

Air China Announces 2018 Annual Results: Improve Operational Quality and Maintain Leading Edge in Industry

Hong Kong – March 27, 2019 — Air China Limited (“Air China” or the “Company” , together with its subsidiaries, collectively “the Group”) (Stock Code: Hong Kong: 00753; London: AIRC; Shanghai: 601111; America ADR OTC: AIRYY), today announced the results for the twelve months ended December 31, 2018 (the “Period”)¹.

Business Highlights

- Total Revenue rose 12.70% year-on-year to RMB136.774 billion
- Operating expenses increased by 12.71% year-on-year to RMB126.537 billion
- Net profit attributable to shareholders increased by 1.47% to RMB7.351 billion

In 2018, the air transport market of the PRC had a general balance between supply and demand where there was a strong need for domestic travel and a modest need for international/regional travel. However, the relatively fast-growing transport capacity has surpassed the growing demand. The Group acted in accordance with the market condition and further strengthened the advantages of quality operation of its core air transport business by adopting measures including optimising operational arrangement, stabilising the yield level and refining cost control. For the Period, the Group has achieved satisfactory results despite the adverse impacts from factors such as oil price rebounding and currency depreciation.

Financial Highlights

The Group recorded a total revenue of RMB136.774 billion in 2018, an increase of 12.70% from the same period last year. Air transport revenue was up 12.68% year-on-year to RMB131.836 billion. Air passenger revenue was up 12.82% while air cargo revenue was up by 11.22%. Other income and gain was RMB4.109billion, representing an increase of 54.27% year-on-year.

¹ All data were calculated in accordance with the International Financial Reporting Standards

Operating expenses increased by 12.71% to RMB126.537 billion. Jet fuel costs recorded a year-on-year increase of RMB10.072 billion, up by 35.45% from the same period last year, mainly attributable to the increase in fuel consumption and the rise in the price of jet fuel. During the Period, the Group recorded an exchange loss of RMB2.377 billion compared with the exchange gain of RMB2.938 billion during the same period last year, mainly attributable to the appreciation in the exchange rate of the US dollar against RMB.

In 2018, profit before tax was RMB9.977 billion. Net profit attributable to shareholders of listed companies was RMB7.351 billion, up 1.47% year-on-year.

Based on the 2018 profit distribution plan of the Company, the Board recommends the appropriation of 10% of the profit after tax as statutory surplus reserve and 10% as discretionary surplus reserve and the payment of a cash dividend of RMB1.0328 (including tax) for every ten shares for the year 2018. The relevant cash dividend plan will be submitted to the Company's 2018 Annual General Meeting for consideration.

Business Review

In 2018, the Group's capacity measured by Available Tonne Kilometers (ATK) was 38.920 billion, representing a year-on-year increase of 9.10%. Traffic measured by Revenue Tonne Kilometers (RTK) was 27.518 billion, representing a year-on-year increase of 8.40%.

In 2018, the Group carried a total of 110 million passengers, a year-on-year increase of 8.02%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 10.41% to 273.60 billion. Capacity for domestic, international and regional routes rose by 8.24%, 14.06% and 9.15% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK) increased by 9.67% to 220.528 billion. Traffic on domestic, international and regional routes increased by 7.51%, 13.16% and 12.18% year-on-year respectively. Passenger load factor dropped by 0.54 percentage points to 80.60%. In 2018, the Group introduced 50 aircrafts, and phased out 21 aircrafts. The total fleet size was 669 aircrafts, with an average age of 6.62 years.

Consolidate advantage of Beijing Hub and cultivate balanced and complementary route network

In 2018, Beijing Hub launched new international routes such as Beijing-Copenhagen and Beijing-Barcelona and domestic routes such as Beijing-Huizhou, and increased the number of flights on certain routes such as Beijing-London and Beijing-Moscow. The O&D connected by Beijing Hub increased to 6,230 and the number of persons who have received interlining services provided by the hub increased by 935 thousand year-on-year. The Group newly launched baggage through check services on routes from 8 cities in the Americas, Europe and Oceania and the baggage through check services are now being provided for routes from 35 cities via Beijing. The flight scale of Beijing Super Hub improved steadily with enlarged route network and increased commercial values. Chengdu International Hub launched a number of new international routes such as Chengdu-London and Chengdu-Bangkok. Shanghai International Gateway increased the flights of certain international routes including Shanghai-Paris and Shanghai-Nagoya, and launched new domestic routes such as Hangzhou-Yazhuang. Shenzhen International Gateway accelerated its pace to establish presence in the international market, and launched new international and domestic routes such as Shenzhen-London and Shenzhen-Urumqi while increasing the number of flights on the routes such as Shenzhen-Seoul and Shenzhen-Phnom Penh. The Company continued to maintain a balanced domestic and international route network. As of December 31, 2018, the Company, Shenzhen Airlines (including Kunming Airlines), Air Macau, Beijing Airlines, Dalian Airlines and Air China Inner Mongolia operated a total of 754 passenger routes, including 138 international routes, 27 regional routes and 589 domestic routes. The above passenger routes reached 42 countries and regions and 184 cities, including 66 international cities, 3 regions and 115 domestic cities. Besides, the Company also actively cooperated with the members of Star Alliance, offering 14,087 code sharing flights per week through collaboration with 36 global partners. It has also expanded its service coverage to 1,317 destinations in 193 countries through its cooperation with the Star Alliance.

