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

<table>
<thead>
<tr>
<th></th>
<th>2020Q3</th>
<th>2021Q3</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>26,612</td>
<td>34,474</td>
<td>29.54%</td>
</tr>
<tr>
<td>Net Operating Income (Loss)</td>
<td>-358</td>
<td>3,985</td>
<td>-</td>
</tr>
<tr>
<td>Non-Operating Income (Loss)</td>
<td>-817</td>
<td>2,801</td>
<td>-</td>
</tr>
<tr>
<td>Net Income (Loss) After Tax</td>
<td>-708</td>
<td>2,917</td>
<td>-</td>
</tr>
<tr>
<td>Earnings (Loss) Per Share (TWD)</td>
<td>-0.13</td>
<td>0.51</td>
<td>-</td>
</tr>
</tbody>
</table>

## Group Revenue

<table>
<thead>
<tr>
<th></th>
<th>2020Q3</th>
<th>2021Q3</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue</td>
<td>3,241</td>
<td>1,189</td>
<td>-63.31%</td>
</tr>
<tr>
<td>Cargo Revenue</td>
<td>21,509</td>
<td>31,247</td>
<td>45.27%</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>1,862</td>
<td>2,038</td>
<td>9.45%</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>26,612</td>
<td>34,474</td>
<td>29.54%</td>
</tr>
</tbody>
</table>
## Operating Performance – 2021Q1~Q3

### Consolidated Financial Statistics

<table>
<thead>
<tr>
<th></th>
<th>2020Q1-Q3</th>
<th>2021Q1-Q3</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>85,484</td>
<td>91,675</td>
<td>-7.24%</td>
</tr>
<tr>
<td>Net Operating Income (Loss)</td>
<td>-581</td>
<td>4,722</td>
<td></td>
</tr>
<tr>
<td>Non-Operating Income (Loss)</td>
<td>-2,375</td>
<td>1,098</td>
<td>-</td>
</tr>
<tr>
<td>Net Income (Loss) After Tax</td>
<td>-2,022</td>
<td>1,555</td>
<td>-</td>
</tr>
<tr>
<td>Earnings (Loss) Per Share (TWD)</td>
<td>-0.37</td>
<td>0.28</td>
<td>-</td>
</tr>
</tbody>
</table>

### Group Revenue

<table>
<thead>
<tr>
<th></th>
<th>2020Q1-Q3</th>
<th>2021Q1-Q3</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue</td>
<td>23,483</td>
<td>4,569</td>
<td>-80.54%</td>
</tr>
<tr>
<td>Cargo Revenue</td>
<td>56,046</td>
<td>81,310</td>
<td>45.08%</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>5,955</td>
<td>5,796</td>
<td>-2.67%</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>85,484</td>
<td>91,675</td>
<td>7.24%</td>
</tr>
</tbody>
</table>
Cargo revenue accounted for 93%, and Passenger and other operating revenue accounted for 3% and 4% respectively in 2021Q1-Q3.
Fuel cost accounted for 28% of operating expenses due to the increase in fuel price during 2021.
1. Fuel Cost: Hedging ratio is 4.5% during next six months

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

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.
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 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.
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)

2020
- RPK ↓ 75.6%
- CTK ↓ 11.8%

2021 (til Sep)
- RPK ↓ 80.2%
- CTK ↑ 8.7%

2021/1
1st positive growth vs. pre-pandemic level

Source: IATA
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.

Source: IATA

International Pax capacity/traffic/LF

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)
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

Source: IATA; DHL
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.

2021/11/01 Countries for Taiwan vaccinated travelers can visit

The travel status of individual countries can change suddenly.

2021 JUL travel restriction
- 36% completely closed
- 29% partially closures
- 34% testing or quarantine

2021 NOV travel restriction
- 26% Entry is restricted
- 17% testing or quarantine
- 57% travel is open
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)

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

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

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.
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.

**Fleet Planning**
- Fleet modernization
- Expand cargo fleet

**Cargo Biz**
- Max capacity
  - Belly hold
  - 21 Freighter
  - Market opportunity
- Sea-to-Air conversions
- Charter
- Board package
- Valuable cargo

**Flexible Schedule**
- Passenger aircraft for cargo demand
- Schedule stability (core routes)

**Fly Safe**
- “IATA Travel Pass” trial
- Disinfection & deep cleaning
- Fly safe information & Service
- Touchless services
- Aircrew Safety and Health

**Financial Stability**
- Stable cash-flow
- Adequate liquidity
- Minimize costs
CAL Expands Cargo Service

CAL leverages Taiwan’s strategic position and cargo capacity during the pandemic, increasing by 23% of schedule flights per week. The overall weekly capacity will be up to 130 flights including charter flights in 2021.

- Fully utilize CAL 18 747-400 freighters
- Leverage belly space to support cargo demand
- Maintain high efficiency with 3 777F operation

- Monthly route review and flexible route adjustment
- Prioritize high-yield goods and regular project shipment for route profit boost
- Pursue high yield charter to uplift load factor and revenue
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

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

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.

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.

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International cargo Traffic (thousand tonne)

International pax Traffic (100 million RP)

Market Dynamics & Demand

- Source of Goods (Bulk, Heavy, Value)
- Restock Inventory (Low inventory)
- Sea-to-Air Conversions
- Flexible Pricing Strategy

Demand, Border & Quarantine

- Schedule Stability
- Epidemic Prevention & Manpower Demand
- A321neo Delivery
- Strengthen Revenue management system

International cargo Traffic (thousand tonne)

International pax Traffic (100 million RP)
Proactive COVID-19 Response Strategies

- Conserve cash-flow & lower the cost
- Integrate sales and marketing strategy
- Maintain business continuity and stability
- Comply with regulations to promote safe travel
- Rebuild passenger confidence in air travel
# Fleet status

## 2021 Oct - 2022 Dec

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>2021 Oct</th>
<th>2022 Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Narrow Body</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 737-800</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Airbus 321neo</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td><strong>Wide Body</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airbus 350-900</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Airbus 330-300</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Boeing 747-400</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td><strong>Passengers</strong></td>
<td>62</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total Aircraft</strong></td>
<td>83</td>
<td>87</td>
</tr>
</tbody>
</table>

## 2021 Oct - 2022

<table>
<thead>
<tr>
<th>Freighter Type</th>
<th>2021 Oct</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 747-400F</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Boeing 777F</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Freighters</strong></td>
<td>21</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2021 OCT</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 83 aircraft</td>
<td>90</td>
</tr>
</tbody>
</table>

**2022年**
- Airline industry will recover, especially start from regional market
- Due to port congestion, lack of cargo capacity remains a key obstacle for the rising demand.
S&P revised rating outlook to stable

<table>
<thead>
<tr>
<th>Rating Organization</th>
<th>Long-Term Rating</th>
<th>Outlook</th>
<th>Rating Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan Ratings</td>
<td>twBBB+</td>
<td>Stable</td>
<td>2021/10/28</td>
</tr>
<tr>
<td>Taiwan Ratings</td>
<td>twBBB+</td>
<td>Negative</td>
<td>2020/3/16</td>
</tr>
<tr>
<td>Taiwan Ratings</td>
<td>twBBB+</td>
<td>Stable</td>
<td>2019/10/30</td>
</tr>
</tbody>
</table>

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

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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