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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)

THIRD QUARTERLY REPORT OF 2017

Summary

The 2017 third 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 2017 third quarterly report of the Company.
- 1.3 The responsible person of the Company, Mr. Wang Chang Shun (Chairman), the responsible person of the Company and 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 (Chief Financial Officer of the Company) warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The 2017 third quarterly report of the Company is unaudited.

2 Principle Information of the Company

2.1 Major financial data

Unit: Million Currency: RMB

| | 30 September 2017 | 31 December 2016 | Increase/ (decrease) (%) |
|--|--|--|------------------------------------|
| Total assets | 211,334 | 200,461 | 5.42 |
| Net assets attributable to the shareholders of the Listed Company | 50,686 | 43,181 | 17.38 |
| | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 | Increase/ (decrease) (%) |
| Net cash flows from operating activities | 17,163 | 20,569 | -16.56 |
| | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 | Increase/ (decrease) (%) |
| Operating revenue | 96,123 | 86,652 | 10.93 |
| Net profit attributable to the shareholders of the Listed Company | 7,050 | 6,441 | 9.46 |
| Net profit attributable to the shareholders of the Listed Company after deducting non-recurring gains and losses | 6,538 | 5,905 | 10.72 |
| Weighted average return on net assets | 15.09 | 15.34 | Decreased by 0.25 percentage point |

| | | | |
|--|------|------|------|
| (%) | | | |
| Basic earnings per share (RMB/share) | 0.71 | 0.66 | 7.58 |
| Diluted earnings per share (RMB/share) | 0.71 | 0.66 | 7.58 |

Non-recurring gains and losses

√Applicable □Not applicable

Unit: Million Currency: RMB

| Items | Third quarter of 2017 | Nine months ended 30 September 2017 | Notes |
|---|-----------------------|-------------------------------------|-------|
| Gains and losses on disposal of non-current assets | 314 | 675 | - |
| Other non-operating income and expenses besides items above | 160 | 376 | - |
| Effect on non-controlling interests after taxation | -130 | -273 | - |
| Effect of income tax | -122 | -266 | - |
| Total | 222 | 512 | - |

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) | | | | 218,751 | | |
|---|---|-------------------|--|--------------------------|------------------|--------------------------|
| Particulars of the top ten shareholders | | | | | | |
| Name of the shareholder (in full) | Number of shares held as at the end of the reporting period | Share holding (%) | Number of shares subject to trading restrictions | Pledged or frozen shares | | Capacity |
| | | | | Status | Number of shares | |
| China Southern Air Holding Company ("CSAHC") | 4,039,228,665 | 40.04 | 0 | No | - | State-owned legal entity |
| HKSCC Nominees Limited | 1,749,514,988 | 17.34 | 0 | Not known | - | Overseas legal entity |
| Nan Lung Holding Limited ("Nan Lung") | 1,033,650,000 | 10.25 | 0 | No | - | State-owned legal entity |
| China Securities Finance Corporation Limited | 426,867,061 | 4.23 | 0 | Not known | - | State-owned legal entity |
| American Airlines, Inc. ("American Airlines") | 270,606,272 | 2.68 | 270,606,272 | Not known | - | Overseas legal entity |

