

China Airlines 2020 Investor Conference

December 1, 2020

TSE : 2610



Agenda

- 1. First Three Quarters Financial Results for 2020**
 - 1) Operating Performance**
 - 2) Composition of Op. Revenue & Cost**
 - 3) Financial Risk Management**

- 2. Impact of COVID-19 Pandemic**
 - 1) Industry Environment Update**
 - 2) Operational Performance Update**
 - 3) Response to COVID-19**

- 3. Post-COVID-19 Outlook**

First Three Quarters Financial Results for 2020



Operating Performance – 2020Q3

Consolidated Financial Statistics			TWD 100 Million
	2019Q3	2020Q3	YoY %
Operating Revenue	430.05	266.12	-38.12%
Net Operating Income(Loss)	14.62	-3.57	-
Net Income(Loss) After Tax	4.96	-8.17	-
Net Income(Loss) Attributable to Owners of the company	3.40	-7.08	-
Earnings(Loss) Per Share (TWD)	0.06	-0.13	-

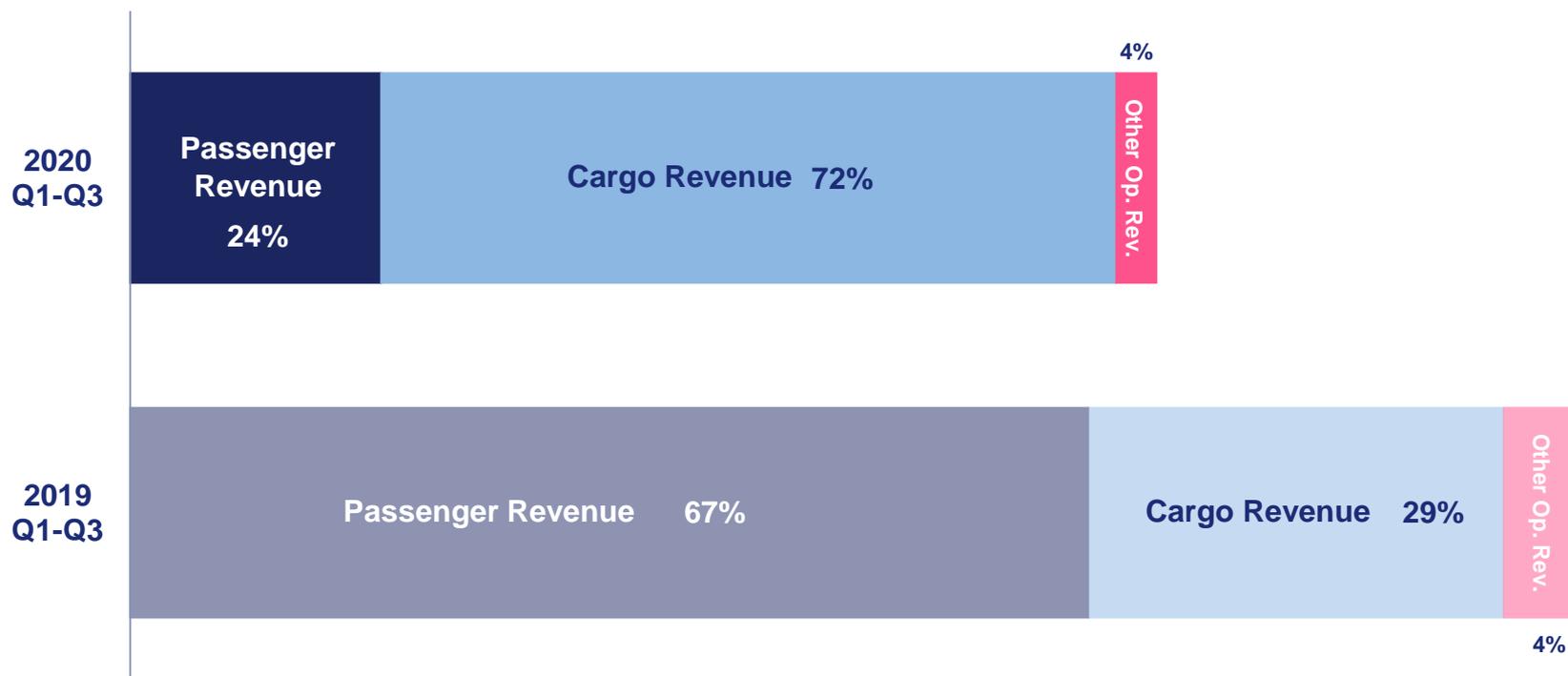
Group Revenue			TWD 100 Million
	2019Q3	2020Q3	YoY %
Passenger Revenue	290.96	32.41	-88.86%
Cargo Revenue	106.82	215.09	101.36%
Other Operating Revenue	32.27	18.62	-42.3%
Total Group Operating Revenue	430.05	266.12	-38.12%

