



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 Interim Results
 Ever-higher Core Competitiveness and
 Industry-leading Performance**

(28 August 2019, 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), today announces the unaudited interim result for the six months ended 30 June 2019¹.

Financial Highlights

- Turnover was RMB67,245 million, representing a year-on-year increase of 1.55%.
- Operating expenses were RMB60,502 million, representing a year-on-year increase of 1.56%.
- Profit before tax was RMB4,505 million, representing a year-on-year decrease of 10.01%.
- Earnings per share was RMB0.23, representing a year-on-year decrease of 9.56%.

In the first half of 2019, CAAC adhered to the policy of “controlling the total amount, adjusting the structure” and made great efforts in the structural reform of the supply side in the field of civil aviation. Although the growth rate of passenger traffic has slowed down, it is still at a global higher level. The Group paid close attention to macro and industry changes, kept a close eye on market trends, so as to adjust route networks in a timely and effective manner. It continued to improve its resource allocation capability, optimize the production organizations, achieving year-on-year improvements in both aircraft utilization rate and average passenger load factor. It actively responded to the suspension of partial aircraft by coordinating the allocation of transport capacity resources of each route to make up for the transport capacity gap. It also strengthened its control on the costs of large items, adjusted and optimized the debt structure to reduce the impact of exchange rate fluctuations. Despite the unfavorable factors such as the complicated international situation, fluctuations in oil price and exchange rates, the Group achieved an industry-leading performance during the Reporting Period.

Financial Summary

In the first half of 2019, the Group’s revenue was RMB65,313 million, representing a year-on-year increase of 1.67%. Among which, air traffic revenue was RMB62,681 million, representing a year-on-year increase of 1.15%. Air passenger revenue of RMB59,851 million, representing a year-on-year increase of 5.20%. Air cargo and mail revenue was RMB2,830 million,

¹ All figures are prepared based on the IFRS

representing a year-on-year decrease of 44.23%, mainly due to the impact of deconsolidation of Air China Cargo.

Operating expenses were RMB60,502 million, representing a year-on-year increase of 1.56%. Net exchange loss was RMB119 million, in the same period last year, the net loss on exchange was RMB518 million.

Profit before tax was RMB4,505 million, representing a year-on-year decrease of 10.01%.

Business Review

In the first half of 2019, the Group available tonne kilometres (ATK) was 18.319 billion, representing a year-on-year increase of 5.16%. Revenue tonne kilometres (RTK) was 12.476 billion, representing a year-on-year increase of 4.55%.

In the first half of 2019, the Group carried a total of 56.48 million passengers, a year-on-year increase of 5.08%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 5.93% to 141.728 billion. Capacity for domestic, international and regional routes rose by 3.43%, 8.80% and 16.78% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK), increased by 6.60% to 114.784 billion. Traffic on domestic, international and regional routes increased by 3.28%, 10.95% and 18.61% year-on-year respectively. Passenger load factor increased by 0.51 percentage point to 80.99%.

During the Reporting Period, the Group introduced 19 aircraft, phased out 12 aircraft, operated a fleet of 676 aircraft with an average age of 6.81 years. The Company optimized the operation of the entire fleet and improved capacity allocation, and increased the daily utilisation of aircraft by 0.15 hour. The improvement of efficiency and capacity allocation contributed gains of about RMB400 million.

Continue to Expand Route Network, Constantly Advance Hub Construction

The Group continued to follow the strategy of developing its diamond-shaped hub network and devoted balanced efforts to the development of both international and domestic route networks. In the first half of 2019, in response to the “Belt and Road” Initiative, Beijing Hub launched domestic routes such as Beijing-Kashgar and international routes such as Beijing-Phnom Penh. The Company also optimized the flight schedule and aircraft models for international and domestic routes such as Beijing-London and Beijing-Guangzhou, and optimized flights and interlining services via Beijing Hub. The Company opened baggage through check services for routes from 24 cities in 11 countries to China via Beijing, covering 96% of total passengers who transit to China from the abroad via Beijing. The number of passengers who used interlining services in Beijing Hub recorded a year-on-year increase of 11%. The size of flights increased continually, and the commercial value of Beijing Hub improved steadily. Shanghai International Gateway has built up more domestic and international route network connection. Leveraging the upcoming completion of Chengdu Tianfu International Airport, Chengdu International Hub deployed more extensive route network. Shenzhen International Gateway launched the “Belt and Road” routes and supported the development of Guangdong-Hong Kong-Macau Greater Bay Area. As of 30 June, 2019, the Group operated a total of 766 passenger routes, including 605 domestic routes, 132 international routes and 29 regional routes. The Company’s passenger routes reached 41 countries and regions and 190 cities, including 120 domestic cities, 67 international cities and 3 regions. The Company proactively carried out international cooperation and 36 global partners offered 15,436 code sharing flights per week. Through cooperation with members of Star Alliance, the Company has expanded its service coverage to 1,317 destinations in 193 countries.

