



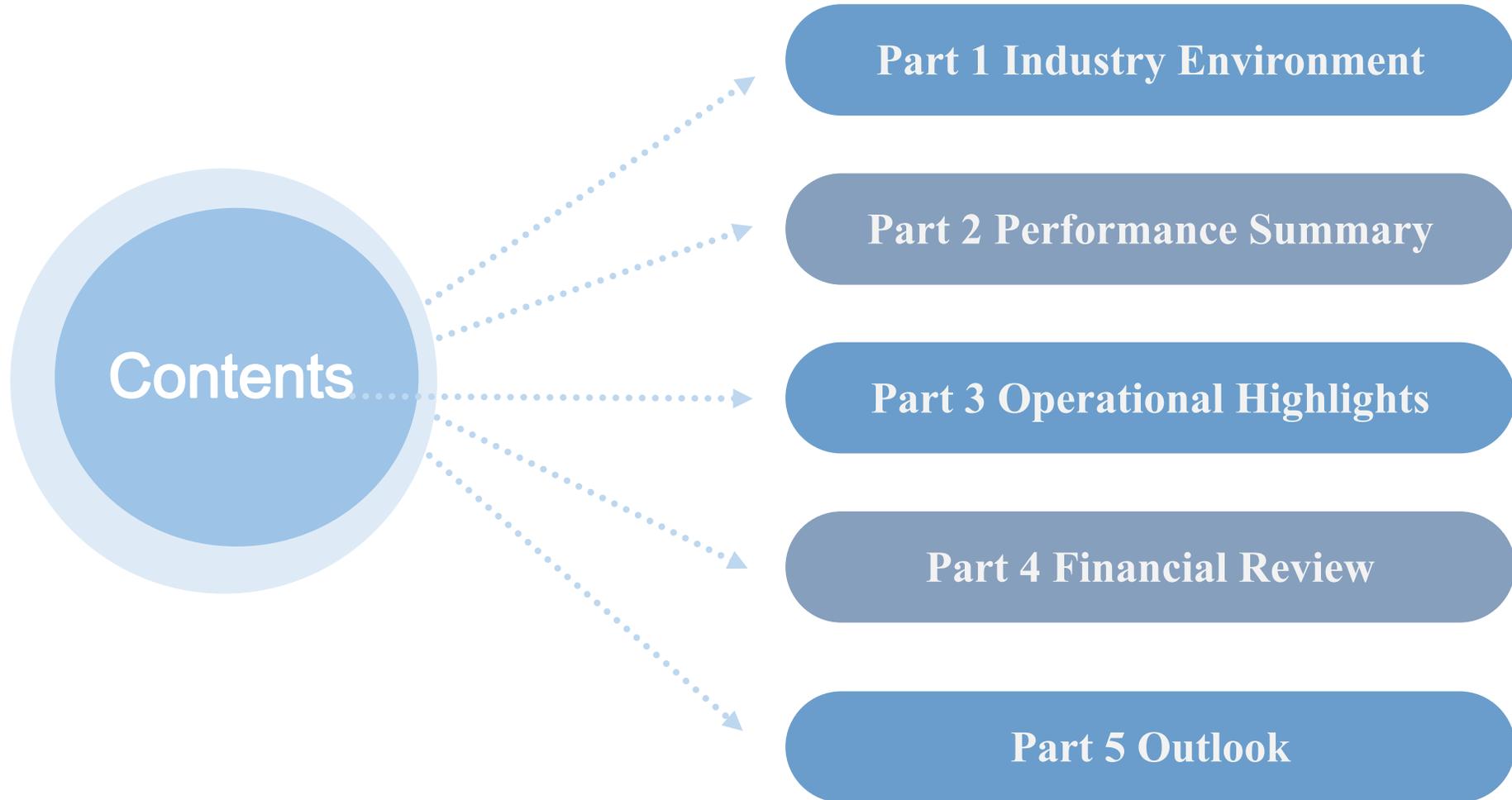
A STAR ALLIANCE MEMBER 

# 中国国际航空股份有限公司

## 二零二零年中期业绩发布



AIR CHINA LIMITED 2020 INTERIM RESULTS



01

# Industry Environment

# Overview of international aviation transport industry

IATA issued a report on 9 June 2020 that global airlines may suffer from a record-high loss in 2020 due to the impact of the COVID-19 pandemic. However, recovery may take place in H2.



