

Management Discussion of September 2015 Operating Data

1. Operations

During September 2015, Air China Limited (CA+ZH+NX) displayed growth in passenger traffic and passenger carried on year-on-year basis. Due to the end of summer break, a slight decline on monthly basis has been seen in passenger operating index.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 11.7% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 11.6%. Capacity on domestic routes increased by 9.7% from the same period last year, with RPK rising by 11.1%. Capacity on international routes increased by 17.1% year-on-year, while RPK rose 14.6% in the same period. Capacity on regional routes increased by 0.9% year-on-year, with RPK decreasing by 4.1%. The overall passenger load factor was 79.3%, remaining steady year-on-year. The passenger load factor of domestic routes rose 1.1 percentage points, while international and regional routes saw a decline of 1.7 and 3.6 percentage points, respectively.

As of 8 September, the Company launched a Beijing-Liupanshui route (three times a week). On 27 September, a Beijing-Dali route (four times a week) and a Dandong-Seoul route (two times a week) were launched, a Beijing-Montreal route (three times a week) was added to operation on 29 September.

With respect to the cargo operation, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried in September recorded increases on monthly and yearly basis. Available Freight Tonne Kilometres (AFTK) rose by 10.2% year-on-year in September. RFTK grew 1.3% and freight tonnage carried increased by 3.3% compared to September 2014. The cargo load factor was 54.2%, a decrease of 4.7 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 373,000 tonnes of jet fuel at an average price of RMB3,970 per tonne, a decrease of 42.8% from the corresponding period last year. The average jet fuel purchase price at international airports was RMB3,283 per tonne, and the average purchase price of jet fuel for domestic flights was RMB4,188 per tonne, representing yearly decreases of 45.6% and 42.0%, 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 September	Hong Kong to Mainland China	HK\$49	HK\$43
	Korea to Mainland China (excluding Qingdao, Jinan and Yantai)	US\$5	-
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$3	-

During the month, the Group added five new aircraft, comprised of three B737-800, one A320 and one A330 aircraft, and also retired two B737 and one A340 aircraft. As of end-September, the Group operated a fleet of 574 aircraft.

2. Other Business Development

On 1 September, Air China and Air New Zealand came to a new strategic alliance. And the Air China non-stop flight of Beijing-Auckland is open for sale and has been scheduled to start its operation on 10 December, 2015.

As the first civil aviation company authorized by the State to provide live satellite TV broadcast on airplanes, Air China successfully managed the live broadcast of the WWII Memorial Parade in Beijing on 3 September. This marks a new era for Chinese broadcast satellite in the development and application in aviation industry.

On 9 September, Air China officially launched paid seat selection service on domestic routes.