Operating Performance – 2020Q1-Q3

Consolidated Financial Statistics			TWD 100 Million
	2019Q1-Q3	2020Q1-Q3	YoY %
Operating Revenue	1,263.02	854.84	-32.32%
Net Operating Income(Loss)	27.96	-5.8	-
Net Income (Loss) After Tax	0.58	-23.75	-
Net Loss Attributable to Owners of the company	-3.46	-20.22	-
Loss Per Share (TWD)	-0.06	-0.37	-

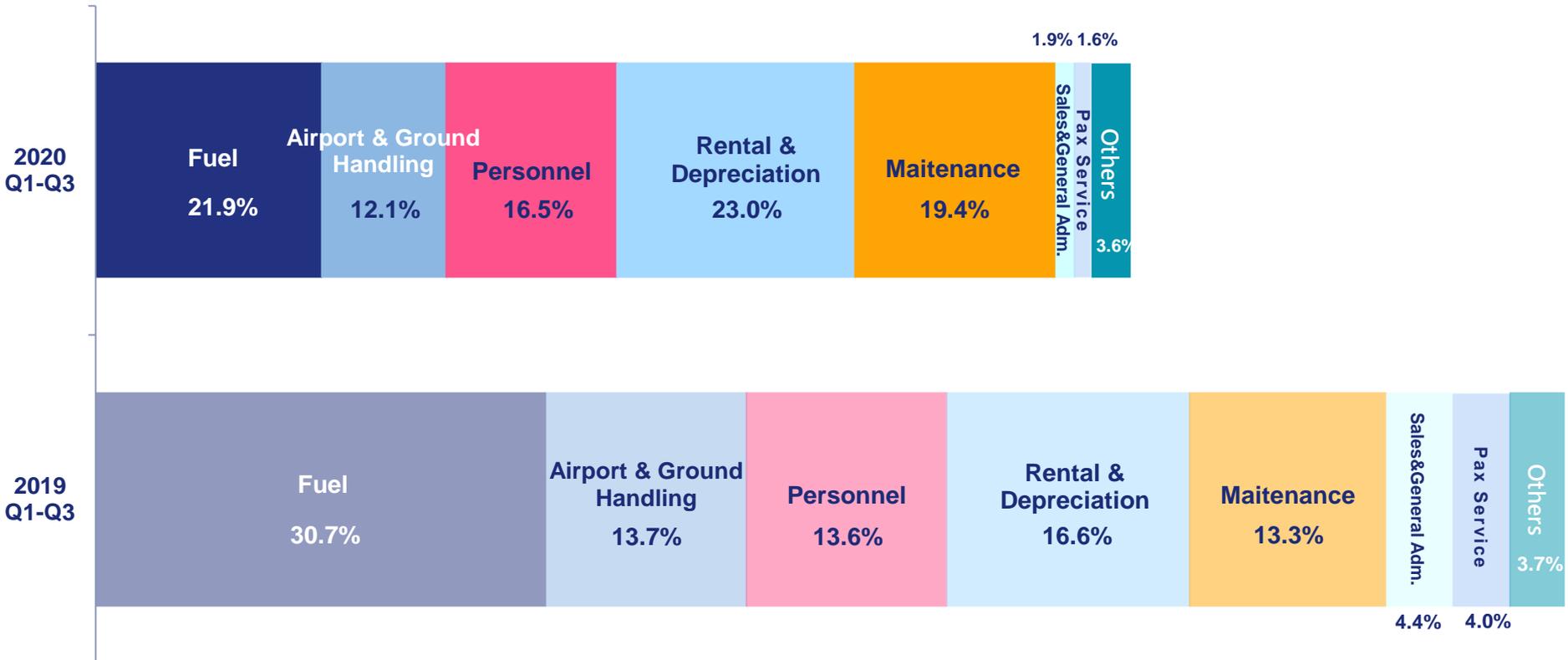
Group Revenue			TWD 100 Million
	2019Q1-Q3	2020Q1-Q3	YoY %
Passenger Revenue	845.52	234.83	-72.23%
Cargo Revenue	318	560.46	76.25%
Other Operating Revenue	99.5	59.55	-40.15%
Total Group Operating Revenue	1,263.02	854.84	-32.32%

Composition of Op. Revenue - CI



Passenger, Cargo and other operating revenue accounted for 24%, 72% and 4% respectively in the first three quarters of 2020.

Composition of Op. Expenses - CI



Fuel cost accounted for 21.9% of operating expenses due to COVID-19 pandemic in the first three quarters of 2020.

