

Management Discussion of November 2011 Operating Data

During November 2011, international, domestic and regional routes have shown a steady year-over-year growth but also experienced a month-over-month drop in passenger traffic and number of passengers carried. As for cargo, while domestic and regional Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried recorded year-over-year and month-over-month increases, all other international route indicators recorded a decrease in performance.

Passenger capacity, measured in Available Seat Kilometres (ASK), in November notched a healthy rise of 6.6% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), climbed a strong 10.3%. Capacity on domestic routes increased by 5.6%, while RPK climbed a solid 9.4 % year-over-year. Capacity on international routes grew 8.1%, with RPK increasing more strongly by 11.5%. Capacity on regional routes modestly expanded 6.6%, while RPK rose by a more vigorous 12.5%. The passenger load factor was 79.5%, a slight increase of about 2.7 percentage points year-over-year. The passenger load factor for domestic routes, international routes and regional routes also sustained modest increases by 2.9, 2.3 and 4.2 percentage points respectively.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK), also shrunk by 2.1% year-over-year in November. Revenue Freighter Tonne Kilometres (RFTK) decreased by 13.4%, and freighter tonnage carried declined by 6.3%, compared with November 2010. The cargo load factor was 57.1%, a drop of 7.5 percentage points year-over-year.

During the month, Air China purchased a total of 273,000 tonnes of jet fuel at an average price of RMB7284 per tonne, a year-over-year surge of 24%. The average jet fuel purchase price at international airports was RMB6700 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB6789 per tonne, steep increases of 26% and 22% year-over-year, respectively. The average jet fuel purchase price for domestic flights was RMB7707 per tonne, a hike of 25% compared with October last year.

Starting from 1 November, the purchase price of domestic jet fuel was reduced by RMB232 per tonne.

During November, 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 November	Korea to Mainland China (Except Qingdao, Jinan)	US\$62	US\$58
	Korea to Shandong (Qingdao, Jinan)	US\$32	US\$30
5 November	Domestic routes 800 km above	RMB 140	RMB 130

During the month, the Company added one B737-300[ER] aircraft and retired one B737-300 aircraft. As at the end of November, Air China operated a fleet of 306 aircraft.

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