China Airlines
2020 Investor Conference

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TSE：2610

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Agenda

1. First Half Year 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 Half Year Financial Results for 2020

Operating Performance – 2020Q2

Consolidated Financial Statistics

TWD 100 Million

	2019Q2	2020Q2	YoY %
Operating Revenue	**428.92**	**263.16**	**-38.64%**
Net Operating Income	**5.73**	**27.48**	**379.58%**
Net Income(Loss) After Tax	**-2.91**	**22.53**	**-**
Net Income(Loss) Attributable to Owners of the company	**-4.43**	**24.59**	**-**
Earnings(Loss) Per Share (TWD)	**-0.08**	**0.45**	**-**

Group Revenue

TWD 100 Million

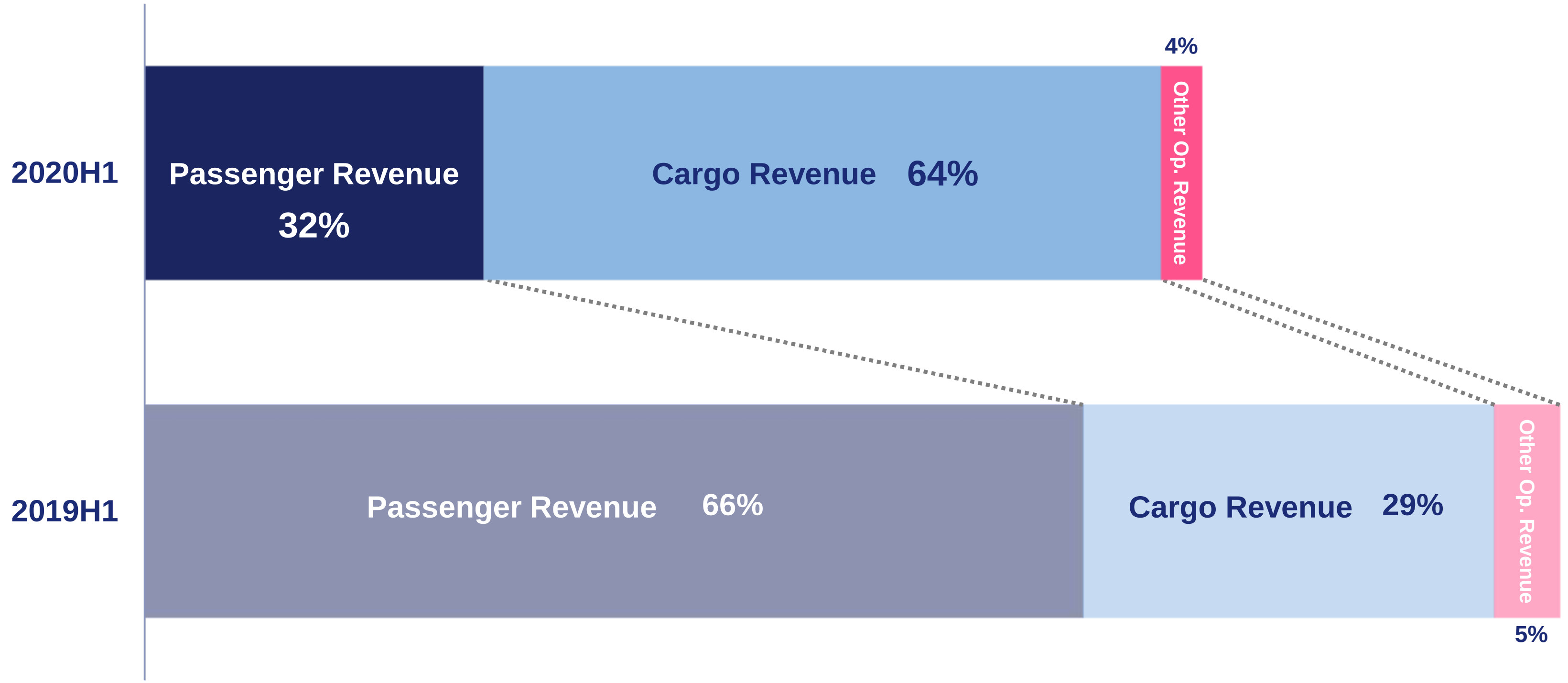
	2019Q2	2020Q2	YoY %
Passenger Revenue	**282.06**	**15.13**	**-94.63%**
Cargo Revenue	**109.56**	**234.42**	**113.96%**
Other Operating Revenue	**37.3**	**13.61**	**-63.51%**
Total Group Operating Revenue	**428.92**	**263.16**	**-38.64%**

Operating Performance – 2020H1

Consolidated Financial Statistics			TWD 100 Million
	2019H1	2020H1	YoY %
Operating Revenue	832.98	588.73	-29.32%
Net Operating Income(Loss)	13.34	-2.23	-
Net Loss After Tax	-4.38	-15.58	-
Net Loss Attributable to Owners of the company	-6.86	-13.14	-
Loss Per Share (TWD)	-0.13	-0.24	-

