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中国南方航空股份有限公司
CHINA SOUTHERN AIRLINES COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1055)

FIRST QUARTERLY REPORT OF 2018

Summary

The 2018 first quarterly financial report of China Southern Airlines Company Limited (the "Company", together with its subsidiaries, the "Group") was prepared in accordance with the PRC Accounting Standards and was unaudited.

This announcement is published pursuant to Rules 13.09 and 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 Important Notice

- 1.1 The board of directors (the “Board”) and the supervisory committee of the Company and its directors (the “Directors”), supervisors and senior management warrant the truthfulness, accuracy and completeness of the content contained in this quarterly report, and the report does not contain inaccurate or misleading statements or material omission, and jointly and severally accept full legal responsibility.
- 1.2 All Directors attended the meeting of the Board and considered the 2018 first quarterly report of the Company.
- 1.3 The responsible person of the Company, Mr. Wang Chang Shun (Chairman), the responsible person of the finance work of the Company, Mr. Tan Wan Geng (Vice Chairman and President of the Company), and the responsible person of the accounting department, Mr. Xiao Li Xin (Executive Vice President, Chief Accountant and Chief Financial Officer of the Company) warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The 2018 first quarterly report of the Company is unaudited.

2 Major accounting data and changes of shareholders of the Company

2.1 Major accounting data

Unit: Million Currency: RMB

| | 31 March 2018 | 31 December 2017 | | Increase/ (decrease) (%) |
|--|----------------------------------|----------------------------------|-------------------|-----------------------------|
| Total assets | 220,025 | 218,329 | | 0.78 |
| Net assets attributable to the shareholders of the Listed Company | 52,871 | 49,594 | | 6.61 |
| | Three months ended 31 March 2018 | Three months ended 31 March 2017 | | Increase/ (decrease) (%) |
| | | After Adjustment | Before Adjustment | |
| Net cash flows from operating activities | 4,516 | 2,819 | 2,857 | 60.20 |
| | Three months ended 31 March 2018 | Three months ended 31 March 2017 | | Increase/ (decrease) (%) |
| | | After Adjustment | Before Adjustment | |
| Operating revenue | 34,101 | 30,973 | 30,969 | 10.10 |
| Net profit attributable to the shareholders of the Listed Company | 2,544 | 1,550 | 1,550 | 64.13 |
| Net profit attributable to the shareholders of the Listed Company after deducting non- | 2,383 | 1,411 | 1,411 | 68.89 |

| | | | | |
|---|------|------|------|-------------------------------------|
| recurring gains and losses | | | | |
| Weighted average return on net assets (%) | 4.97 | 3.53 | 3.53 | Increased by 1.44 percentage points |
| Basic earnings per share (RMB/share) | 0.25 | 0.16 | 0.16 | 56.25 |
| Diluted earnings per share (RMB /share) | 0.25 | 0.16 | 0.16 | 56.25 |

Non-recurring gains and losses

Applicable Not applicable

Unit: Million Currency: RMB

| Items | Amount for the reporting period |
|---|---------------------------------|
| Gains and losses on disposal of non-current assets | 220 |
| Government grants recorded in the income statement for the current period (exclusive of government grants which are closely related to the business of the Company and entitled pursuant to unified standard quota or amount under the government policy) | 2 |
| Other non-operating income and expenses besides items above | 107 |
| Effect on non-controlling interests after taxation | -85 |
| Effect of income tax | -83 |
| Total | 161 |

2.2 Total number of shareholders, particulars of the top ten shareholders and the top ten shareholders holding the Company's tradable shares not subject to selling restrictions as at the end of the reporting period

