

Management Discussion of December Operating Data

During December 2012, Air China recorded a passenger traffic increase measured in RPK on both a year-over-year and month-over-month basis. The head count also registered growth but a slight decline was recorded on a month-over-month basis. As for cargo, year-over-year increases continued both in Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried, while a decrease was recorded on a month-over-month basis.

Passenger capacity, measured in Available Seat Kilometres (ASK), in December rose by 6.5% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), increased substantially by 8.5% year-over-year. Capacity and RPK on domestic routes also significantly rose 12.9% and 11.8% year-over-year respectively, but capacity on international routes dropped by 2.4% year-over-year, while RPK increased 3.7%. Capacity and RPK on regional routes also grew strongly by 8.8% and 9.0% year-over-year respectively. The passenger load factor was 78.5%, an increase of 1.5 percentage points year-over-year, of which the passenger load factor on international routes rose by 4.6 percentage points while remaining flat on domestic and regional routes.

Cargo capacity in December, measured in Available Freighter Tonne Kilometres (AFTK), rose by 12.0% year-over-year. Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried climbed by 13.9% and 11.2% respectively compared with December 2011. The cargo load factor was 59.5%, an increase of 1.0 percentage points year-over-year.

On 1 December, the new Hangzhou-Weihai-Harbin route (three flights a week) was launched.

In December, Air China purchased a total of 288,000 tonnes of jet fuel at a purchase price of RMB7,350 per tonne, down by 2% year-over-year. The average jet fuel purchase price at international airports was RMB6,538 per tonne, and for international flights at the top six Chinese airports was RMB 6,782 per tonne, a decrease of 1% and 4% year-over-year respectively. The average jet fuel purchase price for domestic flights was RMB7,862 per tonne, down by 3% compared with December 2011.

Starting from 1 December, the purchase price of domestic jet fuel dropped by RMB329 per tonne.

Effective Date (Based on Ticket Issue Date)	Route		Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 December	Japan to Mainland China		JPY5,500	JPY6,500
	Mainland China to Japan		RMB450	RMB520
	Korea to Mainland China (except for Qingdao and Jinan in Shandong Province)		US\$50	US\$47
	Korea to Shandong Province, China (Qingdao and Jinan)		US\$29	US\$27
5 December	Hong Kong to Mainland China		HK\$246	HK\$243
	Mainland China	Longer than 800km	RMB140	RMB130
		Shorter than 800km	RMB80	RMB70

During the month, the Company added five A320 aircraft, including two A321, one A330, one B737-800 and one B777-300ER aircraft, and retired three aircraft, including one B737-300 and two charter business jets. As at the end of December, Air China operated a fleet of 325 aircraft.

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