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 2024. With me today are our Chief Executive Officer and Managing Director, Steven Townend, our Chief Operating Officer, Tom Chandler and our Chief Financial Officer, Wu Jianguang.

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.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investors' section of our website at 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 discussion.

I'll now turn over the call to Steven Townend for his comments.

Steven Townend

Thanks Tim and thank you to everyone for joining us for our 2024 interim results earnings call, where a combination of core business growth and aircraft recoveries drove a record first half performance.

We are delighted to report net profit after tax of $460 million for first half 2024, equivalent to earnings per share of 66 cents. This compared with net profit after tax of $262 million in 1H 2023. Adjusted for recoveries, core net profit after tax rose to $284 million.

Our Board has declared an interim dividend of 19.88 cents per share, payable on 10 October, an increase of 76% on the interim dividend paid for 2023. This is consistent with our policy of distributing 30% of reported net profit after tax for the first six months of the year.

Our total revenues and other income rose 11% to $1.2 billion for first half 2024. We ended the period with total assets at $24.3 billion and net assets per share up 5% since end-2023 to eight dollars and 73 cents.

Our collection rate remained above 100%, as airline customers continued to make previously deferred payments, and this helped to lift our operating cash flow net of interest to a mid-year record of $908 million. We finished the first half with cash and undrawn committed liquidity of $5.5 billion.

The broader aviation environment remains in good health with airline traffic for most of the world's carriers rising over 13% in the first half of 2024, according to IATA, which expects its airline members to generate over $30 billion in earnings for the full year, up 11% on 2023. This will have been achieved on sustained growth in global passenger demand, which has continued to expand faster than capacity and has enabled airlines to maintain fares at current levels. IATA members' load factor for the six months to June was a record 83% as demand continued to outpace supply, especially in our home markets of Asia Pacific where international traffic rose 35% in 1H 2024.

All major international markets continued to witness demand growth and this has allowed us to leverage our strengths as a truly global lessor. This was reflected in the pattern of our first half deliveries that were made to airline customers that included IndiGo, SAS, American, Icelandair, Air Canada and Tui. The nature of our ownership and our global presence allow us to provide solutions to airlines wherever they may be.

Matching deliveries to this demand, however, remains a challenge for the whole industry, including ourselves, and we expect this situation to continue through to at least 2026. The capacity shortfall

from aircraft delivery delays is also being compounded by the engine servicing requirements specific to a large number of current generation aircraft.

Tom will detail the efforts that we are making to expand our business against this backdrop later on the call. However, over time we will see value from this tightness of supply as we are placing the balance of our inventory, including orderbook positions and aircraft with maturing leases, at lease rates that are above the portfolio average.

While constraints on the delivery of new aircraft do exist, we still expect global financing requirements for new aircraft deliveries to grow by over 5% this year to around $90 billion, with the leased proportion of aircraft financing steady at over 50%. Looking further ahead, the dollar value of financing requirements is expected to rise by two-thirds by 2027, based on the most recently available delivery schedules from the major manufacturers, providing real growth in our addressable market.

Elsewhere, aside from equity market volatility in early August, global financial and commodity markets have had a period of relative calm so far in 2024. The US Dollar exchange rate and the average price of jet fuel – both key drivers of airline cost bases – have been flat.

Meanwhile, we have started to see interest rates retreat from their highs. The average five-year US Treasury rate has fallen by around 100 basis points since its 2024 peak in April and markets are currently expecting the Federal Reserve to begin cutting rates in September. This would be positive for us given the structure of our funding. As a reminder, all else being unchanged, every annualised 10 basis point reduction in our cost of funds would lift our NPAT by about $3.6 million.

In March we retrieved two Boeing 747 freighter aircraft, the value of which had previously been written down to zero. The reversal of this impairment contributed most of the $176 million in NPAT attributable to recoveries included in our first half result and built on insurance settlements already reported for 2023. We continue to pursue all possible avenues for further recovery, but remain unable

to provide guidance on what form this may take, when it might occur, or the value of any future settlements.

