**Timothy Ross**

Thank you operator and welcome everybody to BOC Aviation's earnings call to discuss our interim results for the six months ended 30 June 2020. With me today are our Managing Director and Chief Executive Officer, Robert Martin, our Deputy Managing Director and Chief Financial Officer Phang Thim Fatt and our Deputy Managing Director and Chief Operating Officer, David Walton.

Please note that some of the information you'll hear during our discussion today may consist of forward-looking statements, which are subject to risks and uncertainties that may cause actual results to differ materially from statements made today. You should not place undue reliance on any forward-looking statements and you should review our results announcement for full details. Please also note that all currency references in today's call are in USD only.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investors' section of our website at www.bocaviation.com, and a conference call presentation is also available in the Investor section of our website. This call is being recorded and will be available for replay from our website within the next 24 hours as is a transcript of today's management presentation.

I'll now turn over the call to Robert Martin for his comments.

**Robert Martin**

Thanks, Tim and good evening to everyone on the line. Thank you for joining us for our 2020 half year results earnings call. During this period we achieved a number of major milestones that include signing our 1,000th lease and committing to purchase our 900th aircraft.

We are pleased to report a net profit after tax of $323 million for the first half of 2020, up 1% on the same period last year and equivalent to earnings per share of 47 cents. This has been achieved in the most challenging operating environment that we - and the wider aviation community - have ever faced. The COVID-19 virus has sharply impacted demand for travel and governments have restricted the ability to travel in the first half of 2020.

In spite of these obstacles, our total revenues and other income continued to grow, rising 11% to more than $1 billion for the first half. We ended 1H 2020 with total assets of $22.6 billion. As we added longer term leases during the first half, the weighted average remaining lease term of our fleet rose to 8.5 years, increasing the visibility of future earnings.

We finished the first half with cash and committed liquidity of $4 billion and remain well-supported by capital markets and our major shareholder, Bank of China. In 1H 2020 we raised US$2.2 billion in the bond market and drew down $1.6 billion in term loans. We also drew a maximum of $700 million from the $2 billion stand-by line of credit provided by BOC during the period, but reduced this to $300 million by the end of June. Free cash flow after finance expenses was $555 million for the period, just 12% lower than last year. We have agreed to defer rent equivalent to 2% of our available liquidity.

Reflecting the stability of our financial performance in the first half of 2020, our Board has declared an interim dividend of 13.98 cents per share, payable to shareholders of record on 6 October. This represents a pay-out ratio for the half year of 30% of Net Profit after Tax and is consistent with previous interim distributions. The Board's policy continues to be to pay up to 35% of full year Net Profit after Tax to shareholders in the form of dividends.

The six months in the first half of this year were the most volatile that we have navigated our way through in our 26 year history. Our strategic planning is done based on a five year horizon and includes both base case and downturn scenarios. We had already prepared for an expected downturn in 2020 and had put additional liquidity in place during 2019. January was a regular month from a traffic perspective but the impact of COVID began to hit our Chinese customers and those airlines who flew large numbers of Chinese passengers straight after the Chinese New Year holiday in February, with the main impact on airlines generally starting in March and peaking in April as the virus went global. April was the worst month for passenger traffic and gradually flights began to recover in May and more so in June. The number of parked aircraft peaked in mid-April. During April, only 38% of aircraft were in service, and this has recovered to 74% of aircraft by August.

The industry was rapid to respond with airlines retiring over 1000 older aircraft being a mixture of four engined aircraft and other aircraft older than 15 years. Both major airframe manufacturers have reacted by significantly reducing future production of all types of aircraft by an average of a third. Governments moved rapidly to provide liquidity to the markets generally, particularly after the capital markets effectively closed for a fortnight in March. Thereafter we have seen specific support for airlines in the form of grants from governments to cover labour costs and government guaranteed loans to airlines. Very importantly, we have seen airlines raise money in the capital markets in order to rebuild their own liquidity, with more than US$42 billion raised by airlines in the first half of 2020, in the form of both equity and debt, according to Dealogic.

During this period, we moved to support our customers with new purchase and leasebacks, as we have previously suggested to our investors in our downturn strategy, and David will talk more on that and have already closed three debt capital market issues this year which Thim Fatt will talk about. In addition, we have changed our investment profile to more focus on purchase and leasebacks. Clearly, the impact of COVID has affected manufacturer supply-chains, which in turn has delayed new aircraft deliveries. A number of airlines have reassessed their own capacity requirements for 2020 to 2023 and, consequently, we have resculpted our own order profile to match the expected market conditions.

The impact of COVID has changed since February with now USA, Brazil and India bearing the brunt of new cases. For those countries that successfully navigated the first wave, the second wave has been city specific rather than country specific, with more targeted measures being taken by governments as we have seen in Vietnam, South Korea and the UK.

Clearly the role of governments in determining the speed and direction of the traffic recovery is bigger than ever before. China was the first large country to have positive GDP growth in the second quarter.

Given this is a health driven crisis, governments have taken a centre stage role in determining who can fly cross border and when and who gets government financial support. Those large domestic markets such as China, the USA and the European Union are leading the traffic recovery.

We remain positioned as a global aircraft operating leasing company with a well-diversified portfolio of airline customers. We have placed all of our new aircraft delivering before 2023 and maintain ample backstop liquidity. Consequently we are well positioned to navigate this downturn.

On the senior management side, we are pleased to announce David Walton's promotion to Deputy Managing Director, in addition to his title as Chief Operating Officer and we welcome Paul Kent who joined us in London as Chief Commercial Officer (Europe, Americas and Africa) on 1st June to replace Steven Townend who will move to Singapore as Chief Financial Officer on 1st October.

I'll now hand the call over to David to speak to our operations and business development and then Thim Fatt will take over for a more detailed review of our P&L and balance sheet.

