



A STAR ALLIANCE MEMBER 

Air China Limited Announces 2011 Interim Results Tackles Market Challenges and Continues to Enhance Core Competitiveness

Hong Kong — August 25, 2011 — Air China Limited (“Air China” or “the Company,” together with its subsidiaries, collectively “the Group”) (HKEX: 00753; LSE: AIRC; SSE: 601111; ADR OTC: AIRYY), today announced its results¹ for the six months ended June 30, 2011 (“the Period”).

Results Highlights

- Turnover topped RMB45.58 billion, a year-on-year increase of 31.06%
- Operating expenses were RMB41.57 billion, a year-on-year increase of 35.49%
- Fuel cost was RMB16.25 billion, representing an increase of 53.13% over the same period last year
- Profit attributable to shareholders was RMB4.06 billion, representing a year-on-year decrease of 12.08%
- Basic earning per share was RMB0.33, a year-on-year decrease of 16.33%

In the first half of 2011, affected by slow economic recovery in the US and Europe, political turmoil in certain regions and earthquake in Japan, the international aviation market continued to experience a slowdown. High jet fuel prices made the operating environment even more difficult. However, the Group captured the opportunities arising from the stable economic development of China; flexibly adjusted capacity to optimize market distribution; and continued to leverage its core competitiveness. As a result, the Group was able to maintain fair profitability of its core business and achieve satisfactory results.

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1. All figures are stated under the International Financial Reporting Standards (“IFRS”)

Financial Highlights

During the Period, the Group achieved turnover of RMB45.58 billion, an increase of 31.06% over the same period last year.

Passenger revenue was RMB38.53 billion, a year-on-year increase of 34.59%. Cargo revenue climbed to RMB4.97 billion, a year-on-year rise of 11.40%. The revenue growth was mainly due to strong domestic passenger demand and excellent performance of Shenzhen Airlines Company Ltd. (“Shenzhen Airlines”), which became a subsidiary of the Group last year.

Operating expenses climbed by 35.49% to RMB41.57 billion, up from RMB30.68 billion reported in the same period in 2010. Jet fuel cost, which remained the single largest cost for the Group, increased by 53.13% year-on-year and accounted for 39.09% of the operating expenses. The surge in jet fuel cost was mainly due to a year-on-year oil price hike of 27.53%. Compared with the same period last year, the average international jet fuel price rose by 34.01%, while the average domestic jet fuel price increased by 25.64%. Consequently, Air China adopted effective cost saving measures to maintain its cost advantages and further enhance its profitability.

During the Period, the Group recorded a foreign exchange gain of RMB1.51 billion, an increase of RMB1.23 billion, or 440.02% over last year. The gain was largely due to appreciation of Renminbi against the US dollar.

During the Period, the Group recorded an operating profit of RMB4.01 billion, a year-on-year decrease of 2.12%. Profit attributable to shareholders was RMB4.06 billion, a decrease of 12.08% compared with RMB4.61 billion for the same period last year.

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Operational Highlights

Passenger Services

During the Period, the Group carried a total of 33.65 million passengers, a year-on-year increase of 28.09%. Passenger capacity, measured by Available Seat Kilometers (ASK), rose by 23.09% to 73.67 billion. Capacity for domestic, international and regional routes increased by 30.53%, 10.76% and 10.90% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK), increased by 25.99% to 54.98 billion. Traffic on domestic, international and regional routes increased by 37.81%, 6.74% and 8.68% respectively. Passenger load factor improved to 80.75%, a year-on-year increase of 1.86 percentage points. Yield per RPK was RMB0.65, up by 6.96% over the same period in 2010.

In the first half of 2011, the Company captured the opportunities emerging from domestic market. Through versatile adjustments made to its sales strategies and capacity reallocation, it managed to retain high productivity and profitability. The Company further tapped into new areas in international market. Four new routes, specifically, Beijing - Dusseldorf, Beijing - Munich - Athens, Beijing - Milan, and Chengdu – Tokyo were launched and recorded satisfactory results. The Company also continued to enhance its direct sales efforts. The income contribution from first-class and business-class cabins, transfer flights and frequent flyers continued to increase. During the Period, revenue from premium-class, transfer flights, e-business and corporate clients achieved year-on-year gains of 23.00%, 4.00%, 42.00% and 47.00% respectively. Frequent flyers' revenue also increased by 26.00% and Star Alliance member revenue contribution rose 13.00% against the corresponding period of last year.

