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Agenda

1. 1st Half 2019 Operating Results
2. Aviation Industry Outlook
3. Passenger Performance and Strategies
4. Cargo Performance and Strategies
5. Operating Fleet
1st Half 2019 Operating Results
## Operating Performance

### Consolidated Financial Statistics

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2018</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2019</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>810.11</td>
<td>832.98</td>
<td>2.82%</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>11.98</td>
<td>13.34</td>
<td>11.35%</td>
</tr>
<tr>
<td>Net Income (Loss) After Tax</td>
<td>4.03</td>
<td>-4.38</td>
<td>-</td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to Owners of the company</td>
<td>1.89</td>
<td>-6.86</td>
<td>-</td>
</tr>
<tr>
<td>Earnings (Losses) Per Share (NT$)</td>
<td>0.03</td>
<td>-0.13</td>
<td>-</td>
</tr>
</tbody>
</table>

### Financial Statistics (CI only)

*(Exclude adopting IFRS 16 “Leases” impact)*

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2018</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2019</th>
<th>YoY %</th>
</tr>
</thead>
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<tr>
<td>Net Income (Loss) Attributable to Owners of the company</td>
<td>1.89</td>
<td>-6.86</td>
<td>-</td>
</tr>
<tr>
<td>Reconcile : adopting IFRS 16 “Leases” impact</td>
<td>0</td>
<td>3.95</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted Net Income Attributable to Owners of the company</td>
<td>1.89</td>
<td>-2.91</td>
<td>-</td>
</tr>
</tbody>
</table>
In the first half of 2019, Passenger, Cargo and other operating revenues accounted for 66%, 29% and 5% respectively.
In the first half of 2019, Fuel cost accounted for 30.5% of operating expenses mainly due to the decrease in oil prices
Changes in Op. Income

- Pax. Revenue: +14.01
- Cargo Revenue: -7.11
- Other Op. Revenue: +1.58
- Fuel: -6.25
- Rental, Depreciation & Insurance: -0.06
- Maintenance: +9.42
- Airport & Ground Handling: +2.77
- Other Op. Costs: +0.76
- Personnel: +0.85
- Sales & General Adm.: +3.01
- Other Op. Costs: +0.76
- Net Op. Income: ▼ 2.02

TWD 100 Million


# Financial Risk Management - Fuel

## Fuel Cost

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2018</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Half 2019</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet Fuel (MOPS)</td>
<td>83.68 USD/BBL</td>
<td>78.05</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Fuel Consumption</td>
<td>865.13 10KBBL</td>
<td>854.58</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Fuel Expend</td>
<td>225.98 TWD/100Million</td>
<td>219.65</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Hedging Loss(Gain)</td>
<td>-0.03 TWD/100Million</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>Total Fuel Cost</td>
<td>225.95 TWD/100Million</td>
<td>219.70</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

## Fuel Hedging

<table>
<thead>
<tr>
<th>Year</th>
<th>Hedging%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Half 2019</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
Financial Risk Management – Currency of Revenue and Expenditure

1st Half 2018

Revenue:
- TWD: 49%
- USD: 14%
- JPY: 8%
- CNY: 7%
- HKD: 6%
- EUR: 6%
- Others: 3%

Expense:
- TWD: 37%
- USD: 46%
- JPY: 6%
- CNY: 2%
- HKD: 2%
- EUR: 2%
- Others: 2%

1st Half 2019

Revenue:
- TWD: 47%
- USD: 13%
- JPY: 7%
- CNY: 9%
- HKD: 6%
- EUR: 4%
- Others: 2%

Expense:
- TWD: 42%
- USD: 5%
- JPY: 7%
- CNY: 13%
- HKD: 2%
- EUR: 2%
- Others: 2%
Aviation Industry Outlook
According to IATA forecast, global RPK growth is slowing down, the growth rate of Asia-Pacific is larger than global average with similar trend.

The growth rate of global and Asia-Pacific traffic in 2019 are expected to be 5% and 6.3% respectively.
Air Cargo Growth Slows Down

- Global and Asia-Pacific FTKs have grown by 3.4% and 1.7% respectively in 2018.
- IATA expects the growth rate of global FTKs in 2019 will be flat and the Asia-Pacific is expected to be negative growth.
Passenger Performance and Strategies
Passenger revenue increased by 3%, reaching TWD 47.76 billion in the first half of 2019.
Northeast Asia accounted for the largest share (30%) of revenue, followed by Southeast Asia with revenue share of 18%.
ASK decreased by 1.4% while the load factor and yield increased by 0.9ppt and 3.6% respectively in the first half of 2019.
Market Outlook

Regional Market

Northeast Asia
- Taiwan outbound flow to NEA region continues to grow.
- The extra or charter flights to Northeast Asia will be arranged to generate more revenue.

Mainland China
- Mainland China market is expected to have the negative growth due to the latest Restricted Policy.

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

Long-haul Market

Trans Pacific Ocean
- The travel volume between Taiwan and North America keeps growing.
- Aggressive Ontario/Los Angeles 17 flights/week offer better service and gain more market share.

Europe
- Demand stably grows in Taiwan outbound market with Direct flight service.

Australia & New Zealand
- Increase frequency to maintain competitive edge.
In response to intense market competition, China Airlines established Tigerair Taiwan to differentiate products from traditional airlines in order to achieve competitive advantage and create positive synergy.