Passenger transport demand of in the global aviation industry may fall 54.7% yoy in 2020.

Passenger transport demand in Asia Pacific fell 53.8% yoy over the year,  
Passenger transport demand in North America fell 52.6% yoy over the year,  
Passenger transport demand in Europe fell 56.4% yoy over the year.



Global airlines may lose USD84.3 billion in 2020.

USD29 billion will be lost in Asia Pacific,  
USD23.1 billion will be lost in North America,  
USD21.5 billion will be lost in Europe.



# Overview of Domestic Air Transport Industry

In 2020, the COVID-19 pandemic caused great impact to the global aviation industry. Amid such an unprecedented grim institution, China's aviation industry took the lead into the trends of steady recovery.



In H1 2020, total freight turnover of the whole industry was 31.91 billion t-km, accounting for 50.8% of that of the same period of the previous year. Passenger traffic volume was 150 million people, accounting for 45.8% of that of the same period of the previous year. The cargo and mail transport volume was 2,997,000 tons, accounting for 85.2% of that of the same period of the previous year.



With respect to profit in general, loss of the industry amounted to RMB34.25 billion in Q2, reducing by RMB3.85 billion from Q1.



Departments of the Chinese central government and the Civil Aviation Administration of China issued a number of policies and took multiple measures regarding finance, economics, industry and cargo transport to facilitate the steady development of the aviation industry.



The aviation market demand gradually recovered and the loss of the civil aviation industry decreased bit by bit due to the achievements in domestic prevention and control of the pandemic and the steady recovery of work, production, trading and marketing.



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# Performance Summary

# Results Summary - Operational Metrics



**ATK**  
(100 million)

- 99.43
- -45.72%



**RTK**  
(100 million)

- 53.55
- -57.08%



**Overall Load Factor**  
(%)

- 53.86
- -14.24pts



**ASK**  
(100 million)

- 655.66
- -53.74%



**RPK**  
(100 million)

- 442.22
- -61.47%



**Passenger Load Factor**  
(%)

- 67.45
- -13.54pts

# Results Summary - Financial Metrics

RMB100 million



## Revenue

- 296.46
- -54.61%



## Operating Expenses

- 341.62
- -37.63%



## Net Profit Attributable to Equity Shareholders of the Company

- -94.41
- -400.72%



## Equity Attributable to Equity Shareholders of the Company

- 828.13
- -11.44%



## Gearing Ratio

- 69.66%
- 4.10pts



## Yield per RPK (RMB)

- 0.5189
- -0.48%



## Yield per RFTK (RMB)

- 2.8721
- 136.82%

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## Operational Highlights

# Fulfill political and social responsibilities as a state-owned enterprise



## Going to Wuhan and fight against the pandemic

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.



## Going abroad and fight against the pandemic

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.