Unit: Share

| Total number of shareholders (shareholders) | | | | 205,427 | | |
|---|---|---------------------------------|--|--------------------------|------------------|--------------------------|
| Particulars of the top ten shareholders | | | | | | |
| Name of the shareholder (in full) | Number of shares held as at the end of the reporting period | Shareholding (%) | Number of shares subject to trading restrictions | Pledged or frozen shares | | Capacity |
| | | | | Status | Number of shares | |
| China Southern Air Holding Limited Company ("CSAH") | 4,039,228,665 | 40.04 | 0 | No | - | State-owned legal entity |
| HKSCC Nominees Limited | 1,750,828,988 | 17.36 | 0 | Not known | - | Overseas legal entity |
| Nan Lung Holding Limited ("Nan Lung") | 1,033,650,000 | 10.25 | 0 | No | - | State-owned legal entity |
| American Airlines, Inc. | 270,606,272 | 2.68 | 0 | Not known | - | Overseas legal entity |
| China Securities Finance Corporation Limited | 176,189,624 | 1.75 | 0 | Not known | - | State-owned legal entity |
| National Security Fund 118 | 128,472,171 | 1.27 | 0 | Not known | - | State-owned legal entity |
| Central Huijin Investment Ltd. | 64,510,900 | 0.64 | 0 | Not known | - | State-owned legal entity |
| Zhong Hang Xin Gang Guarantee Co., Ltd. | 54,955,000 | 0.54 | 0 | Not known | - | State-owned legal entity |
| Monetary Authority of Macao - Proprietary Fund | 40,391,217 | 0.40 | 0 | Not known | - | Other |
| China Life Insurance Company Limited - Distribution of Profits - Individual - 005L - FH002 Shanghai | 1,750,828,988 | 17.36 | 0 | Not known | - | State-owned legal entity |
| Particulars of the top ten shareholders holding the Company's tradable shares not subject to trading restrictions | | | | | | |
| Name of the shareholder (in full) | Number of tradable shares not subject to selling restrictions | Type and number of shares | | | | |
| | | Type of shares | Number of shares | | | |
| CSAH | 4,039,228,665 | RMB-denominated Ordinary shares | 4,039,228,665 | | | |
| HKSCC Nominees Limited | 1,750,828,988 | Overseas listed foreign shares | 1,750,828,988 | | | |
| Nan Lung | 1,033,650,000 | Overseas listed foreign shares | 1,033,650,000 | | | |

| | | | |
|---|--|---------------------------------|-------------|
| American Airlines, Inc. | 270,606,272 | RMB-denominated Ordinary shares | 270,606,272 |
| China Securities Finance Corporation Limited | 176,189,624 | RMB-denominated Ordinary shares | 176,189,624 |
| National Security Fund 118 | 128,472,171 | RMB-denominated Ordinary shares | 128,472,171 |
| Central Huijin Investment Ltd. | 64,510,900 | RMB-denominated Ordinary shares | 64,510,900 |
| Zhong Hang Xin Gang Guarantee Co., Ltd. | 54,955,000 | RMB-denominated Ordinary shares | 54,955,000 |
| Monetary Authority of Macao - Proprietary Fund | 50,462,717 | RMB-denominated Ordinary shares | 50,462,717 |
| China Life Insurance Company Limited - Distribution of Profits - Individual - 005L - FH002 Shanghai | 40,391,217 | RMB-denominated Ordinary shares | 40,391,217 |
| Explanation of the connected relationship or acting in concert relationship of the above shareholders | CSAH held aggregate 1,070,362,000 H shares of the Company through its wholly-owned subsidiaries in Hong Kong, namely Nan Lung and Yazhou Travel Investment Company Limited. The Company is not aware of any other connected relationship between other shareholders. | | |
| Explanation of the preference shareholders with restored voting rights and its number of shares | No | | |

2.3 Total number of preference shareholders, particulars of the top ten preference shareholders and the top ten preference shareholders holding the Company's tradable preference shares not subject to selling restrictions as at the end of the reporting period

Applicable Not applicable

3 Major Events

3.1 Significant changes in major accounting items and financial indicators of the Company and the reasons for such changes

Applicable Not applicable

In the first quarter of 2018, the Company and its controlling subsidiaries have operated 767 aircraft in total, with revenue passengers carried of 61.857 billion passenger kilometer, representing a year on year growth of 10.76%. Passengers carried reached 33,250.5 thousand, representing a year on year growth of 9.79%. Cargo and mail carried reached 397.6 thousand tonnes, representing a year on year growth of 2.96%. Passenger load factor reached 82.39% and the overall load factor reached 69.38%. For details of the key operation data of the first quarter of the Company, please refer to the "Announcement of the key data of China Southern Airline in March 2018" published on China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange (www.sse.com.cn) on 14 April 2018.

In the first quarter of 2018, under the effort of the senior management and all the staff of the Company, the Company kept on performing well, reaching an operation revenue of RMB 34.101 billion, representing a year on year growth of 10.10%; profit before tax reached RMB 3.728 billion, representing a year on year growth of 58.10%; net profit attributable to shareholders of the listed company reached 2.544 billion, representing a year on year growth of 64.13%. In the first quarter of 2018, the Company realized an earning of 0.25 RMB per share, representing a year on year growth of 56.25%.

