Air China Limited Announces 2015 Annual Results

Hong Kong – March 30, 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 full year results¹ for the 12 months ended December 31, 2015 (“the Period”).

Business Highlights

- Turnover rose year-on-year by 3.86% to RMB110.057 billion.
- Operating expenses increased year-on-year by 4.26% to RMB94.505 billion
- Profit attributable to shareholders increased by 83.34% to RMB7.063 billion
- Earnings per share increased year-on-year by 83.34% to RMB0.57

In 2015, recovery of global economy remained weak while the Chinese economy went through a period of transformation and upgrading. The global aviation passenger market was strong with China’s civil aviation industry maintained double-digit growth, while the global cargo market remained slack. Although low fuel prices have helped to ease the pressure on operating cost, intensified competition and substantial exchange rate fluctuations have posed severe challenges. By following the strategy of prudent operation and sustainable development, the Group have responded to market changes, improved configuration of global network, enhanced marketing and service capability, strengthened cost management, and hence, maintained industry leadership in brand position and profitability.

Financial Highlights

In 2015, the Group achieved turnover of RMB110.057 billion, representing an increase of 3.86% over last year.

Air passenger revenue was RMB95.921 billion, a year-on-year increase of 3.59%. Air cargo revenue was RMB8.447 billion, a year-on-year decline of 3.85%.

Operating expenses decreased from RMB98.708 billion (restated) in 2014 to RMB94.505 billion, down by 4.26% year-on-year. Jet fuel cost reduced by 30.40% year-on-year, mainly due to the decline in jet fuel price.

During the period, the Group recorded a foreign exchange loss of RMB5.156 billion, an increase of RMB4.796 billion over last year. The increase in the loss was mainly due to the appreciation of the USD against RMB.
The Group recorded an operating profit of RMB15.552 billion in 2015, up 114.30% year-on-year. Profit attributable to shareholders was RMB7.063 billion, an increase of 83.34% compared with RMB3.852 billion (restated) in last year.

The Board recommends the payment of a final dividend of RMB1.07 per ten shares (including tax) for the year ended 31 December 2015, totaling a dividend payment of approximately RMB1.4 billion based on the Company’s total issued shares of 13,084,751,004. A proposal for the dividend payment will be submitted for consideration at the 2015 annual general meeting of the Company.

Business Review

Passengers

During the Period, the Group carried a total of 89.816 million passengers, a year-on-year increase of 8.20%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 10.95% to 214.829 billion. Capacity for domestic, international and regional routes rose by 7.62%, 18.95% and 2.72% respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK) increased by 11.01% to 171.714 billion. Traffic on domestic and international routes increased by 8.53% and 17.97% respectively while regional routes declined by 0.94%. Passenger load factor rose by 0.04 percentage points to 79.93%. Yield per RPK was RMB0.56, a decrease of 6.70% year-on-year.

In 2015, the Group continued to optimize its fleet structure and enhanced efficiency in operation. During the year, the Group introduced 66 aircraft and phased out 16 aircraft. The total fleet size numbered 590 aircraft with the average age of 6.2 years, which enabled its fleet to sustain its competitive advantages. With continued fleet expansion as well as improved overall planning and allocation of crew resources, the Company’s crew readiness has steadily enhanced. In keeping with market changes, Air China has been flexible in adjusting the structure and pace of deployment of capacity. Given the fast-growing demand in the international market, the Company has devoted more capacities to international routes and significantly increased the utilization of wide-body aircraft. In domestic services, the Company focused on increasing capacities for high-yield routes, and took appropriate steps to control deployment in short-haul routes and increase operation in long-haul routes. At the same time, the Company capitalized on key opportunities like the Spring Festival holiday season and the summer high-season to boost revenue, and properly handled unexpected incidents like the South Korean MERS outbreak and the Paris terrorist attack. The Company has improved efficiency in the utilization of key resources and enhanced the ability to grasp market opportunities. All these have ensured maximum returns for the Group.

During the Period, Air China continued to improve the layout of global network, and the commercial value of aviation hub resources continued to increase. To implement the country’s “One Belt, One Road” and “Go Global” strategies, the Company focused its efforts on global network expansion and launched 65 new routes (including the resumption of
routes) during the year, e.g. from Beijing to Havana, Johannesburg and other overseas destinations, which made Air China the only Chinese airline with operations covering all six continents. The development of the Beijing hub made further progress. The Company added international and domestic routes and optimized flight bank structure, resulting in a further increase in the number of connecting flights and connecting passengers. The network of Chengdu regional hub has been expanded to meet the changes in the Western China market. Apart from opening new routes and increasing the frequency of existing international and domestic flights, some of the international services have been extended to the main cities in Northwest China, thereby consolidating Chengdu’s regional hub status. The Shanghai international gateway focused on developing a better-structured flight network by way of increasing frequency on trunk routes, strengthening support for connecting flights, advancing regional connectivity and enhancing transit capability. As of December 31, 2015, the number of passenger traffic routes operated by the Company has reached 360, including 100 international, 15 regional and 245 domestic routes. The Company’s network covered 40 countries and regions globally and 174 cities, including 64 international, 4 regional and 106 domestic cities. Through the Star Alliance, the Company’s route network extends to 1,330 destinations in 193 countries.

