

Management Discussion of September Operating Data

1. Operation

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

Passenger capacity (ASK) and passenger traffic (RPK) for September rose by 7.7% and 5.2% year-on-year respectively. The ASK of domestic routes increased by 4.0% year-on-year, while the RPK rose by 3.1%. The ASK and the RPK of international routes rose more substantially by 14.0% and 8.6% year-on-year respectively, and regional routes increased by 16.4% and 11.6% year-on-year respectively. However, the overall passenger load factor was 79.4%, a year-on-year decrease of 1.9 percentage points. The passenger load factor on domestic, international and regional routes declined by 0.7, 3.9 and 3.1 percentage points respectively.

With respect to the cargo operation, Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried for September recorded increases on both a year-on-year and month-on-month basis. Available Freight Tonne Kilometres (AFTK) increased by 24.2% year-on-year. RFTK increased by 21.6% year-on-year, while freight tonnage rose by 7.4% year-on-year. The cargo load factor was 58.9%, a year-on-year decrease of 1.3 percentage points.

In September, excluding its subsidiary airlines, Air China (CA) purchased a total of 333,000 tonnes of jet fuel at a price of RMB6,939 per tonne, a year-on-year decrease of 6%. The average jet fuel purchase price at international airports was RMB6,029 per tonne, a year-on-year decrease of 6%. The average jet fuel purchase price for domestic flights was RMB7,216 per tonne, a year-on-year decrease of 5%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route		Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 September	Mainland China to UK, Austria	First class, business	RMB 1200	RMB 1900
		Economy	RMB 1200	RMB 1500
	Mainland China to US	First class	RMB 1100	RMB 1320
	France, Italy, Spain, Greece, Poland, Switzerland, Austria to Mainland China	First class, business	EUR 130	EUR 200
		Economy	EUR 130	EUR 150
	Denmark, Sweden, Finland to Mainland China		EUR 130	EUR 140
	UK to Mainland China	First class, business	GBP 105	GBP 150
		Economy	GBP105	GBP 115
	Spain to Brazil	First class, business	EUR 140	EUR 200
		Economy	EUR 140	EUR 150
US to Mainland China	First class, business	USD 175	USD 210	
Canada to Mainland China	First class, business	CAD 150	CAD 175	
20 September	Chengdu, Chongqing to Korea		RMB 360	RMB 400

During the month, the Group added eight aircrafts, including one B777-300ER, one B747-8, two B737-800, two A320, one A321 and one A330. Three aircrafts, including one B747-400F, one B737-300 and one business jet, have been retired. As at the end of September, the Company operated a fleet of 523 aircrafts.

2. Other Business Developments

On 30 September, Air China added its first Boeing 747-8 aircraft and has become the first airline to take delivery of this aircraft model in Asia.

On 3 September, Air China Cargo officially launched two Around-The-Globe freighter routes. Operated with brand new B777-200F freighters, the two routes are Shanghai Pudong-Anchorage-New York-Frankfurt Hahn-Shanghai Pudong and Shanghai Pudong-Anchorage-Chicago-Frankfurt Hahn-Shanghai Pudong.

On 3 September, Air China and Kunming Airlines Ltd. have signed a code-share cooperation agreement. The two airlines started code-sharing on selected domestic flights from 15 September 2014.

Brief introduction on Boeing 747-8 aircraft

The brand-new Boeing 747-8 wide body continues the classic big nose design of Boeing 747 family aircraft. Its fuselage measures 76.4 meters long, 5.6 meters longer than that of B747-400. It has a range of up to 14,815 kilometers (8000 nautical miles). In addition, the new aircraft is designed to generate more lift and reduce drag at cruising speed with more safety features, and has more comfortable cabin. With its new noise reduction technology, Boeing 747-8 ruising speed design of Boeing 747 family aircraft. Its fus-efficient turbo-fan engines, whose noise footprint is 30% lower than those that power Boeing 747-400. Compared with Boeing 747-400's engines, Boeing 747-8's engines are 15% more fuel efficient, which reduces carbon dioxide emission by 15% in proportion.