| National Security Fund 118 | 152,125,571 | 1.51 | 0 | Not known | - | Domestic Non-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. | 63,379,656 | 0.63 | 0 | Not known | - | State-owned legal entity |
| China Merchants Securities Co., Ltd. | 61,593,519 | 0.61 | 0 | Not known | - | State-owned legal entity |
| China National Aviation Holding Company | 49,253,400 | 0.49 | 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 | | | |
| CSAHC | 4,039,228,665 | RMB-denominated Ordinary shares | 4,039,228,665 | | | |
| HKSCC Nominees Limited | 1,749,514,988 | Overseas listed foreign shares | 1,749,514,988 | | | |
| Nan Lung | 1,033,650,000 | Overseas listed foreign shares | 1,033,650,000 | | | |
| China Securities Finance Corporation Limited | 426,867,061 | RMB-denominated Ordinary shares | 426,867,061 | | | |
| National Security Fund 118 | 152,125,571 | RMB-denominated Ordinary shares | 152,125,571 | | | |
| Central Huijin Investment Ltd | 64,510,900 | RMB-denominated Ordinary shares | 64,510,900 | | | |
| Zhong Hang Xin Gang Guarantee Co., Ltd. | 63,379,656 | RMB-denominated Ordinary shares | 63,379,656 | | | |
| China Merchants Securities Co., Ltd. | 61,593,519 | RMB-denominated Ordinary shares | 61,593,519 | | | |
| China National Aviation Holding Company | 49,253,400 | RMB-denominated Ordinary shares | 49,253,400 | | | |
| Industrial and Commercial Bank of China-SSE 50 Trading Index Securities Investment Open-ended Fund | 27,891,295 | RMB-denominated Ordinary shares | 27,891,295 | | | |
| Explanation of the connected relationship or acting in concert relationship of the above shareholders | Nan Lung is incorporated in Hong Kong and a wholly-owned subsidiary of CSAHC. The Company is not aware of any other connected relationship between other shareholders. The H shares held by HKSCC Nominees Limited include the 31,120,000 H shares of the Company held by Yazhou Travel Investment Company Limited, a fourth level subsidiary of CSAHC incorporated in Hong Kong. | | | | | |
| Explanation of the preference shareholders with restored voting rights and its number of shares | Not applicable. | | | | | |

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

Unit: Million Currency: RMB

| 3.1.1 Significant changes in major items in consolidated balance sheet: | | | | |
|---|-------------------|------------------|--------------------------|--|
| Items | 31 September 2017 | 31 December 2016 | Increase/ (decrease) (%) | Main reason(s) for the change |
| Cash at bank and on hand | 6,323 | 4,855 | 30.24 | Mainly due to the increase in cash generated from operation in the reporting period |
| Other current liabilities | 1,000 | 21,986 | -95.45 | Mainly due to the repayment of ultra-short-term financing bills in the reporting period |
| Other current assets | 2,618 | 1,415 | 85.02 | Mainly due to the increase in VAT recoverable by the end of the reporting period |
| Short-term loans | 14,591 | 4,195 | 247.82 | Mainly due to the increase of the borrowings from short-term loans in the reporting period |
| Taxes payable | 1,692 | 899 | 88.21 | Mainly due to the increase in the accrual of enterprise income tax which has not yet been paid |
| Long-term loans | 9,599 | 1,069 | 797.94 | Mainly due to the increase of the borrowings from long-term loans in the reporting period |
| Retained earnings | 23,312 | 17,244 | 35.19 | Mainly due to profits recorded in the period |

Unit: Million Currency: RMB

| 3.1.2 Significant changes in major items in consolidated income statement: | | | | |
|--|-------------------------------------|-------------------------------------|--------------------------|--|
| Items | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 | Increase/ (decrease) (%) | Main reason(s) for the change |
| Financial expenses | 902 | 3,825 | -76.42 | Mainly due to the increase in exchange gain resulted from appreciation of the RMB against the USD in the reporting period |
| Other income | 1,695 | 0 | 100.00 | Mainly due to the reclassification of government grants which are related to operating activities, from non-operating income to other income, as per the latest relevant PRC accounting standard |
| Non-operating income | 1,442 | 2,858 | -49.55 | Mainly due to the reclassification of government grants which are related to operating activities, from non-operating income to other income, as per the latest relevant PRC accounting standard |

