

China Airlines 2021 Investor Conference

Nov 16, 2021

TSE : 2610



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Agenda

- 1. Financial Results for First Three Quarters of 2021**
 - 1) Operating Performance**
 - 2) Composition of Op. Revenue & Cost**
 - 3) Financial Risk Management**

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

Financial Results for First Three Quarters of 2021



Operating Performance – 2021Q3

Consolidated Financial Statistics			TWD 100 Million
	2020Q3	2021Q3	YoY %
Operating Revenue	26,612	34,474	29.54%
Net Operating Income (Loss)	-358	3,985	-
Non-Operating Income (Loss)	-817	2,801	-
Net Income (Loss) After Tax	-708	2,917	-
Earnings (Loss) Per Share (TWD)	-0.13	0.51	-

Group Revenue			TWD 100 Million
	2020Q3	2021Q3	YoY %
Passenger Revenue	3,241	1,189	-63.31%
Cargo Revenue	21,509	31,247	45.27%
Other Operating Revenue	1,862	2,038	9.45%
Total Operating Revenue	26,612	34,474	29.54%

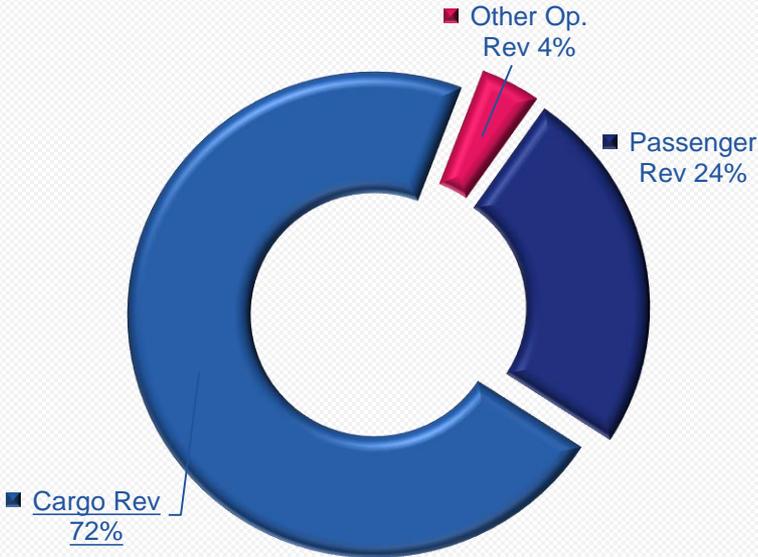
Operating Performance – 2021Q1~Q3

Consolidated Financial Statistics			TWD 100 Million
	2020Q1-Q3	2021Q1-Q3	YoY %
Operating Revenue	85,484	91,675	-7.24%
Net Operating Income (Loss)	-581	4,722	-
Non-Operating Income (Loss)	-2,375	1,098	-
Net Income (Loss) After Tax	-2,022	1,555	-
Earnings (Loss) Per Share (TWD)	-0.37	0.28	-

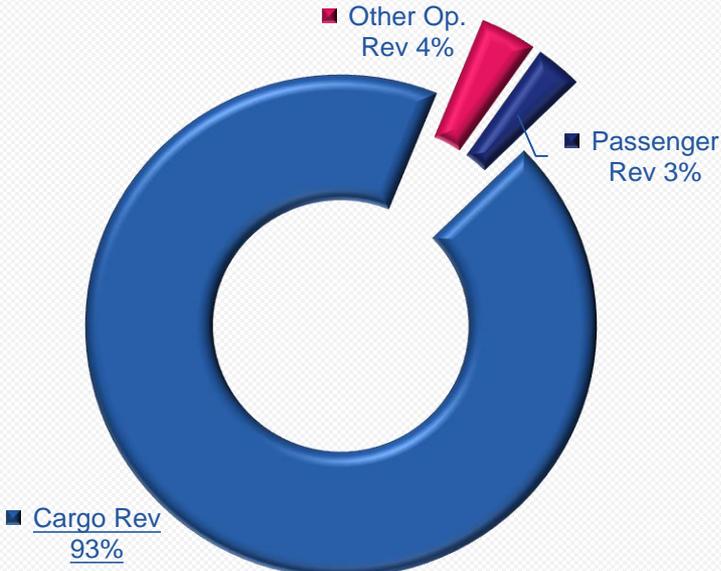
Group Revenue			TWD 100 Million
	2020Q1-Q3	2021Q1-Q3	YoY %
Passenger Revenue	23,483	4,569	-80.54%
Cargo Revenue	56,046	81,310	45.08%
Other Operating Revenue	5,955	5,796	-2.67%
Total Operating Revenue	85,484	91,675	7.24%