Optimize resource allocation and promote business model transformation

The Company continuously optimized its capacity resources distribution and significantly improved its resource utilization efficiency. By adjusting its domestic and international capacity deployment structure, the Company increased its share in major markets; and by enhancing the matching between aircraft and market, its capacity investment and return of domestic routes that apply wide-body aircraft both reported growth. Its domestic routes maintained the price advantage and the momentum of increasing yield level, and international routes refined sales management and stabilized market share and fares in international gateways. Besides, the Company

established an integrated e-commerce platform that incorporates product sales, service access, channel integration and marketing and has exerted efforts to promote the execution of Phase 2 business model transformation project, realized scenario-based payment services based on frequent fliers' credit points, and widen the monetized application of mileage credits. The Company also enhanced overseas e-commerce capabilities resulting in a year-on-year growth of 12% in overseas online sales revenue. The number of registered users of its mobile platform increased by 29.6% and the sales revenue increased by 50% on a year-on-year basis. Moreover, the Company continuously expanded ancillary services and products and optimized the management system for ancillary services and products. In particular, the Company launched paid upgrade product at departure gates at 40 domestic airports and 15 international airports. During the Period, the total number of "Phoenix Miles" members amounted to over 56 million. With the all-round upgrade of services offered to the frequent flier, fliers' satisfaction greatly improved and customer loyalty and stickiness also remarkably increased, leading to a year-on-year growth of 11.6% in the revenue contributed by frequent fliers.

Improve products and services for better brand image

Upholding a philosophy of offering sincere service, the Company focused on passenger experience and constantly promoted innovative service and optimized the whole-process convenient passenger service assurance mode. It established 95583 global service support centers and set up a remote agent quick response mechanism. For the first time, the Company launched an omni-channel involuntary ticket change and refund function to upgrade the customer experience of irregular flights. Its "paperless and convenient travel" project was also implemented smoothly which was marked by electronic boarding pass inspection services in 45 domestic and 8 international and regional airports. To offer "A bite of Air China", the Company improved the food quality of 101 stations across the globe. In addition, the Company promoted the brand planning projects and painted aircraft named "Colorful World Garden (多彩世園號)" and "Flowering World (花開盛世號)" for the Beijing World Horticultural Exposition, and cooperated with Yili Group to carry out the themed marketing of "First Experience of Ice and Snow in Flying(飛享冰雪初體驗)" for the 2022 Beijing Winter Olympics and Winter Paralympics. As the first A350 aircraft in the Chinese market joined the fleet of Air China, the Company planned the "Escorting for Dreams(為夢想護航)" series of activities, and launched the brand's IP images "Glasses Man Panda(眼鏡俠胖安達)" and "Traveler Panda(旅行家胖安達)". The brand image of Air China was well-received by the public and emotional connection with audience became stronger. It also participated in the first China Independent

Brand Expo to present the image of Air China as an international airline company. In addition, the Company executed joint marketing agreements with Wonderful Copenhagen and Tourism Australia respectively, and entered into “Munich Express” cooperation agreement with Beijing Capital Airport and Munich Airport to strengthen brand synergy. These efforts have resulted in greater brand awareness and brand appeal. In 2018, the brand of Air China was selected as one of the World’s 500 Most Influential Brands released by the World Brand Lab, making Air China the only Chinese airline company on the list with a brand value of RMB145.295 billion. In 2018, the Company also won the “China Top 100 Enterprise Award (中國百強企業獎)” .

Focus on cost efficiency enhancement to maintain leading cost edge in industry

In 2018, the Company focused on cost efficiency enhancement and cost structure optimisation. By implementing the “whole fleet operation optimization project” , it further strengthened production efficiency and resource allocation. For production organization, the Company continued to implement such measures as computer-driven oil consumption control to reduce jet fuel costs, while optimising fleet maintenance initiatives to increase the overall utilisation of fleets. For marketing and procurement management, it increased the proportion of direct sales to lower agency fees, and advanced the overall management of food items in-flight to reduce consumption. For operational assurance, it vigorously promoted the application of new energy, improved resource allocation and reduced cost consumption. For capital management and control, the Company actively safeguarded against and resolved financial risks, increased capital efficiency, expanded financing channels, optimised debt structure and minimised capital expenditure.

