



**MONTHLY INVESTOR UPDATE: 26 July 2011**

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## **JUNE MARKET CONDITIONS**

Air New Zealand carried 1,056,000 passengers during the month of June, 2.3% more than last year. Revenue passenger kilometres (RPKs) were down 0.5% and capacity (ASKs) decreased by 2.4%. The Group load factor increased by 1.6 percentage points.

Short Haul passenger numbers were up 3.9% on June last year. Demand (RPKs) increased in the Domestic market by 3.2% on last year and the load factor remained the same at 80.7% on a capacity increase of 3.0%. Tasman / Pacific demand was 13.1% higher after capacity was increased by 7.4%. The Tasman / Pacific load factor increased by 4.3 percentage points on June 2010 to 85.5%. The uplift on Tasman / Pacific was a result of the Chilean Ash cloud disrupting other airlines' flight schedules.

Long Haul passenger numbers were 8.7% lower than June last year. On North America / UK routes demand decreased by 6.3% on last June and capacity was decreased by 8.0%. Load factor increased by 1.6 percentage points on last year to 88.6%. Demand decreased by 8.9% on Asia / Japan / UK routes, capacity decreased by 8.3% and load factor decreased by 0.5 percentage points to 78.6%. The Christchurch earthquake in late February, combined with the Japan earthquake in March significantly affected passenger numbers on the Japan route. Excluding Japan, capacity (ASKs) increased by 2.1% on Asia/UK routes, demand (RPKs) increased by 1.0% and load factor decreased by 0.8 percentage points to 79.6% compared to June last year.

Group-wide yields for the financial year to date were up 2.0% on the same period last year. Compared to last June, year to date Short Haul yields were down 1.7% partly due to the new seats to suit product. Long Haul yields were up by 4.3%. Removing the impact of foreign exchange, Group-wide yields were up 4.3%.

In June, 80.14% of Air New Zealand's Domestic flights departed within 10 minutes of scheduled departure time.

## **COMPANY NEWS**

### **Hawaiian Airlines and Air New Zealand Renew 767 Heavy Maintenance Contract**

Hawaiian Airlines and Air New Zealand Technical Operations have renewed the contract for heavy maintenance of Hawaiian Airlines' Boeing 767 fleet at Air New Zealand's Auckland engineering base.

The new contract extends the current contract for a further five years.

Hawaiian Airlines' 18-strong fleet is on its third rotation through the Auckland base. The aircraft are scheduled one immediately after the other, occupying one heavy maintenance line in Auckland for 10 months of the year.



### **Air New Zealand Collects Three Skytrax Awards including Best Airline Australia Pacific**

Air New Zealand has for the second year in a row been named the 'Best Airline Australia / Pacific' at the prestigious 2011 Skytrax World Airline Awards.

Reflecting the success of its new world-first Premium Economy cabin in its Boeing 777-300 aircraft, Air New Zealand also picked up two global awards being named 'World's Best Premium Economy Class Airline', and the 'World's Best Premium Economy Class Airline Catering' at the same awards.

### **Shenzhen Airlines Accepted as Future Star Alliance Member Carrier**

Star Alliance announced that its Chief Executive Board (CEB) unanimously approved the application of Shenzhen Airlines to join Star Alliance.

Shenzhen Airlines will add five new destinations to the Star Alliance network in China: Juzhou (Zhejiang Province), Linyi, Qinhuangdao, Shijiazhuang, and Zhoushan. In total, the Star Alliance network will then encompass a total of 32 carriers (the current 27 and five future members), offering a choice of more than 23,000 daily flights to 1,315 destinations in 190 countries.

### **Air New Zealand Released from US Department of Justice Cargo Cartel Investigation**

After five years of Air New Zealand defending its position and insisting it has done nothing wrong, US Department of Justice Federal Prosecutors have confirmed by letter that they have ended their investigation and Air New Zealand "is no longer a subject or target of the ongoing grand jury investigation".

The end of the Department of Justice investigation follows successful outcomes for the airline last November when it was not among airlines fined by the European Commission and before that, confirmation from regulators in South Korea that Air New Zealand was not among airlines fined at the conclusion of their investigation.