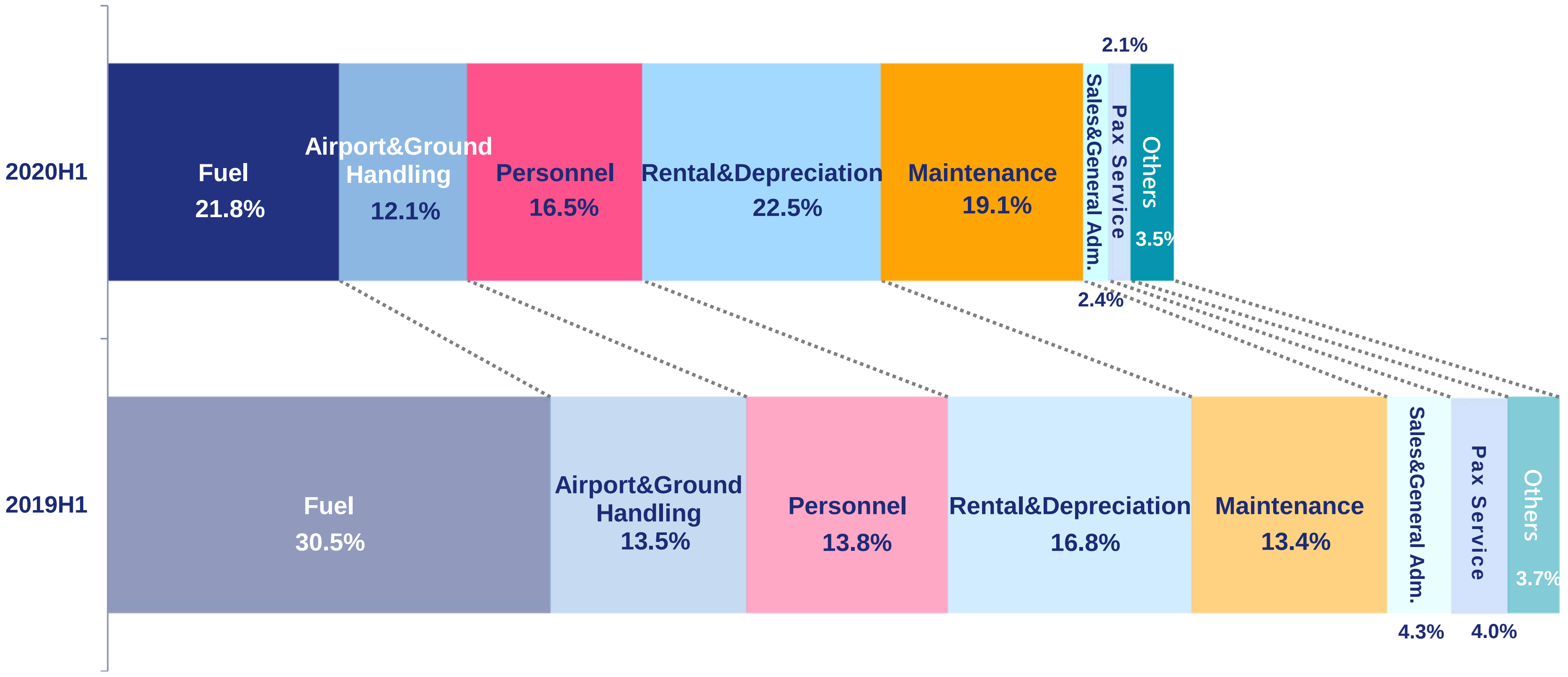
Group Revenue			TWD 100 Million
	2019H1	2020H1	YoY %
Passenger Revenue	554.56	202.42	-63.49%
Cargo Revenue	211.18	345.37	63.54%
Other Operating Revenue	67.24	40.94	-39.11%
Total Group Operating Revenue	832.98	588.73	-29.32%

Composition of Op. Revenue - CI



Passenger, Cargo and other operating revenue accounted for 32%, 64% and 4% respectively in 2020H1.

Composition of Op. Expenses - CI



Fuel cost accounted for 21.8% of operating expenses due to COVID-19 pandemic in 2020H1.

Financial Risk Management – Fuel (CI)

