

Management Discussion of July Operating Data

1. Operation

During July 2014, Air China Limited (CA+ZH+NX) continued to record a year-on-year and month-on-month increase in passenger traffic as measured by Revenue Passenger Kilometers (RPK) and passenger head count.

Passenger capacity (ASK) and passenger traffic (RPK) for July rose by 7.3% and 6.2% year-on-year respectively. The ASK of domestic routes increased by 3.8% year-on-year, while the RPK rose by 3.6%. The ASK and the RPK of international routes rose more substantially by 14.2% and 10.4% year-on-year respectively, and also strongly climbed for regional routes by 12.0% and 13.8% year-on-year respectively. The overall passenger load factor was 80.9%, a year-on-year decrease of 0.9 percentage point. The passenger load factor on domestic routes remained the same as last year and that on international routes declined by 2.7 percentage points, while on regional routes it rose by 1.2 percentage points.

Starting from 2 July, a Tianjin-Changsha route was launched with four flights per week. A Tianjin-Yanji route (seven flights per week) was also launched on 2 July. Flights from Tianjin-Dalian (four flights per week) were launched on 3 July. In addition, a route from Beijing-Hami-Karamay (four flights per week) commenced operation on 25 July.

With respect to the cargo operation, Revenue Freight Tonne Kilometers (RFTK) for July recorded a year-on-year and month-on-month increase. Freight tonnage carried recorded an increase on a year-on-year basis, but a modest month-on-month decline. Available Freight Tonne Kilometers (AFTK) increased by 6.9% year-on-year. RFTK increased by 4.4% year-on-year, while freight tonnage rose by 2.4% year-on-year. The cargo load factor was 58.1%, a year-on-year decrease of 1.4 percentage points.

In July, excluding its subsidiary airlines, Air China (CA) purchased a total of 344,000 tonnes of jet fuel at a price of RMB7,114 per tonne, a year-on-year increase of 5%. The average jet fuel purchase price at international airports was RMB6,221 per tonne, a year-on-year increase of 2%. The average jet fuel purchase price for domestic flights was RMB7,389 per tonne, a year-on-year increase of 7%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
8 July	Korea to Yantai	USD41	USD24

During the month, the Group added five airplanes, including one A330-300, one A321, one A320 and two B737-800 aircrafts. One B747-400F cargo jet and one business jet have been retired. As at the end of July, the Company operated a fleet of 515 aircrafts.

2. Important announcement

On 10 July 2014, the board of directors of Air China (“Board”) have reviewed and approved the proposed appointment of Mr. Feng Gang as a non-executive director of the Company, and agreed to pass the proposal for approval at a general meeting.

On 15 July, Air China issued a profit warning announcement for its 2014 1H results. Net profit attributable to equity holders of the company for the first half of 2014 is expected to decline by 55% to 65% compared to that of the corresponding period in 2013 mainly due to the financial expenses of the company substantially increased resulting from the exchange losses caused by the depreciation of the RMB.

On 28 July, the Board approved the proposed appointments of Xiao Feng as the CFO of the Company and Meng Xianbin as the Chief Economist of the Company.

3. Other Business Developments

On 7 July, Mr. Song Zhi Yong, executive director and president of Air China, and Carsten Spohr, Chairman of Executive Board and CEO of Deutsche Lufthansa AG, signed a memorandum of understanding on a passenger joint venture cooperation in expanding the route network between China and Europe and to further enhance the strategic partnership between the two parties.