



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 2020 Interim Results Fulfills Social Responsibilities and Maintains Competitive Edge

(28 August 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 financial results for the six month ended 30 June 2020 (the “Reporting Period”)¹.

Financial Highlights

- Operating revenue totaled RMB29,646 million
- Operating cost recorded RMB38,196 million
- Loss attributable to shareholders stood at RMB9,440 million
- Yield Per RPK stood at RMB0.52

The first half of 2020 was extremely exceptional. The grave situation, huge challenges and the hardship in obtaining the current results during the half year were all unprecedented. The Group resolutely carried out the messages of the notable speeches and the important instructions of General Secretary Xi Jinping and the decisions and arrangements of the Central Committee of the Party. The Group managed the sophisticated and ever-changing environment carefully and well organized and coordinated to overcome the “three strong fights” of containing the pandemic, safe operation and achieving operating performance. With its strenuous efforts, the Group has obtained certain significant results, surmounting all risks and challenges.

Financial Highlights

During the first half of 2020, the Group’s revenue was RMB29,646 million, representing a year-on-year decrease of 54.61%. Among which, the air freight transportation revenue was RMB27,139 million, air passenger revenue RMB22,948 million, and air cargo and mail revenue RMB4,191 million, involving more than 5,800 air-cargo flights with passenger aircraft.

The Group’s business expenses totaled RMB38,196 million, representing a year-on-year decrease of 36.87%. The Group recorded a net exchange loss of RMB1,019 million.

The loss attributable to shareholders was RMB9,440 million.

Business Overview

¹ All figures are prepared based on the IFRS

In the first half of the year, the Group's ATK reached 9,943 million tonne kilometers and the Group's RTK reached 5,355 million tonne kilometers.

During the first half of 2020, the Group transported 24.91 million passengers. The Group's available seat kilometers for air passenger amounted to 65,566 million, representing a year-on-year decrease of 53.74%, among which domestic, international and regional routes decreased by 40.11%, 71.50% and 79.23% year-on-year respectively. The total air passenger traffic amounted to 44,222 million RPK, representing a year-on-year decrease of 61.47%, among which domestic, international and regional routes fell by 50.44%, 76.12% and 85.24% respectively year-on-year. Passenger load factor was 67.45%, representing a year-on-year decrease of 13.54 percentage points. Yield Per RPK was 0.52RMB, representing a year-on-year decrease of 0.48%.

During the Reporting Period, the Group introduced 3 aircraft including two A320NEO and one ARJ21-700 and phased out 2 aircraft including one B737-800 and one A319. As at the end of the Reporting Period, the Group operated a fleet of 700 aircraft with an average age of 7.40 years, of which the Company operated a fleet of 428 aircraft with an average age of 7.68 years. During the first half of the year, the Company introduced 3 aircraft and phased out 1 aircraft.

Help on frontline in fight against epidemic and fulfill political and social responsibilities as a state-owned enterprise

Responding to the sudden outbreak of COVID-19 that would be hardly seen in a hundred years, the Group dispatched the pandemic control materials and medical teams promptly, pursuing the concept of an "unconditional and most priority" relief and rushing to the forefront for fighting the pandemic. Furthermore, it designated the aviation green way for rescue and relief freight against pandemic to demonstrate the vision and commitment of the national flag carrier persistently. At the most difficult time during the outbreak in China, the Company spared no effort in safeguarding the provision of transportation services for the guidance team appointed by the Central Government and the national medical teams to Wuhan timely against all odds, which involved a total of 166 charter flights, 11,306 pandemic fighting personnel and 1,158 tonnes of aid materials transported. Similarly, at the increasingly severe moments of the outbreak overseas, the Company dispatched flights again to carry fellow nationals and students back home from abroad where high risks existed, and delivered experts and prevention materials to assist various foreign countries in fighting the pandemic, a total of 16 flights for the mission of offshore aids were secured, carrying 144 members of medical teams and 156 tonnes of materials. When the industrial chain and supply chains were hard hit by the pandemic, the Company were at the forefront of the industry and launched the air cargo services with passenger aircraft. The Company transformed four B777-300 aircraft and two A330-200 aircraft to operate more than 5,800 air-cargo flights with these passenger aircraft. Our efforts ensured the international key manufacturers not to suffer from suspending production and safeguarded the core position of China among the global industrial chain and supply chains. To facilitate the resumption of work and production, the Company rapidly resumed flights again up to a number of nearly 2,000, carried out 67 domestic customized flights and international charter passenger flights, carrying a total of 7,788 passengers. By procuring no any disruptions in pandemic relief and fight, key flight routes, global supply chains and resumption of work and production with our best endeavors, the Company have faithfully fulfilled our political and social responsibilities as a central enterprise.

Strictly safeguard the lifeline and the red line on safety

Always adhering to the principle of safety first as the lifeline of an aviation company, the Group insisted on the unwavering safety benchmark and strengthened risk management and control, and thus achieved a total of 617 thousand safe flight hours. The Company has strengthened our operation by persisting in the dynamic analysis of "one flight one policy" so as to identify, assess, prevent and control the operation risks of flights. Further, the Company made serious inspections and investigations on any problems and hidden hazards, thereby enhancing the preparatory efforts for flight operation and the control on key working procedures. The Group strictly adhered to the flight operation standards, consolidated the allocation and rotation of flight crew members and

arranged the technological enclosure and storage and daily maintenance of parked aircraft reasonably, ensuring the crew members and aircraft were always in good conditions for operation. The Company carefully implemented the operation and organization for international flight diversion to assure the safe operation of 242 diversion flights. The Company have built the protection model for “air-cargo flight with passenger aircraft” and formulated various risk prevention and control measures. With the orderly efforts such as the related training programs and maintenance for ARJ21 aircraft introduce, the first ARJ21 has been safely and successfully put into operation.