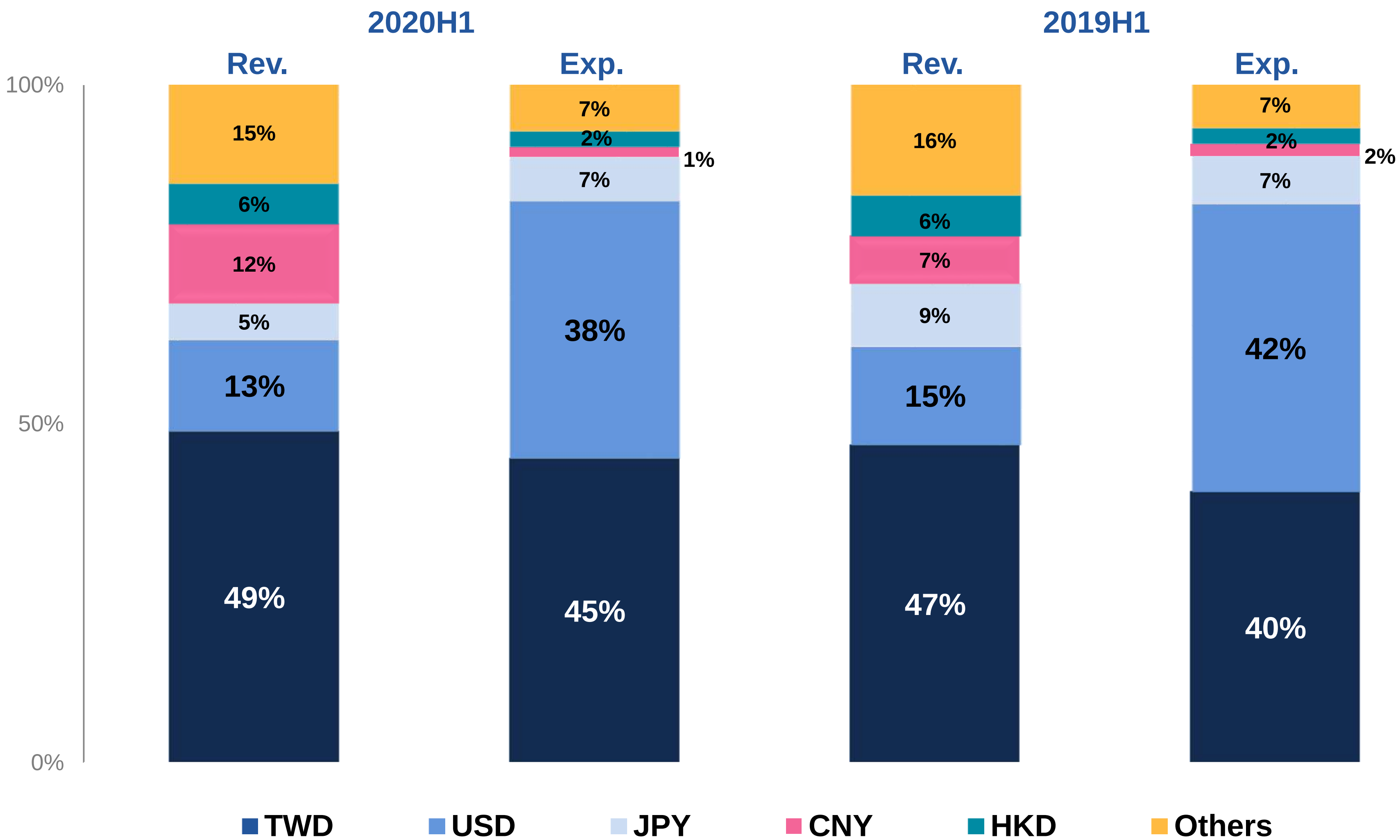
Fuel Cost

		2019H1	2020H1	YoY%
Jet Fuel (MOPS)	USD/BBL	**78.05**	**45.01**	**-42.3%**
Fuel Consumption	10KBBL	**854.58**	**664.63**	**-22.2%**
Fuel Expend	TWD/100Million	**219.23**	**114.43**	**-47.8%**
Hedging Loss	TWD/100Million	**0.07**	**0.26**	**271.4%**
Total Fuel Cost	TWD/100Million	**219.3**	**114.69**	**-47.7%**

Fuel Hedging

Year	Hedging%
2020.09-20201.08	**0.8%**

Financial Risk Management –
Currency of Revenue and Expenditure



Impact of COVID-19 Pandemic Industry Environment Update

COVID-19: Severe Impact on the Global Airline Industry

A slump in air travel demand due to COVID-19 pandemic which has forced airlines to cut flights.