3.1.1 Significant changes in major items in consolidated balance sheet:

Unit: million Currency: RMB

| Items | 31 March 2018 | 31 December 2017 | Increase/ (decrease) (%) | Main reason(s) for the change |
|---|---------------|------------------|--------------------------|--|
| Derivative financial liabilities | 292 | 64 | 356.25% | Mainly due to the fair value change of derivative financial liabilities in the reporting period |
| Employee benefits payable | 1,997 | 3,366 | -40.67% | Mainly due to the payment of performance salary for the year ended 31 December 2017 in the reporting period |
| Taxes payable | 1,795 | 1,182 | 51.86% | Mainly due to the accrual of income tax which was not paid as of the end of the reporting period |
| Non-current liabilities due within one year | 21,823 | 16,785 | 30.01% | Mainly due to the increase in the portion of bonds payable which are repayable within one year |
| Bonds payable | 9,698 | 14,696 | -34.01% | Mainly due to the increase in the portion of bonds payable which are repayable within one year, resulting to a corresponding decrease in the long term portion bonds payable |
| Other comprehensive income | 402 | 278 | 44.60% | Mainly due to the impact of the application of new financial instrument standards in the reporting period |

3.1.2 Significant changes in major items in consolidated income statement:

Unit: million Currency: RMB

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 (After adjustment) | Increase/ (decrease) (%) | Main reason(s) for the change |
|---|----------------------------------|---|--------------------------|---|
| Financial expenses | -598 | 577 | -203.64% | Mainly due to the appreciation of RMB against foreign currency in the reporting period |
| Income arising from changes in fair value | -228 | - | 100.00% | Mainly due to the fair value change of derivative financial liabilities in the reporting period |
| Other income | 208 | 145 | 43.45% | Mainly due to the increase of government grants for routes received in the reporting period |
| Income tax | 866 | 518 | 67.18% | Mainly due to the increase in profit before tax for the reporting period |

3.1.3 Significant changes in major items in consolidated cash flow statement:

Unit: million Currency: RMB

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 | Increase/ (decrease) (%) | Main reason(s) for the change |
|-------|----------------------------------|----------------------------------|--------------------------|-------------------------------|
|-------|----------------------------------|----------------------------------|--------------------------|-------------------------------|

| | | (After adjustment) | | |
|--|-------|--------------------|----------|--|
| Payment for other operating activities | 460 | 258 | 78.29% | Mainly due to the increase in payment of deposit in the reporting period |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 1,688 | 1,237 | 36.46% | Mainly due to the increase of Xiamen Airlines Co., Ltd.'s receipt of payment for transfer of aircraft purchase quota in the reporting period |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 2,864 | 1,757 | 63.01% | Mainly due to the increase in the payment for purchase of aircraft and construction of Beijing New Airport in the reporting period |
| Proceeds from issuance of bonds | - | 1,002 | -100.00% | There was no issuance of corporate bonds in the reporting period |

Others:

1. Significant changes in accounting policies

According to the requirements of the revised accounting standards issued by the Ministry of Finance (MOF), which including CAS No.22 – Financial Instruments: Recognition and Measurement (Caikuai [2017] No.7), CAS No.23 – Transfer of Financial Assets (Caikuai [2017] No.8), CAS No.24 – Hedge Accounting (Caikuai [2017] No.9), CAS No.37 – Financial instruments: Presentation and Disclosures (Caikuai [2017] No.14), (together referred to as “the new financial instruments standards”), and CAS No. 14 — Revenue (Caikuai [2017] No.22) (“the new revenue standard”), the Group adopted these standards since 1 January 2018.

2. Impact of changes in accounting policies to opening balances

On initial application of the above new accounting standards, the Company has credited the opening balance of owners’ equity by RMB711 million. The Group made changes in accounting policies based on related regulations issued by MOF up to the date of announcement of this report. However, the Group would further review the changes in accounting policies and related significant judgments and estimates if the MOF issues further guidance or interpretations related to the above revised accounting standards. Such review and relevant adjustments may differ from the figures disclosed in this quarterly financial report.

According to the new financial instruments standards and based on the information of the investees made available to the Group as of the date of this initial application of the standards, the Group has reassessed the measurement of existing equity securities, and will involve professional valuation experts to assess the fair value of such equity securities. The Group will closely monitor the process of the valuation, the result of which may indicate an impact that differs from the figures disclosed in this quarterly financial report.

