



MONTHLY INVESTOR UPDATE: 24 May 2011

CONTENTS

- *April market conditions*
- *Company news*
- *Operating statistics table*

APRIL MARKET CONDITIONS

Air New Zealand carried 1,006,000 passengers during the month of April, 5.0% more than last year. Revenue passenger kilometres (RPKs) were up 2.9% and capacity (ASKs) decreased by 0.6%. The Group load factor increased by 2.9 percentage points.

Short Haul passenger numbers were up 5.9% on April last year. Demand (RPKs) increased in the Domestic market by 7.0% on last year and the load factor increased by 2.1 percentage points to 82.1% on a capacity increase of 4.2%. Tasman / Pacific demand was 9.8% higher after capacity was increased by 8.3%. The Tasman / Pacific load factor increased by 1.1 percentage points on April 2010 to 82.0%.

Long Haul passenger numbers were 1.7% lower than April last year. On North America / UK routes demand increased by 4.5% on last April and capacity was decreased by 1.6%. Load factor increased by 5.0 percentage points on last year to 84.6%. Demand decreased by 10.8% on Asia / Japan / UK routes, capacity decreased by 13.1% and load factor increased by 2.1 percentage points to 79.2%. 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 1.3% on Asia/UK routes, demand (RPKs) increased by 7.9% and load factor increased by 5.0 percentage points to 82.0% compared to April last year.

Group-wide yields for the financial year to date were up 1.2% on the same period last year. Compared to last April, year to date Short Haul yields were down 2.8% 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 3.7%.

In April, 82.06% of Air New Zealand's Domestic flights departed within 10 minutes of scheduled departure time.



COMPANY NEWS

Air New Zealand and Virgin Australia Airlines Group Announce New-look Joint Network

Air New Zealand Ltd and Virgin Australia Airlines have announced plans for their new-look joint trans-Tasman network, a key part of their new alliance.

The alliance will connect Air New Zealand's domestic network of 26 ports to Virgin Australia's domestic network of 31 domestic ports, offering the largest ever Australasian route network for trans-Tasman travellers. The new network will be effective for the upcoming Northern Winter 2011 schedule (November 2011 - March 2012) and tickets will be on sale from July this year when the code share commences.

Under the new network, Air New Zealand will operate approximately 70% of the capacity and Virgin Australia's Pacific Blue airline will operate 30%, similar to the relative market share the airlines had prior to the commencement of the Alliance.

Air New Zealand Aviation Institute

Air New Zealand has launched a specialist Aviation Institute which will provide a comprehensive range of training covering most airline industry roles within a single organisation.

Air New Zealand's training organisation has a 70 year track record as a specialist post-employment aviation training provider, with many of its graduates now holding senior management positions within the global industry. The Air New Zealand Aviation Institute will now take that experience to a new level offering a full complement of pre and post-employment training opportunities.

Three years in development, Air New Zealand has added considerable curriculum and training infrastructure to bolster its training capabilities. The Institute is a one stop shop not just for pilot training, but also for other airline roles such as engineers, flight attendants and front line check-in staff.

NZCC withdraws claims against Air New Zealand Cargo employees five years into its investigation of cargo practices

The New Zealand Commerce Commission has decided to discontinue proceedings against individual employees of its Cargo business.

"This has been an incredibly stressful period in the lives of our people, and I have been saddened to see the needless impact it has had on these hard-working employees, not to mention the millions of dollars of taxpayers' funds spent to get to this point," said Air New Zealand General Counsel, John Blair.

"We have maintained from the start of the Commission's investigation more than five years ago that neither the airline nor our employees had committed any breach of the Commerce Act and we remain firmly of that view. The Commission has yet to produce any evidence to the contrary despite the enormous resources it has deployed."

