

## **Air China Limited Announces 2018 Interim Results Persists in Leading Profit Level**

Hong Kong—August 30, 2018—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 6 months ended June 30, 2018 (“the Period”).

### **Results Highlights**

- Revenue rose 11.96% year-on-year to RMB64.242 billion
- Operating expenses increased 12.53% year-on-year to RMB59.574 billion
- Earnings per share attributable to equity shareholders of the Company increased 4.05% year-on-year to RMB3.476 billion
- Profit per share slightly decreased 0.04% year-on-year to RMB0.25

In the first half of 2018, China passenger aviation market grew steadily in demand and supply while outbound travel and international traffic demand continued to rise with a rapid growth, and there was a faster growth in capacity supply. The Group has capitalized on market opportunities by prudently optimizing its production organization, stabilizing income level and strengthening cost management to reinforce its competitive advantage in the core business. In spite of unfavorable factors such as higher jet fuel prices and depreciation in exchange rates, the Group has delivered solid results for the Period.

### **Financial Highlights**

The Group recorded a revenue of RMB64.242 billion in the first half of 2018, an increase of 11.96% from the same period last year. Air passenger revenue was up 11.55% year-on-year to RM 56.894 billion while air cargo revenue was up by 13.12% year-on-year to RMB 5.075 billion.

Operating expenses increased by 12.53% from RMB52.939 billion to RMB59.574 billion. Jet fuel cost recorded a year-on-year increase of RMB3.953 billion, up by 29.00% from the same period last year, mainly due to the increase in the consumption and the process of jet fuel. An increase of 6.82% for operating expenses is recorded after excluding jet fuel cost, lower than the increase of revenue.

During the period, the Group recorded an exchange loss of RMB518 million, an exchange gain of RMB1.270 billion was recorded in the same period last year, mainly due to the appreciation of US dollar against RMB during the Period. Earnings per share attributable to equity shareholders of the Company increased 4.05% year-on-year to RMB3.476 billion.

## **Business Review**

In the first half of 2018, the Company's capacity measured by Available Tonne Kilometers (ATK) was 19.094 billion, representing a year-on-year increase of 11.39%. Traffic measured by Revenue Tonne Kilometers (RTK) was 13.375 billion, representing a year-on-year increase of 10.61%.

In the first half of 2018, the Group carried a total of 53.75 million passengers, a year-on-year increase of 9.25%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 12.44% to 133.800 billion. Capacity for domestic, international and regional routes rose by 9.97%, 17.08% and 7.71% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK) increased by 11.68% to 107.680 billion. Traffic on domestic, international and regional routes increased by 8.89%, 16.35% and 14.84% year-on-year respectively. Passenger load factor decreased slightly by 0.54 percentage points to 80.48%. In the first half of 2018, the Group introduced 15 aircraft, and phased out 8 aircraft. The total fleet size was 662 aircraft, with an average age of 6.74 years.

## **Advance Strategic Arrangement and Continue to Expand Route Network**

In the first half of 2018, the Company newly launched (resumed routes included) 28 domestic and international routes, comprising 21 domestic and 7 international routes. As for the Beijing Hub, the Company launched international routes of Beijing-Barcelona, Beijing-Houston-Panama, Beijing-Copenhagen, Beijing-Hanoi, etc.; as at the end of the Period, the Company launched around 30 direct routes from Beijing to the countries along the Belt and Road. The capacity of Beijing as one of the key bases increased by 6.8% year-on-year by optimizing the capacity deployment structure of the Beijing Hub and increasing the deployment of wide-body aircraft for key routes departing from Beijing. The Group delivered through check-in baggage services on routes from 19 European cities to domestic destinations via Beijing. As at the end of June 2018, this service has covered 35 waypoints in Europe, America and Australia; the number of O&D connected in the Beijing Hub increased to 6,050 from 5,918 as at the end of 2017; the onward transit products of the Beijing Hub were promoted and the passengers transfer services were enhanced. The number of onward transit passengers via Beijing increased by 25.4% year on year. The Chengdu International Hub launched new international and domestic routes such as Chengdu-Bangkok, Chengdu-Huai'an and Chengdu-Hotan, and the capacity contributed increased by 10.3% year-on-year. Shanghai and Shenzhen international gateways have continuously improved the planning of route network and deployment of wide-body aircraft through interconnection with surrounding areas. In addition, the quadrilateral strategic layout has been continuously optimized and the route network has been further developed as the Company launched new international and domestic routes such as Hangzhou-Nha Trang, Dalian-Shijiazhuang- Yinchuan, and Hangzhou-Xi'an-Karamay.