Composition of Op. Revenue - CI

2020Q1-Q3



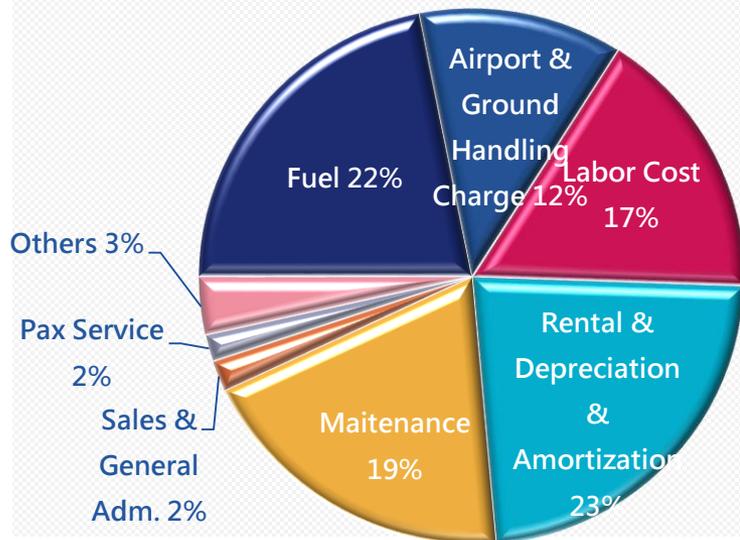
2021Q1-Q3



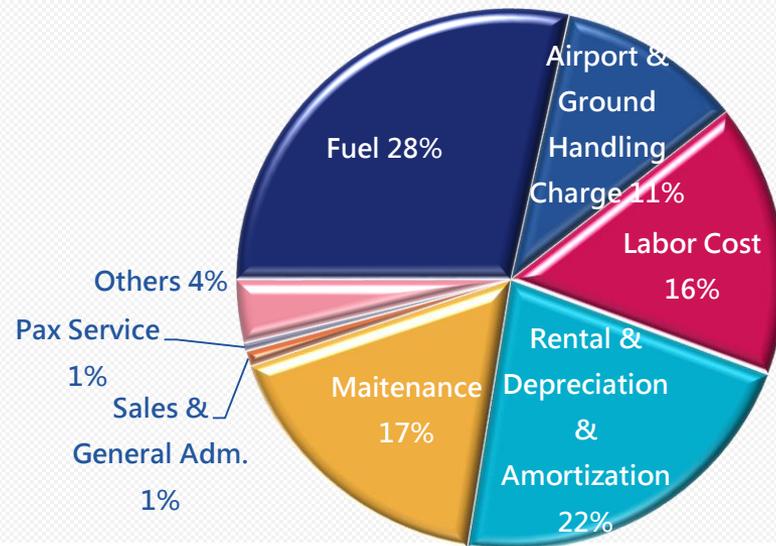
Cargo revenue accounted for 93%, and Passenger and other operating revenue accounted for 3% and 4% respectively in 2021Q1-Q3.

Composition of Op. Expenses - CI

2020Q1-Q3



2021Q1-Q3



Fuel cost accounted for 28% of operating expenses due to the increase in fuel price during 2021.

Financial Risk Management (CI)

1. Fuel Cost : Hedging ratio is 4.5% during next six months

		2020 Q1-Q3	2021 Q1-Q3	YoY%
Jet Fuel (MOPS)	USD/BBL	44.04	70.75	60.65%
Fuel Consumption	10KBBL	1,026.71	1,059.95	3.24%
Fuel Expend	TWD/100Million	167.38	223.27	33.39%
Hedging Loss (Gain)	TWD/100Million	0.34	-0.02	-
Total Fuel Cost	TWD/100Million	167.72	223.25	33.11%

2. Exchange rate hedging

- The current cash position of US Dollars well manages to offset the unrealized gains(losses) of the US Dollars liabilities caused by the exchange rate, as the effect of natural hedging.

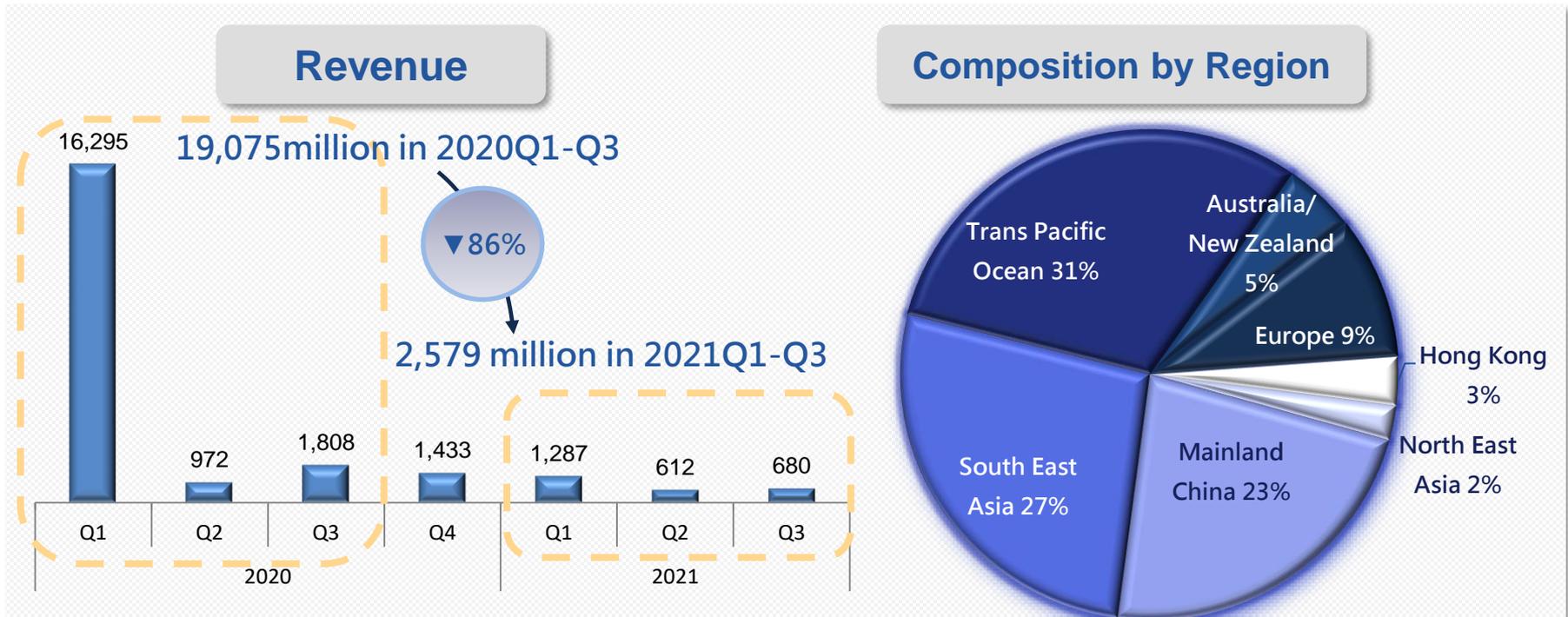
3. Interest rate hedging

- As of Sep 30 2021, The portion of Fixed-rate borrowing positions was approximate 18%.
- Keeping a close watch on the monetary policy trends of major economies and formulate hedging strategies based on market dynamics.

Impact of COVID-19 Pandemic- Operational Performance Update



Passenger Performance



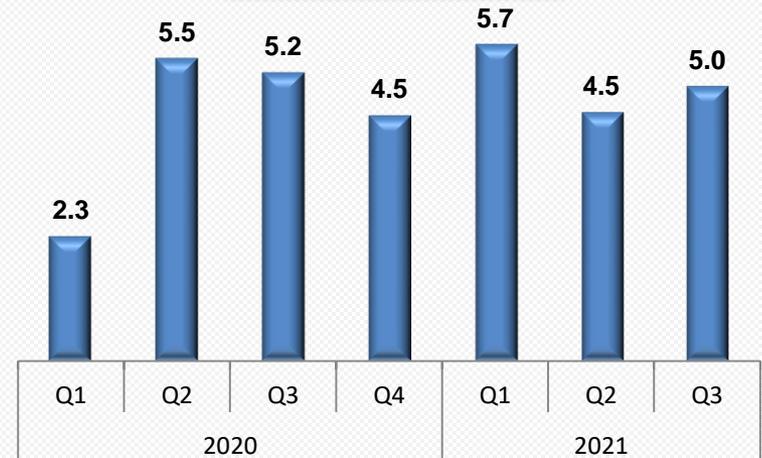
- Passenger revenue decreased by 86% to TWD 2,579 million in 2021Q1-Q3.
- Trans Pacific Ocean accounted for the largest share (31%) of revenue, followed by South East Asia and Mainland China with revenue share of 27% and 23% respectively.

