

Air China Limited Announces 2017 Interim Results

Hong Kong – August 30, 2017 — 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 interim results for the 6 months ended June 30, 2017 (“the Period”).

Business Highlights

- Turnover rose year-on-year by 8.82% to RMB58.746 billion
- Operating expenses increased year-on-year by 15.12% to RMB52.939 billion
- Profit before tax increased year-on-year by 2.67% to RMB5.174 billion
- Net profit increased year-on-year by 3.33% to RMB3.921 billion

In the first half of 2017, China passenger aviation market continued to show strength in demand and supply while cargo business showed signs of recovery, outbound travel demand continued to rise, and international traffic grew steadily. Passenger load factor has increased steadily with enhanced efficiency, against a background of aggressive capacity deployment. The Group has capitalized on market opportunities by prudently expanding its business scale, optimizing efficiency, improving yield and strengthening cost management to reinforce its competitive advantage in the core business. In spite of unfavorable factors such as higher jet fuel prices, the Group has delivered solid results for the period.

Financial Highlights

The Group recorded a turnover of RMB58.746 billion in the first half of 2017, an increase of 8.82% from the same period last year.

Air passenger revenue was up 8.02% year-on-year to RMB 51.052 billion, while air cargo revenue up by 19.65% year-on-year to RMB 4.487billion.

Operating expenses increased by 15.12% to RMB 52.939 billion, up from RMB45.987 billion reported in the first half of 2016. Jet fuel cost recorded a year-on-year increase of RMB3.902 billion, up by 40.11% from the same period last year, mainly due to the increase in jet fuel price.

Net profit increased year-on-year by 3.33% to RMB3.921 billion. During the period, the Group recorded an exchange gain of RMB1.270 billion as compared to a loss of RMB 1.698 billion the same period of last year, arising from the depreciation of USD to RMB.

Business Review

In the first half of 2017, the Company's capacity measured by Available Tonne Kilometers (ATK) was 17.142 billion, representing a year-on-year increase of 3.77%. Traffic measured by Revenue Tonne Kilometers (RTK) was 12.092 billion, representing a year-on-year increase of 6.35%.

The Company tightened cost control to improve efficiency, strengthened strategic synergies, optimized the structural composition of its resources and maintained its competitive cost advantage. Through enhanced internal and external coordination, it capitalized on a window of opportunities for stock placement, successfully completed its secondary offering of A shares, and raised RMB11.2 billion.

Passengers

In the first half of 2017, the Group carried a total of 49.20 million passengers, a year-on-year increase of 5%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 4.94% to 118.992 billion. Capacity for domestic and international routes rose by 4.96% and 6.41% respectively, while capacity for regional routes fell by 7.40%. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK) increased by 6.53% to 96.415 billion. Traffic on domestic and international routes increased by 6.30% and 8.47% respectively, while regional traffic dropped by 6.65% year-on-year. Passenger load factor rose by 1.20 percentage points to 81.03%. Revenue per RPK reached RMB0.53, an increase of 1.42% year-on-year.

In the first half of 2017, the Group introduced 16 aircraft, including 2 B787-9 aircraft, and phased out 11 aircraft, further enhancing the alignment of its fleet and network. The total fleet size was 628 aircraft, with an average age of 6.53 years. During the period, the Company prudently expanded and developed its network, effectively enhanced the value of hub networks, and continuously optimized the global network. In coordination with the national strategic development of "One Belt, One Road" and the integration of Beijing, Tianjin and Hebei, the Company launched international routes from Beijing to Astana, Zurich, and domestic routes from Beijing to Zhengzhou to Shaoyang, and linked 17 European cities with domestic cities via Beijing with through check-in baggage service, which further enhanced connecting capabilities for the Beijing hub. Meanwhile, the Company kept developing the Shanghai international gateway, and Chengdu, Shenzhen regional hubs. Route network has been further developed by launching new routes (including resumption routes), such as Shanghai-Barcelona, Chengdu-kashgar, Hangzhou-Liupanshui, Hong Kong-Yuncheng etc. As of June 30, 2017, the Company's passenger traffic routes have expanded to 408 in total across 6 continents, including 287 domestic, 106 international and

15 regional routes. The Company's network covers 39 countries and regions globally and 184 cities, including 115 domestic, 66 international and 3 regional cities. Through Star Alliance, the Company's route network extends to 1,307 destinations in 191 countries.

The Company vigorously enhanced its yield level, accelerated its business model transformation, and enhanced its core brand value. With the gradual recovery in business travel in the first half of 2017, the Company has significantly increased its deployment of wide-body aircraft for domestic routes in key markets. As domestic traffic continues to grow steadily, the Company has effectively executed its price priority strategy further reinforced the competitive advantage of its industry-leading yield level. Through the optimization of its premium classes pricing structure and broadening of premium classes customer resources, the Company has significantly improved both the yield and the revenue contribution of premium classes, with domestic and international revenue rising by 22% and 7% year-on-year respectively.

With our innovative business model, mobile APPs have been upgraded 6 times with functions including delayed flight baggage enquiries etc, further improving passenger travel experience. As part of our sustained efforts to identify new revenue streams, in the first half of 2017, revenue from ancillary services such as seat selection fee and boarding gate ticket upgrading has increased by 68% year-on-year. The total number of "Phoenix Miles" members amounted to 46.28 million and with increasing activities, revenue contribution up by 23% compared to the corresponding period last year. The brand strategy is forging ahead with the brand image design duly completed. In a branding partnership with the "2019 China Beijing World Garden Exhibition", Air China has become the highest level global partner and the sole airline sponsor. Brand value has been consistently enhanced.

Cargo Business

In the first half of 2017, the global trade recovery accelerated with emerging signs of growth pick-up in the international transport market. However, domestic market growth was relatively slow amid China's economic transformation. Air China Cargo has proactively transformed its business model, and continuously strengthened the passenger and cargo business alignment to steadily improved the load factor of bellyhold. The route structure has been optimized with better margin contribution. By leveraging its trunk routes advantage through resource sharing, new business initiatives progressed with pleasing results. These various measures have proactively addressed the challenging operating environment for the cargo business to maintain profitability.

In the first half of 2017, the Available Freight Tonne Kilometers (AFTK) of Air China Cargo increased by 1.90% year-on-year to 6.408 billion, while the Revenue Freight Tonne Kilometers (RFTK) increased by 6.20% year-on-year to 3.531 billion. The cargo and mail load factor increased by 2.23ppts to 55.09%. The cargo yield was RMB1.27, a year-on-year increase of 12.66%.

Outlook

Looking ahead, China's economic growth will continue its steady trajectory, and the civil aviation market will continue its rapid pace of growth. The Company looks to capitalize on strategic opportunities while aware that industry competition, particularly in the international market will continue to intensify, the business environment will become more complex, and uncertainties from oil price fluctuations and geopolitical risks will persist. In addressing the opportunities and challenges ahead, the Company will remain focused on the goal of becoming a "mega network airline with international competitive edge" and on upholding our prudent management philosophy, deepening reform with innovation, and enhancing our competitive advantage in the international market so as to deliver better returns to shareholders and to society.

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About Air China

Air China Limited (Air China) 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 of June 30, 2017, the Group operated a fleet of 628 aircraft with an average age of 6.53 years, while the Company operated a fleet of 385 aircraft with an average age of 6.57 years. Passenger traffic routes have reached 408, including 106 international, 15 regional and 287 domestic routes. The Company's network covered 39 countries and regions globally and 184 cities, including 66 international, 3 regional and 115 domestic cities. Through the Star Alliance, the Company's route network extends to 1,307 destinations in 191 countries. 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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