Financial Risk Management – Fuel (CI)

Fuel Cost

		2019Q1-Q3	2020Q1-Q3	YoY%
Jet Fuel (MOPS)	USD/BBL	77.69	44.04	-43.3%
Fuel Consumption	10KBBL	1,300.39	1,026.71	-21%
Fuel Expend	TWD/100Million	333.14	166.23	-50.1%
Hedging Loss	TWD/100Million	0.14	0.34	142.9%
Total Fuel Cost	TWD/100Million	333.28	166.57	-50%

Fuel Hedging

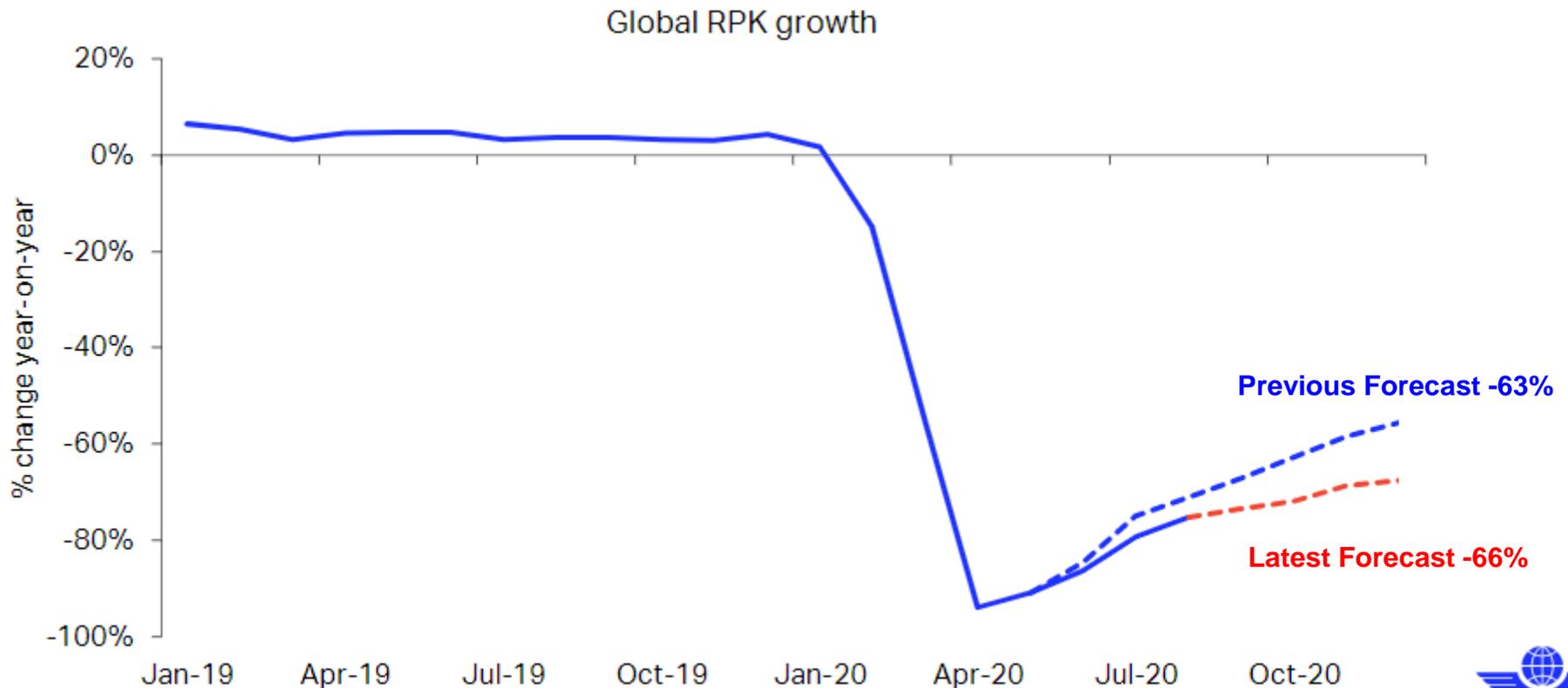
Year	Hedging%
2020.12-2021.11	0.16%

Impact of COVID-19 Pandemic Industry Environment Update