Unit: Million Currency: RMB

| 3.1.3 Significant changes in major items in consolidated cash flow statement: | | | | |
|--|-------------------------------------|-------------------------------------|--------------------------|---|
| Items | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 | Increase/ (decrease) (%) | Main reason(s) for the change |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 5,057 | 2,050 | 146.68 | Mainly due to the increase of Xiamen Airlines Co., Ltd.'s receipt of advance payment for aircraft on transfer of purchase quota in the reporting period |
| Payment of taxes and surcharges | 3,208 | 2,158 | 48.66 | Mainly due to the increase in payment of VAT, enterprise income tax and customs tax during the reporting period |
| Proceeds from investors | 1,723 | 260 | 562.69 | Mainly due to the receipt of subscriptions from the American Airlines |
| Investment income received | 206 | 144 | 43.06 | Mainly due to the increase in dividends received from investees |
| Payment for acquisition of investments | 184 | 34 | 441.18 | Mainly due to the payment for acquisition of equity interests in Southern Airlines Group Finance Company Limited and Beijing Xinghang Konggang Property Co., Ltd. in the reporting period |
| Net payment for acquisition of subsidiaries and other business units | 594 | 190 | 212.63 | Mainly due to the net payment for acquisition of equity interests in Zhuhai Xiang Yi Aviation Technology Company Limited in the reporting period |
| Proceeds from borrowings | 32,347 | 14,900 | 117.09 | Mainly due to the increase of borrowings in the reporting period |
| Proceeds from issuance of bonds | 1,000 | 39,309 | -97.46 | Mainly due to the decrease in issuance of corporate bonds and short-term financing bills during the reporting period |
| Repayments of borrowings | 41,899 | 66,356 | -36.86 | Mainly due to the decrease in the repayment of borrowings during the reporting period |
| Payment for dividends, profit distributions or interest | 3,787 | 2,718 | 39.33 | Mainly due to the increase in payment of dividends and interests during the reporting period |

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

Applicable Not applicable

1. On 10 August 2017, in accordance with the subscription agreement, the Company completed the issuance of a total of 270,606,272 H ordinary shares to American Airlines at a subscription price of HK\$5.74 per share. At the same time, the Company and American Airlines successfully completed the relevant subscription of shares and closing matters. For details, please refer to the *Announcement of*

China Southern Airlines Company Limited in relation to the Completion of Issuance of H Shares to American Airlines, Inc. made by the Company on the websites of China Securities Journal, Shanghai Securities News, Securities Times and the Shanghai Stock Exchange on 11 August 2017.

2. The Company proposed to issue A shares to not more than 10 specific investors, including CSAHC and H shares under non-public issuance to Nan Lung (or any specific wholly-owned subsidiary of CSAHC). For details of the progress of these matters, please refer to the announcements made by the Company on the websites of China Securities Journal, Shanghai Securities News, Securities Times and the Shanghai Stock Exchange on the relevant dates:
 - 1) On 26 June 2017, 13 resolutions including the *Proposal for the Non-public Issuance of A Shares and Non-public Issuance of H Shares by the Company* were passed at the fifteenth meeting of the seventh session of the Board;
 - 2) On 19 September 2017, 10 resolutions including the *Amended Proposal for the Non-public Issuance of A Shares and Non-public Issuance of H Shares by the Company*, were passed at the seventeenth meeting of the seventh session of the Board and were approved to be submitted to the shareholders' meeting and class meetings of the holders of A shares and H shares for approval;
 - 3) On 21 September 2017, the Company issued the notices of the first extraordinary general meeting of 2017, the first class meeting for holders of A shares of 2017 and the first class meeting for holders of H shares of 2017; and
 - 4) On 24 October 2017, the Company issued the second notices of the first extraordinary general meeting of 2017, the first class meeting for holders of A shares of 2017 and the first class meeting for holders of H shares of 2017.

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

30 October 2017

As at the date of this announcement, the Directors include Wang Chang Shun, Yuan Xin An and Yang Li Hua as non-executive Directors, Tan Wan Geng, Zhang Zi Fang and Li Shao Bin as executive Directors; and Ning Xiang Dong, Liu Chang Le, Tan Jin Song, Guo Wei and Jiao Shu Ge as independent non-executive Directors.

4、 APPENDIX

4.1 Financial Statements

Consolidated Balance Sheet

As at 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 30 September 2017 | 31 December 2016 |
|---|-------------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 6,323 | 4,855 |
| Settlement reserves fund | | |
| Deposits with banks and other financial institutions | | |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 3,653 | 3,009 |
| Prepayments | 1,629 | 1,479 |
| Premiums receivable | | |
| Receivables from reinsurers | | |
| Provisions for reinsurance contracts | | |
| Interest receivable | | |
| Dividends receivable | 15 | |
| Other receivables | 1,481 | 1,418 |
| Purchase of financial assets resold | | |
| Inventories | 1,779 | 1,588 |
| Assets classified as held for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 2,618 | 1,415 |
| Total current assets | 17,498 | 13,764 |
| Non-current assets: | | |
| Entrusted loans and advances | | |
| Available-for-sale financial assets | 605 | 602 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 4,232 | 4,132 |
| Investment properties | 428 | 440 |
| Fixed assets | 153,813 | 146,388 |
| Construction in progress | 28,619 | 28,948 |
| Construction materials | | |
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 3,142 | 3,152 |
| Development costs | | |

