



MONTHLY INVESTOR UPDATE: 20 JANUARY 2011

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DECEMBER MARKET CONDITIONS

Air New Zealand carried 1,314,000 passengers during the month of December, 0.6% less than last year. Revenue passenger kilometres (RPKs) decreased 1.7% on 0.4% more capacity (ASKs). The Group load factor decreased 1.9 percentage points.

Short Haul passenger numbers were up 0.1% on December last year. Demand (RPKs) increased in the Domestic market by 1.8% on last year and the load factor decreased 0.2 percentage points to 84.2% on increased capacity (ASKs) of 1.9%. Tasman / Pacific demand (RPKs) was 0.9% higher after capacity (ASKs) decreased by 1.4%. The Tasman / Pacific load factor increased by 2.0 percentage points compared to December 2010 to 86.9%.

Long Haul passenger numbers were 5.0% lower than December last year on 0.9% more capacity (ASKs). On North America / UK routes demand (RPKs) decreased by 4.3% on last December and capacity (ASKs) was decreased by 0.4%. Load factor decreased by 3.5 percentage points on last year to 85.6%. Demand (RPKs) decreased by 3.0% on Asia / Japan / UK routes, capacity (ASKs) increased by 2.7% and load factor decreased by 4.7 percentage points to 80.4%. The impact of the Christchurch and Japan earthquakes in 2011 continues to significantly affect passenger numbers on the Japan routes. Excluding Japan, capacity (ASKs) increased 10.6% on Asia/UK routes as a result of additional services to Hong Kong and Shanghai. Demand (RPKs) increased by 4.1% and load factor decreased by 5.2 percentage points to 82.0% compared to December last year.

Group-wide yields for the financial year to date were up 4.4% on the same period last year. Compared to last December year to date Short Haul yields were up 1.9%. Long Haul yields were up by 4.3%. Removing the impact of foreign exchange, Group-wide yields were up 6.1%.

In December, 74.76% of Air New Zealand's Domestic flights departed within 10 minutes of scheduled departure time mainly due to the impact of runway closures following the aftershocks in Christchurch on December 23rd and unseasonal weather conditions during the period.

COMPANY NEWS

Air New Zealand signs MOU with biofuel company Licella

Air New Zealand has signed a Memorandum of Understanding (MOU) with Licella Pty Ltd to examine the development and commercialisation of a process to convert woody biomass into sustainable biofuel in New Zealand.

Licella has developed a unique process using a Catalytic Hydro Thermal Reactor (Cat-HTR) which converts woody materials and other bio-mass into a high quality bio-crude oil. Under the MOU Air New Zealand and Licella will jointly explore the potential of the technology to produce sustainable aviation biofuel in New Zealand.



Air New Zealand and ANA launch new partnership

Air New Zealand and ANA will establish a closer partnership in Japan from March 25 providing travellers on both airlines with improved access to destinations in Japan and New Zealand.

Air New Zealand CEO Rob Fyfe and Mr Shinichiro Ito, President and CEO of ANA signed a Memorandum of Understanding at a Star Alliance CEO meeting in Ethiopia to develop the partnership covering areas such as code share and ground handling services in Japan.

The partnership will give Air New Zealand passengers easy access beyond the gateways of Tokyo (Narita) and Osaka (Kansai). ANA operates more than 700 flights a day to 48 domestic destinations. ANA customers will have access to destinations in New Zealand and the Australasian region beyond the gateway of Auckland.

The code share arrangement between ANA and Air New Zealand is subject to regulatory approval. Air New Zealand's flight frequencies will remain the same. When the new code share launches in March the airline is scheduled to operate five times a week to Tokyo and three times per week to Osaka.

Air New Zealand to provide services from Brisbane and Sydney to Norfolk Island

Air New Zealand has been selected by the Australian Government to operate air services from both Brisbane and Sydney to Norfolk Island.