3.2 Analysis and explanation of the development of major events and their impact and proposal as to the solutions

√Applicable □Not applicable

In 2017, the Company initiated the project in relation to the non-public issuance of shares, and held the 15th and 17th meeting of seven session of the Board on 26 June 2017 and 19 September 2017, respectively, considering and approving a series of resolutions in respect of the proposed non-public issuance of A Shares to not more than 10 specific investors (including China Southern Air Holding Limited Company (“CSAH”); and the proposed non-public issuance of H Shares to Nan Lung (or other wholly-owned subsidiary designated by CSAH). Please refer to the related announcements of the Company published on China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange on 27 June 2017 and 20 September 2017, respectively, for details.

As of 8 February 2018, the Company successively received the approvals from State-owned Assets Supervision and Administration Commission of the State Council of the PRC regarding the non-public issuance of shares and the feedback from the China Securities Regulatory Commission (the “CSRC”) in respect of the Company’s non-public issuance of shares. The Company provided written responses to the feedback from the CSRC and publicly disclosed the responses. For details, please refer to the related announcements of the Company published on China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange on 31 October 2017, 22 December 2017 and 8 February 2018, respectively.

On 16 March 2018, the Company published the “Announcement in relation to Approval by the CSRC of the Application for the Non-public Issuance of Overseas Listed Foreign Shares (H Shares) of the Company” where the CSRC has approved the Company to issue new overseas listed foreign shares of not more than 600,925,925 shares. For details, please refer to relevant announcement published by the Company on China Securities Journal, The Shanghai Securities Journal, Securities Times and the website of Shanghai Stock Exchange on 16 March 2018.

Until now, the aforesaid non-public issuance of shares is still in the progress of review by the CSRC. The Company will continue to fulfill its disclosure obligations pursuant to relevant requirements.

3.3 Undertakings of overdue performance during the reporting period

Applicable Not applicable

3.4 Warning in respect of, and the reason for, the forecast of a probable loss in respect of the accumulated net profit from the beginning of the financial year to the end of the next reporting period or any significant changes as compared to the corresponding period of the previous year

Applicable Not applicable

By order of the Board
China Southern Airlines Company Limited
Xie Bing
Company Secretary

Guangzhou, the People’s Republic of China

27 April 2018

As at the date of this announcement, the Directors include Wang Chang Shun, Tan Wan Geng and Zhang Zi Fang as executive Directors; and Zheng Fan, Gu Hui Zhong, Tan Jin Song and Jiao Shu Ge as independent non-executive Directors.

4、 APPENDIX

4.1 Financial Statements

Consolidated Balance Sheet

As at 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 31 March 2018 | 31 December 2017 |
|---|---------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 6,289 | 7,250 |
| Settlement reserves fund | | |
| Deposits with banks and other financial institutions | | |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | 24 | 18 |
| Accounts receivable | 3,365 | 2,672 |
| Prepayments | 1,243 | 1,358 |
| Premiums receivable | | |
| Receivables from reinsurers | | |
| Provisions for reinsurance contracts | | |
| Interest receivable | | |
| Dividends receivable | | 4 |
| Other receivables | 1,275 | 1,156 |
| Purchase of financial assets resold | | |
| Inventories | 1,737 | 1,622 |
| Assets classified as held for sale | | 8 |
| Non-current assets due within one year | | |
| Other current assets | 3,306 | 3,796 |
| Total current assets | 17,239 | 17,884 |
| Non-current assets: | | |
| Entrusted loans and advances | | |
| Available-for-sale financial assets | | 725 |
| Financial assets at fair value through profit or loss | 95 | |
| Financial assets at fair value through other comprehensive income | 829 | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 4,260 | 4,045 |
| Investment properties | 547 | 524 |
| Fixed assets | 159,055 | 158,255 |
| Construction in progress | 31,520 | 30,193 |
| Construction materials | | |