## Air-cargo flight with passenger aircraft

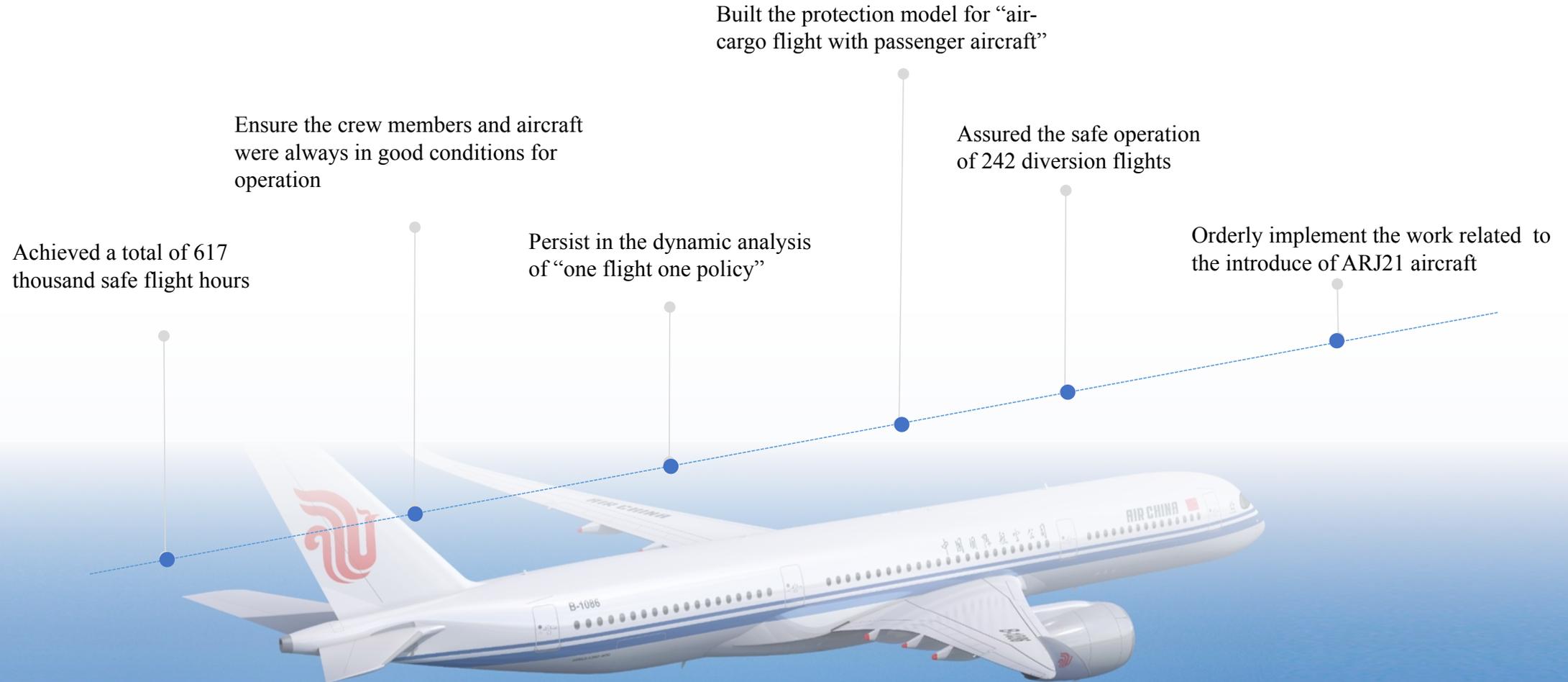
When the industrial chain and supply chains were hard hit by the pandemic, the Company were at the forefront of the industry and launched the air cargo services with passenger aircraft. The Company transformed four B777-300 aircraft and one A330-200 aircraft to operate more than 5,800 air-cargo flights 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 one 7,788 passengers.

# Insisted on the unwavering safety benchmark



# Maintain the operation quality of our main transportation business and competitive edge among the industry

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”.



# Put the strictest cost control measures into practice

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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.



02

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.

03

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.

# Make every effort to provide passenger service guarantee

- Actively implemented the required prevention and control measures against the pandemic to provide protection in our services for passengers in full swing.
- In view of the changes in travel demand of passengers and timely in response to the industrial demand, we made adjustment on flight planning, ticketing rules and service procedures, and 8.88 million tickets were returned and duly processed for free.
- 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.
- Optimized online service capability and increased the use efficiency of self-service equipment in airports and expanded the “no-contact” service coverage.
- 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.



- Strengthened the hygiene cleaning and ventilated disinfection of cabins and cockpits, strictly containing the spread of virus from passageways.
- Promptly adjusted the on-board catering and provision of amenities in order to ensure safety of the food and on-board supplies.
- 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.
- 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.

