

## Management Discussion of December 2015 Operating Data

### 1. Operations

During December 2015, Air China Limited (CA+ZH+NX) displayed growth in passenger traffic as measured by Revenue Passenger Kilometres (RPK) and passenger head count on both yearly and monthly basis.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 11.4% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 11.3%. Capacity on domestic routes increased by 2.1% from the same period last year, with RPK rising by 3.5%. Capacity on international routes increased by 31.6% year-on-year, while RPK rose 29.1% in the same period. Capacity on regional routes increased by 2.4% year-on-year, with RPK rising by 3.9%. The overall passenger load factor was 76.5%, in line with last year. The passenger load factor for domestic and regional routes increased 1.1 and 1.0 percentage points, respectively while international routes saw a decline of 1.5 percentage points.

The company launched a Beijing-Auckland route (seven times a week) on 10 December. On 12 December, a Chengdu-Paris route (four times a week) was added to operation. A Beijing-Montreal-Havana route (three times a week) and a Wuhan-Chongqing route (seven times a week) were opened on 27 and 28 December, respectively.

On cargo operations, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried in December recorded increases on monthly and yearly basis. Available Freight Tonne Kilometres (AFTK) rose by 8.0% year-on-year in December. RFTK grew 6.5% and freight tonnage carried increased by 4.6% compared to December 2014. The cargo load factor was 56.3% in December, a decrease of 0.8 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 379,000 tonnes of jet fuel at an average price of RMB3,702 per tonne, a decrease of 36.1% from the corresponding period last year. The average jet fuel purchase price at international airports was RMB3,010 per tonne, and the average purchase price of jet fuel for domestic flights was RMB3,930 per tonne, representing yearly decreases of 35.1% and 35.8%, 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 December	France to Mainland China	First Class and Business Class	EUR 200	EUR 180
		Economy Class	EUR 150	EUR 130
	Japan to Mainland China		JPY2,500	JPY1,500

During the month, the Group added seven new aircraft, comprised of three B737-800, three A320 series and one A330 aircraft, and also retired three aircraft, including two B737-800 and one business jet. As of end-December, the Group operated a fleet of 590 aircraft.

## 2. Important Notices

On 11 December, Air China held its 25th meeting of the 4th Board of Directors. The session reviewed and approved the adjustment to the Company's Non-public A Share Issue. It will submit this item to the first extraordinary general meeting in 2016, the first A share shareholder meeting in 2016 and the first H share shareholder meeting in 2016 for review and approval.

On 22 December, Air China held their first extraordinary general meeting of 2015. The meeting reviewed and approved the proposed amendments to the articles of association of the Company, amendments to the rules and procedures of the Company's shareholder meetings, amendments to the rules and procedures of the Company's meetings of the Board of Directors. The meeting also reviewed and approved the proposed adoption of shareholder returns for the next three years from 2015 to 2017, the resolutions concerning the entry into continuing connected transaction agreements for the three years from 1 January 2016 to 31 December 2018 and their respective annual caps, and the appointment of Mr. Li Dajin as an independent non-executive director of the Company.

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

Two Air China APPs, Air China Wireless and PhoenixMiles, have been integrated and fully upgraded. The new APP will feature PhoenixMiles functions under the name Air China Wireless, providing travelers with a brand new experience as a product that is greater than the sum of its parts.

The "Top 500 Most Valuable Brands" list for 2015 was recently released by World Brand Lab. In it, Air China ranks 300, up from 322 the previous year.