

Management Discussion of September 2011 Operating Data

Passenger traffic has shown a steady year-over-year growth across the board during September 2011, however with a moderate decrease across the board on a month-over-month basis. 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, and all indices also showed an increase in month-over-month performance.

Passenger capacity, measured in Available Seat Kilometres (ASK), in September was up 8.1% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), rose by 9.1%. Capacity on domestic routes increased by 4.6%, while RPK climbed 6.7% year-over-year. Capacity on international routes grew 13.6%, with RPK increasing by 12.8%. Capacity on regional routes expanded 9.6%, with RPK rising by 11.9%. The passenger load factor was 82.8%, up 0.8 percentage points year-over-year. The passenger load factor for domestic and regional routes increased by 1.7 and 1.5 percentage points, while that of international routes decreased slightly by 0.6 percentage points.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), rose by 3.5% year-over-year in September. Revenue Freighter Tonne Kilometres (RFTK) decreased by 6.2%, and freighter tonnage carried decreased by 2.5%, compared with September 2010. The cargo load factor was 57.7%, a decrease of 5.9 percentage points year-over-year.

Air China continued to extend its routes to satisfy increasing consumer demand. Starting from 2 September, the company launched a new domestic flight between Beijing and Yiwu in Zhejiang Province three times a week. And starting from 30 September, the company also launched another new domestic flight between Chengdu and Ningbo three times a week.

During the month, Air China purchased a total of 281,000 tonnes of jet fuel at an average price of RMB7,535 per tonne, a year-over-year surge of 33%. The average jet fuel purchase price at international airports was RMB6,658 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB6,942 per tonne, representing steep increases of 33% and 31% year-over-year, respectively. The average jet fuel purchase price for domestic flights was RMB8,105 per tonne, a hike of 34% compared with September last year.

Starting from 1 September, the purchase price of domestic jet fuel reduced by RMB115 per tonne.

In September, 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 September	Korea to Mainland China (Except for Shandong)	US\$66	US\$62
	Korea to Shandong	US\$34	US\$32
6 September	Domestic routes longer than 800 km	RMB150	RMB140

During the month, the company added two aircraft, including one A320 and one A321. As at the end of September, Air China operated a fleet of 304 aircraft.

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