



中國國際航空股份有限公司
AIR CHINA LIMITED
(於中華人民共和國註冊成立的股份有限公司)
(股份代號：00753)

Air China Announces 2019 Annual Results
Rise up to Challenges and Steadily Promote High-quality Development

(31 March 2020, Hong Kong) **Air China Limited** ("Air China" or the "Company", with its subsidiaries, the "Group") (Stock Code: Hong Kong: 00753; London: AIRC; Shanghai: 601111; America: ADR OTC: AIRYY) is pleased to announce the annual results for the year ended 31 December 2019 (the "Reporting Period")¹.

Financial Highlights

- Revenue was RMB136,181 million, representing a year-on-year decrease of 0.43%.
- Operating expenses were RMB125,598 million, representing a year-on-year decrease of 0.74%.
- Profit before taxation of RMB9,120 million, representing a year-on-year decrease of 8.59%.
- Profit after tax of RMB7,264 million, representing a year-on-year decrease of 11.58%.

In 2019, Air China adhered to the policy of "controlling the total volume and adjusting the structure" and exerted more efforts on the supply-side structural reform. Despite the slight slowdown, its growth rate of passenger transport was still leading nationwide. The Group kept up with macro and industry changes, closely observed market trends, timely and effectively adjusted the route network, constantly improved resource allocation and production organization, and recorded a YoY increase in both aircraft utilization rate and the average passenger load factor. Besides, it actively responded to some aircrafts on ground (AOG), coordinated the allocation of the capacity of routes, made up the capacity gap, consolidated the control of major costs, and adjusted and optimized the debt structure. In the face of unfavorable factors, including the complicated international situation and fluctuations in oil prices and exchange rates, the Group still achieved good performance and maintained its leading position in the industry during the reporting period.

Financial Highlights

In 2019, the Group's revenue was RMB136,181 million, representing a year-on-year decrease of 0.43%. Among which, air traffic revenue was RMB130,257 million, representing a year-on-year decrease of 1.20%. Air passenger revenue represented a year-on-year increase of 3.40%.

¹ All figures are prepared based on the IFRS

Operating expenses were RMB125,598 million, representing a year-on-year decrease of 0.74%. Among which, Jet fuel costs decreased by RMB2,516 million on a year-on-year basis, representing a decrease of 6.54%, mainly due to the combined effect of the increase in the consumption and the decrease in prices of jet fuel. During the Reporting Period, the Group recorded a net exchange loss of RMB1,211 million, representing a year-on-year decrease of RMB1,165 million.

In 2019, the Group recorded a profit before tax of RMB9,120 million, and profit after tax of RMB7,264 million, net profit attributable to equity shareholders of the Company was RMB6,420 million.

According to the Company's dividend distribution plan in 2019, the Board recommends the payment of cash dividend based on 15% of the distributable profits for the current period, and distribute cash dividend of RMB0.4442 (including tax) for every ten shares. The relevant cash dividend distribution plan will be submitted to the Company's annual general meeting for consideration in 2019.

Business Review

In 2019, the Group's ATKs reached 36,918 million, representing a year-on-year increase of 4.32%. the Group's RTKs reached 25,364 million, representing a year-on-year increase of 3.50%.

In 2019, 115 million passengers were carried, representing a year-on-year increase of 4.81%. The Group's ASKs reached 287,788 million, representing a year-on-year increase of 5.19%. Among which, the domestic routes, international routes and regional routes represented a year-on-year increase of 4.70%、5.66% and 8.00% respectively. The Group's RPKs reached 233,176 million, representing a year-on-year increase of 5.74%. Among which, the domestic routes, international routes and regional routes represented a year-on-year increase of 4.61%、7.75% and 4.10% respectively. The passenger load factor was 81.02%, representing a year-on-year increase of 0.42 ppt.

During the year of 2019, the Group introduced a total of 48 aircraft, phased out 18 aircraft, as at the end of 2019, the Group had a total of 699 passenger aircraft including business jets, with an average age of 6.96 years.