Passenger Performance Index

Load Factor 、 ASK (MN)



Yield (TWD)



ASK and load factor decreased by 77% and 43.8ppt respectively while yield was 5.0 which increased by 110% in 2021Q1-Q3.

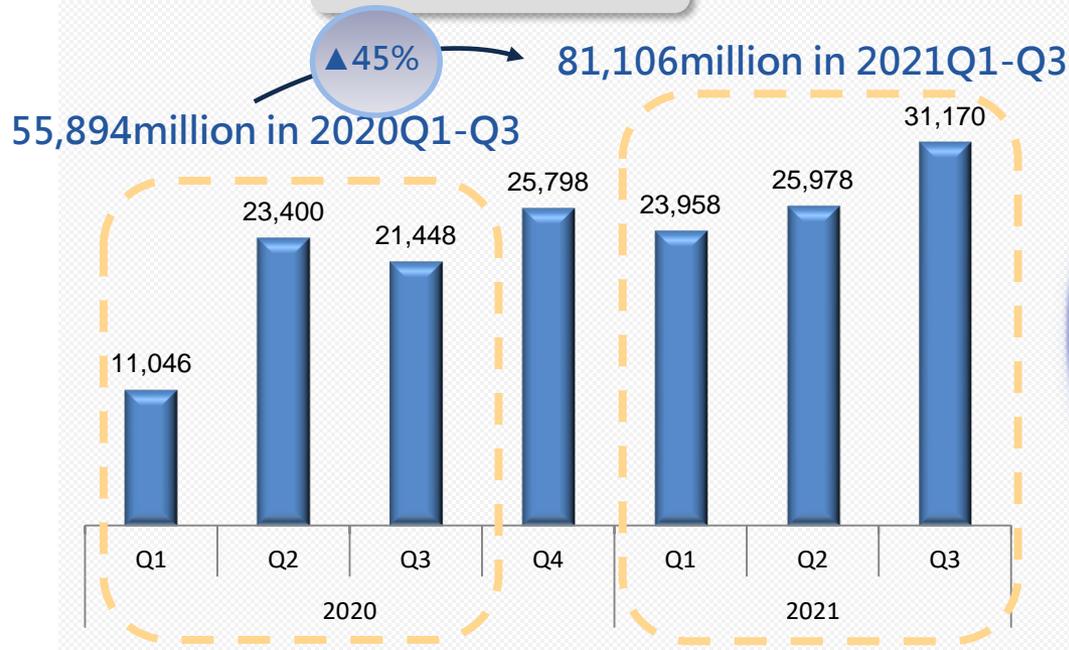
Impact on Passenger Traffic

- Our frequencies between 2020 and 2021 plunged more than 90% compared to the same period during 2019.
- There was no rebound tendency in demand for passenger transport capacity from 2021 to the third quarter due to the worldwide Alpha and Delta variant, domestic outbreak of epidemics and low vaccinated population in Asia-Pacific.

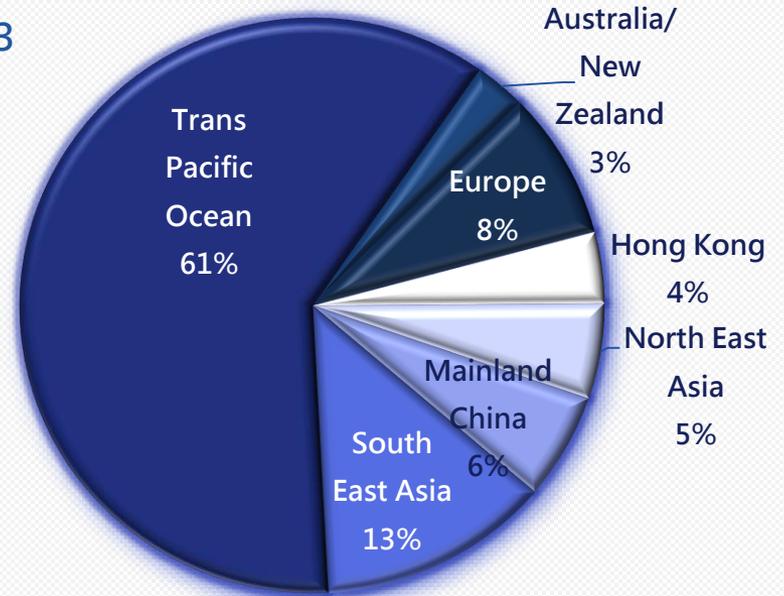


Cargo Performance

Revenue



Composition by Region



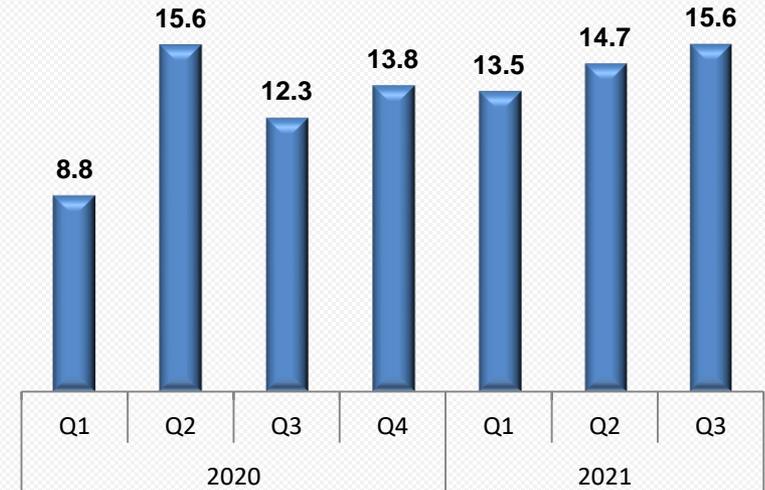
- Cargo revenue totaled TWD 81,106 million, a 45% increase, in 2021Q1-Q3.
- Trans Pacific Ocean accounted for the largest share(61%) of revenue, followed by Southeast Asia and Europe with revenue share of 13% and 8% respectively.