| | | |
|--|---------|---------|
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 3,278 | 3,334 |
| Development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 596 | 610 |
| Deferred tax assets | 1,567 | 1,698 |
| Other non-current assets | 1,039 | 1,061 |
| Total non-current assets | 202,786 | 200,445 |
| Total assets | 220,025 | 218,329 |
| Current liabilities: | | |
| Short-term loans | 18,514 | 20,626 |
| Borrowings from central bank | | |
| Deposits from customers and other banks | | |
| Advances from banks and other financial institutions | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | 292 | 64 |
| Bills payable | | |
| Accounts payable | 14,054 | 13,432 |
| Sales in advance of carriage | 6,283 | 7,853 |
| Financial assets sold under agreements repurchase | | |
| Handling charges and commissions payable | | |
| Employee benefits payable | 1,997 | 3,366 |
| Taxes payable | 1,795 | 1,182 |
| Interest payable | 604 | 740 |
| Dividends payable | 1 | 1 |
| Other payables | 4,936 | 5,528 |
| Amounts due to reinsurers | | |
| Reserves on insurance contracts | | |
| Securities trading agency fees | | |
| Securities underwriting fees | | |
| Liabilities classified as held for sale | | |
| Non-current liabilities due within one year | 21,823 | 16,785 |
| Other current liabilities | | |
| Total current liabilities | 70,299 | 69,577 |
| Non-current liabilities: | | |
| Long-term loans | 6,897 | 6,023 |
| Bonds payable | 9,698 | 14,696 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 60,574 | 59,583 |

| | | |
|--|---------|---------|
| Long-term employee benefits payable | 1 | 3 |
| Special payables | | |
| Provisions | | |
| Deferred income | 3,108 | 2,902 |
| Deferred tax liabilities | 594 | 572 |
| Other non-current liabilities | 3,019 | 2,808 |
| Total non-current liabilities | 83,891 | 86,587 |
| Total liabilities | 154,190 | 156,164 |
| Owners' equity | | |
| Share capital | 10,088 | 10,088 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 15,115 | 15,115 |
| Less: Treasury shares | | |
| Other comprehensive income | 402 | 278 |
| Specific reserve | | |
| Surplus reserve | 2,449 | 2,449 |
| Provision for ordinary risks | | |
| Retained earnings | 24,817 | 21,664 |
| Total equity attributable to shareholders of the Company | 52,871 | 49,594 |
| Non-controlling interests | 12,964 | 12,571 |
| Total owners' equity | 65,835 | 62,165 |
| Total liabilities and owners' equity | 220,025 | 218,329 |

Legal Representative of the Company: Mr. Wang Chang Shun

Responsible person of the finance work: Mr. Tan Wan Geng Responsible person of the accounting department: Mr. Xiao Li Xin

Balance Sheet of the Company
As at 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 31 March 2018 | 31 December 2017 |
|---|---------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 3,285 | 4,716 |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 2,578 | 2,076 |
| Prepayments | 524 | 756 |
| Interest receivable | | |
| Dividends receivable | | 4 |
| Other receivables | 1,502 | 1,146 |
| Inventories | 1,091 | 1,024 |
| Assets classified as held for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 2,605 | 3,047 |
| Total current assets | 11,585 | 12,769 |
| Non-current assets: | | |
| Available-for-sale financial assets | | 126 |
| Financial assets at fair value through profit or loss | 25 | |
| Financial assets at fair value through other comprehensive income | 292 | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 12,218 | 11,899 |
| Investment properties | 481 | 462 |
| Fixed assets | 121,817 | 122,475 |
| Construction in progress | 22,517 | 20,432 |
| Construction materials | | |
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 1,629 | 1,669 |
| Development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 247 | 254 |
| Deferred tax assets | 1,532 | 1,661 |
| Other non-current assets | 552 | 569 |
| Total non-current assets | 161,310 | 159,547 |
| Total assets | 172,895 | 172,316 |
| Current liabilities: | | |
| Short-term loans | 16,951 | 18,371 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | 292 | 64 |
| Bills payable | | |

| | | |
|---|---------|---------|
| Accounts payable | 9,848 | 9,516 |
| Sales in advance of carriage | 5,235 | 6,634 |
| Employee benefits payable | 1,305 | 2,514 |
| Taxes payable | 1,384 | 943 |
| Interest payable | 461 | 657 |
| Dividends payable | | |
| Other payables | 7,909 | 8,044 |
| Liabilities classified as held for sale | | |
| Non-current liabilities due within one year | 19,932 | 14,795 |
| Other current liabilities | | |
| Total current liabilities | 63,317 | 61,538 |
| Non-current liabilities: | | |
| Long-term loans | 6,120 | 5,170 |
| Bonds payable | 5,000 | 10,000 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 51,644 | 51,848 |
| Long-term employee benefits payable | | 2 |
| Special payables | | |
| Provisions | | |
| Deferred income | 2,511 | 2,321 |
| Deferred tax liabilities | | |
| Other non-current liabilities | 2,393 | 2,223 |
| Total non-current liabilities | 67,668 | 71,564 |
| Total liabilities | 130,985 | 133,102 |
| Owners' equity | | |
| Share capital | 10,088 | 10,088 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 15,023 | 15,023 |
| Less: Treasury shares | | |
| Other comprehensive income | 205 | 48 |
| Specific reserve | | |
| Surplus reserve | 2,449 | 2,449 |
| Retained earnings | 14,145 | 11,606 |
| Total owners' equity | 41,910 | 39,214 |
| Total liabilities and owners' equity | 172,895 | 172,316 |