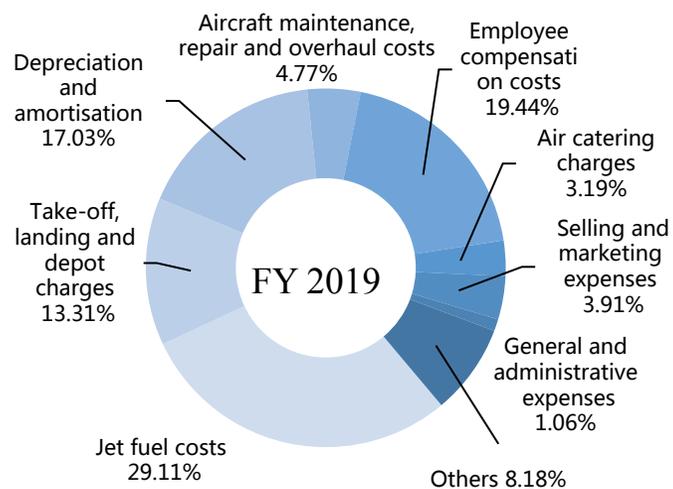
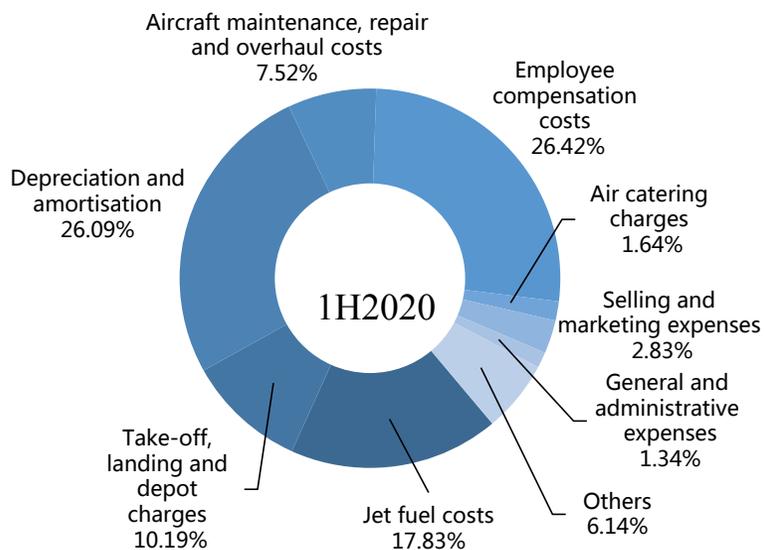
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# Financial Review

# Main financial indicators

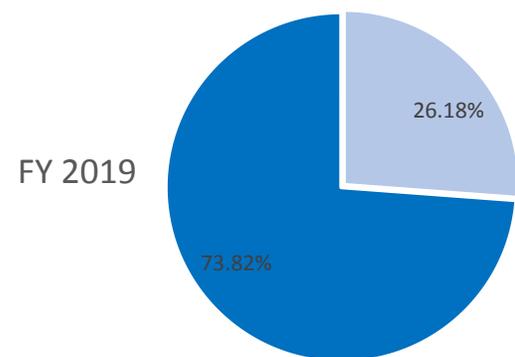
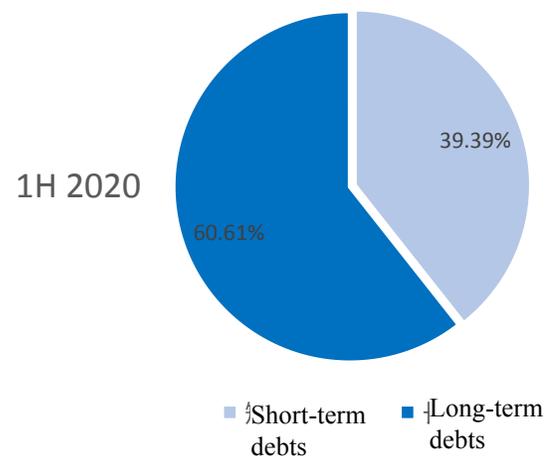
(RMB100 million)	1H2020	1H2019	Year-on-Year change
Revenue	296.46	653.13	-54.61%
Operating expenses	381.96	605.02	-36.87%
Operating expenses (fuel cost exclusive)	313.84	428.88	-26.82%
Profit from operations	-66.82	67.42	-199.11%
Finance costs	25.48	24.40	4.46%
Net exchange loss	10.19	1.19	757.10%
Profit attributable to associates	-30.11	1.46	-2,165.82%
Profit attributable to joint ventures	1.07	1.12	-4.63%
Profit before taxation	-130.97	45.05	-390.71%
Profit attributable to equity shareholders of the Company	-94.40	31.44	-400.23%
EPS (RMB yuan)	-0.6873	0.2289	-400.26%

