

Air China Limited Announces 2016 Interim Results

Hong Kong – 30 August, 2016 – 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 results for the six months ended 30 June, 2016 (“the Period”).

Business Highlights

- Turnover was RMB53.984 billion, a year-on-year increase of 3.98%
- Operating expenses were RMB45.987 billion, a year-on-year increase of 1.56%
- Profit attributable to shareholders was RMB3,468 million, a year-on-year decrease of 17.47%
- Earnings per share were RMB0.28, a year-on-year decrease of 17.47%

In the first half of 2016, global economic recovery was slower than expected, the competition in the international passenger aviation market was intensified and the demand for cargo transport remained slack. The macro economy in China remained sound and healthy with consumption demand maintaining at a high growth rate. Amid the strong demand in the domestic aviation market, the Chinese aviation industry maintained a relatively faster pace of development. In its unwavering commitment to quality and operational excellence, the Group continues to be vigilant and responsive to market changes and remains steadfast in advancing the Company’s strategies to maintain its industry leading profitability.

Financial Highlights

The Group recorded a turnover of RMB53.984 billion in the first half of 2016, an increase of 3.98% from the same period last year.

Air passenger revenue was up 5.06% year-on-year to RMB47.263 billion, while air cargo revenue fell by 13.22% year-on-year to RMB3,750 million.

Operating expenses increased by 1.56% to RMB45.987 billion, up from RMB45.281 billion (restated) reported in the first half of 2015. Jet fuel costs recorded a year-on-year decrease of RMB2,332 million, representing a down of 19.34%, mainly due to the decline in jet fuel price.

Operating profit increased by 20.50% to RMB7,997 million. Profit attributable to shareholders achieved RMB3,468 million primarily due to the profitability in the Company’s

main business, after being offset by a loss of RMB1,698 million arising from fluctuations in exchange rates.

Business Review

In the first half of 2016, the capacity measured by Available Tonne Kilometers (ATK) was 16.520 billion, representing a year-on-year increase of 9.40%. Traffic measured by Revenue Tonne Kilometers (RTK) was 11.371 billion, representing a year-on-year increase of 8.57%.

Passengers

In the first half of 2016, the Group carried a total of 46.86 million passengers, a year-on-year increase of 7.29%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 10.21% to 113.387 billion. Capacity for domestic, international and regional routes rose by 5.05%, 21.89% and 0.02%, respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK) increased by 10.14% to 90.509 billion. Traffic on domestic, international and regional routes increased by 5.30%, 20.67% and 6.91%, respectively. Passenger load factor fell by 0.05 percentage points to 79.82%. Yield per RPK (excluding fuel surcharge) reached RMB0.48, a decrease of 4.45% year-on-year.

In the first half of 2016, the Group introduced 25 aircraft, including three 787-9 aircraft, and phased out 12 aircraft. The total fleet size was 603 aircraft with an average age of 6.26 years, and as a result, the alignment of its fleet and network was further improved. The Company closely followed the market changes to integrate new fleet structure and optimize fleet capacity deployment onto domestic and international routes. In response and in an effort to mitigate the impact from growing terrorism in Europe, the Company has reduced capacity in international low-yield long-haul routes in a timely manner and reallocated the deployment of wide-body aircraft to its primary domestic markets. The Company further improved yield management levels by aligning the passenger load factor with fare charges. As a result, the Company maintained its leading market share in the international aviation market and a stable pricing in the domestic market, which in turn, contributed to improvements in its yield.