Social responsibility

Promote poverty alleviation and make active contribution to society

The Company performed its social responsibility in the overall development plan by virtue of its own industry advantages to actively make contribution to the society. The Company had safeguarded the provision of important transportation services involved in the events of PyeongChang 2018 Paralympic Winter Games, Beijing Summit of the Forum on China-Africa Cooperation, Hajj Charters, Celebration on 60th Anniversary of Founding of Ningxia Hui Autonomous Region and the first China

International Import Expo. It made every effort in alleviating poverty work by insisting on precise poverty alleviation policies and further promoting and improving the “8+2” supporting system. Both targeted anti-poverty regions of Sonid Right Banner, Xilingol League, Inner Mongolia Autonomous Region and Zhaoping county, Hezhou city, Guangxi Zhuang Autonomous Region achieved their annual goals in alleviating anti-poverty. The voluntary supporting education activity of “Air China Class” had been carried out on a regular basis with 153 volunteers in 17 batches giving total 887 classes in the targeted anti-poverty regions. Two humanitarian health stations were set up with our employees’ charitable contributions through cooperation with the Red Cross Society of China and 17 teen representatives from targeted anti-poverty regions were invited to participate in the airport pickup ceremony and culture exchange activities in France through cooperation with Airbus S.A.S. The supporting tasks regarding 380 flights and 255 flights for national material transportation and human organs transportation respectively were successfully completed. By expanding the commonweal effect leveraging on its brand strength and advocating advanced culture, the Company contributed to the creation of a stable and harmonious social environment.

Facilitate green operations to create beautiful, blue sky

The Company adhered to the green development concepts and formulated the “Three-Year Action Plan to Win the Blue Sky Defense War” . Through improving the energy-saving and environmental protection management system, creating a green operation model, increasing investment in green security, participating in the design of green mechanism, publicizing green environmental protection and other measures, the Company strived to improve the utilization rate of resources and energy, and reduce the impact of production and operation on the environment. The Company enhanced the overall fuel efficiency by continuing to promote fuel-saving operation and improve the load factors of bellyhold space. In order to effectively implement the green development concepts throughout the whole process of business operation, the Company actively carried out carbon management work and established carbon trading management system and process; constructed a carbon emission data monitoring and management system, carried out capacity-building in response to the global aviation emission reduction mechanism, and completed the certification and procurement of carbon emissions in Beijing and the European Union.

Outlook

In 2019, the economy registers a stable performance and the demand for consumption for growth. The supply of industry capacity is stable, the structure is further optimized, and the external business environment is better. The Group will continue to promote the hub network strategy, accelerate the transformation and upgrading of the business model, enhance the service level of the whole process, and continue to strengthen cost control and focus on high-quality sustainable development, so as to constantly improve the quality of business operations and strive to build a world-class aviation group with global competitiveness.

-End-

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 31 December, 2018, the Group operated a fleet of 669 aircraft with an average age of 6.62 years, while the Company operated a fleet of 396 aircraft with an average age of 6.57 years. The Company, Shenzhen Airlines (including Kunming Airlines), Air Macau, Beijing Airlines, Dalian Airlines and Air China Inner Mongolia operated a total of 754 passenger routes, including 138 international routes, 27 regional routes and 589 domestic routes. The above passenger routes reached 42 countries and regions and 184 cities, including 66 international cities, 3 regions and 115 domestic cities. It has also expanded its service coverage to 1,317 destinations in 193 countries through its cooperation with the Star Alliance. Air China was listed on Hong Kong Stock Exchange and London Stock Exchange on 15 December 2004 under codes 00753 and AIRC respectively. On 18 August 2006, Air China was listed on the 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 and that projections will be achieved, or that the company's assumptions

are correct. Actual results may differ materially from those projected.

Investor Relations and Media Enquiry:

Air China

Joyce Zhang

Investor Relations

Air China Limited

Tel: (8610) 6146-2560

Email: joycezhang@airchina.com

Zheng Chen

Investor Relations

Air China Limited

Tel: (8610) 6146-2543

Email: zhangchen2017@airchina.com

Wonderful Sky

Aileen Wang

Wonderful Sky Financial Group

Tel: (852) 3970 2226

Email: aliesenwangal@wsfg.hk

Rhoda Tsang

Wonderful Sky Financial Group

Tel: (852) 3641 1325

Email: rhodatsanghh@wsfg.hk