RPKs

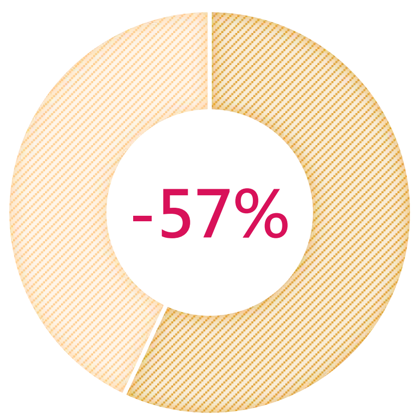
YoY%

Air Passengers

YoY%

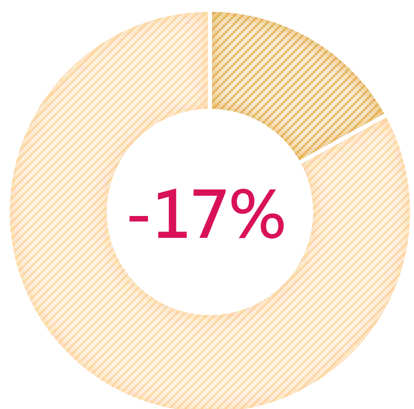
Airport Revenue

YoY%



Freighter Tonnes

YoY%

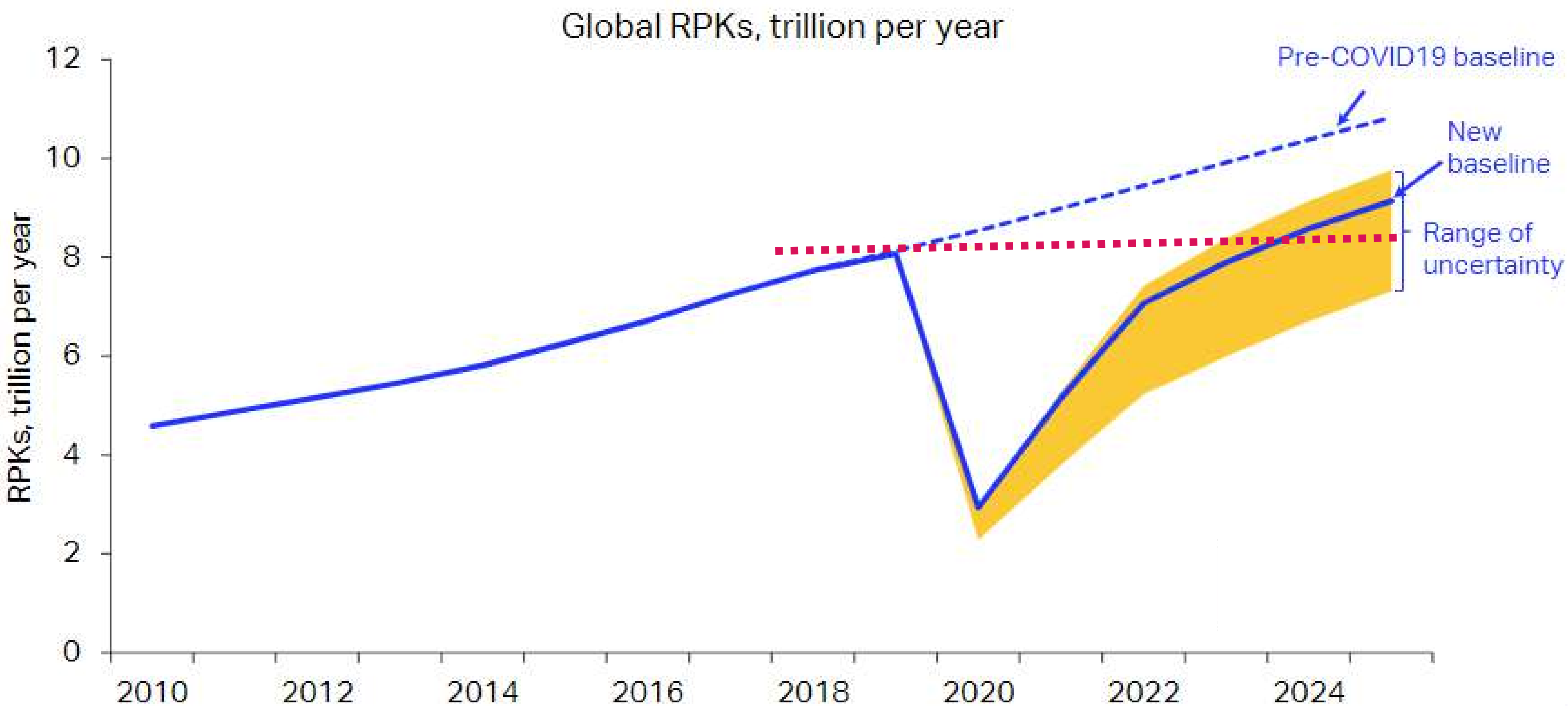


IATA forecasted airlines across the world are expected to lose USD 84.3 billion in 2020.

Source：ICAO、IATA、ACI、UNWTO

2019 Level Recovered Only by 2024

- Five years to return to pre-pandemic level of passenger demand
- 75% growth forecast for 2021 but RPKs still 36% below 2019 levels

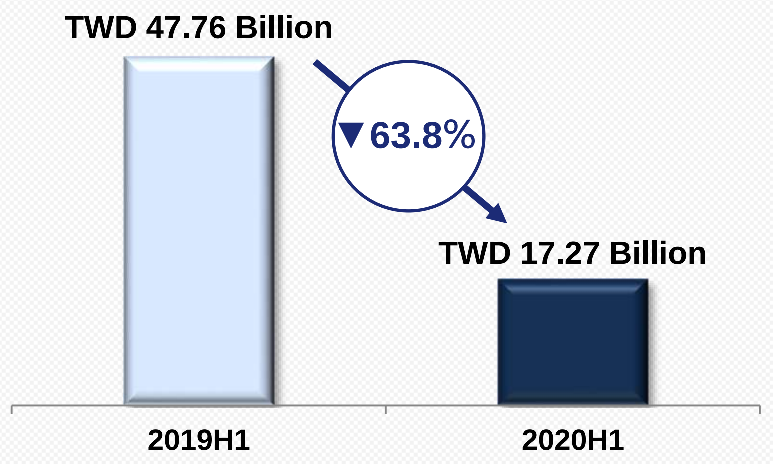


Source： IATA/Tourism Economics ‘Air Passenger Forecasts’ July 2020

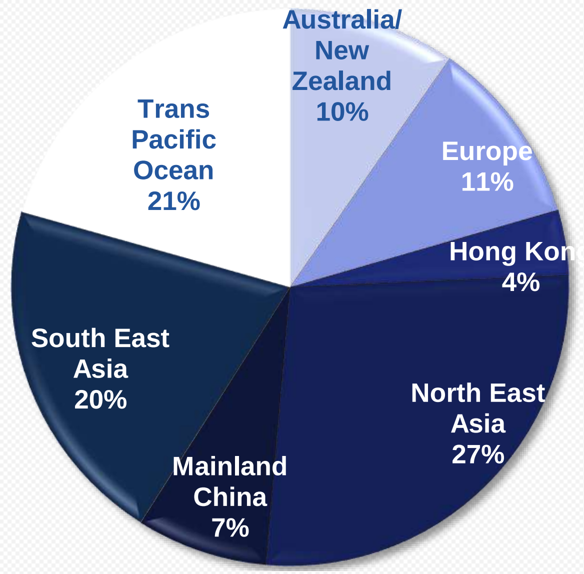
Impact of COVID-19 Pandemic Operational Performance Update