| | | |
|--|---------|---------|
| Goodwill | | |
| Long-term deferred expenses | 635 | 568 |
| Deferred tax assets | 1,687 | 1,721 |
| Other non-current assets | 675 | 746 |
| Total non-current assets | 193,836 | 186,697 |
| Total assets | 211,334 | 200,461 |
| Current liabilities: | | |
| Short-term loans | 14,591 | 4,195 |
| 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 | | |
| Bills payable | | 400 |
| Accounts payable | 14,439 | 13,021 |
| Sales in advance of carriage | 7,213 | 8,420 |
| Financial assets sold under agreements repurchase | | |
| Handling charges and commissions payable | | |
| Employee benefits payable | 2,984 | 2,858 |
| Taxes payable | 1,692 | 899 |
| Interest payable | 766 | 844 |
| Dividends payable | 5 | 1 |
| Other payables | 5,388 | 4,749 |
| 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 | 9,864 | 10,559 |
| Other current liabilities | 1,000 | 21,986 |
| Total current liabilities | 57,942 | 67,932 |
| Non-current liabilities: | | |
| Long-term loans | 9,599 | 1,069 |
| Bonds payable | 17,694 | 17,689 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 56,605 | 53,527 |
| Long-term employee benefits payable | 1 | 6 |
| Special payables | | |
| Provisions | | |
| Deferred income | 2,756 | 2,600 |
| Deferred tax liabilities | 726 | 841 |

| | | |
|--|---------|---------|
| Other non-current liabilities | 2,504 | 2,089 |
| Total non-current liabilities | 89,885 | 77,821 |
| Total liabilities | 147,827 | 145,753 |
| Owners' equity | | |
| Share capital | 10,088 | 9,818 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 15,114 | 13,951 |
| Less: Treasury shares | | |
| Other comprehensive income | 215 | 211 |
| Specific reserve | | |
| Surplus reserve | 1,957 | 1,957 |
| Provision for ordinary risks | | |
| Retained earnings | 23,312 | 17,244 |
| Total equity attributable to shareholders of the Company | 50,686 | 43,181 |
| Non-controlling interests | 12,821 | 11,527 |
| Total owners' equity | 63,507 | 54,708 |
| Total liabilities and owners' equity | 211,334 | 200,461 |

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 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 30 September 2017 | 31 December 2016 |
|--|-------------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 3,842 | 3,202 |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 2,796 | 2,216 |
| Prepayments | 804 | 938 |
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 894 | 781 |
| Inventories | 1,176 | 1,036 |
| Assets classified as held for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 2,233 | 1,212 |
| Total current assets | 11,745 | 9,385 |
| Non-current assets: | | |
| Available-for-sale financial assets | 133 | 134 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 12,053 | 10,431 |
| Investment properties | 346 | 326 |
| Fixed assets | 119,060 | 114,572 |
| Construction in progress | 19,093 | 15,316 |
| Construction materials | | |
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 1,566 | 1,677 |
| Development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 261 | 285 |
| Deferred tax assets | 1,648 | 1,663 |
| Other non-current assets | 548 | 631 |
| Total non-current assets | 154,708 | 145,035 |
| Total assets | 166,453 | 154,420 |
| Current liabilities: | | |
| Short-term loans | 13,192 | 3,605 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Bills payable | | |
| Accounts payable | 10,652 | 10,030 |
| Sales in advance of carriage | 6,174 | 7,167 |
| Employee benefits payable | 1,933 | 2,194 |
| Taxes payable | 1,196 | 687 |
| Interest payable | 617 | 672 |
| Dividends payable | | |