Cargo Performance Index

Load Factor 、 FATK (MN)



Yield (TWD)



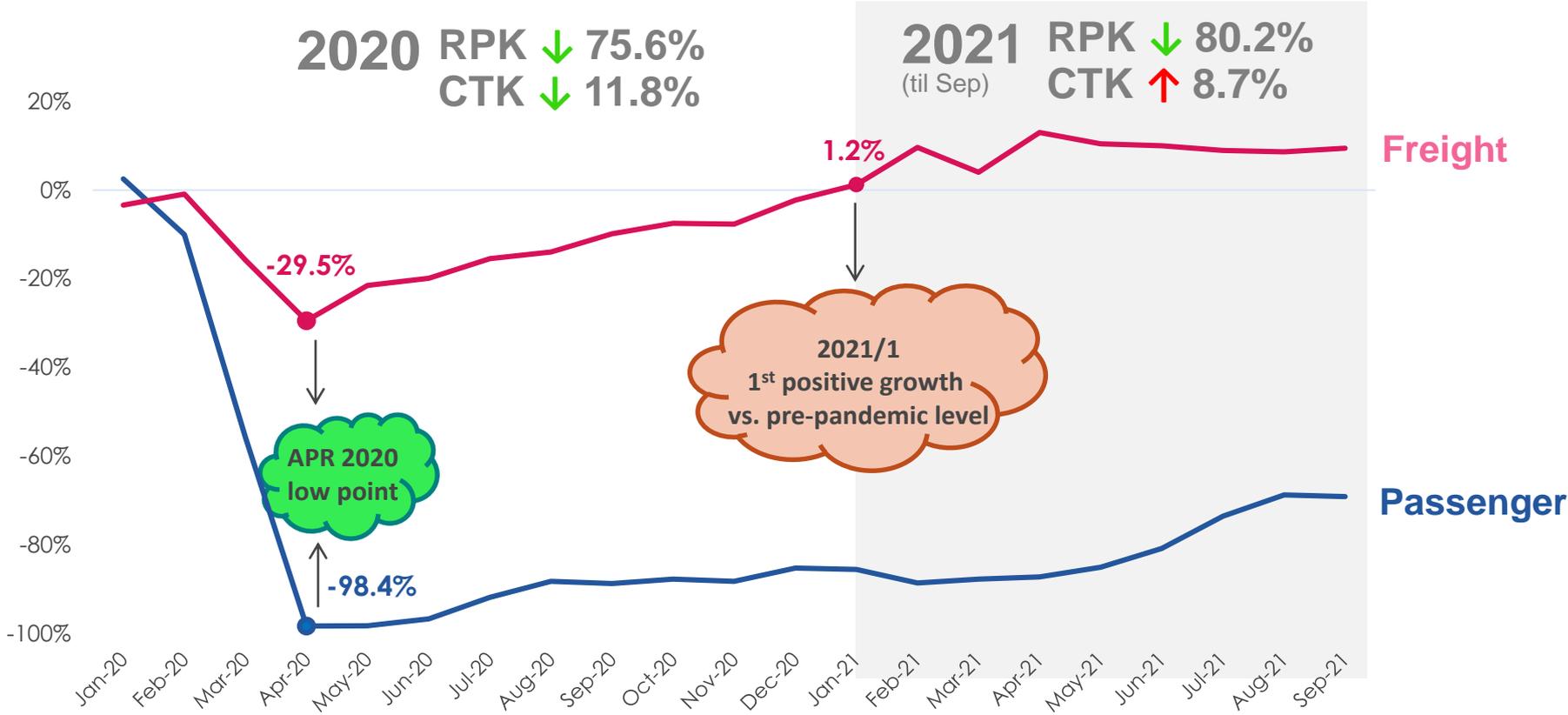
FATK increased by 17% and load factor grew 4.03 ppt. Yield was 15.6 which increased by 18% in 2021Q1-Q3.

Impact of COVID-19 Pandemic- Industry Environment Update



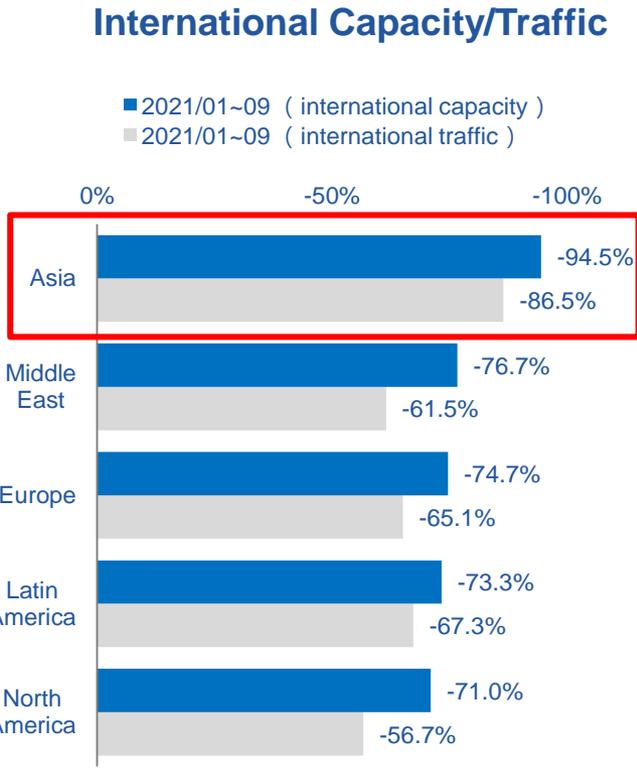
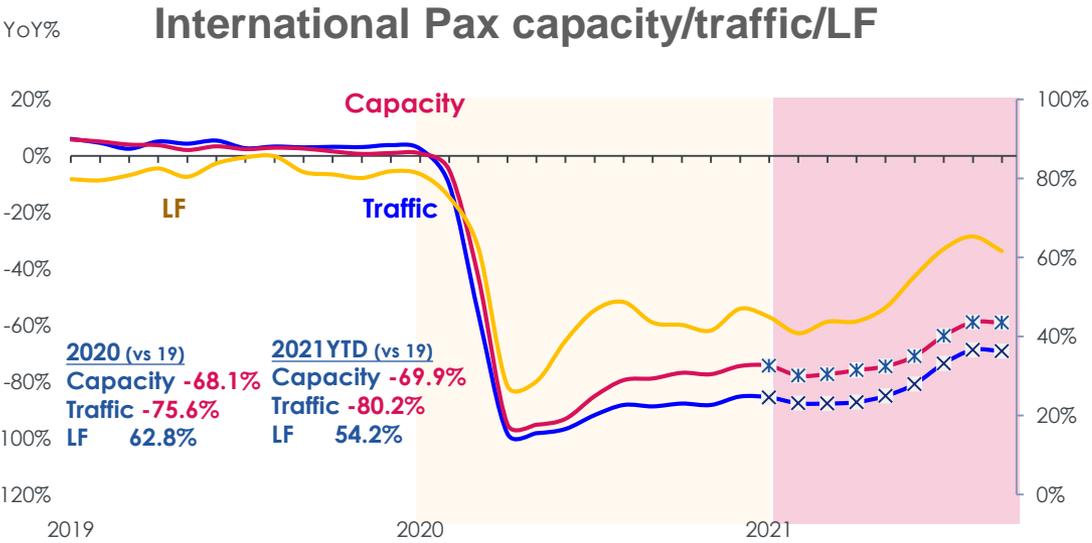
2020-2021 Air Passenger / Freight Demand