Passenger Performance

Revenue

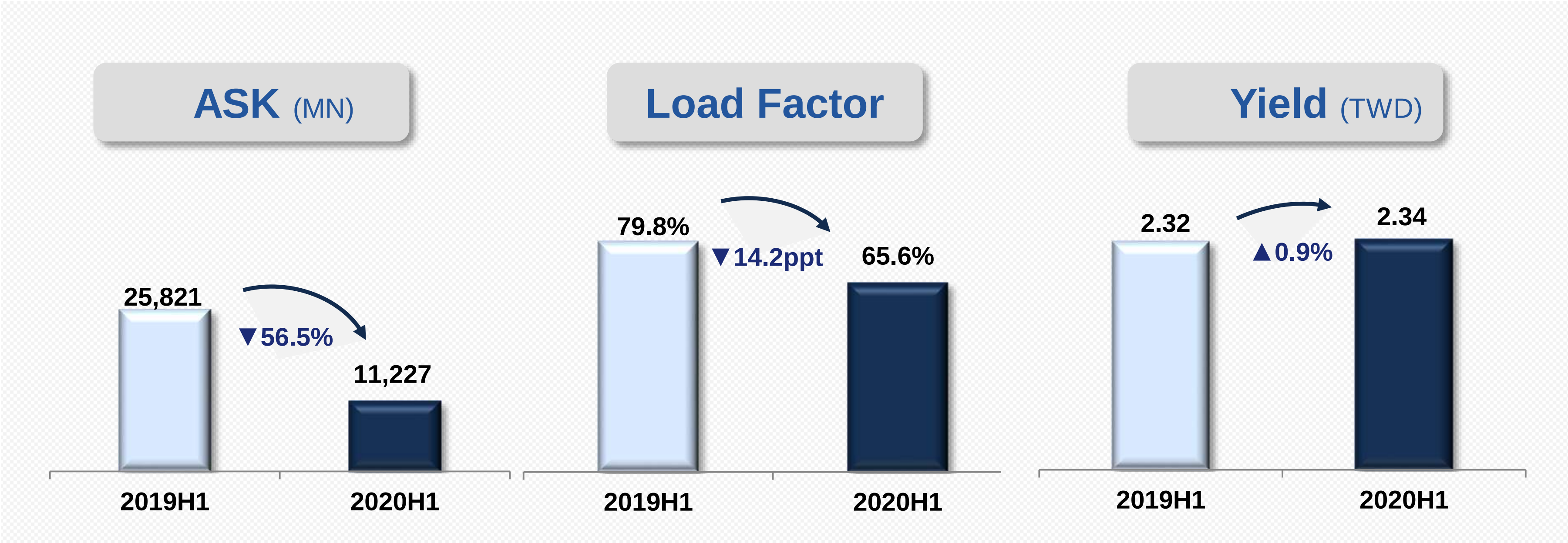


Composition by Region



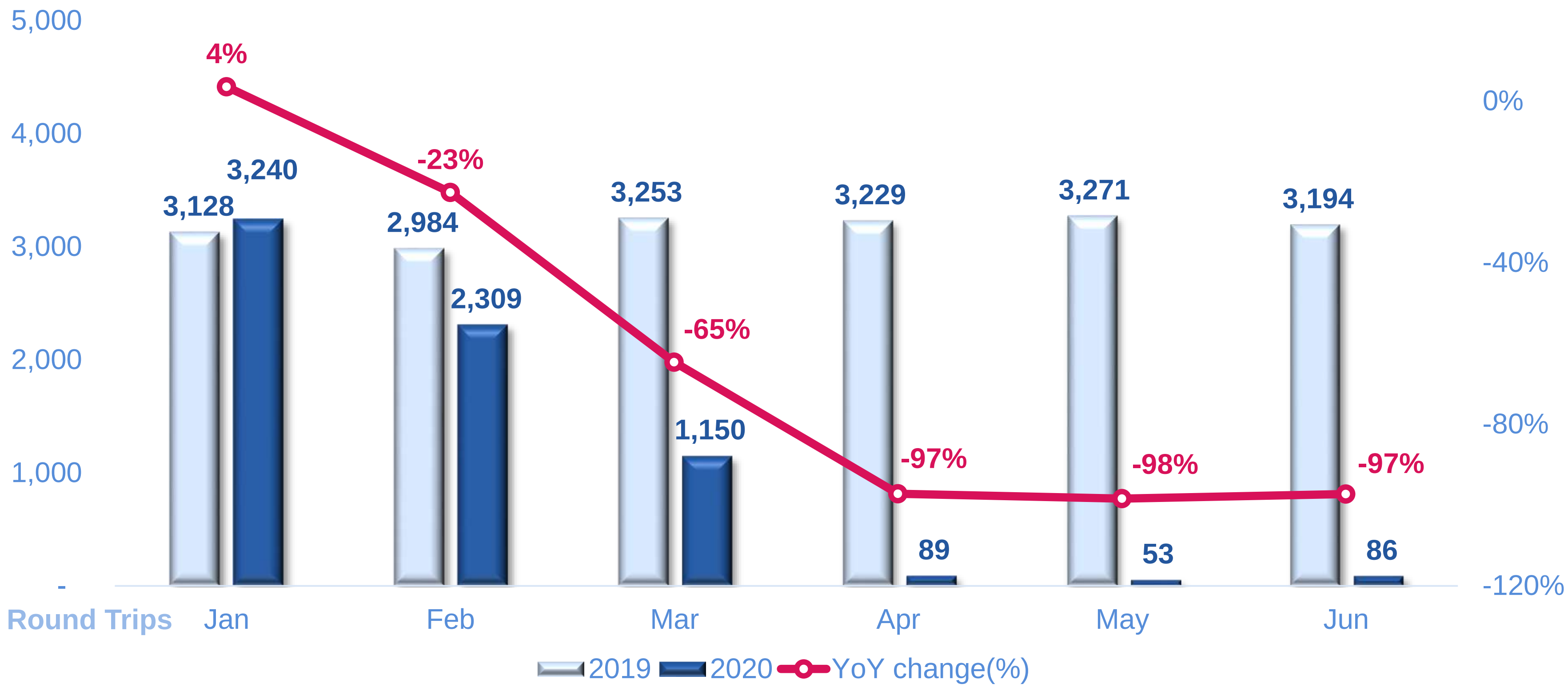
- Passenger revenue decreased by 63.8% to TWD 17.27 billion in 2020H1.
- Northeast Asia accounted for the largest share (27%) of revenue, followed by Trans Pacific Ocean with revenue share of 21%.

Passenger Operation Index