Legal Representative of the Company: Mr. Wang Chang Shun

Responsible person of the finance work: Mr. Tan Wan Geng Responsible person of the accounting department: Mr. Xiao Li Xin

Consolidated Income Statement
For the three months ended 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 (After adjustments) | Three months ended 31 March 2017 (Before adjustments) |
|--|--|---|--|
| 1. Total revenue | 34,101 | 30,973 | 30,969 |
| Including: | 34,101 | 30,973 | 30,969 |
| Operating income | | | |
| Interest income | | | |
| Premiums earned | | | |
| Fees and commission income | | | |
| 2. Total operating costs | 31,029 | 29,356 | 29,352 |
| Including: | 29,168 | 26,404 | 26,402 |
| Cost of sales | | | |
| Interest expenses | | | |
| Fees and commission expenses | | | |
| Returned premium | | | |
| Net compensation expenses | | | |
| Net provision for insurance contract | | | |
| Insurance policy dividend expenses | | | |
| Reinsurance expenses | | | |
| Taxes and surcharges | 56 | 40 | 40 |
| Selling and distribution expenses | 1,637 | 1,593 | 1,592 |
| General and administrative expenses | 766 | 742 | 741 |
| Financial expenses | -598 | 577 | 577 |
| Assets impairment losses | | | |
| Add: Gains/(losses) arising from changes in fair value ("-" for losses) | -228 | | |
| Investment income ("-" for losses) | 216 | 226 | 226 |
| Including: Share of profit of associates and joint ventures | 215 | 226 | 226 |
| Gains/(losses) on disposal of property, plant and equipment and construction in progress | 223 | 183 | |
| Exchange gains ("-" for losses) | | | |
| Other income | 208 | 145 | |
| 3. Operating profit ("-" for losses) | 3,491 | 2,171 | 1,843 |
| Add: Non-operating income | 255 | 198 | 526 |
| Less: Non-operating expenses | 18 | 11 | 11 |
| 4. Total profits ("-" for losses) | 3,728 | 2,358 | 2,358 |
| Less: Income tax expenses | 866 | 518 | 518 |
| 5. Net profit ("-" for net losses) | 2,862 | 1,840 | 1,840 |
| Net profit attributable to shareholders of the Company | 2,544 | 1,550 | 1,550 |
| Non-controlling interests | 318 | 290 | 290 |
| 6. Other comprehensive income, net of tax | 25 | 16 | 16 |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | 25 | 14 | 14 |
| (1) Items that will not be reclassified to | | | |