Air China adhered to the building of a world-class hub

In 2019, the Company's principal base that located at Beijing Capital International Airport was actively promoted the renovation project for Terminal 3 and other construction projects including the fourth runway and the landside integrated transportation hub, with a view to establishing Beijing Capital International Airport as a world-class hub with unwavering efforts. Meticulous arrangements have been made for the first flight and commencement of operation at Daxing Airport, ensuring safe and smooth operation of the two airports in Beijing. Beijing World-class Hub newly launched international and domestic routes such as Beijing-Phnom Penh and Beijing-Changzhi. Flight frequencies of Beijing-Shanghai, Beijing-Guangzhou and other routes were increased. The total OD connected by Beijing Hub increased to 6,332 and the number of persons who has received interlining services provided by the hub increased by 7% year-on-year. The all entrusted baggage through check services business covered 96% of total passengers who transit to China from the abroad via Beijing. The size of flights and route network at the Beijing hub were constantly expanded. The commercial value of the hub increased steadily. Chengdu International Hub newly launched Chengdu-Wuyishan and other routes. Currently, there is a total of 39 navigation points for transiting to overseas countries via Chengdu, which led to a year-on-year increase of 6% in the number of transit passengers. In addition, the Company newly launched international and domestic routes such as Shanghai-London and Chongqing-Changchun. As at the end of the Reporting Period, the Company operated a total of 770 passenger routes, including 137 international routes, 27 regional routes and 606 domestic routes. The Company's

passenger routes reached 43 countries and regions and 187 cities, including 65 international cities, 3 international regions and 119 domestic cities. Through cooperation with members of Star Alliance, the Company has further expanded its service coverage to 1,317 destinations in 195 countries and regions.

Air China Improved resource utilization efficiency and promoted digital transformation

The Group continued to optimize the operation of the entire fleet in order to eliminate the impact of insufficient capacity, and continued to align its investments closely with market demand, thereby improving its resource utilization efficiency. It grasped the rhythm of marketing, strengthened the matching between input and the market, products, and customers, raised the average passenger load factor, and maintained the competitiveness of major air bases and trunk airlines. Moreover, it actively responded to some aircrafts on ground (AOG), and coordinated the allocation of the capacity of routes and made up the capacity gap by optimizing the route structure and adjusting and replacing models. The Company has strengthened the refined management of revenue and optimized the pricing management system. Sales revenue recorded a year-on-year growth of 2.1%, while the revenue from its first-class and business-class services saw a 2.4% year-on-year increase. The Group also pushed forward the digital transformation and formed a leadership role in experience-oriented services. To keep pace with the rapid upgrade of e-commerce platforms and websites, the Company also carried out over 30 iterative developments with over 1,900 improved and new functions, boosting the number of registered member of Air China APP to over 10 million with sales revenue exceeding RMB10 billion, representing a year-on-year growth of 39%. With the all-round upgrade of services offered to the frequent flier, customer loyalty and stickiness also increased remarkably, "Phoenix Miles" won the "Best Quality Frequent-flyer Program (最佳品質常旅客計劃)" award from Xinhua Net. As at the end of the Reporting Period, the total number of "Phoenix Miles" members amounted to 63.5953 million, leading to a year-on-year growth of 5% in the revenue contributed by frequent fliers, respectively.

Air China strengthened service coordination and promoted the quality brand strategy

