

Management Discussion of October Operating Data

During October 2012, passenger traffic (measured in RPK) and number of passengers carried remained flat on a year-over-year basis. Traffic on regional routes increased on a month-over-month basis. As for cargo, year-over-year increases continued both in Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried, while a decrease was recorded on a month-over-month basis.

Passenger capacity, measured in Available Seat Kilometres (ASK), in October rose 2.4% year-over-year while passenger traffic, measured by Revenue Passenger Kilometres (RPK), slightly decreased by 0.7%. Capacity and RPK on domestic routes rose 7.9% and 3.4% year-over-year respectively, but those of international routes dropped 5.1% and 6.6% year-over-year respectively. Capacity on regional routes grew by 3.9% year-over-year, with RPK decreasing by 1.9%. The passenger load factor was 79.8%, a decrease of 2.5 percentage points year-over-year, of which the passenger load factor on domestic, international and regional routes dropped 3.6, 1.2 and 4.6 percentage points respectively.

Cargo capacity, measured in Available Freighter Tonne Kilometres (AFTK) increased by 3.2% year-over-year in October. Revenue Freighter Tonne Kilometres (RFTK) and freighter tonnage carried climbed by 6.1% and 5.9%, respectively compared with October 2011. The cargo load factor was 58.6%, an increase of 1.6 percentage points year-over-year.

On 28 October, new routes including Beijing-Zunyi (four flights a week), Hangzhou-Wuhan-Lanzhou (seven flights a week), Hangzhou-Nanning (four flights a week) and Shanghai-Chengdu-Xichang (seven flights a week) were launched. The new Tianjin-Yuncheng-Kunming route (seven flights a week) was added on 30 October.

In October, Air China purchased a total of 291,000 tonnes of jet fuel at the purchase price of RMB7,839 per tonne, an increase of 6% year-over-year. The average jet fuel purchase price at international airports was RMB7,034 per tonne, and the average purchase price of jet fuel for international flights at the top six Chinese airports was RMB 7,232 per tonne, an increase of 8% and 5% year-over-year respectively. The average jet fuel purchase price for domestic flights was RMB8,367 per tonne, an increase of 5% compared with October of last year.

Starting from 1 October, the purchase price of domestic jet fuel increased by RMB391 per tonne.

During October, 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 October	Japan to Mainland China		JPY6000	JPY5500
	Mainland China to Japan		RMB470	RMB450
	Korea to Mainland China (except for Qingdao and Jinan in Shandong Province)		US\$44	US\$50
	Korea to Shandong Province, China (Qingdao and Jinan)		US\$25	US\$29
	Hong Kong to Mainland China		HK\$243	HK\$246
	Mainland China to Hong Kong		RMB200	RMB203
	Taiwan to Mainland China		RMB165	RMB175
10 October	Pakistan to Mainland China		RMB300	RMB350
5 October	Mainland China	Longer than 800km	RMB130	RMB140
		Shorter than 800km	RMB70	RMB80

During the month, the Company added four aircraft, including one B777-300ER, two B737-800 and one A330 aircraft. It has surrendered the lease of two B737 aircraft and one A321 aircraft. As at the end of October, Air China operated a fleet of 322 aircraft.

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