Seize market opportunities and strive to reduce the impact of the epidemic

Amidst the COVID-19 outbreak, the Company has adjusted its operation strategies swiftly, seized the market opportunities precisely and prevented various operation risks stringently, striving to minimize the impacts of the pandemic. The operation quality of our main transportation business and competitive edge among the industry has been maintained accordingly. During the first half year, the Group completed the traffic measured by RTK of 5,355 million tonne kilometers. The Group’s revenue amounted to RMB29,646 million, while loss attributable to equity shareholders of the Company amounted to RMB9,440 million. With prudent responsive measures for the market change such as timely adjustment on the operation model and rapid formulation of exceptional production and operation strategies, the Company managed to ensure maximization of the marginal total profit contribution. By unleashing the management effectiveness of optimizing the operation of the entire fleet, the Company timely captured the market opportunities, organized sources of customers effectively and refined the yield management, striving to increase the revenue. The Company have changed the offshore sales model swiftly and organized the international passenger freight according to the practice of “one route, one policy” and “one flight, one policy”. With arduous efforts, the general downside trend of the operating performance of the Group has been curbed effectively.

Pay close attention to cost reduction and strict cost control

Bearing the concept of preparing for going through hard times, the Company put the strictest cost control measures into practice. The Group adjusted the introduction and retirement plan of aircraft, refined management and control on significant cost items, relocated the cost structures and systems and aligned operation with costs in a scientific manner. The Group strictly avoided capital risk, enhanced the management and control on cash flow forecast and improved efficiency in capital use. Moreover, the Group issued corporate bonds to replace bank borrowings so as to reduce financing cost and guarantee a secured and stable liquidity. The Company proactively prevented the contract performance risks, by reviewing the performance of various contracts and timely identifying and following up on any extraordinary cases.

Strictly abide by prevention and control requirements, and make every effort to provide passenger service guarantee

The Company actively implemented the required prevention and control measures against the pandemic to provide protection in our services for passengers in full swing. With increased awareness on offering active services and promptly adjusted service procedures, our employees of all levels have regarded the routes as if the front of cross-fire, the cabin as if the “Fangcang” mobile-cabin hospital, and the airport as if the battle field. The Company made all efforts to curtail the pandemic impacts on the travel of passengers with courage regardless of any dangers or risks. The Company adjusted the aircraft air-conditioning operation protocols, reduced the use of airport bridge-borne air conditioners, increased the frequency of daily clean ups and repair and maintenance of recirculating air conditioning units, strengthened the hygiene cleaning and ventilated disinfection of cabins and cockpits, strictly containing the spread of virus from passageways. Further, the Company promptly adjusted the on-board catering and provision of amenities in order to ensure safety of the food and on-board supplies. Meanwhile, the Company equipped with various pandemic fighting materials and sanitary utilities sufficiently on aircraft, formulated and strictly implemented the operating rules and procedures on cleaning and sanitization with the facilities or equipment thereon. In view of the changes in travel demand of passengers and timely in response to the industrial demand, the Company made adjustment on

flight planning, ticketing rules and service procedures, and 8.88 million tickets were returned and duly processed for free. The Company optimized products for transit, enhanced synergy among various channels, organized resources of services, strengthened delivery of information and properly handled the problems such as conflicts over the demand for and supply of international passenger tickets and provision of transit connection. In addition, the Company optimized online service capability and increased the use efficiency of self-service equipment in airports and expanded the “no-contact” service coverage. The Company has actively protected the rights of our frequent flyers and become the pioneer of the industry offering policy of extending the validity period of frequent flyers miles. With assured protection on international flight diversion services, the Company also improved the passenger service procedures during transit or landing of flights and orderly organized and provided protection for the subsequent flight journey of passengers.

Outlook

Currently, the pandemic and economic conditions remain very sophisticated. Under the new pattern of accelerated construction of the dual circulation development, the economy of the PRC is moving forward steadily on the track of high-quality development with continuous upgrades. For the second half of 2020, the Company will focus on implementing the regularized pandemic prevention and control measures and adhering to the unwavering principles as follows: considering the health and safety of our passengers and employees as the top priority as always; insisting on the mission of responsibility in safety as significant as Mount Taishan and sticking to the “safety first” benchmark as always; putting huge efforts to pursue the fundamental strategies such as operating performance, precise and effective cost management and control, balanced development of domestic and global businesses as well as passenger and cargo freight, development of hub network and cost-oriented concept vigorously as always; persisting in the strategic directions such as innovation-driven mode, expedited upgrade of service quality and transformation of the business model and commitment to enhancing our services as always; being committed to the poverty-relief efforts in all our hearts, all our passions, all our might and all our minds, insisting to surmount the critical battle in respect of poverty-alleviation as always.

New opportunities would arise from a crisis, while a new chapter would be turned from changes. By sustaining our strategic resilience, the Company insisted to seek growth in a steady manner, seized the opportunities arising from crisis with all winning confidence and recovered the loss suffering from the pandemic with our best endeavors. The Company will procure a safe operation and strive to achieve recovery of the operating performance back to normal level. The Company aspire to overcome the “three strong fights” of containing the pandemic, safe operation and achieving operating performance and as such, the Company look forward to making contributions to the successful achievement of the final year of the 13th five-year plan and the accomplishment of completing the building of a moderately prosperous society in all respects, and strive to establish as a top-tier global aviation transportation group in excelling efforts!

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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. 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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