| | | |
|---|---------|---------|
| Other payables | 9,794 | 8,801 |
| Liabilities classified as held for sale | | |
| Non-current liabilities due within one year | 7,749 | 8,560 |
| Other current liabilities | 1,000 | 15,988 |
| Total current liabilities | 52,307 | 57,704 |
| Non-current liabilities: | | |
| Long-term loans | 8,670 | |
| Bonds payable | 13,000 | 13,000 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 48,522 | 46,300 |
| Long-term employee benefits payable | | 5 |
| Special payables | | |
| Provisions | | |
| Deferred income | 2,048 | 1,995 |
| Deferred tax liabilities | | |
| Other non-current liabilities | 1,956 | 1,527 |
| Total non-current liabilities | 74,196 | 62,827 |
| Total liabilities | 126,503 | 120,531 |
| Owners' equity | | |
| Share capital | 10,088 | 9,818 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 15,021 | 13,918 |
| Less: Treasury shares | | |
| Other comprehensive income | 37 | 36 |
| Specific reserve | | |
| Surplus reserve | 1,957 | 1,957 |
| Retained earnings | 12,847 | 8,160 |
| Total owners' equity | 39,950 | 33,889 |
| Total liabilities and owners' equity | 166,453 | 154,420 |

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 nine months ended 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Third quarter of 2017 | Third quarter of 2016 | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 |
|---|-----------------------------|-----------------------------|--|--|
| 1. Total revenue | 35,804 | 32,574 | 96,123 | 86,652 |
| Including: | 35,804 | 32,574 | 96,123 | 86,652 |
| Operating income | | | | |
| Interest income | | | | |
| Premiums earned | | | | |
| Fees and commission income | | | | |
| 2. Total operating costs | 30,748 | 29,104 | 89,346 | 80,533 |
| Including: | 28,068 | 25,451 | 81,044 | 69,716 |
| 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 | 47 | 38 | 147 | 152 |
| Selling and distribution expenses | 1,748 | 1,698 | 4,918 | 4,633 |
| General and administrative expenses | 820 | 843 | 2,328 | 2,201 |
| Financial expenses | 65 | 1,071 | 902 | 3,825 |
| Assets impairment losses | | 3 | 7 | 6 |
| Add: Gains/(losses) arising from changes in fair value (“-” for losses) | | | | |
| Investment income (“-” for losses) | 447 | 411 | 779 | 836 |
| Including: Share of profit of associates and joint ventures | 353 | 408 | 670 | 822 |
| Exchange gains (“-” for losses) | | | | |
| Other income | 360 | | 1,695 | |
| 3. Operating profit (“-” for losses) | 5,863 | 3,881 | 9,251 | 6,955 |
| Add: Non-operating income | 613 | 1,121 | 1,442 | 2,858 |
| Including: Gains on disposal of non-current assets | 319 | 200 | 696 | 491 |
| Less: Non-operating expenses | 22 | 14 | 81 | 35 |
| Including: Losses on disposal of non-current assets | 5 | 4 | 21 | 12 |
| 4. Total profits (“-” for losses) | 6,454 | 4,988 | 10,612 | 9,778 |
| Less: Income tax expenses | 1,444 | 1,146 | 2,402 | 2,243 |
| 5. Net profit (“-” for net losses) | 5,010 | 3,842 | 8,210 | 7,535 |
| Net profit attributable to shareholders of | 4,282 | 3,309 | 7,050 | 6,441 |

| | | | | |
|---|-------|-------|-------|-------|
| the Company | | | | |
| Non-controlling interests | 728 | 533 | 1,160 | 1,094 |
| 6. Other comprehensive income, net of tax | 9 | 26 | 6 | -76 |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | 8 | 26 | 4 | -73 |
| (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: | 8 | 26 | 4 | -73 |
| 1. Share of other comprehensive income of the equity-accounted investee | 1 | | 1 | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | 1 | -1 | 2 | -8 |
| 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 | 6 | 27 | 1 | -65 |
| 5. Translation differences arising on translation of foreign currency financial statements | | | | |
| 6. Others | | | | |
| Other comprehensive income (net of tax) attributable to non-controlling interests | 1 | | 2 | -3 |
| 7. Total comprehensive income | 5,019 | 3,868 | 8,216 | 7,459 |
| Attributable to shareholders of the Company | 4,290 | 3,335 | 7,054 | 6,368 |
| Attributable to non-controlling interests | 729 | 533 | 1,162 | 1,091 |
| 8. Earnings per share: | | | | |
| (1) Basic earnings per share (RMB/share) | 0.43 | 0.34 | 0.71 | 0.66 |
| (2) Diluted earnings per share (RMB/share) | 0.43 | 0.34 | 0.71 | 0.66 |

