Air China Limited Announces 2013 Annual Results

Hong Kong – March 26, 2014 — Air China Limited ("Air China" or "the Company," together with its subsidiaries, collectively "the Group") (HKEX: 00753; LSE: AIRC; SSE: 601111: ADR OTC: AIRYY), has today announced its results[1] for the 12 months ended December 31, 2013 ("the Period").

Results Highlights

- Turnover was RMB98.18 billion, a year-on-year decrease of 1.30%
- Operating expenses were RMB94.06 billion, a year-on-year increase of 3.29%
- Jet fuel cost was RMB33.72 billion, representing a year-on-year decrease of 5.38%
- Profit attributable to shareholders was RMB3.26 billion, representing a year-on-year decrease of 32.23%
- Earnings per share were RMB0.27, a year-on-year decrease of 33.09%

In 2013, recovery of the global economy was sluggish while China's economic growth decelerated. The global air passenger market continued to grow whereas the air cargo market was relatively weak. In addressing the pressures and challenges brought about by the more intense competition in the global industry and the adjustment in our business model based on changes in market structure, the Group continued its strategic direction of sustainable development and steady and prudent operation. Towards this end, the Group has enhanced its efficiencies, strengthened strategic cooperation, advanced business synergies in operations and boosted service quality. These strategies have improved the Group's hub network construction and enabled it to build core competitiveness.

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

Financial Highlights

In 2013, the Group recorded a turnover of RMB98.18 billion, representing a decrease of 1.30% over the same period last year.

Passenger revenue was RMB86.73 billion, a year-on-year decrease of 0.20%. Cargo revenue was RMB7.88 billion, a year-on-year decline of 6.47%.

Operating expenses increased by 3.29% to RMB94.06 billion, up from RMB91.06 billion reported in 2012. Jet fuel cost, which remained the single largest cost for the Group, accounted for 35.85% of the operating expenses and decreased by 5.38% year-on-year.

The Group recorded an operating profit of RMB4.12 billion during the period, a year-on-year decrease of 51.03%. Profit attributable to shareholders decreased by 32.23% from RMB4.82 billion to RMB3.26 billion.

The Board recommends the payment of a dividend of RMB0.4531 (including tax) per ten shares for the year ended 31 December 2013, totaling approximately RMB593 million based on the Company's total issued shares of 13,084,751,004. A resolution for the dividend payment will be submitted for consideration at the 2013 Annual General Meeting.

Business Review

Passenger Services

During the Period, the Group carried a total of 77.68 million passengers, a year-on-year increase of 7.27%. Passenger capacity, measured by Available Seat Kilometers (ASK), rose by 8.86% to 175.68 billion. Capacity for domestic, international and regional routes increased by 8.46%, 9.79% and 8.58% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK), increased by 9.40% to 141.97 billion. Traffic on domestic, international and regional routes increased by 8.95%, 10.60% and 8.24% respectively. Passenger load factor improved to 80.81%, a year-on-year increase of 0.40 percentage points. Yield per RPK was RMB0.61, down by 8.96% over 2012.

In 2013, based on the particular conditions in specific domestic regional markets, the Company has effectively optimized capacity deployment through correct timing and structure of deployment, while accelerating the adjustment of aircraft models within in its fleet. These initiatives have gradually improved the output-input ratio. Internationally, the Company has strengthened the management of routes with competitive advantages, added more long-haul routes to Europe and the US, and replaced old aircraft models with B777-300ER and A330 aircraft models. These moves have enabled it to capture the booming tourism market while it utilized the sixth freedom traffic right and adjusted and increased the frequency of some of the routes in Asia Pacific regions to more effectively meet the demand for connections to the routes of Europe and North America. Domestically, the Company has optimized the deployment of wide-body aircraft on trunk routes and routes where it holds competitive advantages, increased capacity deployment in both the middle and western regions of China and ensured the full utilization of quality resources.

The Company has further modified its marketing and sales model and built a new commercial platform while refining its sales and marketing strategies, and activated the new customer relationship management system to better analyze customer's needs and thereby optimize sales channels. It has achieved an increase in traffic while accelerating capacity deployment, as well as expanded revenue from first and business class, e-commerce and frequent flyers. During the year, revenue from first and business class, e-commerce, corporate customers and frequent flyers has increased by 7%, 36%, 12% and 6% year-on-year respectively. Revenue contribution from Star Alliance has also increased by 2% year-on-year.

