Air China Limited Announces 2013 Interim Results

Hong Kong – August 27, 2013 — 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[1] for the six months ended June 30, 2013 ("the Period").

Results Highlights

- Turnover was RMB46.02 billion, a year-on-year decrease of 2.04%
- Operating expenses were RMB44.59 billion, a year-on-year increase of 0.93%
- Profit attributable to shareholders was RMB1.145 billion, a year-on-year increase of 9.85%
- Earnings per share were RMB0.09, a year-on-year increase of 8.38%

The first half of 2013 saw a complicated and volatile operating environment both internationally and domestically. As the global economy recovered slowly and unsteadily, China's economic growth slowed down, facing the pressure of economic restructuring and economic transformation. Although the air passenger market maintained a stable growth, the industry experienced a tenser competition and the profit margin declined as a result. The air cargo market remained weak, posing a serious challenge to the Group's operation. In response, the Group took a series of proactive measures, including optimising operating structure and strengthening marketing, product innovation and service management, which effectively improved the Group's operational efficiency, consolidated its competitive advantage in core markets, and maintained an industry-leading performance in business operations.

Financial Highlights

In the first half of 2013, the Group recorded a turnover of RMB46.02 billion, representing a decrease of 2.04% over the same period last year. Passenger revenue

[1] All figures are calculated under the International Financial Reporting Standards ("IFRS")

was RMB40.74 billion, a year-on-year decrease of 1.68%. Cargo revenue was RMB3.73 billion, a year-on-year decline of 2.93%.

Operating expenses increased by 0.93% to RMB44.59 billion, up from RMB44.18 billion reported in the corresponding period last year. Jet fuel cost accounted to 36.7% of the operating expenses and dropped by 8.09% year-on-year. The decrease in jet fuel cost was mainly due to the change in the assessment of taxes from business taxes to value-added taxes, thus generating a slightly lower jet fuel cost.

The Group recorded an operating profit of RMB1.43 billion during the Period, a year-on-year decrease of 48.97%. Profit attributable to shareholders increased by 9.85% from RMB1.04 billion in the same period last year to RMB1.145 billion.

Business Review

Passenger Services

During the Period, the Group carried a total of 37.45 million passengers, a year-on-year increase of 7.78%. Passenger capacity, measured by Available Seat Kilometers (ASK), rose by 7.49% to 83.719 billion. Capacity for domestic, international and regional routes increased by 9.36%, 2.98% and 10.06% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK), increased by 8.93% to 67.905 billion. Traffic on domestic, international and regional routes increased by 10.87%, 4.56% and 8.79% respectively. Passenger load factor was 81.11%, a year-on-year increase of 1.07 percentage points. Yield was RMB0.60, down by 9.09% over the same period in 2012.

In the first half of 2013, the Group continued to optimise and adjust its fleet structure. Twenty aircraft were introduced and eleven aircraft were retired by the Group. As at 30 June 2013, the Group operated a fleet of 470 aircraft with an average age of 6.51 years (excluding aircraft under wet leases). Twelve aircraft were introduced and nine aircraft were retired by the Company. Five new wide-body aircraft were procured, which are primarily used on international long-haul routes and major domestic routes. As at 30 June 2013, the Company operated a fleet of 304 aircraft with an average age of 6.55 years (excluding aircraft under wet leases). The number of passenger routes reached 308, including 72 international, 16 regional and 220 domestic. The

Company's network covered 30 countries and regions globally connecting 148 cities, including 46 international, 4 regional and 98 domestic cities.

During the first half of the year, the Company achieved efficient capacity allocation, and further adjusted its capacity structure. For domestic routes, the Company mainly deployed wide-body aircraft for first-tier cities, while narrow-body aircraft were allocated to second and third-tier cities, as well as those in the middle and western regions. For international routes, there was a 17.6% year-on-year capacity growth in response to the lifting and prosperous demand on North American routes. European routes were still under the influence of the lingering sluggish economy and travel demand in this area was lower than expected. Thus the Company has reduced the capacity accordingly, keeping capacity growth at around 4%. Due to the continuous demand downturn on Japan routes, there was a year-on-year deduction of 24% in capacity. In terms of international expansion, frequency of Beijing-New York route was increased; meanwhile, Beijing-Geneva and Chengdu-Frankfurt routes were launched. The Group continued to optimise its fleet structure by replacing B747 and A340 old aircraft with B777-300 and A330 aircraft. The adjustments have resulted in a better alignment between aircraft and capacity and demand, which effectively cut down the unit operating cost.