In the first half of 2016, Air China's global network structure has further been enhanced with a 57% increase in international to international connecting passengers as the Company's efforts in focusing on the hub network strategy and expansion of the route network have attended with pleasing results. To further strengthen the importance of the Beijing hub, the Company has increased the frequency of a number of international and domestic routes from Beijing to Manila and other destinations, and commissioned "One Belt, One Road" routes from Beijing to Kumul, Turpan, Xichang and other destinations. The Company continued to build Shanghai into an international gateway through expansion of its domestic network connecting to Shanghai, and providing international connecting flights to passengers of its existing international routes. In its continuous efforts to develop Chengdu as a regional hub, the Company increased the frequency of a number of domestic routes to Ningbo, Korla and other destinations, thereby strengthening its competitive position in

western region. To cater for the international travel demands of South China, the Company commissioned Shenzhen-Frankfurt and Shenzhen-Beijing-Los Angeles routes, which enabled the Company to further enhance its competitiveness in the region. As of June 30, 2016, the Company's passenger traffic routes have reached to 377 routes, including 98 international, 16 regional and 263 domestic routes. The Company's network covered 39 countries and regions globally and 173 cities, including 61 international, 4 regional and 108 domestic cities. Through the Star Alliance, the Company's route network extends to 1,330 destinations in 193 countries.

The Company has a clear business model transformation centered around a frequent flyer program, ancillary revenue and e-commerce business, to build an aviation travel and life ecosystem. In the first half of 2016, the total number of "Phoenix Miles" member amounted to 40.45 million, whose revenue contribution increased by 7.6% compared to the corresponding period last year. The Company has expanded its ancillary revenue service system and the revenue generated from products such as paid seat selection, pre-paid baggage and paid upgrade increased by 18%. The Company continued to optimize and regulate its sales channels, with a substantial improvement in the sales capability of its e-commerce platforms (primarily through mobile applications), and a significant increase in direct sales proportionate to 37.4% of overall revenue, representing an increase of 10.4 percentage points over the corresponding period last year.

Due to fluctuations in the foreign exchange market, the Company further optimized aircraft introduction by moderately increasing the proportion of aircraft under operating leases, so as to slowdown the growth of US dollar long-term debt. Therefore, the scale of US dollar debt was controlled while residual value risk was avoided. The Company also enhanced the optimization and adjustment of its foreign debt structure. The proportion of US dollar debt was reduced significantly from 73.48% by the end of 2015 to 58.69% (according to the Group) by the end of June, 2016 so as to alleviate the pressure on foreign exchange losses.

Cargo Business

In the first half of 2016, due to the slowdown of the global economy and sluggish trade, air cargo prices experienced a continuous drop. Air China Cargo took active efforts to address the operational efficiency problem of long-distance air freighters, and optimized capacity deployment structure. The Company has strengthened the combined passenger and cargo services, established a passenger and cargo coordination network hub, promoted the sales of its cargo transition business and actively improved revenue increases in bellyhold space services. The Company has strengthened marketing management, focused on marketing upgraded products, and officially launched its line of new products. At the same time, the Company has accelerated the integration of logistics resources and the cargo terminal business to further advance the optimization of its cargo business model. The Company took various measures to mitigate against the unfavorable business environment, which in turn, effectively minimized the loss on its cargo business.

In the first half of 2016, the AFTK of Air China Cargo increased by 8.09% year-on-year to 6,289 million, while the RFTK increased by 5.01% year-on-year to 3,325 million. The cargo and mail load factor was 52.86%, a fall of 1.55 pts as compared to the corresponding period last year. The cargo yield (excluding fuel surcharge) was RMB1.00, a year-on-year decrease of 10.20%.

Outlook

In the second half of 2016, the domestic air passenger market is expected to grow steadily with a continued high demand on outbound tourism. However, intensified industry competition and exchange rate fluctuations will remain. To adequately address the opportunities and challenges ahead, the Group will deepen reform with innovation, advance its strategic imperatives and transform its business model so as to achieve a greater performance.

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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, 2016, the Group operated a fleet of 603 aircraft with an average age of 6.26 years, while the Company operated a fleet of 366 aircraft with an average age of 6.41 years. Passenger traffic routes have reached to 377 routes, including 98 international, 16 regional and 263 domestic routes. The Company's network covered 39 countries and regions globally and 173 cities, including 61 international, 4 regional and 108 domestic cities. Through the Star Alliance, the Company's route network extends to 1,330 destinations in 193 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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