International Air Passenger(RPK) / Freight(CTK)
(%YoY, vs 2019)



Demand of Pax Market is far below the pre-crisis levels

- ✈ International Pax Traffic decreased by 69.2% in Sep,2021. and decreased by 80.2% from Jan to Sep, which is still far lower than the pre epidemic level.
- ✈ The recovery of international pax market of airlines in the Asia lags behind other regions, because delta variant virus epidemic and strict border control measures.



Year	202101	202102	202103	202104	202105	202106	202107	202108	202109
Capacity YoY%	-74.4%	-77.9%	-77.4%	-76.0%	-74.6%	-71.0%	-63.8%	-59.0%	-59.1%
Traffic YoY%	-85.6%	-88.7%	-87.8%	-87.3%	-85.1%	-80.9%	-73.6%	-68.8%	-69.2%
LF %	44.9%	40.8%	43.7%	43.8%	47.3%	55.2%	62.1%	65.3%	61.6%

※ 2021 (vs the same month in 2019)

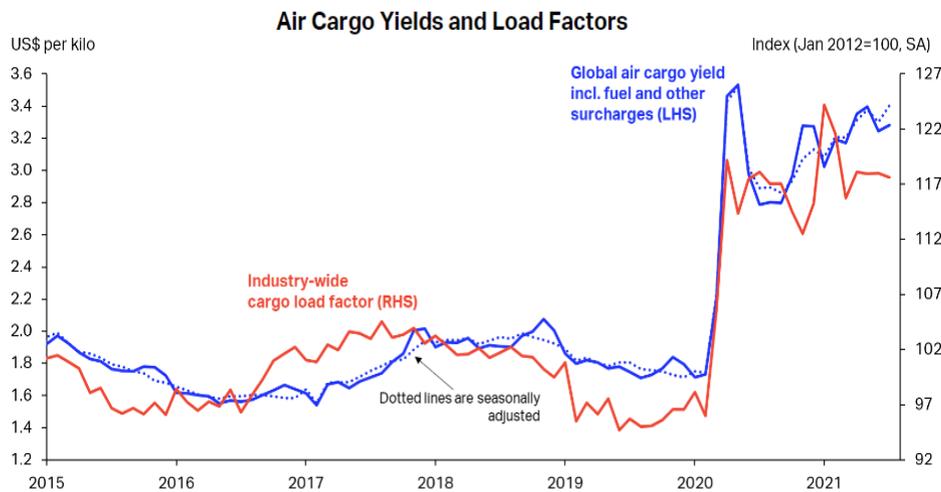
※ 2021 (vs the same month in 2019)

Impact of COVID-19 Pandemic- Response to COVID-19 and outlook for post COVID

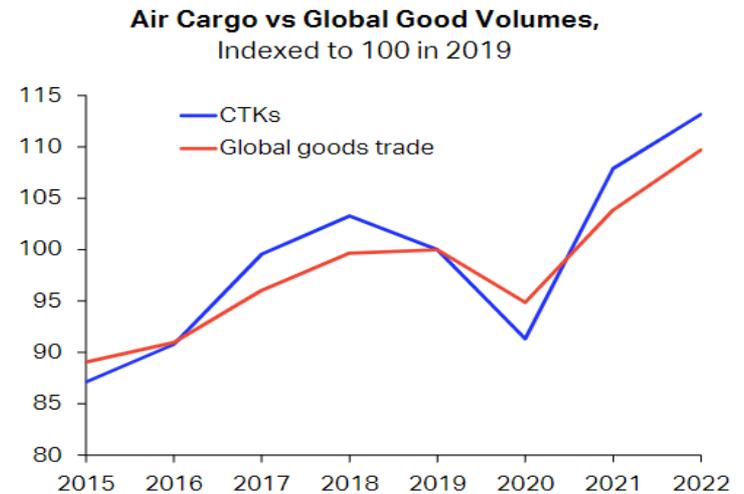


Air cargo continue to rise

- ✈ Demand surge still spread across various sectors from hi-tech, automotive to pharma.
- ✈ E-commerce contributed to robust air demand.
- ✈ Cargo demand remains strong amidst the upcoming e-commerce heavy events (Black Friday, Singles Day) and holiday shopping along with new tech product launched.
- ✈ Healthy PMI index, historically low I/S ratio & peak season indicate strong air cargo demand.
- ✈ Continued conversion of ocean freight to air as US port congestion worsens.



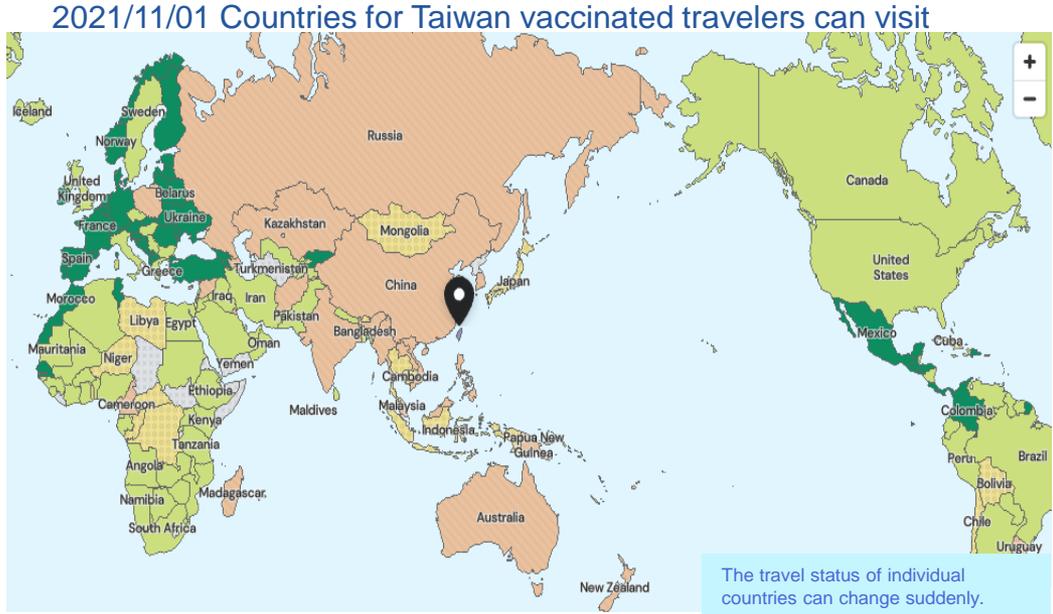
- ✈ Yields elevated, load factors close to historical highs