During the Period, Air China continued to strengthen its major hubs. The number of transfer passengers at Beijing hub reached 2.22 million. Share of capacity allocation to Beijing increased by 6.30% to 68.80%. Meanwhile, capacity allocation at Chengdu hub and Shanghai international gateway increased by 2.60% and 9.10% respectively over the same time last year. In addition, the Company secured more slots serving Chengdu hub and established transfer counters and transit lounges for premium class passengers at the T2 terminal building. 36 aircraft were deployed at Shanghai and meanwhile more efforts were put to support the smooth operation of Shanghai international gateway..

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During the Period, the Group added 24 new aircraft, including narrow-body airplanes such as B737-800 and A320, as well as three A330 wide-body passenger planes. At the same time, six aircraft were phased out, including older models such as B757-200 and B737-300. Up to June 2011, the Group owned 411 aircraft in total with the average fleet age of 7.02 years. In the second half of 2011, the Group will also introduce four new B777-300ER wide-body passenger planes. One such airplane has already joined the fleet and commenced service in July. The introduction of new models of aircraft has further optimized the Group's fleet structure that could facilitate the Group to improve efficiency and better execute its hub strategy. As at the end of June 2011, the Company operated a fleet of 292 aircraft. The Company's network covered 30 countries and regions globally, including 43 international, 90 domestic, and four regional cities.

The Company will continue bolstering synergies generated with Shenzhen Airlines. With in-depth cooperation covering different business areas, such as corporate clients, frequent-flyers program, maintenance, information technology and centralized purchasing, synergies of the two companies have become more apparent and profit contributions have risen noticeably. In addition, a cargo joint-venture company was established between the Group and Cathay Pacific Airways in May this year with the aim of developing the entity into the "most preferred cargo airline of for carrying freighter inbound and outbound China". Meanwhile, to explore new opportunities for business development and expedite execution of the Company's strategy, Beijing Airlines was set up aiming at providing business jet and public air transportation services. Dalian Airlines was also established recently, creating a base in northeastern China to serve the regional market.

During the Period, the Company strived to provide passengers with better traveling experience and better service quality. Considerable progress was achieved in upgrading e-business, catering service, cabin facilities and delivery and management of information of irregular flights. In June 2011, Air China was awarded with the four-star service rating from SKYTRAX, the international air services accrediting authority, marking a new milestone for the Company on the service front.

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Cargo Services

In the first half of 2011, and particularly in the last three months, demand for international cargo dropped noticeably while cargo capacity increased since 2010, creating a challenging environment for the cargo operation. Faced with such significant changes in the market, the Group optimized its network and deployment structure and actively looked for market opportunities in order to improve overall efficiency of the cargo business. During the Period, cargo capacity, measured by Available Freight Tonne Kilometers (“AFTK”), increased by 8.1% to 4.03 billion. Cargo traffic, measured by Revenue Freight Tonne Kilometers (“RFTK”), increased by 8.22% to 2.40 billion. Cargo and mail load factor was 59.52%, a year-on-year increase of 0.07 percentage point. Cargo yield was RMB1.81, down by 3.53% year-on-year.

Outlook

Mr. Kong Dong, Chairman of Air China said, “Risks and uncertainties will still exist in the global economy in the second half of the year. The pace of economic recovery in Europe and the US will place greater pressure on demand rebound of the international aviation market. Fluctuation in oil prices, however, remains the main factor affecting the results of airlines worldwide. Furthermore, the operating environment will become more complicated in light of intensifying competition among domestic airlines, the inadequacy of support resources and the impact from high-speed railways in some of our markets.

“However, stable growth of China economy will continue to bring opportunities to the aviation industry. The Twelfth Five Year industrial development plan has outlined promising prospects for Chinese civil aviation industry. We will continue to uphold our strategies on prudent operation and sustainable development, improve service quality, consolidate and enhance our core competitiveness and strengthen cooperation with Cathy Pacific Airways, our strategic partner, so as to realize stable and healthy development.”

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About Air China

Air China Limited (Air China) is the national flag carrier of China and a leading provider of air 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 of 30 June, 2011, the Company operated a fleet of 292 aircraft. The Company's network covers 30 countries and regions, including 137 cities. Air China was listed on Hong Kong Stock Exchange and London Stock Exchange on December 15, 2004 under codes 00753 and AIRC respectively. 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.

Safe Harbor 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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