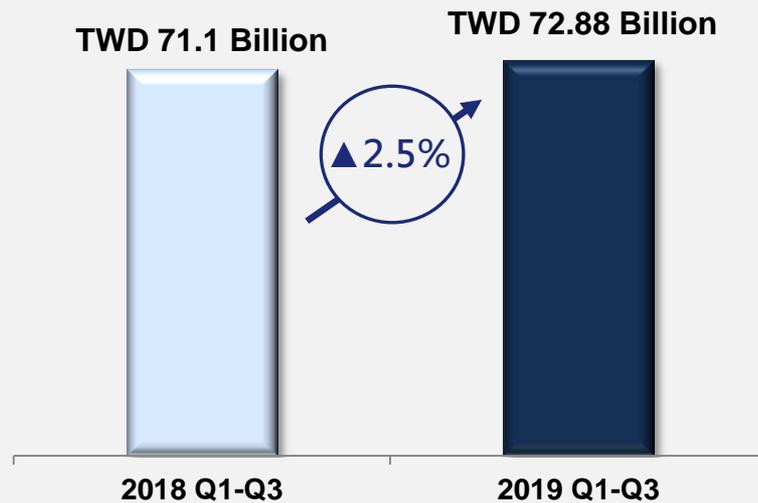
(Billion) FRTK



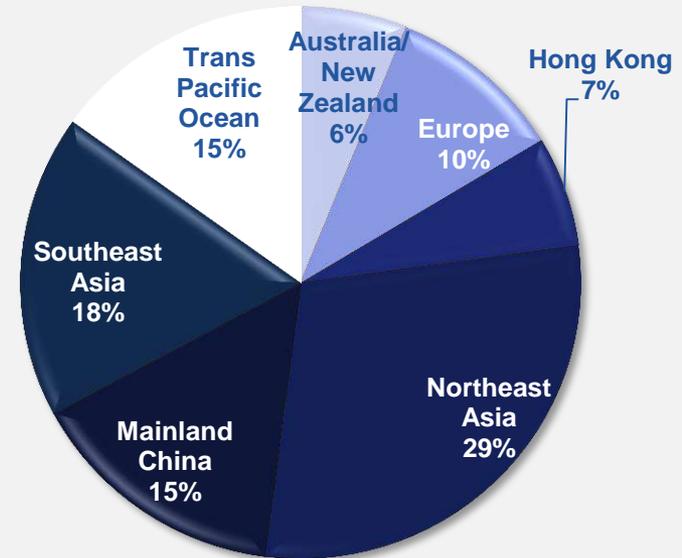
Passenger Performance and Strategies

Passenger Performance

Revenue

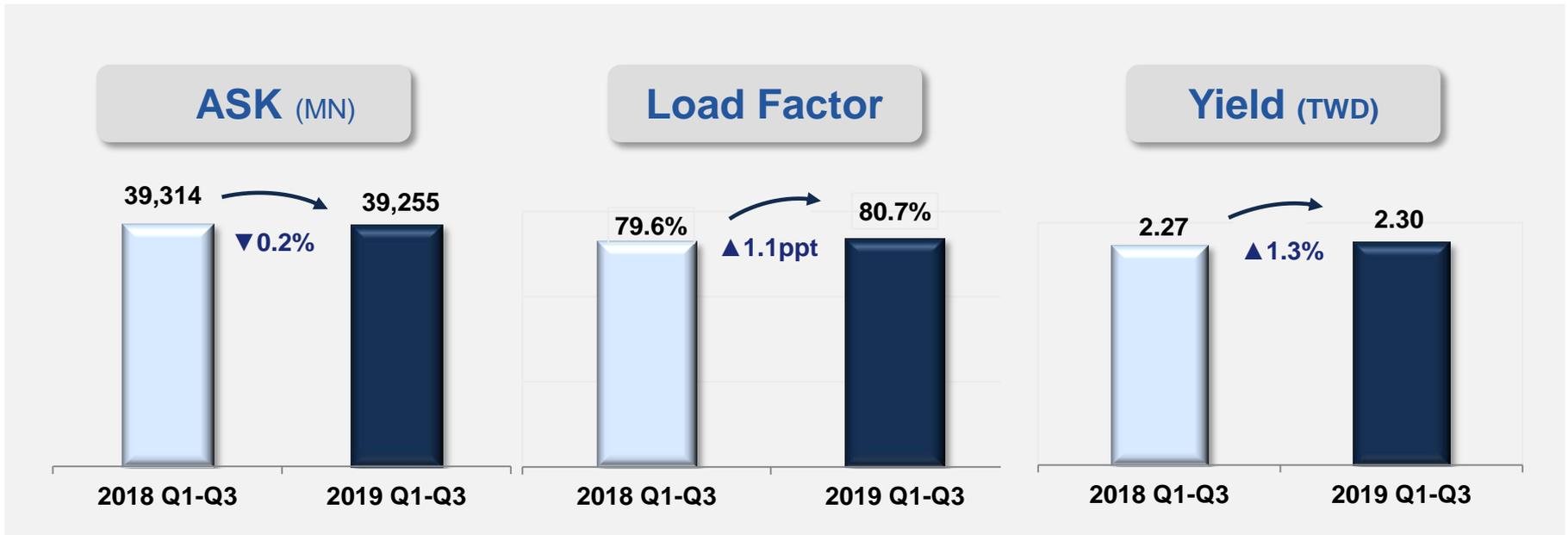


Composition by Region



- Passenger revenue increased by 2.5%, reaching TWD 72.88 billion in the first three quarters of 2019.
- Northeast Asia accounted for the largest share (29%) of revenue, followed by Southeast Asia with revenue share of 18%.

Passenger Operation Index



ASK decreased by 0.2% while the load factor and yield increased by 1.1ppt and 1.3% respectively in the first three quarters of 2019.

Political & Economic Outlook

Influence to TW market
📍 alert 📍 moderate 📍 mild

Brexit

- According to NATs research, the willingness of travel is not impacted among most people in the UK.
- TW's investment amount in the UK takes the 1st place among EU, achieves 42.3%. The unstable GBP currency and social issues will be impact for TW investment.

Japan–South Korea trade dispute

- The dispute is not ending temporarily. It impacts global supply chain, especially high-tech industry.
- TIER indicates the limited gain from relocations.
- According to Korean media JTBC, air ticket sales dropped 38% in JP market and rose 38% in TW market.

2020 Tokyo Olympics

- The Olympics triggers prosperous tourism market.

