

## Management Discussion of January Operating Data

During January 2012, driven by travel demand during the Spring Festival, international, domestic and regional routes have shown a year-over-year and month-over-month growth in passenger traffic and the number of passengers carried. As for cargo, decreases continued in both Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried.

Passenger capacity, measured in Available Seat Kilometres (ASK), in January notched a respectable rise of 6.6% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), also climbed by 8.1%. Capacity on domestic routes increased by 6.4%, while RPK climbed 8.4% year-over-year. Capacity on international routes grew 5.8%, with RPK increasing by 6.4%. Capacity on regional routes strongly expanded by 19.5%, while RPK rose by an even more vigorous 22%. The passenger load factor was 79.7%, an increase of 1.1 percentage points year-over-year. The passenger load factor for domestic routes, international routes and regional routes also increased by 1.5, 0.4 and 1.6 percentage points respectively.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), also shrunk by 6.8% year-over-year in January. Revenue Freighter Tonne Kilometres (RFTK) decreased by 25.9%, and freighter tonnage carried declined by 28.5%, compared with January 2011. The cargo load factor was 46.8%, a drop of 12 percentage points year-over-year.

Air China launched Dalian-Taiyuan-Sanya route (seven flights a week) starting 1 January; Tianjin-Harbin route (seven flights a week) on 4 January; and Beijing-Okinawa route (two flights a week) commencing 11 January.

During the month, Air China purchased a total of 288,000 tonnes of jet fuel at an average price of RMB7,298 per tonne, a year-over-year rise of 17%. The average jet fuel purchase price at international airports was RMB6,514 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB6,787 per tonne. Both of these prices increased by 12% year-over-year. The average jet fuel purchase price for domestic flights was RMB7,798 per tonne, a rise of 21% compared with January last year.

Starting from 1 January, the purchase price of domestic jet fuel was decreased by RMB293 per tonne.

During January, 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 Jan	Hong Kong to Mainland China	HK\$210	HK\$226
	Mainland China to Hong Kong	HK\$173	HK\$185
5 Jan	Domestic routes 800 km or above	RMB140	RMB130
16 Jan	Mainland China to Macau	US\$40	RMB263
23 Jan	London (Gatwick Airport) to Mainland China	GBP98	GBP83

During the month, the Company added three aircraft, including one A320, one A330 and one business jet. Four aircraft were retired, including two B767-300 aircraft and two B737-700 aircraft. As at the end of January, Air China operated a fleet of 309 aircraft.

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