

Management Discussion of March Operating Data

Passenger traffic maintained growth and the number of passengers carried remained flat year-over-year across the board during March 2012. Domestic, international and regional passenger traffic and number of passengers carried all achieved increases on a month-over-month basis compared to February 2012. As for cargo, only regional Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried maintained growth on a year-over-year basis. Despite this, all indices showed a better performance when compared with previous.

Passenger capacity, measured in Available Seat Kilometres (ASK), in March achieved a rise of 2.5% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), also climbed by 1.7%. Capacity on domestic routes increased by 1.9%, while RPK dropped by 0.3% year-over-year. Capacity on international routes grew 2.7%, with RPK increasing by 3.9%. Capacity on regional routes increased by 11.5%, while RPK increased by 14.4%. The passenger load factor was 79.6%, a decrease of 0.7 percentage point year-over-year. The passenger load factor for international routes and regional routes increased by 0.9 and 2.0 percentage points respectively while that for domestic routes decreased by 1.8 percentage points.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), also dropped by 6.3% year-over-year in March. Revenue Freighter Tonne Kilometres (RFTK) decreased by 9.5%, and freighter tonnage carried dropped by 8.1%, compared with March 2011. The cargo load factor was 58.8%, a decrease of 2.1 percentage points year-over-year.

During the month, Air China purchased a total of 278,000 tonnes of jet fuel at an average price of RMB7699 per tonne, a year-over-year rise of 13%. The average jet fuel purchase price at international airports was RMB7019 per tonne, an increase of 4% year-over-year. The average purchase price of jet fuel for international flights at the top six Chinese airports was RMB7184 per tonne, up by 5% year-on-year. The average jet fuel purchase price for domestic flights was RMB8153 per tonne, a rise of 20% compared with March last year.

Starting from 1 March, the purchase price of domestic jet fuel was increased by RMB257 per tonne.

During March, 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 Mar	Hong Kong to Mainland China	HK\$215	HK\$230
	Mainland China to Hong Kong	RMB175	RMB188
	Korea to Mainland China (excluding Qingdao and Jinan)	US\$44	US\$47
	Korea to Shandong (Qingdao and Jinan)	US\$25	US\$27
5 Mar	Domestic Routes exceeding 800 km	RMB130	RMB140
16 Mar	Macau to Mainland China	US\$40	US\$42
	Mainland China to Macau	RMB263	RMB268

During the month, the Company added one A320 aircraft and surrendered the lease of two B737-300 aircraft, one B737-700 aircraft, one A319 aircraft and one A321 aircraft. As at the end of March, Air China operated a fleet of 307 aircraft.

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