# Main cost



(RMB100 million)	1H2020	1H2019	YoY Change (%)
Jet fuel costs	68.12	176.15	-61.33%
Take-off, landing and depot charges	38.94	80.55	-51.66%
Depreciation and amortisation	99.65	103.03	-3.28%
Aircraft maintenance, repair and overhaul costs	28.74	28.86	-0.41%
Employee compensation costs	100.92	117.61	-14.19%
Air catering charges	6.26	19.29	-67.55%
Selling and marketing expenses	10.83	23.65	-54.23%
General and administrative expenses	5.12	6.44	-20.45%
Others	23.39	49.45	-52.70%
<b>Total</b>	<b>381.96</b>	<b>605.02</b>	<b>-36.87%</b>

# Interest Bearing Debt



(RMB100 million)	30 June 2020	Proportion	31 December 2019	Proportion
<b>USD</b>	581.77	35.49%	603.57	43.18%
<b>RMB</b>	1,027.29	62.68%	770.29	55.11%
<b>EUR</b>	14.37	0.88%	12.25	0.88%
<b>JPY</b>	9.78	0.60%	10.25	0.73%
<b>MOP</b>	5.25	0.32%	0.83	0.06%
<b>Other</b>	0.57	0.03%	0.58	0.04%
<b>Total</b>	1,639.04	100%	1,397.77	100%

