

## Management Discussion of May Operating Data

During May 2012, International and regional passenger traffic and the number of passengers carried maintained growth year-over-year but decreased on a month-over-month basis. The remaining indicators continued at the same level. As for cargo, increases continued both in Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried for regional routes year-over-year and month-over-month.

Passenger capacity, measured in Available Seat Kilometres (ASK), in May rose 2.3% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), dropped slightly by 0.7%. Capacity and RPK on domestic routes decreased by 1.8% and 5.3% year-over-year respectively. Capacity on international routes grew strongly at 8.6%, with RPK also increasing by 6.6%. Capacity on regional routes strongly expanded by 6.3%, while RPK rose 4.3% year-over-year. The passenger load factor was 79.5%, a decrease of 2.3 percentage points year-over-year. For domestic routes, international routes and regional routes the passenger load factor decreased by 2.9, 1.5 and 1.4 percentage points respectively.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), declined slightly by 1.3% year-over-year in May. Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried dropped by 4.8% and 3.3%, respectively compared with May 2011. The cargo load factor was 58.2%, a decrease of 2.2 percentage points year-over-year.

Air China was active in expanding its domestic and international routes. The Wenzhou-Taipei route (two flights a week), Shanghai-Chengdu-Bombay route (four flights a week), Beijing-London (Gatwick) route (four flights a week) debuted 2 May. The Beijing-Yangzhou Taizhou route (seven flights a week) was launched on 8 May.

During the month, Air China purchased a total of 284,000 tonnes of jet fuel at an average price of RMB7780 per tonne, a year-over-year climb of 4%. The average jet fuel purchase price at international airports was RMB6837 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB7256 per tonne, a decrease of 5% and 6% year-over-year respectively. The average jet fuel purchase price for domestic flights was RMB8365 per tonne, a rise of 12% compared with May of last year.

Starting from 1 May, the purchase price of domestic jet fuel was decreased by RMB129 per tonne.

During May, the Company made the following adjustments to jet fuel surcharges presented in the chart below.

<b>Effective Date</b>  <b>(Based on Ticket Issue Date)</b>	<b>Route</b>	<b>Previous Rate</b>  <b>(Per Head Per Sector)</b>	<b>New Rate</b>  <b>(Per Head Per Sector)</b>
1 May	Hong Kong to Mainland China	HK\$248	HK\$253
	Mainland China to Hong Kong	RMB203	RMB207

During the month, the Company added two aircraft, including one A320 and one B777-300ER aircraft. As at the end of May, Air China operated a fleet of 311 aircraft.

\* Please note that Shenzhen Airlines and Air Macau have been excluded from the above figures