

## Management Discussion of December Operating Data

### 1. Operation

During December 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 the RPK maintained flat and passenger head count dropped slightly on a month-on-month basis.

Passenger capacity (ASK) and passenger traffic (RPK) for December rose by 9.9% and 8.9% year-on-year respectively. The ASK of domestic routes increased by 7.4% year-on-year, while the RPK rose by 8.3% year-on-year. The ASK and the RPK of international routes climbed strongly by 15.7% and 10.7% year-on-year respectively, and of regional routes increased by 7.3% and 6.1% year-on-year respectively. The overall passenger load factor was 76.5%, a year-on-year decrease of 0.7 percentage points. The passenger load factor on domestic routes increased by 0.6 percentage points, while that of international and regional routes decreased by 3.3 and 0.8 percentage points respectively.

Starting from 1 December, a new Dalian-Tianjin-Wuhan route (three flights per week) was launched. Starting from 5 December, a new Beijing-Urumqi-Aksu route (seven flights per week) commenced.

With respect to the cargo operation, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried during December recorded an increase on a year-on-year and month-on-month basis. Available Freight Tonne Kilometres (AFTK) surged by 24.7% year-on-year. RFTK soared by 27.5% year-on-year, while freight tonnage rose by 12.3% year-on-year. The cargo load factor was 57.1%, a year-on-year increase of 1.3 percentage points.

In December, excluding its subsidiary airlines, Air China (CA) purchased a total of 338,000 tonnes of jet fuel at a price of RMB5,796 per tonne, a year-on-year decrease of 19.7%. The average jet fuel purchase price at international airports was RMB4,636 per tonne, a year-on-year decrease of 26.2%. The average jet fuel purchase price for domestic flights was RMB6,119 per tonne, a year-on-year decrease of 18.0%.

### Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route		Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 December	Hong Kong to Mainland China		HK\$172	HK\$143
	Mainland China to Hong Kong		RMB136	RMB114
5 December	Domestic routes	Less than 800 km	RMB40	RMB30
		More than 800 km	RMB70	RMB60

During the month, the Group added eight aircraft, including four B737-800s, two B747-8s, one A330 and one A320. Four aircraft including two B757-200s, one B737-300 and one business jet were retired. As at the end of December, the Company operated a fleet of 540 aircraft.

### 2. Important Announcement

On 18 December 2014, the 13<sup>th</sup> meeting of the fourth Board of Directors of Air China reviewed and passed the proposal to introduce sixty B737 series aircraft. On 22 December, the Company and Air China Import and Export Co., Ltd. entered into aircraft purchase agreement with Boeing Company, pursuant to which the basic price of the 60 aircraft in aggregate is approximately US\$5.888 billion. The aircraft are expected to be delivered in stages from 2016 to 2020.

On 24 December 2014, the Company and Phoenix Industrial signed an equity transfer agreement to acquire a 0.32% equity interest in China National Aviation Finance Co., Ltd. ("CNAF") held by Phoenix Industrial. On the same day, the Company signed a capital injection agreement with China National Aviation Holding Company ("CNAHC") under which the Company and CNAHC will inject additional capital into CNAF after the Company completes the acquisitions of equity interests in CNAF from Air China Import and Export Co., Ltd., Shantou Industrial, AMS Global and Phoenix Industrial. After the capital

injection is completed, the Company and CNAHC would hold 51% and 49% equity interests in CNAF respectively and the Company would become CNAF's controlling shareholder.

### **Other Business Developments**

On 11 December, Air China officiated at the market opening ceremony at the Stock Exchange of Hong Kong to celebrate the 10<sup>th</sup> anniversary of its listing on HKEx.

On 1 December, Air China upgraded its overseas website optimizing its services, easing ticket purchasing and simplifying the layout while making the site more attractive and providing a new and more convenient operating experience for travelers.

The second China Enterprise and New Media Annual Conference (中国企业新媒体年会) announced its "2014 Top Ten Most Influential New Media Accounts of Central Government Enterprises" ("2014 年度中央企业最具影响力十大新媒体账号") with Air China among the top enterprises on the list.