**Secure Taiwan Market by Multiple Brands**

- **Operate high-end market by elevating the quality of products and service**
  - Regional Flight
    - Within 4 hours
    - Full Service
    - + Low Cost
    - Low Cost
  - Long-haul Flight
    - More than 4 hours
    - Full Service

- **Operate the low cost market through the young and energetic brand image**
  - Taichung International Airport
  - Tigerair
Flight Networks

Europe
- 22 Flights per week with 5 destinations

China
- 119 Flights per week with 28 destinations

Northeast Asia
- 232 Flights per week with 17 destinations

Southeast Asia/Hong Kong
- 293 Flights per week with 15 destinations

New Zealand/Australia
- 22 Flights per week with 4 destinations

North America
- 37 Flights per week with 6 destinations

As of W19
Cooperation with Other Airlines

China Airlines works with more than 20 airlines worldwide to expand global flight network and share operation resources.
Cargo Performance and Strategies
• Cargo revenue totaled TWD 20.93 billion, a 3.3% decreased, in the first half of 2019.
• Trans Pacific Ocean accounted for the largest share (54%) of revenue, followed by Southeast Asia and Europe with revenue share of 17% and 12% respectively.
FATK decreased by 2.2% and the load factor dropped 4.7ppt while yield grew by 5.9% in the first half of 2019.
In 2018, China Airlines Cargo ranked globally NO. 6 in terms of tonnage carried and NO. 12 in terms of FRTK basis.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>by Tonnage (in thousands)</th>
<th>Airline</th>
<th>by FRTK (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Emirates (1)</td>
<td>2,609</td>
<td>Emirates (1)</td>
<td>12,713</td>
</tr>
<tr>
<td>2</td>
<td>Qatar Airways (3)</td>
<td>2,262</td>
<td>Qatar Airways (2)</td>
<td>12,695</td>
</tr>
<tr>
<td>3</td>
<td>Federal Express (2)</td>
<td>2,159</td>
<td>Cathay Pacific Airways (3)</td>
<td>11,284</td>
</tr>
<tr>
<td>4</td>
<td>Cathay Pacific Airways (4)</td>
<td>1,828</td>
<td>Federal Express (4)</td>
<td>8,455</td>
</tr>
<tr>
<td>5</td>
<td>United Parcel Service (5)</td>
<td>1,548</td>
<td>Korean Air (5)</td>
<td>7,815</td>
</tr>
<tr>
<td>6</td>
<td><strong>China Airlines (7)</strong></td>
<td><strong>1,512</strong></td>
<td>Lufthansa (7)</td>
<td>7,391</td>
</tr>
<tr>
<td>7</td>
<td>Korean Air (6)</td>
<td>1,510</td>
<td>Cargolux (6)</td>
<td>7,322</td>
</tr>
<tr>
<td>8</td>
<td>Turkish Airlines (9)</td>
<td>1,302</td>
<td>Singapore Airlines (8)</td>
<td>6,491</td>
</tr>
<tr>
<td>9</td>
<td>Singapore Airlines (8)</td>
<td>1,167</td>
<td>United Parcel Service (9)</td>
<td>6,252</td>
</tr>
<tr>
<td>10</td>
<td>Lufthansa (10)</td>
<td>969</td>
<td>Air China (12)</td>
<td>5,912</td>
</tr>
<tr>
<td>11</td>
<td>Asiana Airlines (11)</td>
<td>933</td>
<td>Turkish Airlines (14)</td>
<td>5,860</td>
</tr>
<tr>
<td>12</td>
<td>Cargolux(15)</td>
<td>850</td>
<td><strong>China Airlines (10)</strong></td>
<td><strong>5,804</strong></td>
</tr>
</tbody>
</table>

(YOY +3.4%) (YOY +1.1%)
Air Cargo growth is expected to weaken in 2019 due to recent escalating China-US trade war and overstock resulting from unexpected cargo growth demand during past 2 years.
2019 Business Opportunity-Project Shipment

- **Continuously focusing on recurrent traffic**
  Semiconductor, Capital Equipment, Electronic products/semi-products, Functional textile, auto parts, Pharmaceuticals, Medical Equipment, Fresh produces, e-Commerce, Aircraft materials

- **Actively explore potential cargo**
  Industrial computers/servers, Wearing devices, Internet of Things development
Freighter Network Planning

Deploy regional networks such as Southeast Asia and India and optimize the long-haul flight revenues to Europe and America.

Eff. From 2019JUL

6 Flt/week Europe

53 Flt/week Regional
NEA 5+PRC 14
HKG 15+SEA 19

36 Flt/week Trans Pac
Interline Cooperation

Cooperate with other airlines to develop Mid-Asia and Latin American markets.
Challenge: China-US Trade War

China-US Trade war Effect on TW

Many overseas Taiwanese businesses have taken steps to adjust their production by relocating funds back to Taiwan or Southeast Asia to diversify risk amid the China-US trade dispute.

The impact of China-US trade war on air cargo transport:

- **Short term:** Urgent order shipment due to tariff issue
- **Mid term:** Air cargo demand reduced while overstock
- **Long term:** Cargo volume is expected back to normal as agreement is made by US and China

Counter Measure of CI

- Cargo supply adjustment to cater to market needs
- Flexible network planning for potential market
- Aggressive development of solid target suppliers
Operating Fleet
Operating Fleet as of August 2019

- Aircrafts in storage are excluded.

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Owned</th>
<th>On Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>777-300ER</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>747-400</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>A350-900</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>A330-300</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>737-800</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>747-400F (Freighter)</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td><strong>Number of aircraft in fleet</strong></td>
<td><strong>53</strong></td>
<td><strong>35</strong></td>
</tr>
</tbody>
</table>

To maximize fuel efficiency, CI is expected to receive the first of 3 777F in 2020 and the first of 14 leased A321neo in 2021.
Thank you