At the Board level, we welcomed Mdm. Zhang Xiaolu as our new Chairman in June, following the earlier resignation of Mr Liu Jin. Mdm. Zhang was Vice Chairman of the Board and an executive of the company for four years prior to this appointment. Elsewhere, Mdm. Liu Yunfei joined the Board, while Mr. Wang Xiao stood down. We thank Mr. Liu and Mr. Wang for their contribution.

I'll now hand the call over to Tom to speak to our operations and business development and then Jianguang will present a more detailed review of our P&L and balance sheet.

Tom Chandler

Thank you, Steven. Our operational and business development report is as follows:

We delivered 19 aircraft to nine different airline customers, of which one was purchased by the customer at delivery, giving us 18 net new aircraft deliveries for the half – an improvement on last year's 15. We also signed lease commitments for 55 aircraft. As at the end of June, our total fleet stood at 680 aircraft, comprising 429 owned, 32 managed and an orderbook of 219, representing committed capex of $12 billion.

Our orderbook was stable, with 14 aircraft added during 1H 2024. This strong pipeline underpins our future growth and comprises the most popular new technology aircraft types, predominantly Airbus A320NEO family and Boeing 737-8. These delivery positions underpin our fleet growth over the balance of the decade.

Our new deliveries during the half were all fuel-efficient, latest technology narrowbody aircraft, including three A220, nine A320NEO family and seven 737-8 aircraft.

As Steven alluded to earlier, we continued to see the impact of manufacturer delivery delays with seven aircraft that were scheduled for delivery in 1H 2024 being delayed into the second half. As at

30th June, we had been notified of six aircraft that would shift into 2025, but since then we have received delay notifications in respect of a further nine aircraft, now not expected until next year. The causes of the delays are varied including airframe and engine supply-chains not being able to keep pace with planned production rate increases. Despite delays, we are currently committed to deliver 47 aircraft to airline customers this year, including 29 in the second half and continue to see opportunities to build on this.

During the period, we transitioned nine used owned and managed aircraft to airline customers, with only three freighter aircraft and one single-aisle aircraft off-lease at the end of the half. All three of the freighters have been committed for lease with a single airline customer, with delivery expected to complete this quarter.

The weighted average age of our owned portfolio was 4.9 years at the end of June, remaining one of the youngest in the aircraft leasing industry. We also continue to have one of the industry's longest weighted average remaining lease terms for our owned portfolio, at 7.9 years. The proportion of our fleet that is latest technology continues to rise as we take delivery of new aircraft and sell older ones. Today this stands at 79%, up from 77% at the end of 2023. The average appraised value of our operating leased fleet continues to rise and was $21.3 billion dollars as at 30 June, representing a 14% premium to that fleet's net book value.

We sold 15 aircraft from the owned fleet in 1H 2024, improving on first half 2023's three aircraft sales and are well positioned to achieve our target of over 20 aircraft sales for the year. These aircraft had an average age of 10 years, around twice the fleet average. Ongoing improvements in aircraft values lifted our gain on sale margin to 14.3% from 10.6% at the end of 2023.

Lease rate factor at 9.8% was unchanged from 1H 2023 reflecting the timing effects of older aircraft sold and the delayed delivery of new aircraft. Net lease yield was also unchanged at 7.0%.

We raised $3.0 billion in new financing, comprising $1.0 billion from the debt capital markets, with a further $2.0 billion from facilities with our banking group of 50 banks. This combined with record

operating cashflow net of interest of $908 million saw us fund our over $750 million of capex and repay $2.7 billion in maturing bonds and loans. We only have another $0.9 billion of debt obligations scheduled for repayment over the balance of the year, which – together with our anticipated capex - can be funded from our cashflow and our committed liquidity of $5.5 billion.

We remain on track to achieve the ESG targets set for 2025 as part of our Hong Kong Stock Exchange listing requirement, as we seek to: limit our impact on the environment, lower direct emissions relative to growth, diversify our workforce and invest in the most fuel-efficient aircraft.