| | | | |
|---|-------|-------|-------|
| profit or loss | | | |
| 1. Remeasurement of defined benefit plan liability | | | |
| 2. Share of other comprehensive income of the equity-accounted investee | | | |
| (2) Items that may be reclassified to profit or loss: | 25 | 14 | 14 |
| 1. Share of other comprehensive income of the equity-accounted investee | | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | -2 | 2 | 2 |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | | |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | 27 | 12 | 12 |
| 5. Translation differences arising on translation of foreign currency financial statements | | | |
| 6. Others | | | |
| Other comprehensive income (net of tax) attributable to non-controlling interests | | 2 | 2 |
| 7. Total comprehensive income | 2,887 | 1,856 | 1,856 |
| Attributable to shareholders of the Company | 2,569 | 1,564 | 1,564 |
| Attributable to non-controlling interests | 318 | 292 | 292 |
| 8. Earnings per share: | | | |
| (1) Basic earnings per share (RMB/share) | 0.25 | 0.16 | 0.16 |
| (2) Diluted earnings per share (RMB/share) | 0.25 | 0.16 | 0.16 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Income Statement of the Company
For the three months ended 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 (After adjustments) | Three months ended 31 March 2017 (Before adjustments) |
|--|--|---|--|
| 1. Total revenue | 23,431 | 21,527 | 21,527 |
| Less: Cost of sales | 19,999 | 18,543 | 18,543 |
| Taxes and surcharges | 27 | 17 | 17 |
| Selling and distribution expenses | 1,120 | 1,078 | 1,078 |
| General and administrative expenses | 463 | 458 | 458 |
| Financial expenses | -607 | 493 | 493 |
| Assets impairment losses | | | |
| Add: Gains/(losses) arising from changes in fair value (“-” for losses) | -228 | | |
| Investment income (“-” for losses) | 211 | 220 | 220 |
| Including: Share of profit of associates and joint ventures | 211 | 220 | 220 |
| Gains/(losses) on disposal of property, plant and equipment and construction in progress | 12 | 22 | |
| Other income | 52 | 115 | |
| 2. Operating profit (“-” for losses) | 2,476 | 1,295 | 1,158 |
| Add: Non-operating income | 205 | 138 | 275 |
| Less: Non-operating expenses | 11 | 9 | 9 |
| 3. Total profits (“-” for losses) | 2,670 | 1,424 | 1,424 |
| Less: Income tax expenses | 615 | 302 | 302 |
| 4. Net profit (“-” for net losses) | 2,055 | 1,122 | 1,122 |
| (1) Continuous net operation profit (“-” for net losses) | 2,055 | 1,122 | 1,122 |
| (2) Termination net operation profit (“-” for net losses) | | | |
| 5. Other comprehensive income, net of tax | 26 | 12 | 12 |
| (1) Items that will not be reclassified to profit or loss | | | |
| 1. Remeasurement of defined benefit plan liability | | | |
| 2. Share of other comprehensive income of the equity-accounted investee | | | |
| (2) Items that may be reclassified to profit or loss: | 26 | 12 | 12 |
| 1. Share of other comprehensive income of the equity-accounted investee | | | |
| 2. Gains or losses arising from changes in fair | -1 | | |

| | | | |
|---|-------|-------|-------|
| value of available-for-sale financial assets | | | |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | | |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | 27 | 12 | 12 |
| 5. Translation differences arising on translation of foreign currency financial statements | | | |
| 6. Others | | | |
| 6. Total comprehensive income | 2,081 | 1,134 | 1,134 |
| 7. Earnings per share: | | | |
| (1) Basic earnings per share (RMB/share) | | | |
| (2) Diluted earnings per share (RMB/share) | | | |

Legal Representative of the Company: Mr. Wang Chang Shun

Responsible person of the finance work: Mr. Tan Wan Geng Responsible person of the accounting department: Mr. Xiao Li Xin

Consolidated Cash Flow Statement
For the three months ended 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 (After adjustments) | Three months ended 31 March 2017 (Before adjustments) |
|---|-------------------------------------|--|---|
| 1. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | 36,343 | 31,303 | 31,303 |
| Net increase in customer deposits and deposits in other banks | | | |
| Net increase in borrowings from central bank | | | |
| Net increase in advances from other financial institutions | | | |
| Cash received from original insurance policy premium | | | |
| Net cash received from reinsurance operations | | | |
| Net increase in policyholders' deposits and investment | | | |
| Net increase in disposal of financial assets at fair value through profit or loss | | | |
| Interest, fees and commissions received in cash | | | |
| Net increase in advances from banks and other financial institutions | | | |
| Net increase in repurchase of business funds | | | |
| Refund of taxes and surcharges | 80 | 40 | 40 |
| Proceeds from other operating activities | 343 | 412 | 412 |
| Sub-total of operating cash inflows from operating activities | 36,766 | 31,755 | 31,755 |
| Payment for goods and services | 23,877 | 21,082 | 21,082 |
| Net increase in customers deposits and advances | | | |
| Net increase in deposits with Central Bank and other banks | | | |
| Compensation paid pursuant to original insurance contract and settled in cash | | | |
| Interest, fees and commission paid in cash | | | |
| Insurance policy dividend paid by cash | | | |
| Payment to and for employees | 7,163 | 6,838 | 6,836 |
| Payment of taxes and surcharges | 750 | 758 | 758 |
| Payment for other operating | 460 | 258 | 222 |