The Company focused on the goal of building a "world-class demonstrative enterprise", at the same time further deepening the "three orientations" in terms of values, customers and issues, and implementing the "three comprehensive strategies" of global benchmarking, full-process governance and full-chain capacity. Refined measures such as raising the standards of service systems, improving the quality of hardware regarding service provision, upgrading soft services and products and forming professional service teams were implemented. The Company focused on flight punctuality management, thereby improving the quality of its catering and aircraft entertainment in an all-rounded manner. Beijing Hub has set up a "Self-service Area" for domestic routes, it has promoted the "paperless" convenient travel service in full swing by putting into service the QR code e-boarding pass clearance service in 105 cities within China. Moreover, the first international route adopting "paperless" travel services was launched, i.e. the Beijing-Australia route. The Group has devoted greater efforts in brand communication, and participated in the second China International Import Expo and supporting the organization of Beijing Winter Olympic Games and International Horticultural Exhibition. The Group also carried out joint marketing and promotion, thereby significantly enhancing the brand recognition and influence of the Company. The new version of "Panda" inflight safety instructions video was launched in an effort to reinforce a younger brand image of Air China. Air China ranked 21st in the list of "Top 500 Most Valuable Chinese Brands 2019" released at the "16th World Brand Convention" of World Brand Lab with a brand value of RMB167.876 billion, which is the highest ranking among civil aviation companies in China.

Air China focused on the improvement of cost efficiency and maintained the leading advantage in costs

In 2019, the Company continued to focus on the improvement of cost efficiency, further optimized the cost structure, and enhanced production efficiency and resource allocation. In terms of production organization, it continuously promoted the "Fleet Operation Optimization

Project" and adopted measures like computer-aided refined control of oil consumption to save jet fuel costs. Besides, it optimized the fleet maintenance work plan to raise the overall availability of the fleet. In regard to marketing and purchase management, Air China constantly raised the proportion of direct selling, cut the agency fee rate, promoted the whole-procedure management of machine supplies, and reduced the consumption not arising from production. With respect to operation security, it vigorously pushed the application of new energy, continuously optimized resource allocation, and declined costs and consumption. In the aspect of capital management and control, the Company proactively prevent and mitigate financial risks, strengthened capital efficiency, expanded financing channels, optimized the debt structure, and reduced capital costs.

Social Responsibilities

Air China enhanced compliance management and improved corporate governance

The Company has enhanced its capability in risk compliance management, reinforced the foundation for system management and issued the relevant requirements on comprehensive risk management of the Company. The "Year for Enhancement of Compliance Management" activity was carried out, pursuant to which regular management over statutory self-inspection has been achieved. The Company have accelerated the development of compliance management system with increased efforts put in compliance training. The rule of law construction of Air China progressed smoothly with law-based corporate governance and compliant operation becoming the general consensus among all staff members. The Company also further promoted the development of the internal control and audit system and completed 107 internal audit items. Moreover, the Company has enhanced the level of operation management and its risk prevention capability on a continuous basis with a view to actively preventing, controlling and eliminating major operational risks.

With a focus on tasks in relation to the state-owned enterprise reform, the Group implemented the requirements under the "two principles that must be consistently adhered to" (兩個一以貫之原則) to facilitate the incorporation of the guidance of the Communist Party into its corporate governance and step up the efforts in the regulated development of the Board, with a view to ensuring the coordinated operation, scientific decision-making and stable development of internal decision-making bodies. The Board of the Company was once again honored with the "Best Board of Directors" award of the 15th Golden Round Table Award of Chinese Listed Companies, and won the "Best Listed Company in terms of Corporate Governance" and "Listed Company with Best Investment Value" awards from the 9th Golden Bauhinia Awards for Hong Kong and China Securities.

Air China fully supported poverty alleviation and actively returned to the society

Leveraging the resources of CNAHC, the Company shouldered its corporate social responsibilities by implementing the "8+2" targeted poverty alleviation plan. During the Reporting Period, the Company provided nil-consideration supporting funds of over RMB38.51 million to the targeted poverty alleviation regions and carried out various supporting projects such as infrastructure construction, as well as poverty alleviation through industry, education, health and ecological protection. Special investigations and researches for poverty alleviation have been conducted with poverty alleviation cadres being assigned to these projects. The Company also encouraged its staff to participate in poverty alleviation through consumption. The amount of product purchased for the purpose of poverty alleviation amounted to RMB45.37 million. Meanwhile, the Company introduced 12 partners in relation to poverty alleviation and commenced collaborative poverty alleviation work in various fields. The company helped nurture over 1,000 talents for the poverty-stricken regions and recruited an aggregate of 62 staff members from the poverty alleviation regions. During the Reporting Period, Sonid Right Banner, Xilingol League, Inner Mongolia Autonomous Region, an aid recipient county, has been lifted from the status as a national-level poverty-stricken county, while Zhaoping county, Hezhou City, Guangxi Zhuang Autonomous Region has attained its annual target for poverty alleviation.