US-China trade war

- Air freight goes weak due to long-term effect of trade war
- IHS Markit indicates TW GDP would decrease 0.03-0.04% if US & China GDP declined 0.1% respectively.
- TW exports to PRC will reduce 1.78% & to US will rise 2.16% if US imposes 10~25% tariff to PRC & PRC imposes 5~25% tariff to US.

TW president election

- Entry Permit of PRC may open issuing after 520.
- Market demand rises due to CNY & election.

Geopolitics

- Political issues in EU, Middle East, HK and terrorisms, racial conflicts etc. often directly affect aviation industry.

Flight Network

Europe ASK ▲ 3.7% *

Demand steadily grows in Taiwan outbound market with direct flight service.

22 flights per week with 5 destinations

Mainland China ASK ▼ 1.8%

Mainland China market experiences the negative growth due to the latest Restricted Policy.

124 flights per week with 28 destinations

Southeast Asia ASK ▲ 1.5%

Inbound visitors from Southeast Asia increase substantially resulting from the implementation of New Southbound Policy.

167 flights per week with 15 destinations

Trans Pacific Ocean ASK ▼ 4.1%

Ontario/Los Angeles 17 flights/week offer better service and gain more market share.

37 flights per week with 6 destinations

Northeast Asia ASK ▲ 4.2%

The extra or charter flights to Northeast Asia will be arranged to generate more revenue.