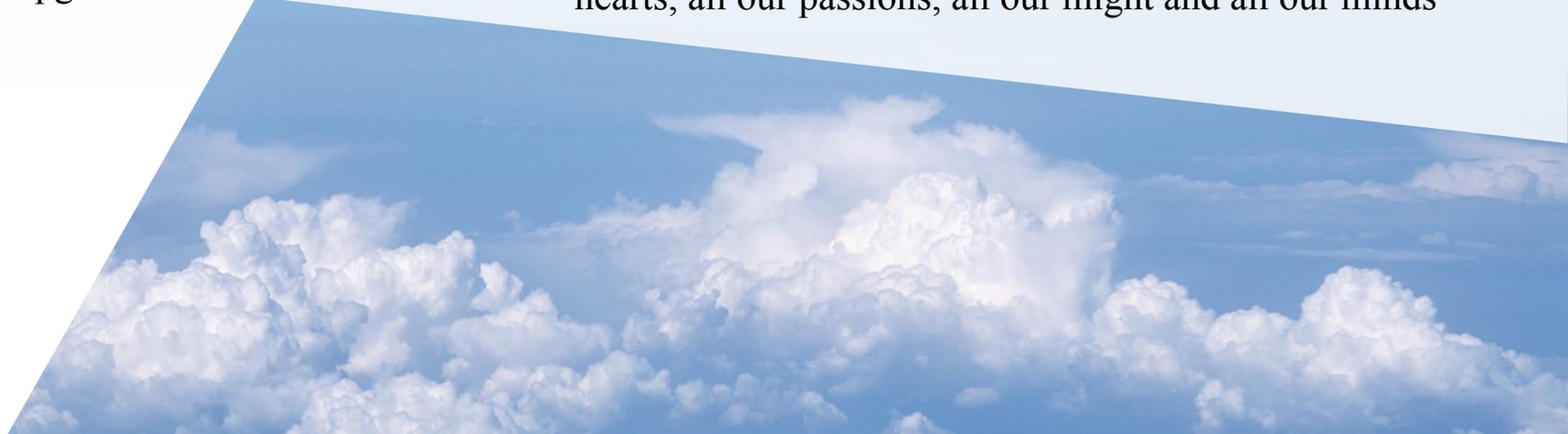
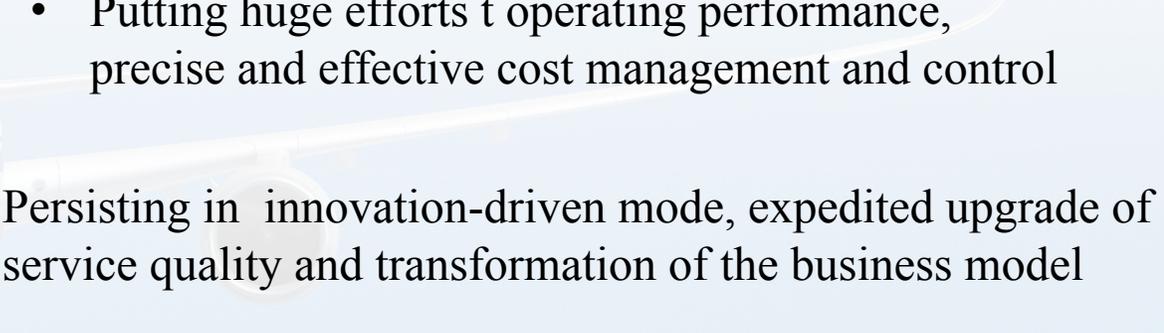
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Outlook

# Outlook

- The pandemic and economic conditions remain very sophisticated
- The economy of the PRC is moving forward steadily on the track of high-quality development with continuous upgrades
- High-quality development
- Fasten the shaping of a new pattern with dual-cycle

- Focus on implementing the regularized pandemic prevention and control measures
- Putting huge efforts to operating performance, precise and effective cost management and control
- Persisting in innovation-driven mode, expedited upgrade of service quality and transformation of the business model
- Being committed to the poverty-relief efforts in all our hearts, all our passions, all our might and all our minds



# Appendix

## Other data for 1H2020

# Fleet – The Group

	30 June 2020				
	Subtotal	Self-owned	Finance Lease	Operation Lease	Average Age
A319	42	32	6	4	12.79
A320/A321	249	82	91	76	6.67
A330	65	28	8	29	8.15
A350	10	0	10	0	1.54
B737	276	120	72	84	7.50
B747	10	8	2	0	10.97
B777	28	4	18	6	6.21
B787	14	12	0	2	3.36
ARJ21	1	1	0	0	0.01
Business Jet	5	1	0	4	7.90
Total	700	288	207	205	7.40

# Fleet – The Group

	Introduction			Retirement		
	2020	2021	2022	2020	2021	2022
A319	-	-	-	2	-	3
A320/A321	14	46	5	1	2	-
A330	-	-	-	-	-	-
A350	2	5	8	-	-	-
B737	-	-	-	3	-	3
B747	-	-	-	-	-	-
B777	-	-	-	-	-	-
B787	-	-	-	-	-	-
ARJ21	3	6	8	-	-	-
Business Jet	-	-	-	-	-	-
Total	19	57	21	6	2	6

Note: The introduction and retirement of the Group's fleets in the future shall be subject to the actual operation.