ASK and load factor decreased by 56.5% and 14.2ppt respectively while yield increased by 0.9% in 2020H1.

Impact on Passenger Traffic

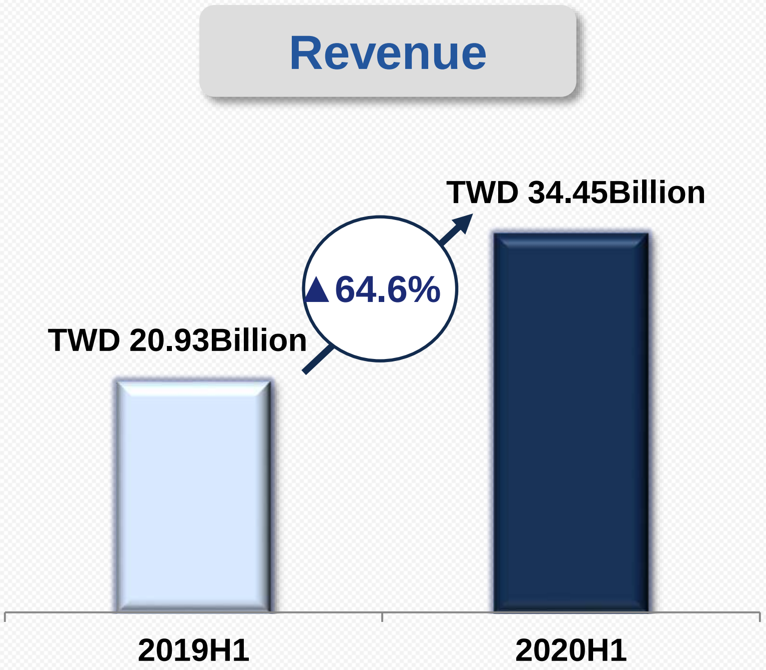


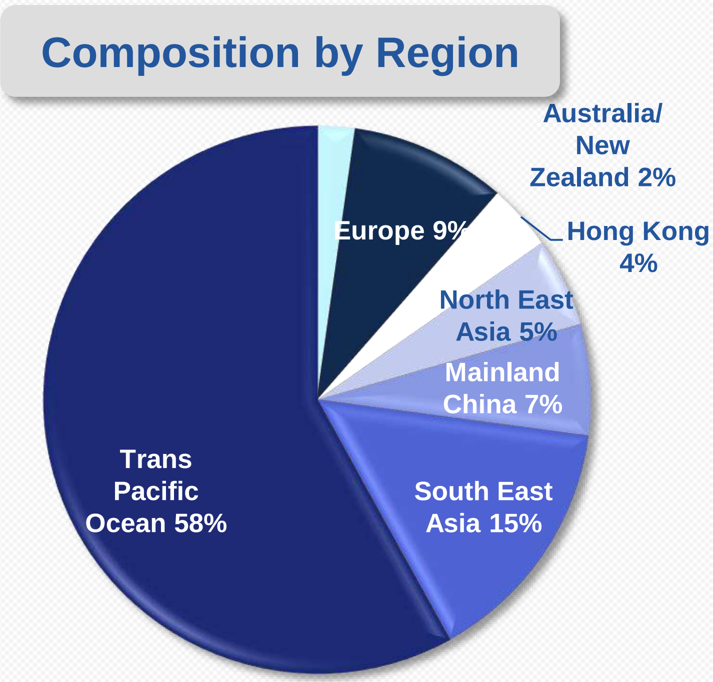
- **CAL provided a minimum passengers-carried schedule to meet market demand.**
- **Our frequencies between April and June plunged more than 97% compared to the same period last year.**

