

Management Discussion of February Operating Data

I. Operation

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

Passenger capacity (ASK) and passenger traffic (RPK) for February rose by 9.6% and 11.2% year-over-year respectively. The ASK on domestic routes increased by 7.1% year-over-year, while the RPK rose by 9.3%. ASK and RPK on international routes rose by 16.8% and 16.7% year-over-year respectively, and also climbed on regional routes by 7.8% and 10.0% year-over-year respectively. The overall passenger load factor was 84.9%, a year-over-year increase of 1.2 percentage points. The passenger load factor on domestic and regional routes increased by 1.8 and 1.6 percentage points respectively, while it was maintained at the same level on international routes.

The peak travel season of the Chinese New Year in 2014 was from 6 January to 24 February (40 days). The ASK of Air China (excluding its subsidiary airlines) rose 10.3% year-on-year, and on domestic, international and regional routes increased by 6.1%, 17.9% and 11.5% respectively. The overall RPK rose 12.0%, and on domestic, international and regional routes increased by 7.2%, 20.4% and 17.1% respectively. The overall passenger load factor was 84.1%, a year-over-year increase of 1.3 percentage points.

With respect to cargo operation, Revenue Freighter Tonne Kilometers (RFTK) and freighter tonnage carried for February increased on a year-over-year basis but continued to decline on a month-over-month basis. Available Freighter Tonne Kilometers (AFTK) increased by 15.4% year-over-year. The RFTK increased by 19.8% year-over-year, while freight tonnage rose 18.1% year-over-year. The cargo load factor was 44.6%, a year-over-year increase of 1.6 percentage points.

In February, excluding its subsidiary airlines, Air China (CA) purchased a total of 296,000 tonnes of jet fuel at a price of RMB7,213 per tonne, a year-over-year decrease of 4%. The average jet fuel purchase price at international airports was RMB6,185 per tonne, a year-over-year decrease of 9%. The average jet fuel purchase price for domestic flights was RMB7,466 per tonne, a year-over-year decrease of 3%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 Feb	Hong Kong to Mainland China	HK\$218	HK\$225
10 Feb	Beijing to Vladivostok	-	RMB300

During the month, the Group added three airplanes, including one A330 and two B737-800s. One B747-400COMB, two B737 aircraft and one A340-300 aircraft have been retired. As at the end of February, the Company operated a fleet of 500 aircraft

2. Important announcement

On 21 February, the Company held a Board meeting, at which, Mr. Cai Jianjiang was elected as the Chairman of the fourth Board of Directors was approved at the meeting.

3. Other Business Development

In January to February 2014, revenue from the first class and business class of Air China (excluding its subsidiary airlines) increased by 14% year-on-year, of which domestic, international and regional routes rose by 10%, 19% and 15% respectively.

On 28 February, Air China opened a new premium lounge in Zone D at Beijing Capital International Airport Terminal 3. With an area of 1,423 sq. m, the new lounge is equipped with 237 seats and provides a wide range of services and facilities to offer a more enjoyable and functional services for its passengers.