Air Travel Recovery Slower Than Expected

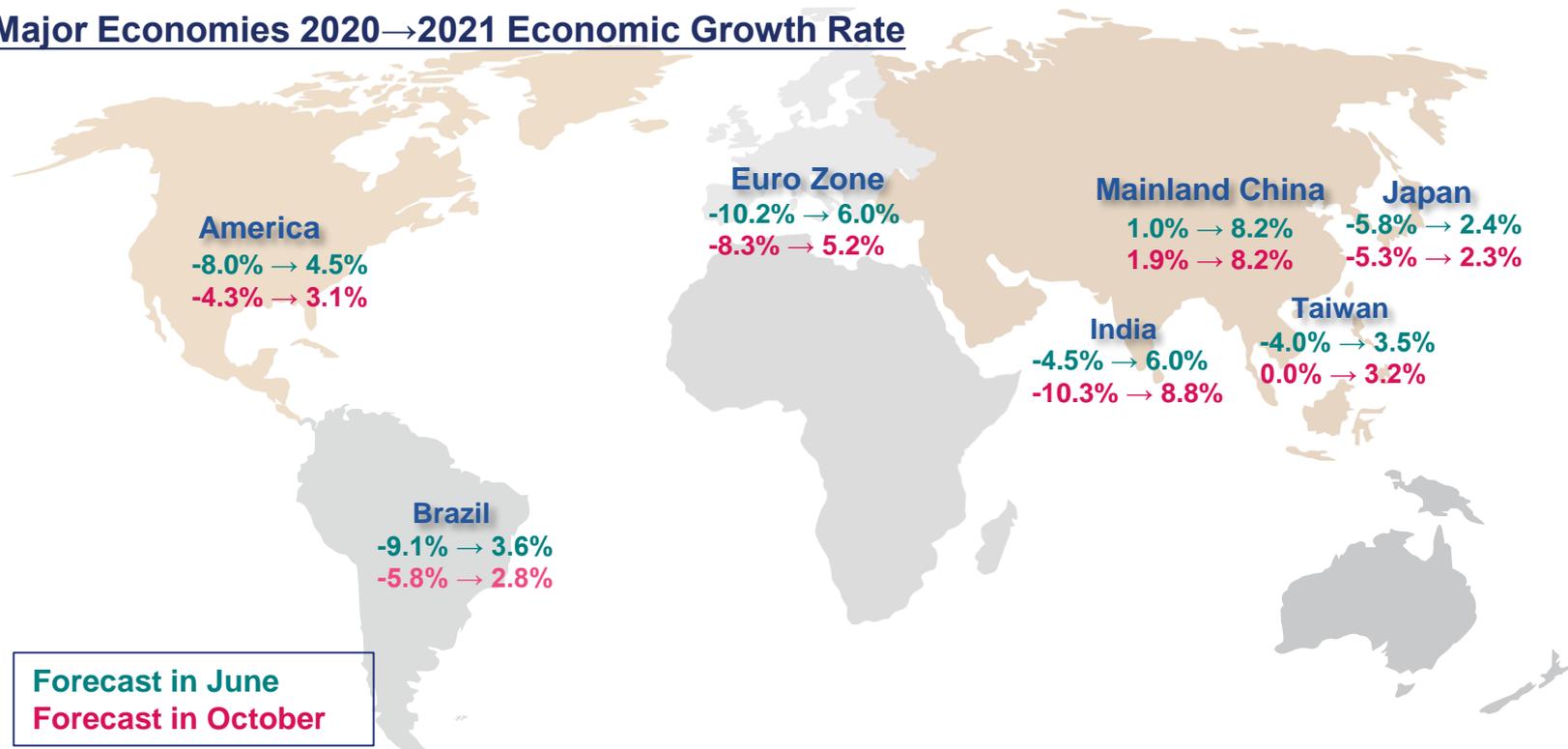
IATA forecast global passenger traffic will not return to pre-COVID-19 levels until 2024 and full-year 2020 traffic to be down 66% compared to 2019.



IMF Upgraded 2020 Economic Forecast

The global economy is projected to contract by 4.4% in 2020 — an upward revision from an estimate of -4.9% made in June due to the better-than-expected growth in advanced economies and Mainland China.