Passenger Impact- Skeletal Network

Region	Route Adjustments
North America	Los Angeles/ San Francisco 2 Flights/wk、Vancouver 1 Flight/wk、New York 1~4 Flights/mth
Europe	Amsterdam/ Frankfurt/ London 1 Flight/wk
Oceania	Sydney/ Melbourne/ Brisbane 2 Flights/mth
Northeast Asia	Tokyo1~2 Flights/wk
Southeast Asia	Jakarta/ Ho Chi Minh City 2~3 Flights/wk、Yangon 2~4 Flights/mth、Others routes 1~3 Flights/wk
Mainland China (KHH departures included)	Shanghai 3~4 Flights/wk、Xiamen 1~3 Flights/wk、Chengdu 1 Flight/wk、Beijing 2 Flights/mth
Hong Kong	4~5 Flights/wk

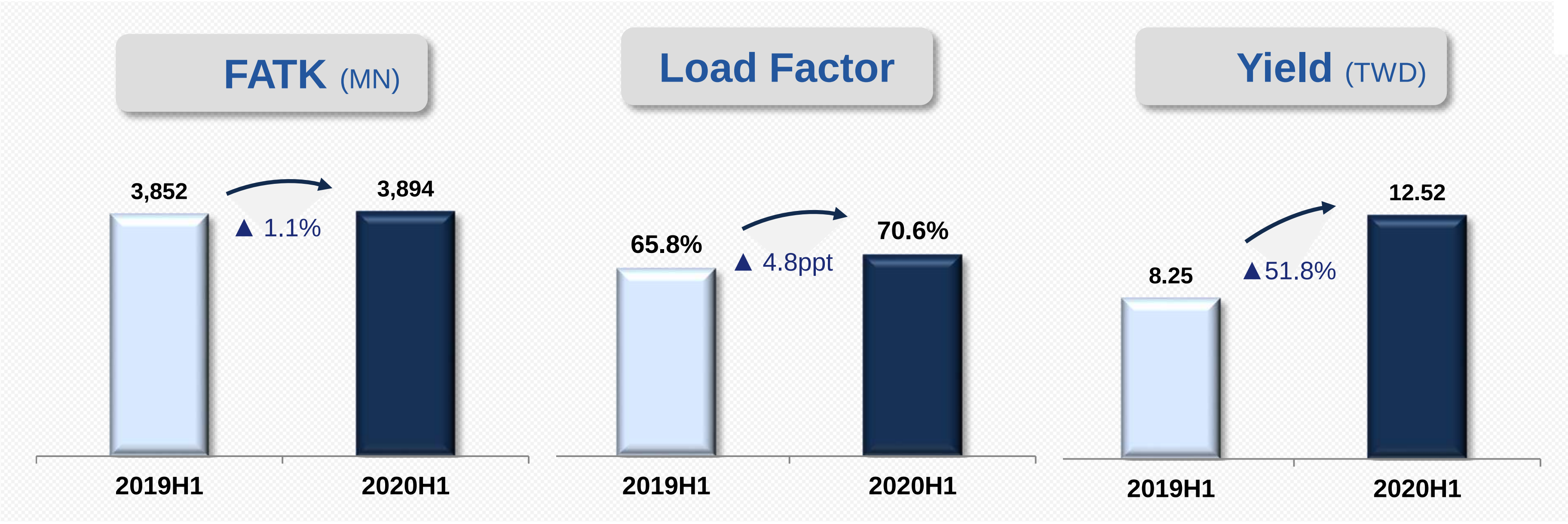
Cargo Performance





- Cargo revenue totaled TWD 34.45 billion, a 64.6% increase, in 2020H1.
- 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 1.1% and load factor grew 4.8 ppt with a 51.8% rise in yield in 2020H1.

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.

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

Gain Taiwan domestic air travel market via CAL Group's subsidiaries

Operate charter flights or repatriation flights to generate revenue

Resuming Operation with Safety Procedures

CAL is committed to providing passengers a safe and comfortable travel experience by implementing enhanced measures to ensure travel safety.

Prepare for travel

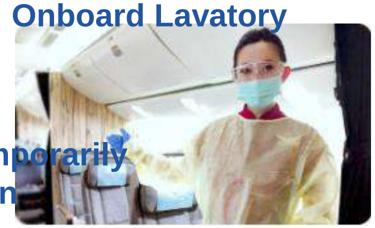
- Clean Cabin
- Sky Boutique Pre-Order
- COVID-19 Service Information
- Flight Messaging Service

At the Airport

- Wear face masks
- Temperature checks
- Social distancing
- CAL Lounges closed temporarily
- Safe Airport Journey Plan

On board

- Cabin Crew Protective Equipment
- PA Announcement
- Inflight Supplies
- Inflight Meal
- Fresh and recycled air quality
- Onboard Lavatory



Arrival

- Cabin Disinfection & Cleaning
- Meal Carts Disinfection
- Luggage Disinfection upon Arrival

Expanding Cargo Service to Seize the window of Opportunity

COVID-19 has significantly disrupted global supply chain, also led to air cargo capacity crunch stemming from the evaporation of the belly capacity of passenger aircraft.