Air China promoted energy conservation and emission reduction and developed green operations

Adhering to the development concept of “Green operation for sustainable development”, the Company is fully committed to winning the Blue Sky Defense War. To this end, the Company has optimized its energy-saving and environmental protection management system by issuing the “Implementation Rules for Energy Saving, Environmental Protection, Education and Training (《節能環保及教育培訓實施細則》)”. It has also propelled the “fuel to electricity” project for vehicles within the airports by introducing 97 electric commuter buses, bringing the number of electric vehicles owned by the Company to over 200. Moreover, the Company has commenced the upgrade and transformation of its carbon emission system, through which it has strengthened the monitoring and analysis of carbon emission-related data. Besides, the Company actively participated in promotional activities for environmental protection and charitable purposes. On 5 June, i.e. the World Environment Day, the Company organized a flight event under the theme of “Joining Hands to Build a Green Environment (共建綠水青山)”. The Company won the 10th China Environmental Award, which is the first aviation company awarded with such honor.

Outlook

In response to the successive outbreak of novel coronavirus epidemic in various regions at the beginning of 2020, the Group spared no effort in prevention and control of the epidemic in the bid to maximize the protection of health and safety of its passengers and employees. The Group earnestly performed its social responsibilities at the same time to contribute to this battle against the epidemic. The Group also strived to minimize the impact of the epidemic by adjusting its capacity structure, optimizing yield management, strengthening cost control, and placing more emphasis on risk management and control. The Company believe that, under the leadership of the Central Committee of the Party and with the nationwide endeavors of the public on a united front, the Company will surely be able to triumph over this battle of containing the epidemic.

The year of 2020 is the finale year for the 13th Five-year Plan, as well as a critical year for completing the building of a moderately prosperous society in all respects and achieving the first centenary goal. Faced with the missions, risks and challenges posed by the current situation, the Group will unite more closely around the Central Committee of the Party with President Xi Jinping at the core, and mount a concerted effort with enterprising spirit to drive the modernization of its governance system and capability. The Group will also leverage its remarkable operation performance to lay a solid foundation for establishing itself as a top-tier global aviation transportation group, and make greater contributions to the great accomplishment of completing the building of a moderately prosperous society in all respects.

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About Air China Limited

Air China Limited is the national flag carrier of China and a leading provider of passenger, air cargo and airline-related services and products in China. Its operational headquarters is in Beijing, a major domestic and international hub in China. It also provides airline-related services, including aircraft maintenance, ground handling services in Beijing, Chengdu, and other locations. As at the end of 2019, the Group had a total of 699 passenger aircraft including business jets, with an average age of 6.96 years. The Company operated a total of 770 passenger routes, including 137 international routes, 27 regional routes and 606 domestic routes. The Company’s passenger routes reached 43 countries and regions and 187 cities, including 65 international cities, 3 international regions and 119 domestic cities. Through cooperation with members of Star Alliance, the Company has further expanded its service coverage to 1,317 destinations in 195 countries and regions. Air China was listed on Hong Kong Stock Exchange and London Stock

Exchange on 15 December, 2004 under codes 00753 and AIRC respectively. On 30 June, 2006, Level I Sponsored ADR Program of Air China had been set up under the code of AIRYY. On August 18, 2006, Air China was listed on Shanghai Stock Exchange under code 601111. For further details, please visit Air China's website: www.airchina.com.cn.

Forward-Looking Statement

This press release contains projections and forward-looking statements that reflect the company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur that projections will be achieved, or that the company's assumptions are correct. Actual results may differ materially from those projected.

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