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 2026. With me today are our Chief Executive Officer and Managing Director, Steven Townend, our Chief Operating Officer, Tom Chandler and our Chief Financial Officer, Wen Lan.

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 statement 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 today.

We are pleased to report net profit after tax of $357 million for the six months ended 30 June, equivalent to earnings per share of fifty-one cents. This is a 4.4% improvement on 1H 2025's net profit after tax of $342 million.

Our Board has declared an interim dividend of 17.99 cents per share, payable on 14 October to shareholders of record on 25 September. This represents 35% of reported net profit after tax for the first half, an increase from last year's interim payout ratio of 30% and follows the higher full-year distribution guidance of 40% of net profit after tax.

Our total revenues and other income rose 4.4% to $1.3 billion in the first half of 2026. As at 30 June, we had total assets of $27.8 billion and net assets per share of 10 dollars and 13 cents.

The first half of 2026 saw continued improvement in aircraft production and deliveries. Boeing and Airbus delivered a combined 665 aircraft in the six months ended 30 June, a 13% increase compared with the same period in 2025. While combined AIRCRAFT production output and values in 2026 are expected to surpass 2018 levels for the first time, the increase is being driven by the narrowbody segment, with widebody production still expected to lag 2018 levels.

Taken together with increased demand for pre-delivery payment financing, this improved supply of deliveries enabled us to increase our investment in new aircraft by 21% compared to the first half of last year and positions us well to exceed our 2026 capex guidance of $4.5 billion.

Global passenger traffic continued to expand in the first half, although most of this occurred during the first quarter of the year. In total, traffic grew by less than 1% in the first half of the year, compared with around 5% in 1H 2025, reflecting renewed geopolitical disruption in the Middle East. Excluding Middle Eastern markets, however, passenger traffic increased by more than 3% in the first half of 2026, evidence of the resilience of global demand.

As well as affecting selected passenger and cargo traffic flows, the situation in the Middle East has contributed to higher energy prices, driving a 65% increase in the average price of Singapore jet kerosene in 1H 2026. Despite this, demand remained resilient outside the most directly affected travel corridors, with strong load factors and fare increases in many markets helping airlines partially offset higher fuel costs.

Although BOC Aviation has no direct exposure to jet fuel, the price increase is important for our airline customers as it now accounts for approximately 31% of their operating costs, up from 25% last year.

In June, IATA reduced its 2026 industry profit forecast from $41 billion at the start of the year to $23 billion. It also now expects passenger traffic to increase by around 2% for the year, compared with its earlier forecast of closer to 5% growth, while - at $152/bbl - its average jet kerosene price assumption is 72% higher than its previous estimate.

Despite this difficult operating environment for our customers, our cash collection rate remained high at 99.2% in the first half of 2026, contributing to operating cash flow net of interest of more than $800 million. We ended June with $319 million in cash and equivalents and $6.0 billion in undrawn committed credit facilities, giving us total available liquidity of $6.3 billion.

Interest rates have a major influence on our own cash costs. During the first half, our blended average cost of funds remained stable at 4.4%, supported by our strong investment grade credit ratings and continued access to diverse debt funding sources. We took advantage of a supportive bank market, our industry leading credit spreads, and currency arbitrage opportunities, to lock in attractively priced financing, and used our enhanced liquidity pool to finance aircraft investments and pre-pay maturing debt.

As geopolitical uncertainty increased earlier this year, we intentionally lifted our available liquidity to around $8 billion at one point, as we anticipated the potentially negative effects of airspace closure and higher jet fuel prices on our airline customers' cashflows and earnings. This has allowed us to deploy comparatively low-cost capital in support of additional financing opportunities, with around 40% of the first half's capital expenditure originated during the period. Our largest transaction of the half – and an excellent example of this approach – was the three A350 aircraft purchase and lease back deal executed with Qatar Airways at the end of June.

We expect to see even greater airline demand for funding for both aircraft deliveries and pre-delivery payments during the second half of the year as they LOOK TO conserve cash and bank lines.

I'll now hand over to Tom for a review of our company's operations and later Wen Lan will talk more about our finances.

Tom Chandler

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

We delivered 24 aircraft and one engine during 1H 2026 and signed 33 lease commitments. As at the end of June, our total portfolio stood at 811 aircraft and engines, comprising 479 owned aircraft and engines, 11 managed aircraft and 321 aircraft and engines on order, representing future committed investments of $17.6 billion.

Our orderbook comprised 320 aircraft scheduled for delivery through to the end of 2032. All aircraft scheduled for delivery before the start of 2028 have been placed with airline customers, underscoring continued strong demand for access to new technology aircraft.

The additions to our portfolio in the first half comprised a higher proportion of widebody aircraft, which contributed to the increase in capital expenditure compared with the same stage last year.

Manufacturer delivery delays have stabilised, with aircraft broadly delivering on schedule. The industry nevertheless remains capacity constrained, and supply chain challenges continue to pace the planned delivery increases by the manufacturers.

All of our owned aircraft were on lease generating revenue for the entirety of the first half, representing the third consecutive reporting period for which we have maintained owned aircraft utilisation at 100%.