232 flights per week with 17 destinations

Hong Kong ASK ▼ 4.8%

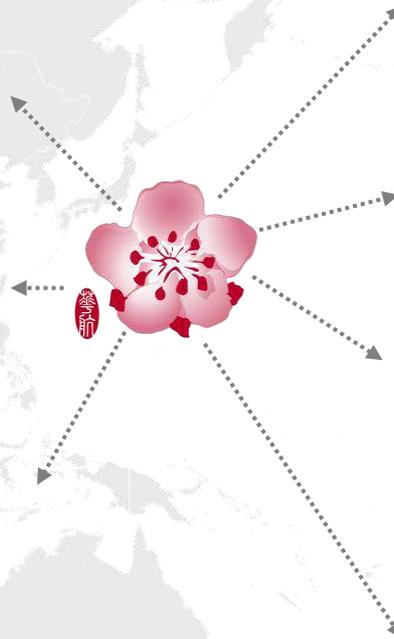
While local unrest due to anti-extradition to China remains, duly adjust capacity supply.

128 flights per week with 1 destinations

Australia & New Zealand ASK ▼ 5.5%

Increase frequency to maintain competitive edge.

22 flights per week with 4 destinations



* 2019 Q-Q3 ASK YoY %

Newly Increased Flights Description



February

Increased services from Taipei to **Palau** from 2 times weekly to 3 times weekly, and advanced to 4 times weekly from June



March

Increased services from Taipei to **Nagoya** from 12 times weekly to 2 daily



April

Increased services from Taipei to **Phnom Penh** from 5 times weekly to daily



October

Increased services from Taipei to **Los Angeles** from daily to 10 times weekly, and mounted to 17 times weekly services into Greater Los Angeles Area



October

Increased services from Taipei to **Melbourne** from 3 times weekly to 4 times weekly

Secure Taiwan Market by Multiple Brands

Capacity Development

Steady Growth

IPO

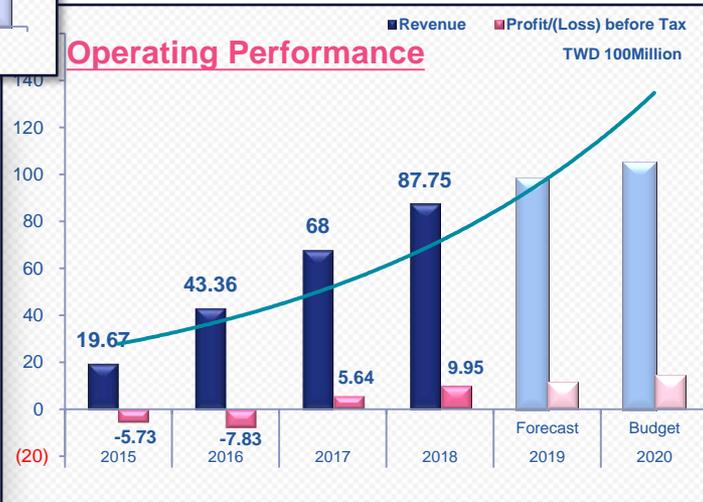
Sustainable Business

Fleet Size



- Creating multiple financing opportunities
- Establishing firm value
- Increasing public awareness
- Strengthening corporate governance

Operating Performance



Cooperation with Other Airlines

- China Airlines cooperates with more than 20 interline partners.
- In 2019, the new added interline routes are mainly in Northeast Asia, Southeast Asia and Mainland China.



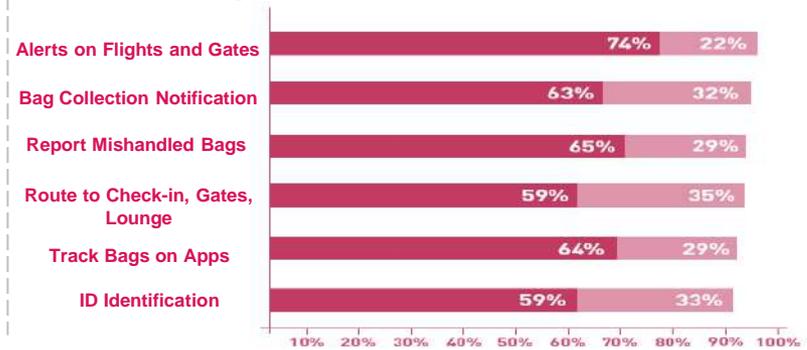
Technology along The Journey

- CI has been developing a comprehensive e-commerce channel. The online trading volume has increased by 30%, in which mobile trading accounted for 21%.