As at the end of June 2018, the Company's passenger routes have expanded to 434 in total, across six continents of the world, comprising 308 domestic, 109 international and 17 regional routes. The Company's network covered 42 countries and regions and 189 cities, including 69 international, 4 regional and 116 domestic cities. Through Star Alliance, the Company's route network extended to 1,317 destinations in 193 countries.

### **Steadily Improve Marketing Capability and Accelerate Business Model Innovation**

In the first half of 2018, the Group compiled the 2018 Global Sales Yearbook (《2018 年全球銷售地年鑒》) and the Global Market Opportunity Information Calendar (《全球機會市場信息日曆》) to expand domestic and international interlining products and refine revenue management, the sales revenue of domestic and international interlining services achieved a year-on-year growth of 14%. The Company seized the opportunity of domestic price adjustment to adjust the prices of premium cabins on 99 domestic routes and the price of economy cabin on 22 domestic routes, which resulted in a year-on-year increase in the revenue of RMB356 million. By enriching marketing activities towards and expanding the customer base of premium classes, the domestic and international revenue for premium cabins increased by 8% and 15%, respectively, on a year-on-year basis. The total number of "Phoenix Miles" members amounted to 54.21 million, and revenue contribution increased by 12% compared to the same period last year. The Company steadily promoted business model innovation, and enhanced e-commerce channel sales capabilities. Its APP has been upgraded nine times which added 580 new functions and realized product optimization, achieving sales revenue of RMB2,640 million, representing an increase of 53% as compared to the same period last year. The Company has completed the E-service for frequent flyers business and expanded the mileage usage channels, which significantly enhanced its customers' satisfaction and loyalty. The customer experience on ancillary products has also improved. In the first half of 2018, its cumulative sales revenue from ancillary products such as paid seat selection and boarding gate cabin upgrade reached RMB92.32 million, representing a year-on-year increase of 43%.

### **Enhance Product and Service Quality and Promote High-quality Brand Strategy**

The proportion of all-channel self-service check-in reached 70.5%. The Group implemented "paperless and convenient travel" project, and launched QR Bar code electronic boarding pass inspection services in 23 domestic and 8 international and regional airports. The Company built the premium class lounges brand, and promoted the "Move Under One Roof – Beijing terminal joint operation" with Star Alliance. The Company also expanded the construction of its domestic first class lounge on the second floor and the floating island lounge project on the fourth floor at the T3C building of Beijing Capital Airport. The Company has built and operated 95583 global service centre, set up a global linkage mechanism for irregular flights, a pretreatment mechanism and an emergency response mechanism to boost travel security for passengers. The Group carried out comprehensive brand promotion projects in

markets in China, UK and Germany promoting in all directions through traditional and new media. Advertising media exposure covered 1.3 billion people and Internet media received 20.56 million clicks on its advertisements. The Group also participated in the first China Independent Brand Expo to show its brand image as an international airline company. Joint marketing agreements were signed with the tourist bureau in Copenhagen and Australia, and “Munich Express” cooperation agreements were signed with Beijing Capital Airport and Munich Airport to strengthen brand synergy. The successful first flight of theme painting aircraft “Colorful World Garden (多彩世園號)” and “Flowering World (花開盛世號)” for the Beijing World Horticultural Exposition effectively enhanced our brand influence and reputation. The Company was selected as one of China’s Top 500 Most Valuable Brands released by the World Brand Lab, with a brand value of RMB145.295 billion.