The weighted average age of our owned portfolio was five years at the end of June and continues to be 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 7.7 years and more than 86% of our owned portfolio consisted of latest-technology aircraft. This fleet has a net book value of $19.4 billion, while its appraised current market value is 17% or $3.3 billion higher.

We sold eight owned aircraft with an average age of almost twice that of the remaining fleet, as well as five managed aircraft in 1H 2026, as we continued to capitalise on strong demand for used aircraft. Sales of aircraft added $69 million to first-half revenues, a 14% increase compared with last year, with a gain on sale margin of 32%, which is substantially above our long-run average of approximately 9%.

Our disciplined approach to portfolio management along with new aircraft additions contributed to a further increase in our lease rate factor to 10.4%, although the impact of those new aircraft additions was muted by back ended delivery timing. Net lease yield also improved to 7.6%, reflecting a stable cost of funds, while core lease rental contribution reached a record $388 million, an increase of 13% from $342 million in the first half of 2025.

Reviewing our ESG targets, we continued to maintain a diverse leadership and employee base, with female representation standing at: two members of our Board; 33% of management; and 49% of the workforce as at 30 June.

We increased our engagement with our local communities in the first half, with employees contributing close to 550 volunteer hours through eight corporate social responsibility initiatives across our global offices. This represented a 74% increase in volunteer activity and more than 60% of our workforce participated in activities supporting nine charitable organisations and community causes. These activities continued to focus on food security, social inclusion and well-being, community welfare and environmental stewardship. In support of our commitment to the aviation industry's sustainability goals, we made our first purchase of sustainable aviation fuel certificates (SAFc) as part of our programme to abate our emissions from business operations.

That concludes the overview of our operations and business development for the six months ended June 2026 and, with that, I'll now turn it to Wen Lan for a deeper review of our financial performance.

Wen Lan

Thank you, Tom.

As Steven mentioned earlier, we reported net profit after tax of $357 million for the first half of 2026, equivalent to earnings of 51 cents per share.

Total revenues and other income rose more than 4% to $1.3 billion compared with 1H 2025, primarily due to higher lease rental revenue, partly offset by lower other income.

Operating lease rental income increased by 6% to $988 million, reflecting an improvement in the lease rate factor to 10.4%. Finance lease revenue again contributed strongly, up 8% to $141 million, as finance lease receivables increased to $4.6 billion and represented 19% of total aircraft assets at the end of the period.

Our gains on aircraft sales rose by 14% to $69 million compared with the first half of 2025, as higher profit per aircraft sold more than offset the lower number of aircraft sales, with eight aircraft sold in 1H 2026 compared with 18 in the same period last year.

Other interest and fee income was ahead by 20% to $78 million in 1H 2026, driven primarily by higher fees earned from financing pre-delivery payments, which contributed $64 million – a rise of 28% compared with 1H 2025.

Other income fell 57% to $21 million compared with the first half of 2025, mostly due to the absence of insurance proceeds.

Looking at costs, total costs and expenses rose by 4% to $866 million from $836 million in 1H 2025. Depreciation, our largest expense, increased by 4% to $405 million, mainly due to the growth of our fleet.

Finance expenses, our second largest item, rose by 3% to $377 million. Our blended average cost of funds remained stable at 4.4%, while gross debt was around 8% higher at $18.5 billion as we continued to invest in new aircraft.

There was no impairment of aircraft values in 1H 2026.

Elsewhere, our effective tax rate rose to 17.3% from 15.8% in 1H 2025, reflecting higher pre-tax earnings and a greater proportion of business conducted in higher-tax jurisdictions.

Moving to the balance sheet, we ended 30 June 2026 with total assets of $27.8 billion, funded by total debt of $18.5 billion.

Total equity rose another $186 million to $7.0 billion as at 30 June. This was mainly attributable to profit for the period, which was partially offset by $212 million in dividend payments.

We closed $2.5 billion of new loan facilities and issued $800 million of notes under our Global Medium Term Note Program. This, combined with operating cashflow net of interest of more than $800 million, helped fund $2.3 billion of capital expenditure and repayment and prepayment of $1.6 billion in debt. Our gross debt to equity ratio was 2.6 times, and both Fitch and S&P reaffirmed our A- credit rating in May 2026.

In the second half of 2026, we have only $200 million of debt obligations scheduled for repayment, with committed aircraft capital expenditure of $1.8 billion.

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

Steven Townend

Thanks, Lan.

We are proud of the results that we have delivered in 1H 2026 and believe that they demonstrate the benefits of our disciplined approach to fleet growth, our financial strength and our capacity to identify global opportunities. They also reflect the hard work and dedication of our team and the support of our Board, our counterparties and our investors.

With 23 aircraft already placed and scheduled for delivery in 2H 2026, as well as over $6 billion of investment firepower, we expect to continue delivering on our growth targets. We are pleased to note that this consistency has contributed to a 10% outperformance in total equity return this year when compared to the Hang Seng Index.

Our improved earnings, our strong balance sheet and our enhanced distribution policy enabled us to increase the first half dividend by 22% compared with 1H 2025, which should support continued investor returns

Today, our orderbook and other purchase commitments represent $17.6 billion of future committed capex, and we will add to that by providing further financing to support our global airline customer base and achieve our target of $40 billion in assets by the end of 2030.

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.