Passenger Technology Adoption in 2018



Passenger Demand For Mobile Service



CI Mobile APP 3.0
Itinerary Management



E-Bulletin Board



Facebook Customer Service



Self Check-in Baggage Counter

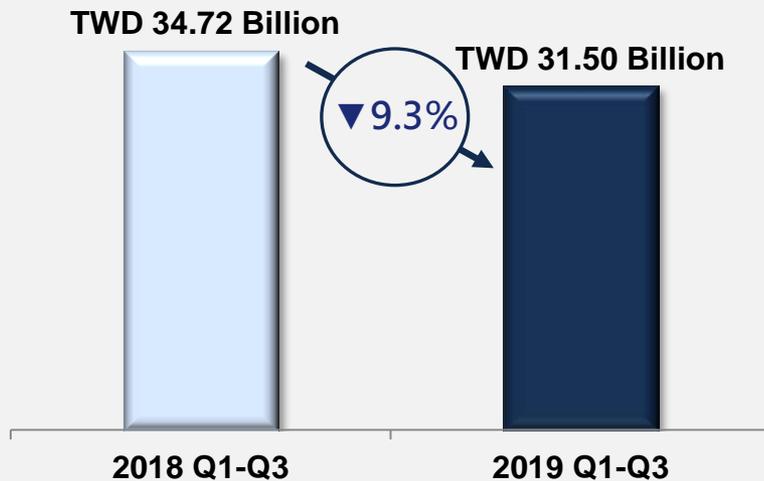


CHINA AIRLINES Baggage Tracking System

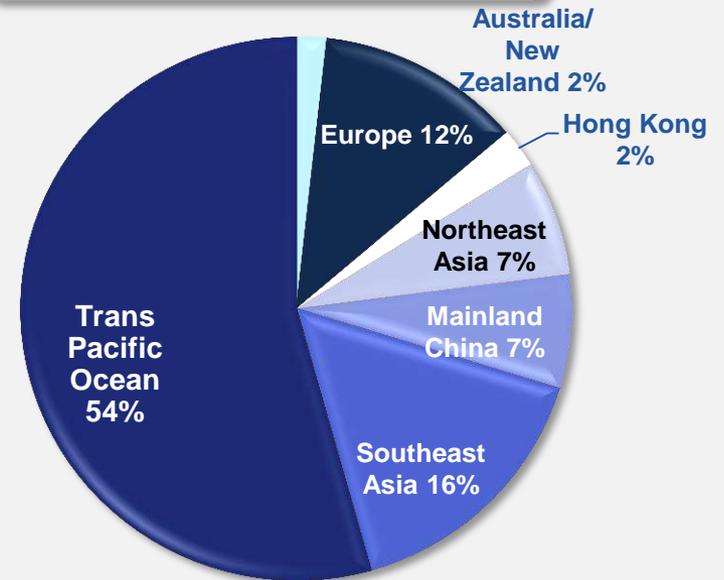
Cargo Performance and Strategies

Cargo Performance

Revenue



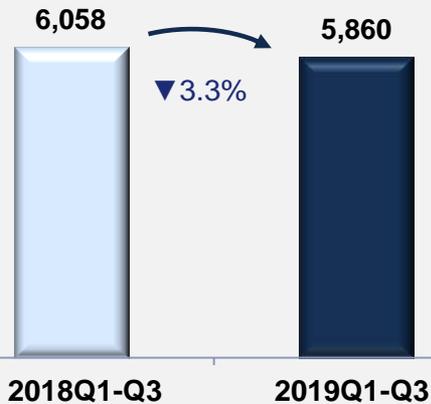
Composition by Region



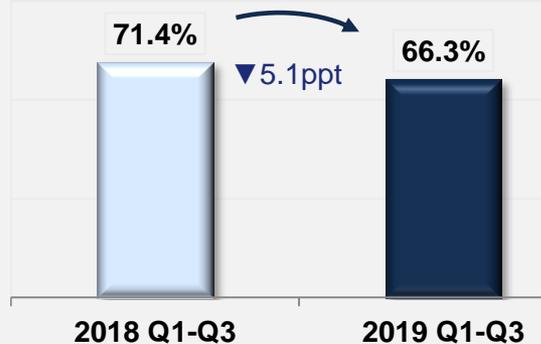
- Cargo revenue totaled TWD 31.50 billion, a 9.3% decrease, in the first three quarters of 2019.
- Trans Pacific Ocean accounted for the largest share(54%) of revenue, followed by Southeast Asia and Europe with revenue share of 16% and 12% respectively.