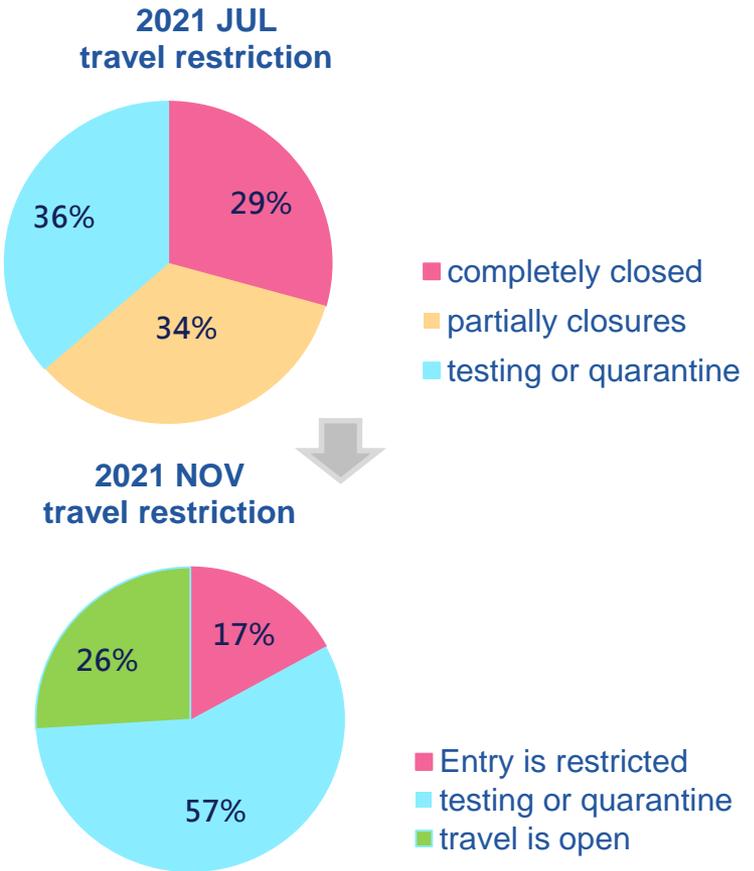
- ✈ Air cargo continue to rise, trend above goods trade

Ease travel restrictions for vaccinated tourists

- Government policies will play a huge role in air traffic recovery, with travel restrictions mostly impacting cross-border flights.
- More and more countries beginning to reopen was not only welcome news to airlines but also represents a structural improvement in the international travel landscape.

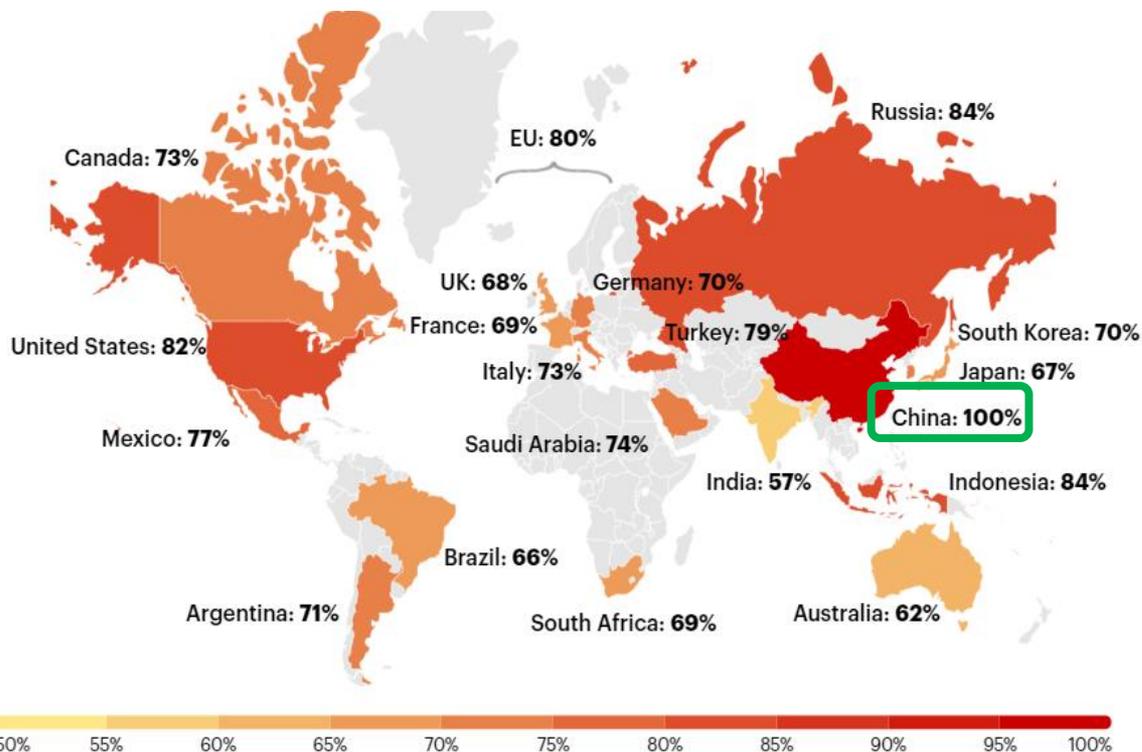


- 52** Travel is open > Open for travel. COVID-19 testing or quarantine is not required.
- 92** Test & travel > Open for travel with required COVID-19 testing.
- 24** Testing & quarantine > Open for travel with required COVID-19 testing and quarantine upon arrival.
- 34** Entry is restricted > Travel is only open for returning citizens and those meeting strict requirements.



