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## Management Discussion of August 2015 Operating Data

### 1. Operations

During August 2015, following upward movement in the peak season from the previous month, Air China Limited (CA+ZH+NX) displayed growth in passenger traffic as measured by Revenue Passenger Kilometres (RPK) and passenger head count on both monthly and yearly basis.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 11.5% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 14.4%. Capacity on domestic routes increased by 7.9% from the same period last year, with RPK rising by 11.2%. Capacity on international routes increased by 20.1% year-on-year, while RPK rose 22.4% in the same period. Capacity on regional routes increased by 0.6% year-on-year, with RPK rising by 1.9%. The overall passenger load factor was 84.3%, increasing 2.2 percentage points year-on-year. The passenger load factor for domestic, international and regional routes increased 2.5, 1.6 and 1.0 percentage points, respectively.

As of 22 August, the Company launched a Lanzhou-Chengdu-Frankfurt route (three times a week).

On cargo operations, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried during August recorded year-on-year increases, but recorded a decrease on a monthly basis. Available Freight Tonne Kilometres (AFTK) rose by 24.5% year-on-year in August. RFTK grew 16.8% and freight tonnage carried increased by 7.6% compared to August 2014. The cargo load factor was 53.2% in August, a decrease of 3.5 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 398,000 tonnes of jet fuel at an average price of RMB4,155 per tonne, a decrease of 41.3% from the corresponding period last year. The average jet fuel purchase price at

international airports was RMB3,392 per tonne, and the average purchase price of jet fuel for domestic flights was RMB4,399 per tonne, representing yearly decreases of 45.0% and 40.1%, respectively.

**Fuel Surcharge Adjustment**

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 August	Hong Kong to Mainland China	HK\$51	HK\$49
	Korea to Mainland China (excluding Qingdao, Jinan and Yantai)	US\$11	US\$6
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$5	US\$3
24 August	Mainland China to New Zealand	-	RMB925

During the month, the Group added seven new aircraft, comprised of three B737-800, three A320 series aircraft and one B777-200 freighter, and also retired one A320 aircraft. As of end-August, the Group operated a fleet of 572 aircraft.

**2. Important Notices**

On 4 August, Air China announced that China National Aviation Holding Company (“CNAHC”) had increased its shareholdings in the Company by 8,691,786 A shares via the trading system of the Shanghai Stock Exchange on 3 August, representing approximately 0.0664% of the total issued share capital of the Company. CNAHC intends to continue to increase its shareholdings in the Company, either in its own name or through parties acting in concert with it, via the trading system of the Shanghai Stock Exchange within 12 months from 3 August 2015 in an aggregated amount not exceeding 2% of the total issued share capital of the Company (including the increased shareholdings in the First Share Acquisition).

On 28 August, Air China announced its interim results for the six months ended 30 June, 2015. Under international financial accounting standards, the Group recorded an operating revenue of RMB51.862 billion, representing a year-on-year

increase of 3.86%. In comparison to the same period last year, operating expenses were RMB45.233 billion, down 4.95% year-on-year, and profit attributable to shareholders was RMB4.191 billion, a year-on-year increase of 721.15%.

### **3. Other Business Developments**

Air China launched a “Best Fares Commitment, RMB50 Refund for Price Difference” event, running from 15 August to 31 December through the purchase of domestic tickets via the Company’s e-commerce channel, in an effort to actively promote the development of their direct sales business.

Air China entered into a code-sharing cooperation agreement with South African Airways in August. The partnership is designed to support domestic routes in both countries as much as possible, to provide high quality, convenient and diversified products and services for passengers in China, South Africa and surrounding countries.