| | | | |
|--|--------|--------|--------|
| activities | | | |
| Sub-total of cash outflows from operating activities | 32,250 | 28,936 | 28,898 |
| Net cash flows from operating activities | 4,516 | 2,819 | 2,857 |
| 2. Cash flows from investment activities: | | | |
| Proceeds from disposal of investments | | | |
| Investment income received | 4 | 4 | 4 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 1,688 | 1,237 | 1,237 |
| Net proceeds from disposal of subsidiaries and other business units | | | |
| Proceeds from other investing activities | 27 | 19 | 19 |
| Sub-total of cash inflows from investing activities | 1,719 | 1,260 | 1,260 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 2,864 | 1,757 | 1,757 |
| Payment for acquisition of investments | | | |
| Net increase in pledged loans | | | |
| Net payment for acquisition of subsidiaries and other business units | | | |
| Payment for other investing activities | | | |
| Sub-total of cash outflows from investment activities | 2,864 | 1,757 | 1,757 |
| Net cash flows from investing activities | -1,145 | -497 | -497 |
| 3. Cash flows from financing activities: | | | |
| Proceeds from investors | 72 | 104 | 104 |
| Including: Proceeds from non-controlling shareholders of subsidiaries | 72 | 104 | 104 |
| Proceeds from borrowings | 8,191 | 10,830 | 10,830 |
| Proceeds from issuance of bonds | | 1,002 | 1,002 |
| Proceeds from other financing activities | | | |
| Sub-total of cash inflows from financing activities | 8,263 | 11,936 | 11,936 |
| Repayments of borrowings | 11,676 | 13,102 | 13,102 |
| Payment for dividends, profit distributions or interest | 857 | 818 | 818 |
| Including: Dividends and profits paid to non-controlling shareholders of subsidiaries | | 1 | 1 |
| Payment for other financing activities | | | |
| Sub-total of cash outflows from financing activities | 12,533 | 13,920 | 13,920 |

| | | | |
|---|--------|--------|--------|
| Net cash flows from financing activities | -4,270 | -1,984 | -1,984 |
| 4. Effect of changes in exchange rate on cash and cash equivalents | -55 | -2 | -2 |
| 5. Net increase in cash and cash equivalents | -954 | 336 | 374 |
| Add: Cash and cash equivalents at the beginning of the period | 7,139 | 4,760 | 4,720 |
| 6. Cash and cash equivalents at the end of the period | 6,185 | 5,096 | 5,094 |

Legal Representative of the Company: Mr. Wang Chang Shun

Responsible person of the finance work: Mr. Tan Wan Geng Responsible person of the accounting department: Mr. Xiao Li Xin

Cash Flow Statement of the Company
For the three months ended 31 March 2018

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2018 | Three months ended 31 March 2017 |
|--|-------------------------------------|-------------------------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of goods and rendering of services | 25,416 | 22,258 |
| Refund of taxes and surcharges | 80 | |
| Proceeds from other operating activities | 195 | 333 |
| Sub-total of operating cash inflows from operating activities | 25,691 | 22,591 |
| Payment for goods and services | 15,196 | 14,560 |
| Payment to and for employees | 5,461 | 5,365 |
| Payment of taxes and surcharges | 481 | 451 |
| Payment for other operating activities | 414 | 183 |
| Sub-total of cash outflows from operating activities | 21,552 | 20,559 |
| Net cash flows from operating activities | 4,139 | 2,032 |
| 2. Cash flows from investment activities: | | |
| Proceeds from disposal of investments | | |
| Investment income received | 4 | 4 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 460 | 231 |
| Net proceeds from disposal of subsidiaries and other business units | | |
| Proceeds from other investing activities | 19 | 14 |
| Sub-total of cash inflows from investing activities | 483 | 249 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 2,549 | 2,008 |
| Payment for acquisition of investments | 108 | 156 |
| Net payment for acquisition of subsidiaries and other business units | | |
| Payment for other investing activities | | |
| Sub-total of cash outflows from investment activities | 2,657 | 2,164 |
| Net cash flows from investing activities | -2,174 | -1,915 |
| 3. Cash flows from financing activities: | | |
| Proceeds from investors | | |
| Proceeds from borrowings | 7,334 | 8,800 |
| Proceeds from other financing activities | | 1,000 |
| Sub-total of cash inflows from financing activities | 7,334 | 9,800 |
| Repayments of borrowings | 9,872 | 9,253 |
| Payment for dividends, profit distributions or interest | 803 | 698 |

| | | |
|---|--------|-------|
| Payment for other financing activities | | |
| Sub-total of cash outflows from financing activities | 10,675 | 9,951 |
| Net cash flows from financing activities | -3,341 | -151 |
| 4. Effect of changes in exchange rate on cash and cash equivalents | -55 | -2 |
| 5. Net increase in cash and cash equivalents | -1,431 | -36 |
| Add: Cash and cash equivalents at the beginning of the period | 4,631 | 3,120 |
| 6. Cash and cash equivalents at the end of the period | 3,200 | 3,084 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

4.2 Audited Report

Applicable Not applicable