Major Economies 2020→2021 Economic Growth Rate

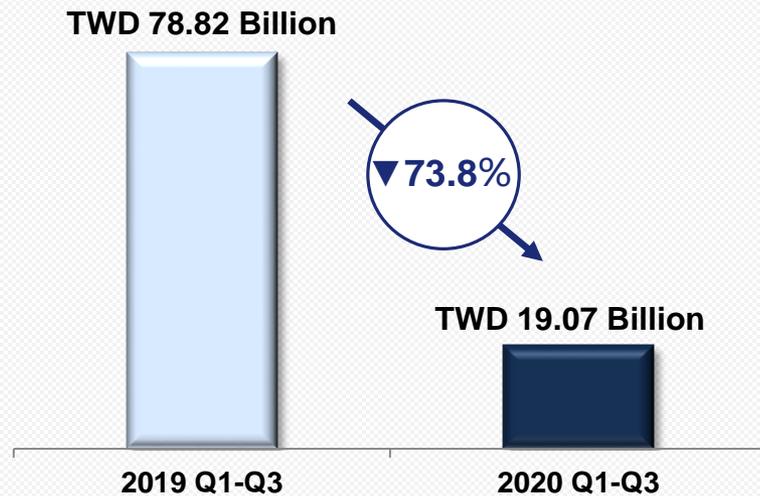


Impact of COVID-19 Pandemic Operational Performance Update

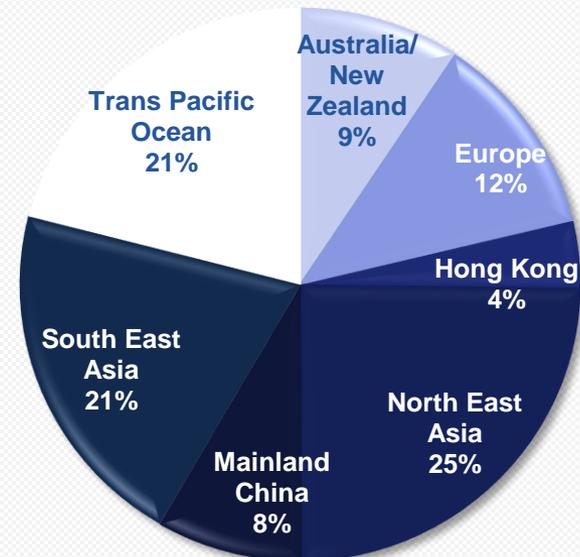


Passenger Performance

Revenue

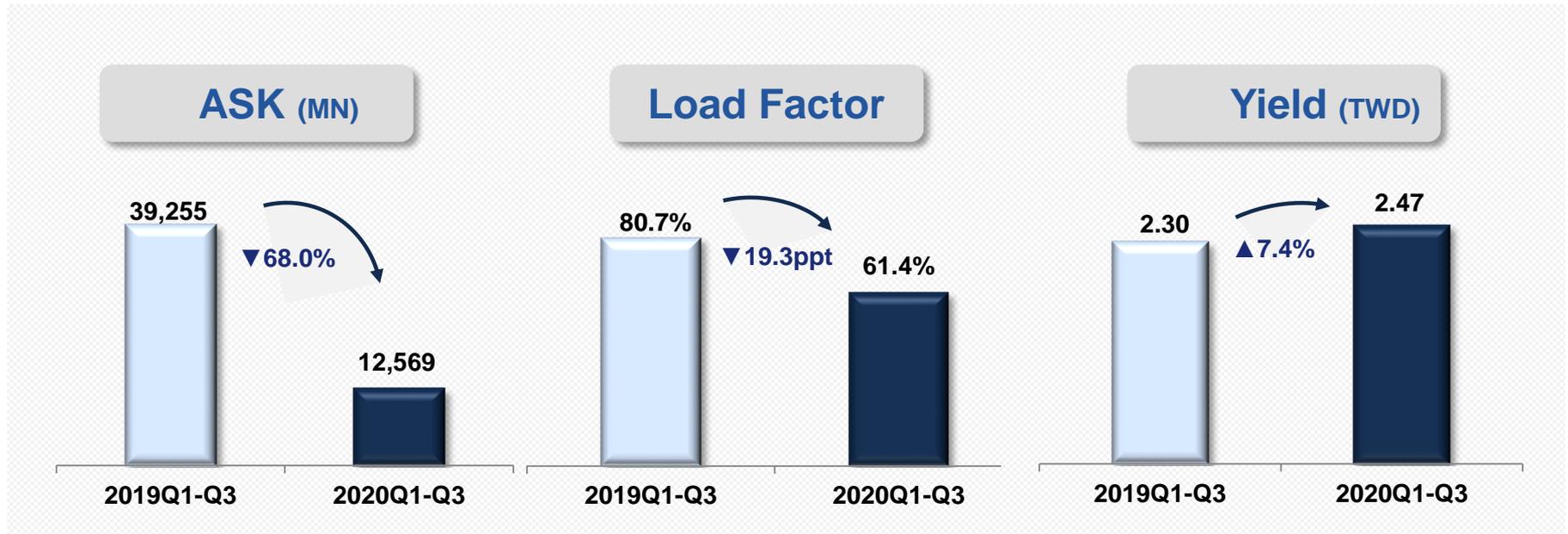


Composition by Region



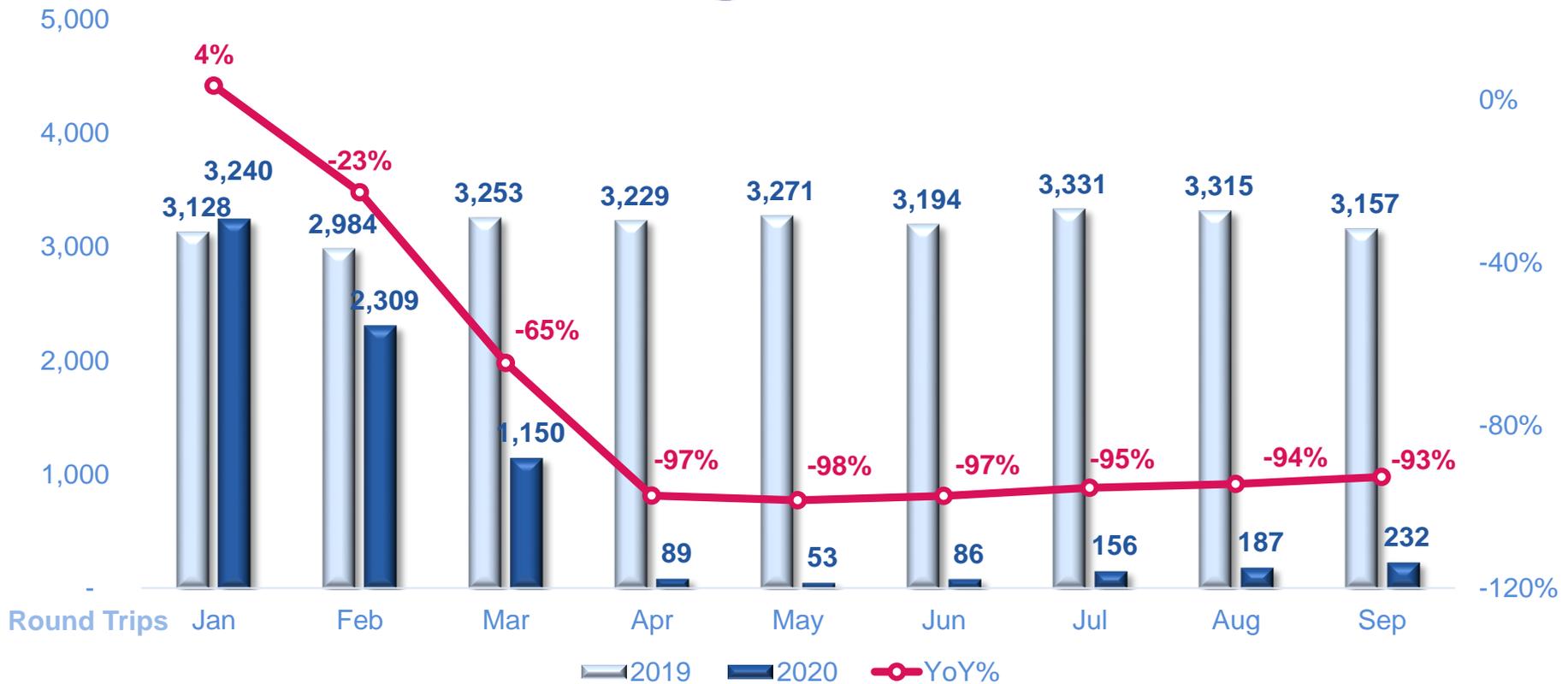
- Passenger revenue decreased by 73.8% to TWD 19.07 billion in the first three quarters of 2020.
- Northeast Asia accounted for the largest share (25%) of revenue, followed by Trans Pacific Ocean and South East Asia with revenue share of 21% respectively.