Air New Zealand will initially operate two services per week between Sydney and Norfolk Island (on a Monday and Friday) and two a week between Brisbane and Norfolk Island (Tuesday and Saturday), with services to commence on 2 March 2012.

Air New Zealand wins Oscars of the airline industry - again

Air New Zealand has won Air Transport World's prestigious Airline of the Year award for the second time in three years.

This is the first time in the nearly 40-year history of the awards that an airline has won the Airline of the Year twice in three years. Air New Zealand has won more ATW awards than any other airline in the past decade.

The ATW judges lauded Air New Zealand's industry-leading innovation and motivation of its staff, which had resulted in exceptional performance across the airline in market position, customer service, fiscal management and operational safety.

They described Air New Zealand as an industry trendsetter in a number of areas including product innovation and social media.

DECEMBER STATISTICS TABLE

Group	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	1,314	1,322	(0.6%)	6,754	6,798	(0.6%)
Revenue Passenger Kilometres(m)	2,812	2,861	(1.7%)	13,785	14,149	(2.6%)
Available Seat Kilometres (m)	3,330	3,316	0.4%	16,641	16,804	(1.0%)
Passenger Load Factor (%)	84.4%	86.3%	(1.9 pts)	82.8%	84.2%	(1.4 pts)
Short Haul Total	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	1,141	1,140	0.1%	5,946	5,922	0.4%
Revenue Passenger Kilometres(m)	1,193	1,179	1.2%	6,158	5,967	3.2%
Available Seat Kilometres (m)	1,388	1,391	(0.3%)	7,380	7,130	3.5%
Passenger Load Factor (%)	86.0%	84.8%	1.2 pts	83.4%	83.7%	(0.3 pts)
Domestic	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	833	830	0.3%	4,351	4,391	(0.9%)
Revenue Passenger Kilometres(m)	401	394	1.8%	2,062	2,058	0.2%
Available Seat Kilometres (m)	476	467	1.9%	2,545	2,507	1.5%
Passenger Load Factor (%)	84.2%	84.4%	(0.2 pts)	81.0%	82.1%	(1.1 pts)
Tasman / Pacific	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	308	310	(0.7%)	1,595	1,531	4.2%
Revenue Passenger Kilometres(m)	792	785	0.9%	4,095	3,909	4.8%
Available Seat Kilometres (m)	912	925	(1.4%)	4,835	4,623	4.6%
Passenger Load Factor (%)	86.9%	84.9%	2.0 pts	84.7%	84.6%	0.1 pts
Long Haul Total	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	173	182	(5.0%)	808	876	(7.7%)
Revenue Passenger Kilometres(m)	1,619	1,682	(3.8%)	7,627	8,182	(6.8%)
Available Seat Kilometres (m)	1,943	1,925	0.9%	9,261	9,674	(4.3%)
Passenger Load Factor (%)	83.3%	87.4%	(4.1 pts)	82.4%	84.6%	(2.2 pts)
Asia / Japan / UK	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	73	76	(3.7%)	324	357	(9.2%)
Revenue Passenger Kilometres(m)	667	688	(3.0%)	2,963	3,289	(9.9%)
Available Seat Kilometres (m)	830	808	2.7%	3,677	3,969	(7.4%)
Passenger Load Factor (%)	80.4%	85.1%	(4.7 pts)	80.6%	82.9%	(2.3 pts)
North America / UK	DECEMBER			FINANCIAL YTD		
	2011	2010	% *	2012	2011	% *
Passengers carried (000)	100	107	(6.0%)	485	519	(6.7%)
Revenue Passenger Kilometres(m)	952	995	(4.3%)	4,664	4,893	(4.7%)
Available Seat Kilometres (m)	1,113	1,116	(0.4%)	5,584	5,705	(2.1%)
Passenger Load Factor (%)	85.6%	89.1%	(3.5 pts)	83.5%	85.8%	(2.3 pts)

* % change is based on numbers prior to rounding

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