Passenger volume recovery projection

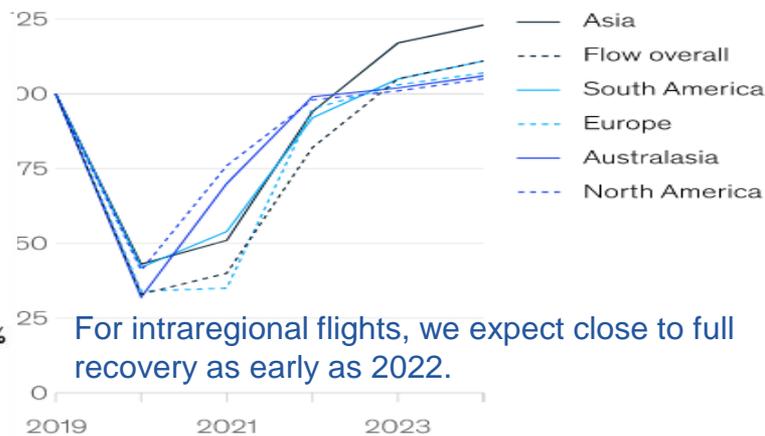
✈️ Looking ahead to projected air traffic into July 2022



Most major flows are expected to recover by 2023 or 2024

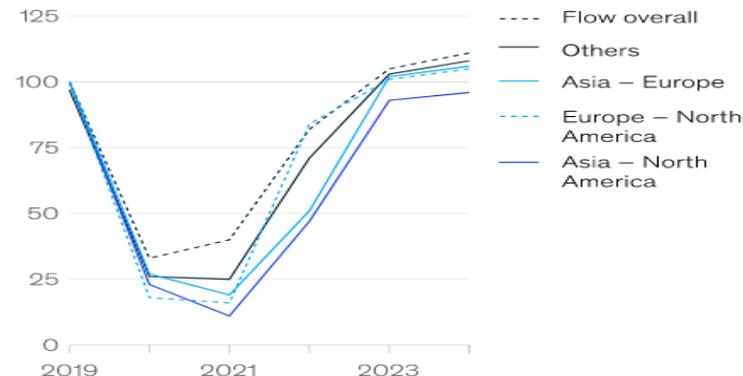
Projected recovery by region, index(2019=100)

Intraregional flow



For intraregional flights, we expect close to full recovery as early as 2022.

Interregional flow

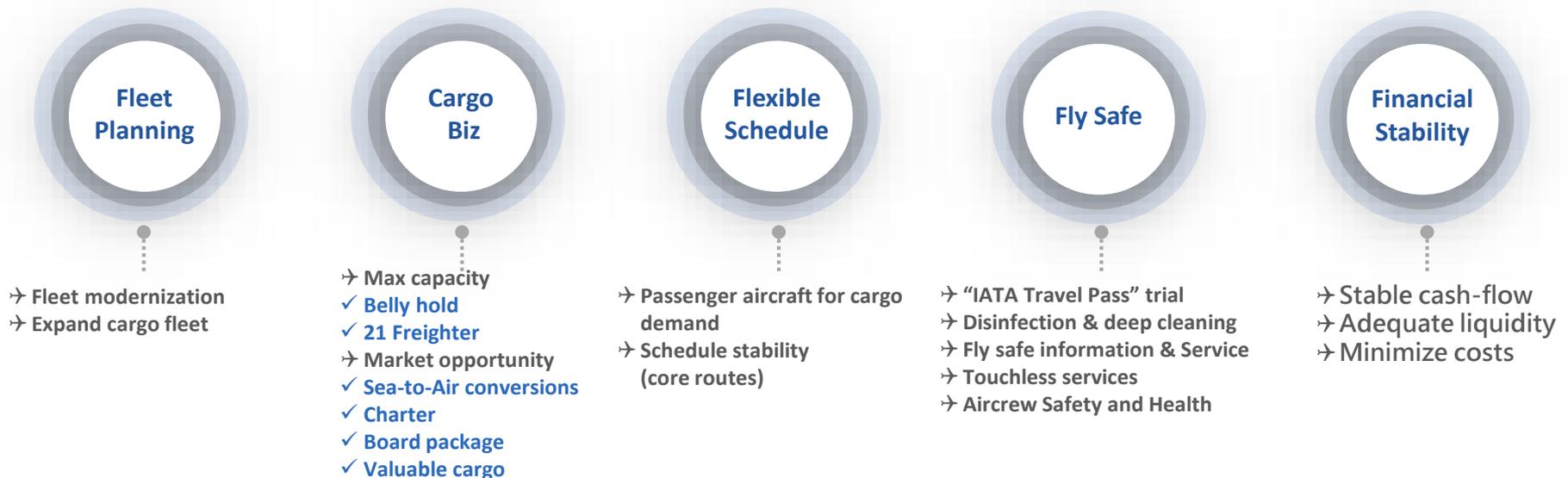


Overall air traffic demand will still be hampered by the low level of interregional flights, which is currently at 20 percent of pre-COVID-19 levels.

Baseline scenario projection of G20 countries' total airline passenger volume in July 2022, as percentage of July 2019 numbers.

Operational strategies during pandemic

- **Mainly rely on air cargo supplemented by passenger service**, during pandemic air cargo is our core source of revenue.
- Cargo : Differentiation pricing strategy, maximize cargo capacity, consolidate source of goods, optimize rate structure, hold on to cargo business opportunities.
- Passenger : Stay ahead of market trends, maintain schedule stability, consolidate rigid demand and pay a close attention to border & quarantine-free policy.



The fifth cargo capacity in the world

- IATA ranked China Airlines the fifth in the world in terms of cargo capacity, three places higher than 2019, ranking first among Asian airlines. It also ranked ninth in the world in terms of CTK.



2020 Top 10 Airlines: Ranked by Cargo Traffic

(Freight Tonnes Carried)			(Cargo Tonne-Kilometres)		
Rank	Airline	Thousands	Rank	Airline	Millions
1	Federal Express	2,555	1	Qatar Airways	13,740
2	Qatar Airways	2,329	2	Federal Express	10,266
3	Emirates	1,814	3	Emirates	9,569
4	United Parcel Service	1,552	4	Cathay Pacific Airways	8,137
5	China Airlines	1,550	5	Korean Air	8,091
6	Korean Air	1,500	6	Cargolux	7,345
7	Turkish Airlines	1,421	7	United Parcel Service	7,017
8	Cathay Pacific Airways	1,220	8	Turkish Airlines	6,958
9	Asiana Airlines	880	9	China Airlines	6,317
10	Cargolux	858	10	China Southern Airlines	5,595

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, and enhance revenue management .



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



Operate charter flights to generate revenue.

Resume Passenger flights as borders progressively reopen

- Asia-Pacific :

Indonesia : CECC has removed Indonesia from list of high-risk countries. flight services to Jakarta have resumed since 20th Oct.

Myanmar : having been removed from list of high-risk countries because of the Delta variant by CECC since 6th Nov. Flight services will resume according to market demand.