**David Walton**

Thank you, Robert and let me add my thanks to everyone on the call for joining us today.

In the first half of 2020, we delivered 23 aircraft to airline customers, of which three new aircraft were from our OEM direct orders, of which one was purchased by the customer at delivery, and the remaining 20 aircraft were purchase and leasebacks. Our total fleet stood at 571 aircraft at the end of June, comprising 334 owned and 40 managed aircraft, with an orderbook of 197 aircraft.

In the first half our commitments to new investments featured 100% latest technology aircraft that included: 26 Airbus A320NEO family aircraft, 26 Boeing 737 MAX aircraft and 28 Boeing 787 Dreamliners. These were mostly placed on 12-16 year lease terms with customers in Europe, Asia and the Americas.

The 20 aircraft that we delivered during the first half as a consequence of these transactions are all placed with well-established airlines and are generating 100% on-time collections. In fact, this new purchase-leaseback business has already contributed US$20 million in income in the first half, a number that will grow in the second-half as these deals contribute for the full period and as we take more deliveries.

In addition, after the period end, we signed a purchase-and-leaseback commitment with TUI Travel for five Boeing 737 Max 8 aircraft, which are expected to deliver in 2021.

We demonstrated our agility with the actions taken to resculpt our orderbook, both in order to address changes in the market in terms of customer demand and manufacturer delivery schedules and to deploy our capital for better returns. It is testament to our robust global customer and manufacturer relationships and the speed with which we can deploy large amounts of capital for the right opportunity. We continued to pipeline good, long-term business with the 76 lease commitments that we signed with airline customers in the first half of 2020.

Our net lease yield of 8.2% for the first half of this year remains in the previously indicated 8-8.5% range and reflects the amount of new business that we put on our books towards the end of the period.

For the first half of 2020, we reported portfolio utilisation of 99.8%. The weighted average age of our owned portfolio was 3.5 years at the end of June, which positions us well in this environment.

With that, I'll turn it over to Thim Fatt.

**Phang Thim Fatt**

Thank you, David. Our post tax earnings were 47 cents per share, up 1% over first half 2019. Net assets per share, meanwhile, rose by a similar percentage to $6.69 from 31 December 2019.

The principal driver of the growth in earnings was an 11% increase in total revenues and other income. This included an improved core lease rental contribution, which remains the principal component of our pre-tax earnings. This rose 7% in 1H 2020 to $366 million. It represents a sustainable long-term income stream that recurs across the cycle, and which - net of costs - represented 69% of profit before tax.

We sold five aircraft from the owned fleet during 1H 2020, compared to nine aircraft sold in the first half of 2019. Gains on aircraft sales were $26 million and accounted for 7% of pre-tax earnings, ahead of last year as we achieved greater profits per aircraft.

Interest and fee income amounted to $75 million – 32% ahead of 1H 2019 levels - as we generated more fee income from pre-delivery payment transactions, and included contributions from six aircraft that we classify as finance leases due to their long lease term. After deducting apportioned interest expenses these items comprised 11% of our Profit before Tax.

Depreciation – our largest expense item - increased by 10% relative to first half 2019, reflecting the 9% rise in the net book value of our fleet over the last year.

Finance expenses increased only 3% to $220 million, as an increase in our borrowings to fund investment in more aircraft was offset by lower interest rates. Our average cost of funds improved to 3.2% per annum in the first half of 2020 from 3.6% per annum, both for the first half and full year 2019.

During the first half we also recorded a $12 million asset impairment related to the carrying value of five Boeing 737 MAX 8 aircraft delivered in prior years and we provided for doubtful debts of $47 million, representing those lease receivables that exceeded security deposits held for certain airline customers.

We had capital expenditure of $3 billion in 1H 2020 primarily related to our aircraft deliveries and pre-delivery payments. We had committed capex of US$1.9 billion for the second half as at 30 June and would expect total capex for 2020 of up to $6 billion. This increase in capex can be funded from our cash and committed liquidity of $4 billion.

During the period, S&P Global Ratings and Fitch Ratings reaffirmed our industry-leading A- credit ratings as we tapped the debt capital markets, despite the difficult circumstances associated with COVID, with indebtedness rising 19% to $16 billion as at 30 June compared with end-2019. We raised $400 million in January, $1 billion in April and another $750 million in June, being the first in the aircraft operating leasing industry after the outbreak of COVID to access the debt capital markets in April. This connection to a strong investor base has ensured that we were able to effectively raise new debt in the first half and our strong free cash flows have allowed us to repay $1.2 billion in debt maturities, leaving us only half a billion dollars to repay in 2H 2020. Our Gross Debt to Equity as at 30 June was 3.5 to 1.

Now back to Robert for his final comments.

**Robert Martin**

During the first half of 2020 we have been able to support our airline customers, whilst continuing to grow our company. The result that our company has produced reflects the tenacity of our employees, who have delivered these earnings working mostly from home and I want to thank them for their hard work.

On a personal note, I would like to add that this is Thim Fatt's last earnings call with investors and I would like to thank him for all his achievements at BOC Aviation. Since our acquisition by BOC in December 2006 these include raising over $31 billion in debt and averaging a Return on Equity of 15%.

This concludes our review of the industry, our company's financials and our outlook and I'll pass the call back to Tim.

**Timothy Ross**

Thanks, Robert. This wraps up management's formal commentary. Before we break for Q&A, though, I would like to remind you that – on the basis of today's consensus estimates – as a company we are trading on a forward dividend yield of 5.7% vs. a Hong Kong market average of 3.7%.

We now have time for Q&A and - out of fairness to others - request that each participant restrict themselves to one question and one follow up, unless time permits for additional queries.

I'll hand the call back now to the operator for the Q&A session.