### **Optimize Resources Allocation and Enhance Cost Efficiency**

With its rich management experience in optimizing wide-body aircraft operation, the Company has fully commenced the work of “whole fleet operation optimisation”. By focusing on key areas such as production organization and cost efficiency improvement, the Company strengthened its control over production process organization and resource utilization through reinforcing the role of market in guiding the formulation of production plans and resource allocation. It also conducted aircraft performance optimisation management and accelerated the process of integrated management of airline catering to improve decision-making efficiency and resource synergy, and therefore further improved its cost efficiency.

### **Continuous Profit in Cargo Business with Numerous Measurement**

With the global economic recovery in the first half of 2018, air cargo market grew steadily. Air China Cargo continued to strengthen configuration management of models and routes, enhance resources utilization efficiency, reinforce overseas O&D, and improve the operating conditions of low carrying capacity routes. It has also achieved in new business development, promotion of high value-added services such as cold-chain logistics, and product revenue enhancement. Through carrying out numerous measurement, a continuous profit was recorded in cargo business.

During the Period, the Available Freight Tonne Kilometers (AFTK) of Air China Cargo increased 9.61% year-on-year to 7.024 billion, while the Revenue Freight Tonne Kilometers (RFTK) increased by 8.39% year-on-year to 3.827 billion. The cargo and mail load factor slightly decreased by 0.61 percentage points to 54.48%.

### **Social Responsibility**

#### **Comprehensive Mechanism for Targeted Poverty Alleviation**

In the recent years, Air China has attached great importance to poverty alleviation, and introduced poverty alleviation enforcement opinion and “8+2” significant project

proposal in order to complete the fixed-point poverty alleviation mechanism and relevant projects, including direct poverty relief, industrial based poverty relief and intelligence-oriented poverty relief, with high recognition from both of the government and public in the beneficiary regions, and assessment of the State Council Leading Group Office of Poverty Alleviation and Development.

In the first half of 2018, leading by CNAHC and the Company's poverty alleviation leadership group, Air China made great efforts in poverty alleviation based on the national major deployment. The Company continued to carry out extensive field visits and formulate annual proposal, strength poverty alleviation effort through the three main aspects of direct poverty relief, industrial based poverty relief and intelligence-oriented poverty relief with "8+2" working system, boost poverty alleviation works in fixed-point beneficiary regions, help perfect the management system of projects, capital and talent, as well as promote institutionalization, standardization and scientification of poverty alleviation.

### **Build a Green Fleet and a Blue Sky for All**

In the first half of 2018, the Company continued to introduce new aircrafts that are more environmental friendly, and replaced old aircrafts with high energy consumption and low capability to achieve aircraft structural optimization. Through measures, including optimization of dispatch, fuel control, APU fuel saving, ground facilities, for insisting in energy saving and emission reduction, cumulative volume of fuel saving was 4,579 tonne and reduction in carbon dioxide emission was 14,424 tonne for the six months as of June 30, 2018.

The Company continued to step up publicity about energy saving, emission reduction and response of climate change with diversified promotional events such as the announcement of energy saving and emission reduction proposal for employees, environmental friendly low-carbon charitable activities organization with encouraging atmosphere, and promotion of energy utilization and environmental resources protection.

### **Outlook**

Facing opportunities and challenges in the second half of 2018, a healthy and steady economy will be maintained under new development philosophy and high qualified development requirements. A better supply and demand of air traffic industry, and the introduction of fare marketization reform help consolidate the Company's confidence in high qualified achievement. Meanwhile, the Company is facing some unfavourable factors such as intense industry competition, higher jet fuel prices and exchange rate fluctuation. The Group will continue to strengthen strategic measurements, advance reforms on working mechanism, reinforce operating control, enhance risk resistance capacity, and will take a solid step towards to strategic goal of building a world-class aviation group.

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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 30 June, 2018, the Group operated a fleet of 662 aircraft with an average age of 6.74 years, while the Company operated a fleet of 397 aircraft with an average age of 6.76 years. The Company's passenger routes have expanded to 434 in total, across six continents of the world, comprising 308 domestic, 109 international and 17 regional routes. The Company's network covered 42 countries and regions and 189 cities, including 69 international, 4 regional and 116 domestic cities. Through Star Alliance, the Company's route network extended 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 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](http://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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