Cargo Performance Index

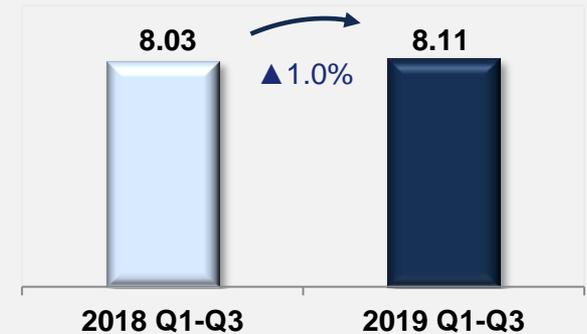
FATK (MN)



Load Factor

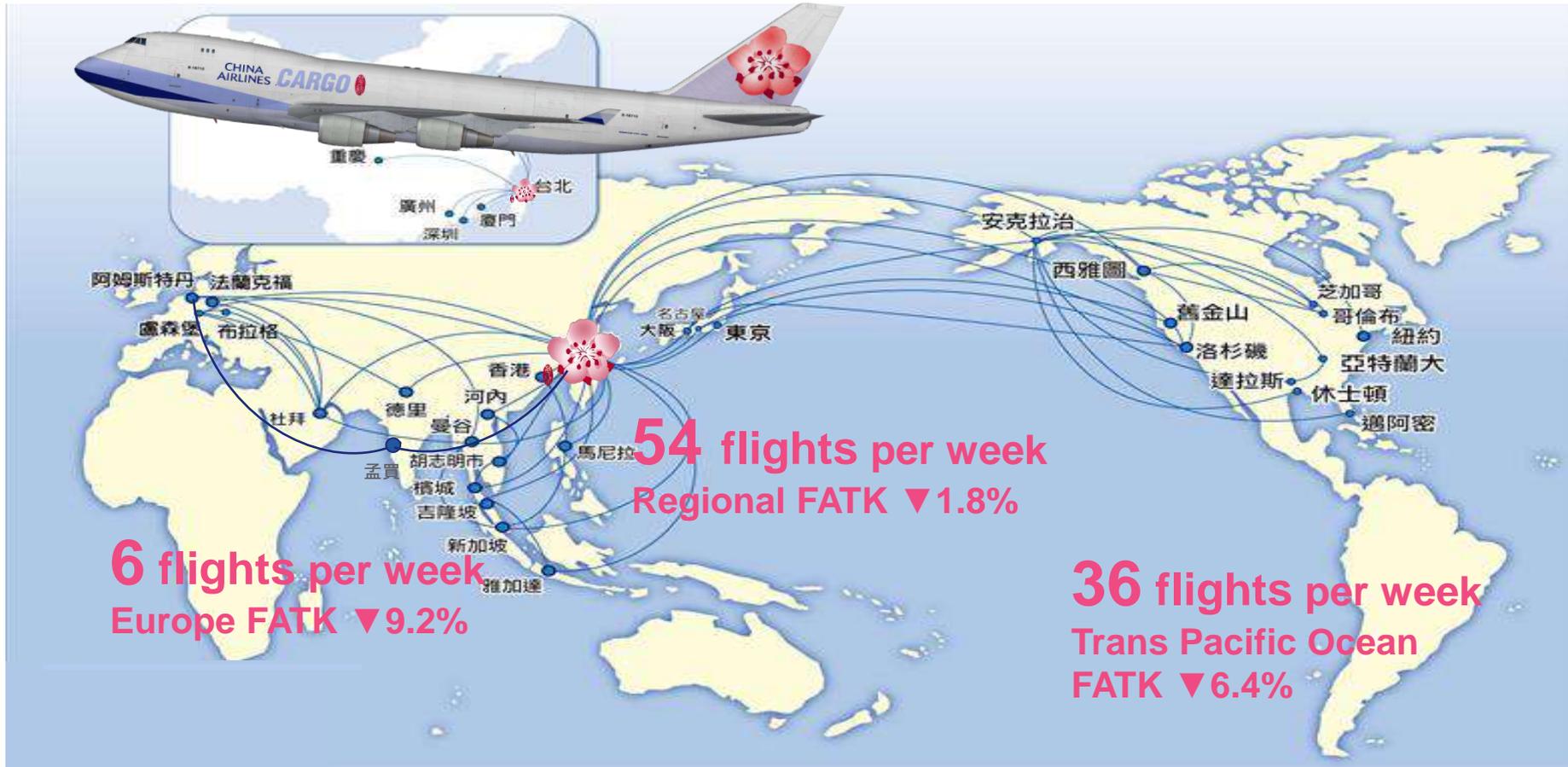


Yield (TWD)



FATK decreased by 3.3% and the load factor dropped 5.1 ppt while yield grew by 1.0% in the first three quarters of 2019.

Flight Network



* 2019 Q-Q3 FATK YoY %

Newly Increased Flights Description



March

Launched a new 2 times weekly freighter service to **Nagoya** with the additional stopover of flight returning to Taipei from Los Angeles and San Francisco.



September

Launched a new one time weekly freighter service to **Zhengzhou**



October

Increased freighter services to **Chongqing** to 2 times weekly



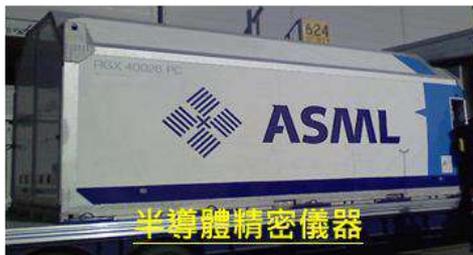
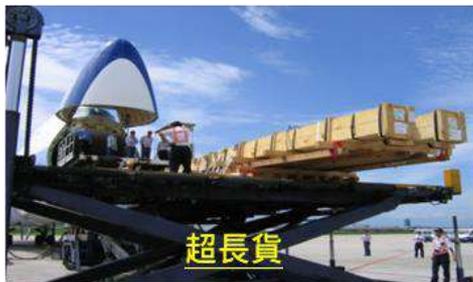
November

Launched a new 2 times weekly freighter service to **Mumbai** with the stopover shift of flight between Taipei and Amsterdam.

Special Cargo

- China Airlines Cargo has become the first carrier in Taiwan to be certified by the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma).

From semi-conductors to all-terrain vehicles and aerospace parts, CI assist with outsize cargo shipment worldwide by nose-loading 744F.



Pharmaceutical logistics is a longstanding business that began growing in 2016 at a rate of 30% per year.



中華航空 榮獲製藥等級冷鏈認證
IATA CEIV PHARMA
