

Management Discussion of August Operating Data

1. Operation

During August 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 August rose by 8.9% and 5.5% year-on-year respectively. The ASK of domestic routes increased by 5.8% year-on-year, while the RPK rose by 1.9%. The ASK and the RPK of international routes rose more substantially by 14.4% and 12.0% year-on-year respectively, and regional routes increased by 16.4% and 13.1% year-on-year respectively. However, the overall passenger load factor was 82.1%, a year-on-year decrease of 2.7 percentage points. The passenger load factor on domestic, international and regional routes declined by 3.1, 1.8 and 2.2 percentage points respectively.

Starting from 1 August, a Chongqing-Seoul route was launched with seven flights per week. A Beijing-Tonghua route with four flights per week was launched on 16 August. A Beijing-Harbin-Fuyuan route with three flights per week was also launched on 26 August. In addition, a route Chengdu-Hongyuan with seven flights per week and a route Guangzhou-Dalian-Tonghua with three flights per week also commenced operation on 28 August and 30 August respectively.

With respect to the cargo operation, Revenue Freight Tonne Kilometers (RFTK) and freight tonnage carried for August recorded increases on both a year-on-year and month-on-month basis. Available Freight Tonne Kilometers (AFTK) increased by 15.3% year-on-year. RFTK increased by 9.7% year-on-year, while freight tonnage rose by 6.2% year-on-year. The cargo load factor was 56.7%, a year-on-year decrease of 2.9 percentage points.

In August, excluding its subsidiary airlines, Air China (CA) purchased a total of 347,000 tons of jet fuel at a price of RMB7,075 per tonne, a year-on-year decrease of 1%. The average jet fuel purchase price at international airports was RMB6,170 per ton, a year-on-year decrease of 2%. The average jet fuel purchase price for domestic flights was RMB7,348 per ton, a year-on-year decrease of 1%.

During the month, the Group added four aircrafts, including three B737-800 aircrafts and one B777F aircraft. One B747-400C aircraft has been retired. As of the end of August, the Company operated a fleet of 518 aircrafts.

2. Important announcement

Air China has announced its results for the first half of 2014 on 26 August 2014. Under the International Accounting Standards, revenue for the first half rose year-on-year by 8.50% to RMB49,932 million. Operating cost increased year-on-year by 6.72% to RMB47,589 million while profit attributable to shareholders dropped year-on-year by 55.42% to RMB510 million. The RMB/US Dollar foreign exchange loss was the main cause for the decrease in overall performance in the first half of the year.

3. Other Business Development

On 20 August, Air China launched a thorough check-in service in Shanghai for international routes. Passengers flying on specific flights with Air China on journeys connecting to an international flight at Pudong Airport may through check-in for the whole journey at the departure point and any checked-in luggage will be directly delivered to the final destination.

The Air China Frequent Flyer Program has upgraded the “Phoenix Miles” APP for mobile phone users. Members can manage their mileage accounts and check partner merchants, as well as retro-crediting easily through the upgraded version. The upgraded version also offers enhanced safety protection of the accounts.

Air China has launched code-sharing flights with China Express on specific routes starting from 1 September. This marks the first time for a large stated-owned airline to launch code sharing flights with a regional sino-foreign joint venture airline.