Passenger Operation Index



ASK and load factor decreased by 68.0% and 19.3ppt respectively while yield increased by 7.4% in the first three quarters of 2020.

Impact on Passenger Traffic



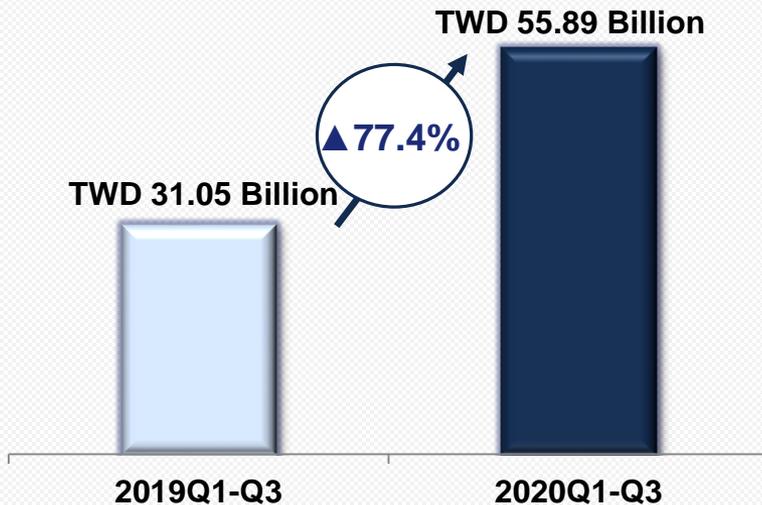
- **CAL provided a minimum passengers-carried schedule to meet market demand.**
- **Our frequencies between April and June plunged more than 97% compared to the same period last year; however there is slowly recovering with essential travelling in the third quarter.**