Grasp the Marketing Rhythm, Accelerate Business Model Transformation

The Company conducted accurate marketing to achieve better alignment between investment

and market demand and matching of products and customers, and recorded a year-on-year growth of 0.51 percentage point in average passenger load factor. We also refined the policies for premium services on different routes and saw a year-on-year growth of 4.3% in revenue from premium cabins. By introducing products such as the A350 Premium Economy Class, the accumulated sales revenue of our ancillary services and products has increased year-on-year by 73% to RMB160 million. We also stepped up the transformation of business model and further exploited innovative marketing. We improved the sales function and user experience of our mobile platform, and the number of registered users of our application has reached 9.37 million, contributing sales revenue of RMB3,590 million. We enriched ecosystem of our application by launching a payment method by which mileage credits can be used for payment with cash and be spent in various traveling related scenarios, which has increased loyalty and stickiness of our customers. Our program “Phoenix Miles” has a total of 60.09 million members, and its contributed revenue has increased by 6.3% as compared with corresponding period of last year.

Improve Product and Service Competitiveness, Steadily Promote Brand Value

Upholding a philosophy of offering sincere service, we effectively enhanced passenger experience; continued to promote the benchmarking of service standard system with that of the Star Alliance and the implementation of digital system, “Move under One Roof” programme, Luggage Hub Center and other projects proposed by Star Alliance. The Company promoted the optimization and upgrading of aircraft seats, entertainment systems, luggage racks on narrow-body aircraft and cabin lighting products; opened the information flow for the whole process of service, 10 aircraft including A320 and B777 were revamped with in-flight WIFI. We fully promoted self-service check-in, self-service baggage check-in, face recognition + self-boarding and other convenient travel products. We enriched transit products, expanded transit guidance services and transit lounge booking channels. We created aircraft cultural entertainment scenarios, providing more than 1,031 hours of aircraft entertainment in 28 languages for passengers in the first half of the year. Our brand construction continued to proceed while our brand value continued to increase. We conducted comprehensive, systematic and multi-dimensional brand communication in major European markets, thereby significantly improving brand recognition. Furthermore, we endeavoured to maximise our brand value through the exhibition hall featuring “Wings of Dream (夢之翼)” of Beijing International Horticultural Exhibition, and the “Beijing Cross-Country Skiing Competition (北京越野滑雪大獎賽)” of Beijing 2022 Winter Olympic Games. Our brand communication has won numerous awards, such as the nomination of the “Best Enterprise Brand Communication on the Global Award List” by the PR Week (《公關週刊》全球榜單最佳企業品牌傳播獎), representing the first airline in the world to be nominated with such honor. We also won awards such as the “Best VR/AR” of 2019 Asia Pacific PR Award and the “Excellent Chinese Global Brand Award (中國出海品牌卓越獎)”.

Deepen Strategic Synergy, Enhance Joint Venture Cooperation

The Company continued to strengthen the multi-brand strategic cooperation with its member airlines and improved the security audit and management system to cope with the large-scale and multi-brand operation model. We also planned our base and market layout as a whole to improve the strategic objective management system, promote the sharing of time slot resources, deploy capacity with market demand and deepen maintenance cost linkage. Further, we constantly converted our strategic advantages into operational advantages by enhancing joint purchasing and implementing data assets consolidation. We deepened the joint venture cooperation with Deutsche Lufthansa AG by strengthening the partnership on secondary markets, lounge and high-end services. We carried out joint venture cooperation with Air Canada and made progress in improving yield level of common flight routes, conducting channels and customer integration, implementing code sharing, the synergistic effects of which have begun to appear. We continued to enhance the joint, bilateral and multilateral cooperation with airlines companies such as United Airlines, Air New Zealand, Singapore Airlines and conducted code

sharing cooperation with 19 members under Star Alliance with a total of 36 aviation of enterprises.

Prospects

In the second half of 2019, the Group will continuously adhere to the important instructions of General Secretary Xi Jinping on civil aviation, stay committed to the underlying principle of pursuing progress while ensuring stability and adhere to the philosophy of high-quality development, so as to unswervingly develop Air China into a top-tier aviation group in the world. The Group will further enhance the management on civil safety, improve risk prevention and control capabilities and profitability and optimize the hub network and production organization and improve service quality and passenger experience to greet the 70th anniversary of the founding of the PRC with extraordinary achievements.

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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 of 30 June, 2019, the Group operated a fleet of 676 aircraft with an average age of 6.81 years. The Group operated a total of 766 passenger routes, including 605 domestic routes, 132 international routes and 29 regional routes. The Company's passenger routes reached 41 countries and regions and 190 cities, including 120 domestic cities, 67 international cities and 3 regions. The Company proactively carried out international cooperation and 36 global partners offered 15,436 code sharing flights per week. Through cooperation with members of Star Alliance, the Company has expanded its service coverage to 1,317 destinations in 193 countries. 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.

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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