

Management Discussion of October 2011 Operating Data

Passenger traffic has shown a steady year-over-year and month-over-month growth across the board during October 2011. As for number of passengers carried, except for domestic routes which showed a slight drop, both international and regional routes achieved year-over-year and month-over-month increases. As for cargo, except for international routes, domestic and regional Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried all achieved year-over-year increases. Except for international Revenue Freighter Tonne Kilometres (RFTK) which showed month-over-month growth, all indices saw a decrease in month-over-month performance.

Passenger capacity, measured in Available Seat Kilometres (ASK), in October was up 7.1% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), rose by 5.9%. Capacity on domestic routes increased by 1.8%, while RPK climbed 1.6 % year-over-year. Capacity on international routes grew 15.2%, with RPK increasing by 12.0%. Capacity on regional routes expanded 7.8%, with RPK rising by 13.8%. The passenger load factor was 82.4%, slightly down by 0.9 of a percentage point year-over-year. The passenger load factor for regional routes increased by 4.3 percentage points, but for international routes decreased by 2.2 percentage points while domestic routes maintained a similar level to that of last year.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), rose by 1.8% year-over-year in October. Revenue Freighter Tonne Kilometres (RFTK) decreased by 8.3%, and freighter tonnage carried decreased by 4.1%, compared with September 2010. The cargo load factor was 56.1%, a decrease of 6.2 percentage points year-over-year.

During the month, Air China purchased a total of 286,000 tonnes of jet fuel at an average price of RMB7,369 per tonne, a year-over-year surge of 31%. The average jet fuel purchase price at international airports was RMB6,493 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB6,866 per tonne, steep increases of 27% and 30% year-over-year, respectively. The average jet fuel purchase price for domestic flights was RMB7,940 per tonne, a hike of 32% compared with October last year.

Starting from 1 October, the purchase price of domestic jet fuel was reduced by RMB166 per tonne.

During October, the Company made the 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 October	Chengdu to Nepal	RMB310	RMB360
	Lhasa to Nepal	RMB550	RMB360
	Mainland China to Vietnam	RMB400	RMB300
	Hong Kong to Mainland China	RMB215	RMB210
	Mainland China to Hong Kong	RMB179	RMB173
5 October	Domestic Routes Shorter than 800 km (incl.)	RMB80	RMB70

During the month, the Company added four aircraft, including two A320s, one A330 and one B777-300ER, while retiring two B737-300 aircraft. As at the end of October, Air China operated a fleet of 306 aircraft.

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