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 nine months ended 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Third quarter of 2017 | Third quarter of 2016 | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 |
|---|-----------------------------|-----------------------------|---|---|
| 1. Total revenue | 24,708 | 22,880 | 66,651 | 61,234 |
| Less: Cost of sales | 19,559 | 18,083 | 56,590 | 49,587 |
| Taxes and surcharges | 27 | 15 | 74 | 76 |
| Selling and distribution expenses | 1,213 | 1,224 | 3,390 | 3,325 |
| General and administrative expenses | 508 | 557 | 1,413 | 1,414 |
| Financial expenses | 34 | 936 | 739 | 3,334 |
| Assets impairment losses | | 1 | 7 | 4 |
| Add: Gains/(losses) arising from changes in fair value (“-” for losses) | | | | |
| Investment income (“-” for losses) | 487 | 500 | 1,005 | 901 |
| Including: Share of profit of associates and joint ventures | 350 | 402 | 644 | 803 |
| Other income | 213 | | 1,217 | |
| 2. Operating profit (“-” for losses) | 4,067 | 2,564 | 6,660 | 4,395 |
| Add: Non-operating income | 227 | 815 | 628 | 1,910 |
| Including: Gains on disposal of non-current assets | -5 | 84 | 20 | 129 |
| Less: Non-operating expenses | 23 | 10 | 78 | 24 |
| Including: Losses on disposal of non-current assets | 2 | 4 | 17 | 8 |
| 3. Total profits (“-” for losses) | 4,271 | 3,369 | 7,210 | 6,281 |
| Less: Income tax expenses | 946 | 717 | 1,539 | 1,321 |
| 4. Net profit (“-” for net losses) | 3,325 | 2,652 | 5,671 | 4,960 |
| 5. Other comprehensive income, net of tax | 7 | 25 | 1 | -71 |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | | | | |
| (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 | 7 | 25 | 1 | -71 |

| | | | | |
|---|-------|-------|-------|-------|
| loss: | | | | |
| 1. Share of other comprehensive income of the equity-accounted investee | 1 | -1 | 1 | -1 |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | | -1 | -1 | -5 |
| 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 | 6 | 27 | 1 | -65 |
| 5. Translation differences arising on translation of foreign currency financial statements | | | | |
| 6. Others | | | | |
| 6. Total comprehensive income | 3,332 | 2,677 | 5,672 | 4,889 |
| 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 nine months ended 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 |
|---|--|--|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of goods and rendering of services | 102,151 | 92,532 |
| 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 | 74 | 12 |
| Proceeds from other operating activities | 2,026 | 1,771 |
| Sub-total of operating cash inflows from operating activities | 104,251 | 94,315 |
| Payment for goods and services | 67,070 | 57,149 |
| 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 | 15,826 | 13,149 |
| Payment of taxes and surcharges | 3,208 | 2,158 |
| Payment for other operating activities | 984 | 1,290 |
| Sub-total of cash outflows | 87,088 | 73,746 |