### **Air New Zealand and Virgin Australia Alliance Goes On Sale**

On July 8<sup>th</sup>, Air New Zealand and the Virgin Australia group of airlines launched their trans-Tasman alliance, with reciprocal codeshare flights on each other's trans-Tasman networks and applicable connecting domestic services going on sale for travel from July 26.

The airlines have aligned fare structures, products and services, so customers on either carrier receive similar first-rate service.

### **Air New Zealand Wins Top Marketing Award**

Air New Zealand has taken top honours for marketing at the 10th annual Airline Strategy Awards in London. Recognising the success of the airline's marketing strategy, the judges, including Geoff Dixon (ex-CEO Qantas), Ray Webster (ex-CEO easyJet), and Joe Leonard (director Air Canada), stated that Air New Zealand is in an industry-leading position. The airline's approach to marketing further propelled its brand on the international stage by using multimedia tools that showcase the carrier's wit, humour and personality.

## JUNE OPERATING STATISTICS TABLE

Group	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	1,056	1,000	2.3%	13,103	12,324	6.3%
Revenue Passenger Kilometres(m)	2,115	2,059	(0.5%)	26,996	25,829	4.5%
Available Seat Kilometres (m)	2,510	2,491	(2.4%)	32,353	31,578	2.5%
Passenger Load Factor (%)	84.3%	82.7%	1.6 pts	83.4%	81.8%	1.6 pts
<b>Short Haul Total</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	934	871	3.9%	11,449	10,673	7.3%
Revenue Passenger Kilometres(m)	939	831	9.5%	11,490	10,509	9.3%
Available Seat Kilometres (m)	1,120	1,025	5.8%	13,866	13,147	5.5%
Passenger Load Factor (%)	83.8%	81.1%	2.7 pts	82.9%	79.9%	3.0 pts
<b>Domestic</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	693	664	1.2%	8,530	8,018	6.4%
Revenue Passenger Kilometres(m)	323	304	3.2%	4,021	3,733	7.7%
Available Seat Kilometres (m)	401	377	3.0%	4,904	4,724	3.8%
Passenger Load Factor (%)	80.7%	80.7%	-	82.0%	79.0%	3.0 pts
<b>Tasman / Pacific</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	240	207	12.7%	2,919	2,655	9.9%
Revenue Passenger Kilometres(m)	615	527	13.1%	7,470	6,776	10.2%
Available Seat Kilometres (m)	720	649	7.4%	8,962	8,424	6.4%
Passenger Load Factor (%)	85.5%	81.2%	4.3 pts	83.3%	80.4%	2.9 pts
<b>Long Haul Total</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	122	130	(8.7%)	1,654	1,650	0.2%
Revenue Passenger Kilometres(m)	1,176	1,229	(7.3%)	15,506	15,320	1.2%
Available Seat Kilometres (m)	1,390	1,465	(8.1%)	18,487	18,430	0.3%
Passenger Load Factor (%)	84.6%	83.9%	0.7 pts	83.9%	83.1%	0.8 pts
<b>Asia / Japan / UK</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	47	50	(7.7%)	662	668	(0.9%)
Revenue Passenger Kilometres(m)	435	462	(8.9%)	6,077	6,095	(0.3%)
Available Seat Kilometres (m)	553	584	(8.3%)	7,432	7,557	(1.7%)
Passenger Load Factor (%)	78.6%	79.1%	(0.5 pts)	81.8%	80.6%	1.2 pts
<b>North America / UK</b>						
	JUNE			FINANCIAL YTD		
	2011	2010	% **	2011	2010	% *
Passengers carried (000)	75	80	(9.3%)	993	983	1.0%
Revenue Passenger Kilometres(m)	741	766	(6.3%)	9,429	9,225	2.2%
Available Seat Kilometres (m)	836	881	(8.0%)	11,055	10,872	1.7%
Passenger Load Factor (%)	88.6%	87.0%	1.6 pts	85.3%	84.8%	0.5 pts

\* % change is based on numbers prior to rounding

† Month on month percentage movements have been adjusted for the 3% difference in days for the month of June 2011(32 days) compared with June 2010 (31 days)

Air New Zealand operates primarily in one segment, its primary business being the transportation of passengers and cargo on scheduled airline services to, from and within New Zealand. The following operational data and statistics is additional supplementary information only.