Passenger Impact- Skeletal Network

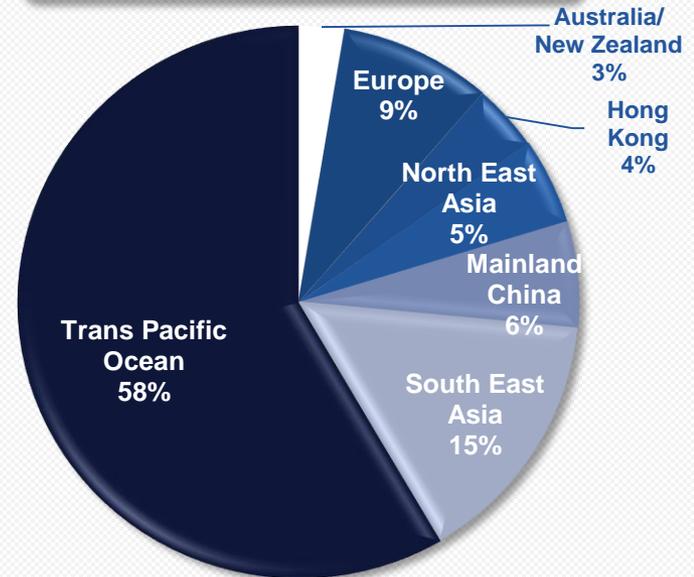
Region	Route Adjustments
North America	Los Angeles/San Francisco 3 Flights/wk, Vancouver 2 Flights/wk, New York 2 Flights/mth
Europe	Amsterdam 2 Flights/wk, Frankfurt/ London 1 Flight/wk
Oceania	Sydney 1 Flight/wk, Melbourne/ Brisbane 2 Flights/mth, Auckland 1 Flight/mth
Northeast Asia	Tokyo 3 Flights/wk, Seoul 2 Flights/wk, Osaka/ Fukuoka/ Nagoya 1 Flight/wk
Southeast Asia	Jakarta 1 Flight/day, Manila 4~5 Flights/wk, Phnom Penh 2 Flights/wk, Vietnam 11~12 Flights/wk, Bangkok 3~4 Flights/wk, Singapore/ Kuala Lumpur 2 Flights/wk, Penang/Yangon 1~2 Flights/wk
Mainland China (KHH departures included)	Shanghai 9 Flights/wk, Xiamen 3 Flights/wk, Chengdu 2 Flights/wk, Beijing 1 Flight/wk
Hong Kong (KHH departures included)	10 Flights/wk

Cargo Performance

Revenue

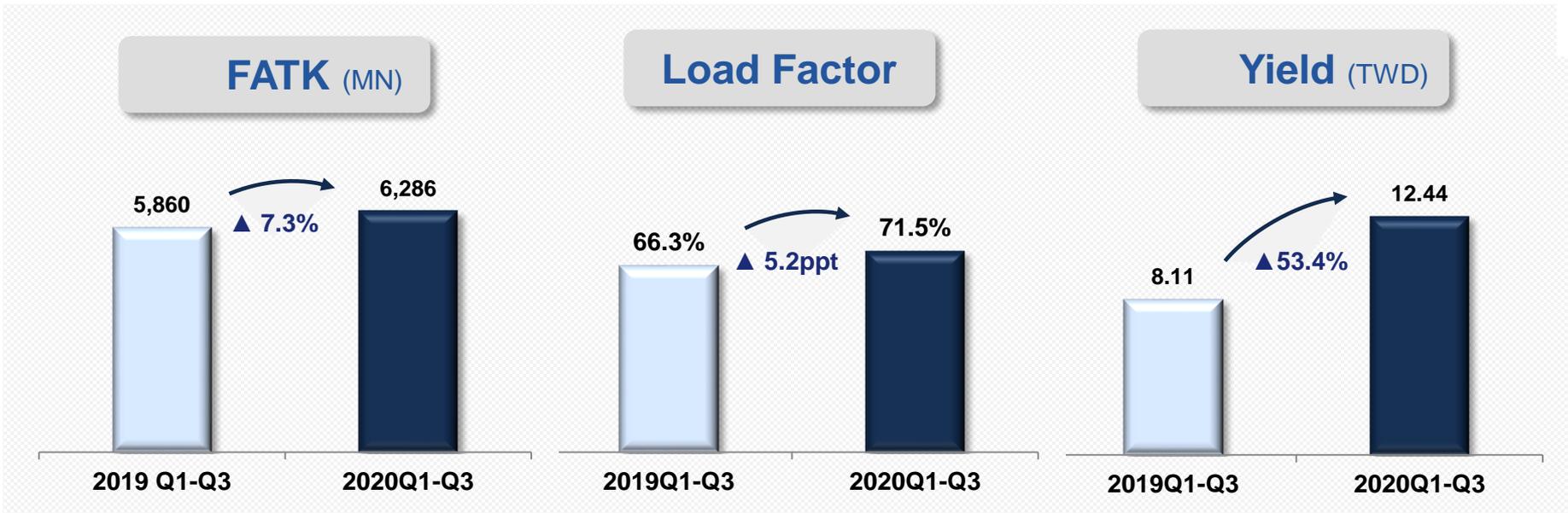


Composition by Region



- Cargo revenue totaled TWD 55.89 billion, a 77.4% increase, in the first three quarters of 2020.
- Trans Pacific Ocean accounted for the largest share(58%) of revenue, followed by Southeast Asia and Europe with revenue share of 15% and 9% respectively.

Cargo Performance Index



FATK increased by 7.3% and load factor grew 5.2 ppt with a 53.4% rise in yield in the first three quarters of 2020.

Response to COVID-19

- Passenger
- Cargo



Flight Schedule Adjusted in Line with Market Demand

Operations remain active in adapting to the dynamic changes of the market landscape and governments regulations.