- Utilize CAL 18 747-400 freighters
- Make the most of belly capacity of passenger aircraft
- Improve operational efficiency with 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

36 destinations with 101 flights per week for cargo service

Post-COVID-19 Outlook

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

Market

- <u>Domestic and regional air travel will recover first.</u>
- 3rd/4th traffic rights will be dominant.
- <u>Business travel will recover first</u>, followed by family visit and leisure travel.
- Local staycation becomes popular.

Passenger

- International travelers will most concern with <u>safety</u>.
- <u>Wearing masks, checking temperatures, and cleaning hands</u> throughout the journey will be required.

Service

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

Post-COVID-19 Cargo Market Outlook

Potential Business

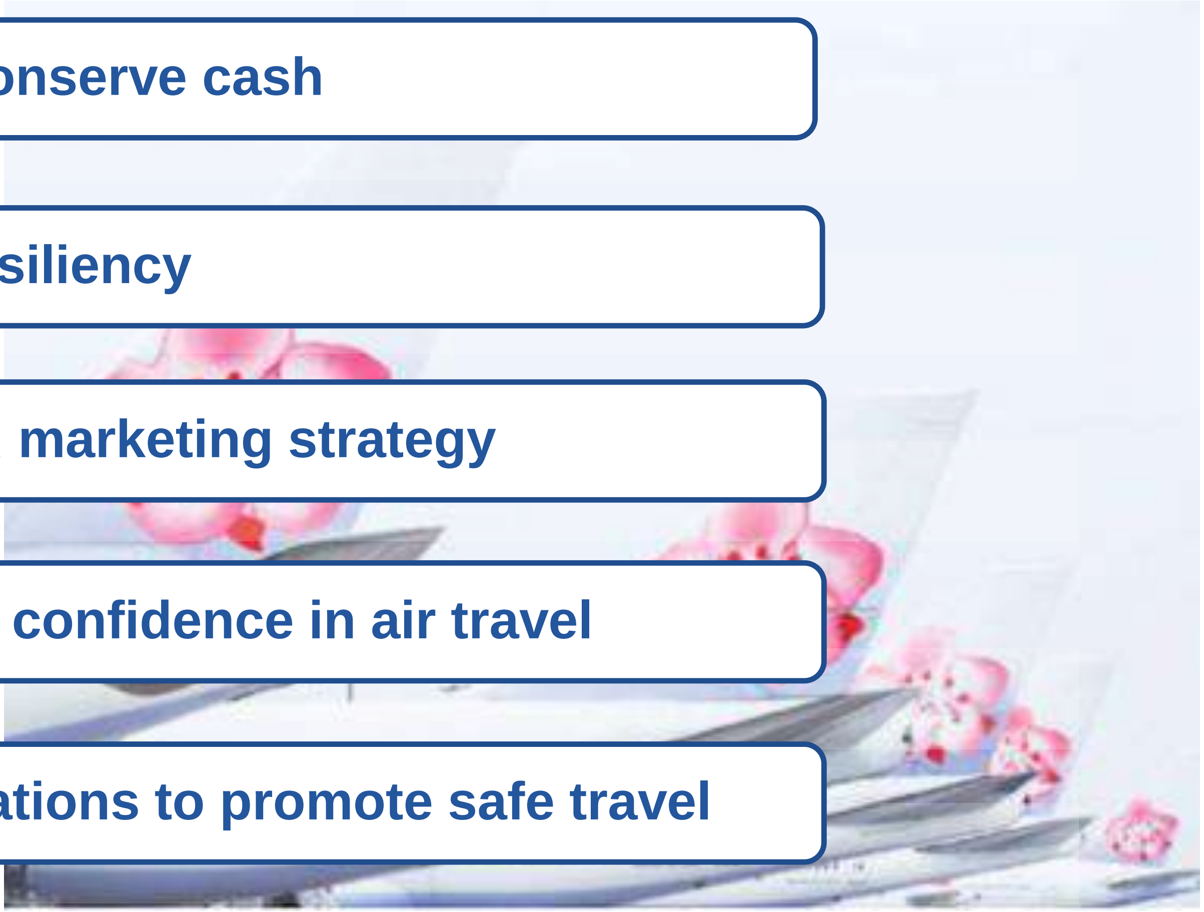
- **COVID-19 has led to a major change in consumer behavior toward online channels. Online demand for essentials and entertainment has increased.**
- **Work-from-home triggers a jump in demand for chips, laptops and network goods.**

Market Challenge

- **Appreciation of TWD may have an adverse effect on exports .**
- **US-China trade war results in a slowdown in economic and industrial output growth.**




Proactive COVID-19 Response Strategies



- Reduce cost and conserve cash
- Create business resiliency
- Integrate sales and marketing strategy
- Rebuild passenger confidence in air travel
- Comply with regulations to promote safe travel

Dow Jones Sustainability Indices FTSE4Good TCSA GCSA

Thank you

 # We fly We fight
 # We will all be fine

2020.08
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