

Management Discussion of June Operating Data

During June 2012, international and regional passenger traffic and the number of passengers carried maintained growth year-over-year, while the decline in that number on domestic routes began to reduce on a year-over-year basis. Traffic on regional routes dropped slightly on a month-over-month basis. As for cargo, all indicators showed an increase on a year-over-year basis except for the slight decline in freighter tonnage carried over domestic routes. The international routes recorded an encouraging increase on a month-over-month basis.

Passenger capacity, measured in Available Seat Kilometres (ASK), in June rose 4.1% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), increased by 2.4%. Capacity and RPK on domestic routes decreased by 0.4% and 2.5% year-over-year respectively. Capacity on international routes grew by 11%, with RPK increasing by 9.9%. Capacity on regional routes expanded by 5.2%, while RPK rose 6.5%. The passenger load factor was 81.9%, a decrease of 1.3 percentage points year-over-year. For domestic routes and international routes, the passenger load factor decreased by 1.8 and 0.8 percentage points respectively, while for regional routes it increased by 1.0 percentage point.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK) increased by 7.1% year-over-year in June. Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried climbed by 2.8% and 2.2%, respectively compared with June 2011. The cargo load factor was 59.6%, a decrease of 2.5 percentage points year-over-year.

During the month, Air China purchased a total of 279,000 tonnes of jet fuel at an average price of RMB7296 per tonne, a year-over-year drop of 5%. The average jet fuel purchase price at international airports was RMB6290 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB6814 per tonne, a decrease of 9% and 5% year-over-year respectively. The average jet fuel purchase price for domestic flights was RMB7897 per tonne, a drop of 2% compared with June of last year.

Starting from 1 June, the purchase price of domestic jet fuel decreased by RMB467 per tonne.

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

| Effective Date (Based on Ticket Issue Date) | Route | Previous Rate (Per Head Per Sector) | New Rate (Per Head Per Sector) |
|--|---|--|-----------------------------------|
| 1 June | Japan to Mainland China | JPY4500 | JPY6000 |
| | Korea to Mainland China (except for Qingdao in Shandong, and Jinan) | US\$53 | US\$47 |
| | Korea to Shandong, China (Qingdao and Jinan) | US\$30 | US\$27 |
| 5 June | Domestic routes | Longer than 800 km | RMB150 |
| | | Shorter than 800 km | RMB80 |
| 20 June | France to Mainland China | EUR115 | EUR130 |

During the month, the Company added three aircraft, including one A320, one A321 and one B737-800 aircraft, while retiring one business jet under custody. As at the end of June, Air China operated a fleet of 313 aircraft.

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