# Fleet – Air China

	30 June 2020				
	Subtotal	Self-owned	Finance Lease	Operation Lease	Average Age
A319	33	32	1	0	14.03
A320/A321	140	30	65	45	6.19
A330	59	28	5	26	8.75
A350	10	0	10	0	1.54
B737	133	63	24	46	8.24
B747	10	8	2	0	10.97
B777	28	4	18	6	6.21
B787	14	12	0	3	3.36
ARJ21	1	1	0	0	0.01
Total	428	178	125	125	7.68

# Fleet – Air China

	Introduction			Retirement		
	2020	2021	2022	2020	2021	2022
A319	-	-	-	-	-	-
A320/A321	9	32	5	1	-	-
A330	2	5	8	-	-	-
A350	-	-	-	-	-	-
B737	-	-	-	3	-	-
B747	-	-	-	-	-	-
B777	-	-	-	-	-	-
B787	-	-	-	-	-	-
ARJ21	3	6	8	-	-	-
Business Jet	-	-	-	-	-	-
Total	14	43	21	4	-	-

Note: The introduction and retirement of the Company's fleets in the future shall be subject to the actual operation.

# Profit indicators

	1H2020	1H2019	YoY Change
EBITDA (RMB100 million)	32.83	170.45	-80.74%
EBITDA margin	11.07%	26.10%	-15.02pts
EBITDAR (RMB100 million)	36.50	179.28	-79.64%
EBITDAR margin	12.31%	27.45%	-15.14pts
Net return on asset	-10.71%	3.55%	-14.26pts

# Consolidated Balance Sheet (Condensed)

(RMB100 million)	30 June 2020	31 December 2019	YoY Change
Property, plant and equipment	1,011.35	1,021.58	-1.00%
Right-of-use assets	1,152.35	1,193.77	-3.47%
Current Assets	284.70	248.17	14.72%
- Cash and cash equivalents	134.43	89.35	50.44%
Total Assets	2,935.91	2,942.06	-0.21%
Current Liabilities	933.90	779.73	19.77%
Non-current Liabilities	1,111.12	1,149.04	-3.30%
Total Liabilities	2,045.02	1,928.77	6.03%
Total Equity attributable to Shareholders of the Company	827.67	934.59	-11.44%

# Consolidated Cash Flow Statement (Condensed)

(RMB100 million)	1H2020	1H2019	YoY Change
Net cash flow from operating activities	-102.56	130.75	-178.44%
Net cash flow from investing activities	-73.97	-34.56	114.06%
Net cash flow from financing activities	221.48	-87.03	-354.48%
Net increase in cash and cash equivalents	44.94	9.17	390.34%
Cash and cash equivalents at beginning of the period	89.35	67.63	32.12%
Effect of exchange rate changes on cash and cash equivalents	0.13	-0.55	-123.47%
Cash and cash equivalents at the end of the period	134.43	76.25	76.31%

# Major holding subsidiaries

Shenzhen Airlines	1H2020	YoY Change
ASK (100 million)	196.99	-43.76%
RPK (100 million)	134.85	-52.54%
ATK (100 million)	22.00	-41.94%
RTK (100 million)	14.17	-49.86%
Passenger load factor (%)	68.46	-12.67pts
Overall load factor (%)	64.39	-10.17pts
Passenger yield (RMB yuan/RPK)	0.45	-13.60%

# Major holding subsidiaries

Air Macau	1H2020	YoY Change
ASK (100 million)	10.53	-71.39%
RPK (100 million)	6.35	-78.83%
ATK (100 million)	1.22	-71.39%
RTK (100 million)	0.68	-78.33%
Passenger load factor (%)	60.25	-21.17pts
Overall load factor (%)	55.49	-17.78pts
Passenger yield (RMB yuan/RPK)	0.68	12.43%

## Investor Relations - Beijing

*Zhang Yue*

*Tel: +8610-6146 2560*

*Fax: +8610-6146 2805*

*E-mail: [joycezhang@airchina.com](mailto:joycezhang@airchina.com)*

*Zhang Chen*

*Tel: +8610-6146 2543*

*Fax: +8610-6146 2805*

*E-mail: [zhangchen2017@airchina.com](mailto:zhangchen2017@airchina.com)*

Air China's Website : [www.airchina.com.cn](http://www.airchina.com.cn)

Air China's APP :