Operate selected routes to maintain network connectivity, taking advantage of sixth traffic rights.



Gradually resume flights to align with boarder reopening, regional business travel needs and travel bubble.



Increase Taiwan domestic air travel market via CAL Group's subsidiaries .



Operate charter flights to generate revenue.

Resuming Operation with Safety Procedures

CAL was also rated as the top safest airlines to fly during COVID-19 by Safe Travel Barometer in August, having implemented numerous pro-traveler health and safety initiatives.



CAL Ranked Top Global Cargo Carrier in 2019

With a fleet of 18 Boeing 747-400 freighters in operation and well-established network, CAL holds the edge on air cargo capacity during COVID-19.

Airlines	Freight Tonnes Carried ('000)
1 st Emirates	2,413
2 nd Qatar Airways	2,281
3 rd Federal Express	2,192
4 th Cathay Pacific Airways	1,716
5 th United Parcel Service	1,539
6 th Turkish Airlines	1,433
7 th Korean Air	1,383
8th China Airlines 	1,374

※ 2019 Top Airlines by International Cargo Traffic

Airlines	FRTK(m)
1 st Qatar Airways	13,024
2 nd Emirates	12,052
3 rd Cathay Pacific Airways	10,930
4 th Federal Express	8,851
5 th Korean Air	7,390
6 th Lufthansa	7,723
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•	
•	
13th China Airlines 	5,334

Expanding Cargo Service to Seize the window of Opportunity

CAL leverages Taiwan's strategic position and cargo capacity to make 10% more cargo flights per week.



- Utilize CAL 18 747-400 freighters
- Make the most of belly capacity of passenger aircraft
- Improve operational efficiency with 3 upcoming 777F deliveries

- Monthly route review and flexible route adjustment
- Priority for high-yield goods and regular project shipment for route profit boost
- Pursue charter or BSA business to maintain load factor and revenue uplift



Post-COVID-19 Outlook



New Normal of Air travel in Post-Covid-19 Age

Market

- Domestic and regional air travel will recover first.
- 3rd/4th traffic rights will be dominant and 6th traffic right will complement.
- Family visit and leisure travel will recover first.
- Local staycation becomes popular.

Passenger

- International travelers will be most concerned with safety.
- Wearing masks, checking temperatures, and cleaning hands throughout the journey will be required.

Service

- Digital solution will be implemented to reduce touchpoints literally in the check-in and boarding process

Post-COVID-19 Cargo Market Outlook

Potential Business

- COVID-19 has led to a major change in consumer behavior toward online channels. Online demand for essentials and entertainment has increased.
- Work-from-home triggers a jump in demand for chips, laptops and network goods.
- Vaccines against COVID-19 are under active development.



Proactive COVID-19 Response Strategies

01

Conserve cash-flow & lower the cost

02

Maintain business continuity and stability

03

Integrate sales and marketing strategy

04

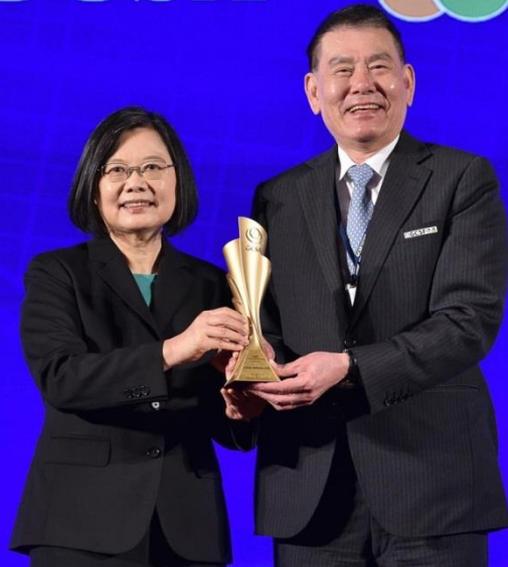
Rebuild passenger confidence in air travel

05

Comply with regulations to promote safe travel

Giving Back to Society and Creating Social Value

CAL wins awards for seventh consecutive year at the “Oscars” of Taiwan Corporate Sustainability- Taiwan Corporate Sustainability Awards (TCSA) and two consecutive year at Global Corporate Sustainability Awards (GCSA).



An infographic titled '永續華航' (Sustainability We Care) featuring a central image of a China Airlines aircraft. To the right, a vertical banner reads '華航歷年永續績效' (China Airlines' Annual Sustainability Performance). Below the aircraft, several award logos and their durations are listed: '連續5年 2016-2020' for Dow Jones Sustainability Indices (Member of, Powered by the S&P Global CSA); '連續5年 2016-2020' for FTSE4Good (富時社會責任新興市場指數); '連續7年 2014-2020' for TCSA (台灣企業永續獎); and '連續2年 2019-2020' for GCSA (全球企業永續獎). The background of the infographic is light blue with white clouds and a runway at the bottom.

Thank you

*# We fly We fight
We will all be fine*

2020.12

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