Singapore : It is going to the scheme of “Vaccinated Travellers Lane” to welcome the reopen to foreign visitors. Flight frequency tends toward stability.

- Oceania :

Australia : Australia’s international borders have progressively reopened since 1st Nov.

New Zealand : Non-New Zealand citizens as fully vaccinated are permitted to travel to New Zealand from 1st Nov. Bookings on our current ANZ flights will increase after travel restrictions were lifted.

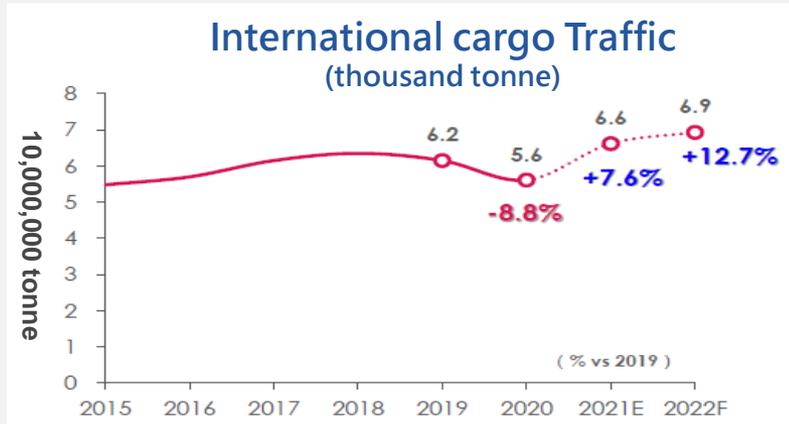
- USA : From 8th Nov, borders reopen to Non US citizens who must be fully vaccinated. We have responded to maintain stable flight operations to and from several gateways in US.

UK : having been removed from list of high-risk countries because of the Delta variant by CECC since 6th Nov. Flight services to and from London will resume in Dec.

Cargo opportunity | Passenger recovery



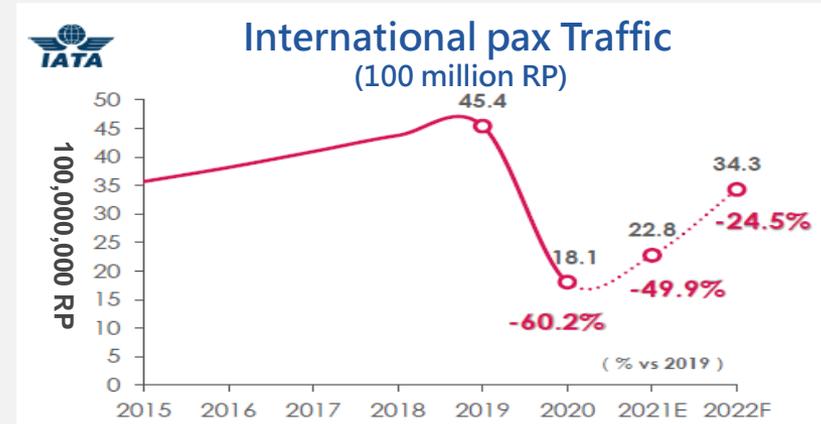
- Economic recovery , strong cargo demand, sea-to-air conversions, supply chain disruption, low inventory, air cargo becomes a sellers' market, freight rates at a higher level and outlook for cargo stays positive.
- Stay ahead of market trends, seize the chance to manage rate, ship high-value goods as priority, schedule flexible cargo operation, optimize revenue.



Market Dynamics & Demand	
Source of Goods (Bulk 、 Heavy 、 Value)	Restock Inventory (Low inventory)
Sea-to-Air Conversions	Flexible Pricing Strategy



- Increasing vaccination coverage, reopening of international travel , new international travel vaccine rules, herd immunity is the key to lead the way in travel recovery.
- **Introduce Airbus A321neo**, featuring the new touchless Audio and Video On Demand (AVOD) system to meet post Covid-19 passenger demand.



Demand, Border & Quarantine	
Schedule Stability	Epidemic Prevention & Manpower Demand
A321neo Delivery	Strengthen Revenue management system

Proactive COVID-19 Response Strategies



Fleet status

		2021 Oct	2022 Dec
Narrow Body	Boeing 737-800 	15	(-3) <u>12</u>
	Airbus 321neo 	0	(+10) New <u>10</u>
Wide Body	Airbus 350-900 	14	<u>14</u>
	Boeing 777-300ER 	10	<u>10</u>
	Airbus 330-300 	23	(-2) <u>21</u>
	Boeing 747-400  Completed sold		<u>0</u>
Passengers		62	<u>67</u>

		2021 Oct	2022
Freighters	Boeing 747-400F 	18	<u>18</u>
	Boeing 777F 	3	(+2) <u>5</u>
Freighters		21	<u>23</u>



2022年

67 ➤

Airline industry will recover, especially start from regional market



23 ➤

Due to port congestion, Lack of cargo capacity remains a key obstacle for the rising demand,.

2021 OCT
Total 83 aircraft

90

S&P revised rating outlook to stable



Rating Organization	Long-Term Rating	Outlook	Rating Date
Taiwan Ratings	twBBB+	Stable	2021/10/28
Taiwan Ratings	twBBB+	Negative	2020/3/16
Taiwan Ratings	twBBB+	Stable	2019/10/30

CAL is **the first** airline that received revised rating outlook to stable in Asia

中華信用評等
Taiwan Ratings
An S&P Global Company

Sustainability We Care

- The only Taiwanese airline selected for DJSI Emerging Markets for six consecutive years.
- China Airlines ranked in 2nd place among the world's airlines(DJSI).

永續華航
SUSTAINABILITY WE CARE

Sustainability Performance of CAL

6 CONSECUTIVE YEARS
2016 - 2021
Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA
Included in the DJSI Emerging Markets

6 CONSECUTIVE YEARS
2016 - 2021
FTSE4Good
Included in the FTSE4Good Emerging Index

8 CONSECUTIVE YEARS
2014 - 2021
TCSA
Won the Taiwan Corporate Sustainability Award

3 CONSECUTIVE YEARS
2019 - 2021
GCSA
Won the Global Corporate Sustainability Award

Excellent Corporate Governance

2014-2021



7 consecutive years
Top **6%-20%** TWSE/TPEX listed companies in the seventh corporate governance review.

Pioneer in Environmental Protection

2012-2020



9 consecutive years
Achieved great CDP score on climate change

Establish Happy Workplace

2017-2021



5 consecutive years
Taiwan High Compensation 100 Index (HC 100)
Taiwan Employment Creation 99 Index (EMP 99)

Thank you

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

2021.11

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