| | | |
|--|--------|--------|
| from operating activities | | |
| Net cash flows from operating activities | 17,163 | 20,569 |
| 2. Cash flows from investment activities: | | |
| Proceeds from disposal of investments | 7 | |
| Investment income received | 206 | 144 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 5,057 | 2,050 |
| Net proceeds from disposal of subsidiaries and other business units | | |
| Proceeds from other investing activities | 93 | 80 |
| Sub-total of cash inflows from investing activities | 5,363 | 2,274 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 9,601 | 8,725 |
| Payment for acquisition of investments | 184 | 34 |
| Net increase in pledged loans | | |
| Net payment for acquisition of subsidiaries and other business units | 594 | 190 |
| Payment for other investing activities | | |
| Sub-total of cash outflows from investment activities | 10,379 | 8,949 |
| Net cash flows from investing activities | -5,016 | -6,675 |
| 3. Cash flows from financing activities: | | |
| Proceeds from investors | 1,723 | 260 |
| Including: Proceeds from non-controlling shareholders of subsidiaries | 404 | 260 |
| Proceeds from borrowings | 32,347 | 14,900 |
| Proceeds from issuance of bonds | 1,000 | 39,309 |
| Proceeds from other financing activities | | |
| Sub-total of cash inflows from financing activities | 35,070 | 54,469 |
| Repayments of borrowings | 41,899 | 66,356 |
| Payment for dividends, profit distributions or interest | 3,787 | 2,718 |
| Including: Dividends and profits paid to non-controlling shareholders of subsidiaries | 232 | 73 |
| Payment for acquisition of non-controlling interest of subsidiaries | | 238 |
| Payment for other financing activities | | |
| Sub-total of cash outflows | 45,686 | 69,312 |

| | | |
|---|---------|---------|
| from financing activities | | |
| Net cash flows from financing activities | -10,616 | -14,843 |
| 4. Effect of changes in exchange rate on cash and cash equivalents | -27 | 9 |
| 5. Net increase in cash and cash equivalents | 1,504 | -940 |
| Add: Cash and cash equivalents at the beginning of the period | 4,720 | 5,487 |
| 6. Cash and cash equivalents at the end of the period | 6,224 | 4,547 |

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 nine months ended 30 September 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Nine months ended 30 September 2017 | Nine months ended 30 September 2016 |
|--|--|--|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of goods and rendering of services | 70,692 | 65,707 |
| Refund of taxes and surcharges | 34 | |
| Proceeds from other operating activities | 1,476 | 1,563 |
| Sub-total of operating cash inflows from operating activities | 72,202 | 67,270 |
| Payment for goods and services | 46,396 | 38,535 |
| Payment to and for employees | 11,241 | 10,481 |
| Payment of taxes and surcharges | 2,085 | 1,143 |
| Payment for other operating activities | 688 | 730 |
| Sub-total of cash outflows from operating activities | 60,410 | 50,889 |
| Net cash flows from operating activities | 11,792 | 16,381 |
| 2. Cash flows from investment activities: | | |
| Proceeds from disposal of investments | | |
| Investment income received | 556 | 231 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 333 | 324 |
| Net proceeds from disposal of subsidiaries and other business units | | |
| Proceeds from other investing activities | 44 | 25 |
| Sub-total of cash inflows from investing activities | 933 | 580 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 6,582 | 2,206 |
| Payment for acquisition of investments | 416 | 279 |
| Net payment for acquisition of subsidiaries and other business units | 680 | 400 |
| Payment for other investing activities | | |
| Sub-total of cash outflows from investment activities | 7,678 | 2,885 |
| Net cash flows from investing activities | -6,745 | -2,305 |
| 3. Cash flows from financing activities: | | |
| Proceeds from investors | 1,319 | |
| Proceeds from borrowings | 29,006 | 11,745 |
| Proceeds from issuance of bonds | 1,000 | 28,000 |
| Proceeds from other financing activities | | |
| Sub-total of cash inflows from financing activities | 31,325 | 39,745 |
| Repayments of borrowings | 32,492 | 52,292 |
| Payment for dividends, profit distributions or interest | 3,217 | 2,361 |

| | | |
|---|--------|---------|
| Payment for other financing activities | | |
| Sub-total of cash outflows from financing activities | 35,709 | 54,653 |
| Net cash flows from financing activities | -4,384 | -14,908 |
| 4. Effect of changes in exchange rate on cash and cash equivalents | -25 | 8 |
| 5. Net increase in cash and cash equivalents | 638 | -824 |
| Add: Cash and cash equivalents at the beginning of the period | 3,120 | 3,080 |
| 6. Cash and cash equivalents at the end of the period | 3,758 | 2,256 |

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