In its management of routes, Air China emphasizes the implementation of its hub-network strategy. Ongoing measures such as the continuous expanding route network, optimizing the structure of flight schedules and improving quality of transfer services have consolidated the strategic advantages of the Beijing hub. The Company has commenced the operation at zone D of Terminal 3 and improved both the boarding bridge connecting rate and the on-time performance rate of flights. The annual transfer passengers handled by the Beijing hub reached 4.79 million with the number of international transfer passengers notably increasing. New routes including Chengdu to Frankfort, Dao Cheng and Akzo were launched at the Chengdu regional hub, increasing to 68 the number of cities served by the Chengdu regional hub, a significant expansion of Chengdu regional hub's network. The Company has also enhanced the Shanghai international gateway and focused on capacity optimization.

For better efficiency, it has also entered into a code sharing cooperation with local airlines thereby securing greater support.

The Company has made steady progress in optimizing its fleet in 2013. During the year, 31 aircrafts were introduced and 16 aircrafts were retired. Adding the new wide-body aircrafts has efficiently reduced its operating costs. The adjusted fleets are better matched with the market and the Company's routes, which strongly boosted the fleet's operation efficiency, created greater economies of scale，and improved the Company's competitiveness on international routes. As of 31 December 2013, the Company operated a fleet of 316 aircraft with an average age of 6.47 years. Passenger routes reached 298, including 71 international, 15 regional and 212 domestic. The Company's network covered 154 cities in 31 countries and regions globally, including 47 international, three regional and 104 domestic cities.

The Company continued to strengthen strategic co-operation with associated corporations and the business synergies among airlines in the Group. During the period, the Company continued to consolidate the strategic cooperation with Cathay Pacific Airways in joint operation of routes, cargo business and ground handling services. It also worked with Air China Cargo and China Postal Airlines to provide B757 charter courier flight, initiating a transformation of the cargo business model. The joint procurement of narrow-body aircraft with Shenzhen Airlines and the replacement of a basket aircraft purchase with Air China Cargo lowered procurement costs, laying a more cost-effective foundation for fleet management in the future. In addition, the Company and the airlines in the Group coordinated slots and air traffic rights to enhance its position in major hub markets.

We continued to focus on customer demand and customer experience. During the period, we strengthened the construction of our services system, built a service standard database, and further optimized our service process. We built and improved our emergency management system, and proactively enhanced our services during lengthy and widespread flight delays. We have created a chain of boutiques within lounges, and launched our self-run lounges at five airports including Shanghai Hongqiao International Airport. We also innovated our in-flight products and became the first domestic carrier to offer Internet access on our flights through global satellite communications.

During the year, the Company completed the integration of the frequent flyer program with that of Shandong Airlines. Currently, its PhoenixMiles members reached 28.91 million.

Cargo Operation

During the year, the AFTK and RFTK of Air China Cargo reached 8,664 million and 5,015 million, representing a year-on-year increase of 2.34%, and 0.17%, respectively. The cargo and mail load factor decreased by 1.25 ppts to 57.89%. The cargo yield decreased by 6.55% to RMB1.57.

In 2013, the air cargo market remained sluggish. To face such a challenging market, Air China Cargo adopted a strategy with an emphasis on "enhancing core cargo operation and developing the logistics value chain" to push forward the transformation of the business model and cargo service. To enhance the operation of cargo aircraft, it has optimized cargo routes, strengthened the sale of bellyhold spaces, and embarked on new long-haul flights to Europe and the US to expand its international cargo network. Air China Cargo has also introduced competitive value-added and transfer products. The gradual replacement of B747-400BCF aircraft with B777F aircraft optimized asset structure and cost structure asset and cost structures while improving operational efficiency. These initiatives effectively mitigated the pressures facing cargo operation and reduced the loss.

Outlook

Mr. Cai Jianjiang, Chairman of Air China, said, "In 2014, the air transportation industry has the strong potential to achieve sustainable growth. The adjustment of domestic economic structure and emphasis on the services sector will facilitate the further development of the aviation market. However, the industry still faces other challenges such as keen competition in the industry, insufficient resources, high operating costs, and more. The Group will continue to advance towards its goal of 'becoming a highly competitive global network airline, by implementing business transformation, improving operational efficiency and enhancing its international competitiveness around the world, so ultimately it can present better results from this new start."

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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 31 December 2013, the Group operated a fleet of 497 aircraft with an average age of 6.33 years. the Company operated a fleet of 316 aircraft with an average age of 6.47 years. Passenger traffic routes have reached to 298 routes, including 71 international, 15 regional and 212 domestic routes. The Company's network covered 31 countries and regions globally and 154 cities, including 47 international, three regional and 104 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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