CHINA AIRLINES CARGO



Interline Cooperation

Express Operators



- Short Term

CI can arrange part-charters, backloads and other commercially innovative solutions for ad-hoc, peak season and project cargo.

- Long Term

CI has secured contracts for the following routes with express operators.

Shanghai-New York, Osaka-Chicago, Tokyo-Honolulu, Taipei-Frankfurt, and Taipei- Los Angeles

Other Airlines

Cooperate with other airlines to develop Mid-Asia and Latin American markets.



Operating Fleet

Operating Fleet as of September 2019

- As of September 2019, CI operates 88 aircraft, including 70 passenger aircraft and 18 freighters, and 48 of which are self-owned and 40 are operating leased.



Aircraft Type	Owned	Leased
777-300ER	-	10
747-400	4	-
A350-900	14	-
A330-300	8	15
737-800	4	15
747-400F (Freighter)	18	-
Number of aircraft in fleet	48	40

Fleet Planning

- To maximize fuel efficiency, CI is expected to receive the first of 6 777F in 2020 and the first of 25 A321neo in 2021.



Passenger

By replacing 737-800 with A321neo in regional markets to establish operational excellence



Freighter

By replacing 744F with 777F to achieve cost efficiency and increase payload capacity



Thank you

2019.11

China Airlines | No.1, Hangzhan S. Rd., Dayuan Dist., Taoyuan City, Taiwan

TEL | 03.399.8888