Cost control and risk prevention have been given greater emphasis. Through continuous optimization of flight network and better alignment of aircraft capacity with flight routes, the Company’s cost efficiency has notably enhanced. Air China has exerted greater efforts to broaden the direct sales channels, leading to an increase in direct sales proportion to 30% and reduced agency fees. The Company has strengthened centralized management of capital under the Air China family, which improved the efficiency of capital circulation and utilization. At the same time, Air China has taken the initiative to optimize its debt structure, reduced the amount of US dollar loans to offset a rise in US dollar exchange rate, and increased the proportion of aircraft operational leasing to minimize the risk in exchange rate and foreign exchange loss. As such, the Company has maintained its cost advantage.

Various measures have been taken to enhance marketing capabilities. Air China continued to optimize channel structure, and made vigorous efforts to support the expansion of direct sales channels, such as official website and mobile application platform (mobile phone APP). The newly launched mobile application platform (new APP) has attracted 2 million additional subscribers. At the same time, the Company has expanded sales at its flagship stores on the leading third-party online platforms, and established standard management procedures to improve the overall quality of distribution channels. The Company has strengthened international marketing and sales capabilities, conducted comprehensive campaigns for new routes, and enhanced the international sales capabilities of second and third-tier domestic cities. The Company has diversified its product portfolio and built a new product system that focuses on ancillary revenue and value-added services, achieving initial breakthroughs in incremental revenue and diversified sources of revenue on the industrial chain. During the Period, revenue from premium classes grew 9% year-on-year, while revenue from e-commerce and frequent flyers achieved year-on-year increase of 85% and 15% respectively.
The foundation of service management has been strengthened. Air China has enhanced the alignment of services with operation, and strengthened its ability for emergency response and risk control. The Company has focused on passenger needs, improved the quality of food and beverages, provided a wider choice of in-flight entertainment programs, and introduced easy travel and mobile internet technologies to deliver better travel experience for its passengers. The Company has completed installation of WiFi devices on 24 wide-body aircraft and started to broadcast live TV programs using satellite broadband technology.

**Cargo Business**

During the Period, the AFTK of Air China Cargo increased by 18.08% year-on-year to 11.982 billion, while the RFTK increased by 15.24% year-on-year to 6.558 billion. The cargo and mail load factor decreased by 1.35ppts to 54.73%. The cargo yield was RMB1.29, a year-on-year decrease of 16.57%.

In 2015, the global cargo market experienced another downturn. Against such a backdrop, Air China Cargo took proactive measures to improve freighter operations, adapted to market developments, optimized route structure and improved the efficiency of capacity allocation. The Company has capitalized on the new routes to expand international cargo network, actively promoted new businesses and products, and strengthened mail, express delivery and special cargo services. The Company has accelerated the development of the Shanghai transit hub and improved the cargo load factor. In 2015, the volume of cargo transited through Shanghai rose by 76% over the previous year. The Company has strengthened the combined passenger and cargo services and refined the management of belly capacity, thus maintaining its competitive advantage in belly space services. The Company has promoted professional operation of cargo terminals, expanded collaboration with third-party courier and launched the business of cross-border logistic centers for online merchants. Through business transformation and optimized cost control, Air China Cargo continued to make progress in business performance and recorded profits despite the unfavorable conditions in market demand and exchange rate.

**Outlook**

In 2016, the global economy will continue to face uncertainties, and the Chinese economy will stay in the “new normal”. With the adjustment of economic structure and the upgrade of household consumption, China’s civil aviation business is expected to maintain a high growth rate. On the other hand, intensified competition and exchange rate fluctuations will also bring major challenges. The Group will continue to pursue its goal of “building a large network airline with international competitiveness”, follow a prudent approach to business operation, stay committed to reform and innovation, and continue to consolidate its competitive advantages and international competitiveness, thereby reciprocating the trust of shareholders and the society with better business 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 December 31, 2015, the Group operated a fleet of 590 aircraft with an average age of 6.2 years, while the Company operated a fleet of 360 aircraft with an average age of 6.3 years. Passenger traffic routes have reached 360, including 100 international, 15 regional and 245 domestic routes. The Company's network covered 40 countries and regions globally and 174 cities, including 64 international, 4 regional and 106 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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