

Management Discussion of January Operating Data

I. Operation

During January 2014, Air China Limited (CA+ZH+NX) continued to record year-over-year and month-over-month increases in passenger traffic, measured by Revenue Passenger Kilometers (RPK) and passenger head count.

Passenger capacity (ASK) and passenger traffic (RPK) for January rose by 16.1% and 20.4% year-over-year respectively. The ASK on domestic routes increased by 14.4% year-over-year, while the RPK rose by 18.4%. ASK and RPK on international routes increased by 19.3% and 23.9% year-over-year respectively, and also climbed on regional routes by 21.9% and 28.6% year-over-year respectively. The overall passenger load factor was 81.1%, a year-over-year increase of 2.9 percentage points. The passenger load factor on domestic, international and regional routes increased by 2.7, 3.1 and 3.9 percentage points respectively.

With respect to cargo operation, Revenue Freighter Tonne Kilometers (RFTK) and freighter tonnage carried for January increased on a year-over-year basis but continued to decline on a month-over-month basis. Available Freighter Tonne Kilometers (AFTK) increased by 21.8% year-over-year. RFTK increased by 8.0% year-over-year, while freight tonnage rose 0.9% year-over-year. The cargo load factor was 50.2%, a year-over-year decrease of 6.4 percentage points.

The peak travel season of the Chinese New Year started from 16 January. In the first 25 days of the peak travel season ended 9 February, ASK of Air China (excluding the controlling company) rose 10.9% year-on-year, and on domestic, international and regional routes increased by 6.3%, 19.2% and 10.5% respectively. RPK rose 15%, and on domestic, international and

regional routes increased by 10%, 24.4% and 14.2% respectively. The overall passenger load factor was 84.3%, a year-over-year increase of 3.1 percentage points.

Starting from 7 January, flights from Beijing-Qeshqer (Kashgar) (three flights per week) were launched. Starting from 21 January, flights from Chongqing-Yinchuan-Changchun (three flights per week) and Beijing-Hawaii (three flights per week) also commenced operation.

In January, excluding the controlling company, Air China (CA) purchased a total of 326,000 tonnes of jet fuel at a price of RMB7,417 per tonne, a year-over-year increase of 1.0%. The average jet fuel purchase price at international airports was RMB6,273 per tonne, a year-over-year decrease of 4%. The average jet fuel purchase price for domestic flights was RMB7,702 per tonne, a year-over-year increase of 2%.

Fuel sur-charge adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 Jan	Hong Kong to Mainland China	HK\$229	HK\$218
	Mainland China to Hong Kong	RMB181	RMB171

During the month, the Group added seven airplanes, including one A320, four B737-800s, one B777-300ER as well as one business jet under custody. One B747-400COMB, one B737-700 aircraft and one B747 cargo jet were retired. As at the end of January, the Company operated a fleet of 501 aircraft.

2. Important announcement

On 27 January, Mr. Wang Changshun resigned from his position as the Chairman of the Board of the Company due to change of job assignments. On 28 January, Mr. Cai Jianjiang resigned from his position as the President of the Company due to change of job assignments to China National Aviation Holding Company, the controlling shareholder of the Company. Meanwhile, the Board of Directors of the Company appointed Mr. Song Zhiyong as the President of the Company and proposed a resolution for appointment of Mr. Song as an Executive Director of the Company at a general meeting of the Company.

3. Other business progress

Air China has cooperated with Deutsche Bahn and launched the “Flight+Rail Travel within Germany” special package on 2 January 2014.

Since 11 February 2014, Air China has upgraded the aircraft serving the route between Beijing and San Francisco to Boeing 777-300ER (Extended Range). This particular model has been highly praised by business travelers.

Starting from 30 March 2014, Air China will start to implement the flight plans for summer and autumn. It will make substantial adjustments on the capacity of international routes to North America and Europe, launch additional flights and upgrade aircraft. For example, the number of flights between Beijing and New York will be increased to two flights per day, all served by the 777-300ER airplane model. Also, the flight plans for summer and autumn will see the debut of new routes such as Beijing-Washington, Beijing-Barcelona-Vienna, Beijing-Vladivostok, Beijing-Jeju and Shanghai-Munich.