The Company has adjusted its sales and marketing strategy according to market changes aiming at enhancing its marketing capability. In the Period, it simplified the member enrollment procedure in its frequent flyer program and implemented comprehensive service management practices. It completed the merge with the frequent flyer program of Shandong Airlines. As a result, the number of PhoenixMiles members reached 27.06 million and the revenue contributed from frequent flyers amounted to RMB9.26 billion. The Company stepped up efforts in cultivating corporate customers and increasing their contribution, while focused on cultivating and keeping core corporate customers. Consequently, it realised a revenue of RMB5.18 billion from corporate customers. The Company also increased sales to domestic and international customers of premium class, and resulted in revenue rose by 8% year-on-year to RMB4.38 billion. Through improvement of online customer service experience, revenue from E-commerce grew by 30% year-on-year to RMB3.78 billion. In the first half of the year, the Company was invited to join the Star Alliance's core executive committee. Leveraging the Star Alliance platform, the Company managed to optimise its route network and bolster its collaboration with other Star Alliance members.

As the Company continued to strengthen hub construction, the value of the hub network has continued to improve. The Beijing hub launched a batch of new international and domestic routes and increased the frequency of some existing international and domestic routes. By continuously expanding its hub routes network, the Company has increased its control over its trunk routes while gaining revenue from transfer passengers. The number of transfer passengers reached 2.35 million while the transfer revenue climbed 3% year-on-year to RMB2.5 billion. The Chengdu hub introduced the Chengdu-Frankfurt and Jiu Zhaigou-Guangzhou routes. The number of cities serviced by the Chengdu hub reached 64 and the number of transfer passengers reached 250,000. At the Shanghai international gateway, the Company gradually increased the use of A330 aircraft for its international long-haul routes, which further boosted its route quality. The number of transfer passengers there reached 110,000.

During the first half of the year, the Company has aggressively advanced the strategic synergy with member airlines in the areas of sales, maintenance, central procurement, finance and information technology, and improved the inter-organizational procedures and platforms. For example, the Company and Shenzhen Airlines jointly purchased 100 Airbus aircraft which saved aircraft procurement costs and will increase the Company's competitiveness in the southern China region. Its synergy with Shenzhen Airlines was extended to sales operations, and sales revenues of both parties further increased. The Company furthered the comprehensive cooperation with Cathay Pacific in cargo business, ground handling at the Shanghai International Airport and code-sharing flights. The Company has also established Air China Inner Mongolia Limited to enhance its presence in that regional market.

At the same time, the Company has devoted considerable efforts to address the needs of its passengers and towards that end has continued to improve product and service quality. In the first half of the year, the Company has improved the communication channels with passengers by initiating procedures for soliciting passengers' feedback, mainly suggestions and complaints. It has launched innovative products such as on-board satellite internet technology project, the first company in China to do so. The Company has commenced direct luggage transfer services on 19 flights over 15 routes including those from New York, Vancouver and Frankfurt to international and domestic cities via Beijing, providing a greater convenience to passengers who transfer to other flights via Beijing. Other initiatives include introducing the 72-hour visa-free transit policy and reconfiguring the premium class lounges in Beijing, Chengdu, Hangzhou, Chongqing, Shanghai, Wuhan, Guiyang and Dalian to offer a chain of "boutique lounges."

Cargo Services

The stagnant environment in the air cargo market in 2012 extended to the first half of the year. During the Period, the Available Freighter Ton Kilometers (AFTK) and Revenue Freighter Ton Kilometers (RFTK) of Air China Cargo reached 4,133 million and 2,366 million, representing a modest year-on-year increase of 3.97% and 4.66%, respectively. The cargo and mail load factor increased by 0.38 ppts to 57.26% while cargo yield decreased by 7.06% to RMB1.58.

Air China Cargo responded to the challenging operating environment by optimizing freighters capacity and deployment, matching market and routes and introducing new routes such as Pudong-Chongqing-Frankfurt and Pudong-Zhengzhou-Amsterdam to enhance its competitiveness in the western China market. It also captured the opportunities to sign agreements to purchase eight B777-F aircraft, sell seven B747-400BCF aircraft and completed the disposal of one aircraft. This has helped the Company save fixed costs for the Period and substantially improve the efficiency of its fleet in the future. It has also strengthened marketing and fully leveraged the synergy of passenger and cargo operation to effectively reduce operating loss.

Outlook

Mr. Wang Changshun, Chairman of Air China said, "In the second half of 2013, faced with the intense competition in the market, the Group will continue to implement measures to maintain business growth and revenue and further stimulate management and innovation potential. It will take a full range of measures such as accelerating restructuring, boosting efficiency, enhancing marketing and improving service to make the most of the opportunities in the peak season, achieve a stronger performance and maintain its strategic leading advantage."

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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 at 30 June 2013, the Company operated a fleet of 304 aircraft with an average age of 6.55 years. The number of passenger routes reached 308, including 72 international, 16 regional and 220 domestic. The Company's network covered 30 countries and regions globally connecting 148 cities, including 46 international, four regional and 98 domestic cities. 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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