Following recent boardroom changes, four of our 11 directors are female, including – for the second time in our history – our chairman. This is considerably ahead of today's Hong Kong Stock Exchange company average of 16% and even the 30% target set by the Exchange for the end of 2030.

During the half we continued to be active in the communities where we are based, with almost half of our employees around the world participating in a total of eight CSR events. In Singapore, we arranged volunteering sessions with long-time partners Food From The Heart and Willing Hearts' soup kitchens. Elsewhere, our Tianjin and New York offices participated in a clothing donation programme as well as supporting the West Side Campaign Against Hunger.

That concludes the overview of our operations and business development performance for the first half of 2024 and with that, I'll now turn it to Jianguang for a deeper review of our financial performance.

Wu Jianguang

Thank you, Tom.

As Steven mentioned earlier, we reported a net profit after tax of $460 million for first half 2024, equivalent to earnings of 66 cents per share and the best interim profit reported in our history.

Total revenue was $1.2 billion rising 11% on 1H 2023, with contributions from all aspects of our business.

Lease rental income was $928 million reflecting a stable lease rate factor. Finance lease revenue again rose strongly– up to $96 million – as finance lease receivables increased 20% from year-end to $3 billion.

Our gains on aircraft sales were up 300% to $56 million compared with first half 2023, as we lifted the number of aircraft sold to 15 versus three aircraft in 1H 2023.

Other income rose 26% to $58 million, reflecting a wide range of contributions from manufacturers, insurance settlements and unutilised maintenance reserves and security deposits.

Interest and fee income was down 10% to $36 million in 1H 2024 because of lower contributions from pre-delivery payment financing.

Turning to costs, our two largest expenses continue to account for over 90% of the total when adjusted for the $175 million write-back of aircraft impairments. Depreciation, which remains our largest expense, at $399 million was largely flat compared to 1H 2023, reflecting sales activities of operating leased aircraft and the growth in finance leased aircraft for which depreciation is not incurred.

Finance expenses – our second largest item - rose to $358 million. This was mainly due to a higher cost of debt of 4.6% per annum in first half 2024 compared with 3.9% the previous year, with gross debt higher by $460 million as at June 2024 compared with end-June 2023.

Excluding Russia effects, aircraft impairment of $5 million was similar to last year.

Moving to the balance sheet, we ended the half year with total assets of $24.3 billion, funded by debt of $16.3 billion.

Total equity reached a record $6.1 billion compared with $5.7 billion at the end of 2023. This was mainly attributable to profit for the period and partially offset by the payment of dividends amounting to $189 million.

Loans and borrowings increased to $16.3 billion as we funded our fleet growth, with gross debt to equity down at 2.7 times, as earnings rose more rapidly than debt balances. Rating agencies S&P and Fitch both confirmed our A- credit rating during 1H 2024.

Finally, our effective tax rate was 9.7% in 1H 2024, lower than 1H 2023's rate of 11.4%, mainly due to the write-back of impairment losses.

I'll now hand the call back to Steven for his closing remarks.

Steven Townend

Thanks, Jianguang. We continue to appreciate the support of our Board, our staff, our investors and our other stakeholders as we focus on building today's earnings base and tomorrow's delivery pipeline. Passenger traffic and airline demand for new aircraft remain strong, and this is reflected in both aircraft lease rates and aircraft valuations. Challenges do remain, however, especially around receiving aircraft deliveries as contractually scheduled. This will be an ongoing feature for at least the next 12 months.

Notwithstanding this, we remain optimistic regarding the balance of 2024 and the outlook for 2025. Our access to over $5 billion in financial liquidity, and our orderbook of 219 aircraft, positions us well to support our airline customers' growth ambitions. Meanwhile, the premium of our fleet market value to net book value provides an additional $2.5 billion in equity upside not reflected in our financial statements.

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

Timothy Ross

Thanks, Steve. This wraps up management's formal commentary.

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

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