



MONTHLY INVESTOR UPDATE: 19 December 2008

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NOVEMBER MARKET CONDITIONS

In November, Air New Zealand carried 957,000 passengers, down 5.7% on the same month last year. During the month the airline's capacity was reduced by 9.3% on last November and the Group's passenger load factor improved by 0.8 of a percentage point.

The Short Haul airline passenger load factor was down 5.5 percentage points on last November. The main driver was the Tasman / Pacific where passenger numbers dropped 8.4% on the same month last year. This was driven by the combination of weaker demand and increased competition. The Domestic market was also impacted by softening demand and capacity was decreased by 1.4% in response.

In the Long Haul market the passenger load factor increased by 5.2 percentage points on November 2007. Passenger numbers on North America / UK routes continued to decrease, falling 14.8% on the same month last year.

Passenger numbers on Asia / UK and Japanese routes fell 4.7% but the passenger load factor increased 5.8% on a 12.6% capacity decrease. Overall in Long Haul airline 15.7% of capacity was removed compared with November 2007 in response to the softening demand.

Group-wide yields for the year-to-date were up 6.9% on the comparable period last financial year. Short Haul and Long Haul yields were up by 4.8% and 11.1% respectively. Removing the impact of foreign exchange, group-wide yields were up 4.8%.

The 2009 financial year-to-date capacity and passenger numbers are not directly comparable with the previous period. This is due to two less days being captured in the July 2008 operating statistics compared to July 2007. We have made adjustments to the variance calculations to make the figures comparable year on year.

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NEW AIRCRAFT DELIVERIES

The only further deliveries expected of new aircraft during the 2009 financial year are the final two Q300 turbo prop aircraft, which are due to enter the operating fleet in May and June 2009.

Operating Aircraft	June 08	Additions	Disposals	25 November 08
Boeing 747-400	8	-	-	8
Boeing 777-200ER	8	-	-	8
Boeing 767-300ER	5	-	-	5
Airbus A320-200	12	-	-	12
Boeing 737-300	16	-	-	16
ATR72-500	11	-	-	11
Q300	21	-	-	21
Beech 1900D	17	1	-	18
TOTAL	98	1	-	99

COMPANY NEWS

Airbus A320 Incident in France

On 28 November an Airbus A320 operated by XL Airways of Germany was lost during an acceptance test flight three miles from Perpignan, France.

The aircraft had been on lease for the last 2 years and was due to be handed back to Air New Zealand.

Tragically, four Air New Zealand employees died in the accident. Investigation continues into the cause of the accident.

Air New Zealand buys stake in V³ Australian Online Tourism Specialists

Air New Zealand has acquired a cornerstone shareholding in Australian online tourism specialists V³ (Vcubed Pty Ltd).

V³ provides its open booking exchange (OBX™) technology for tourism suppliers and distributors in Australia. Air New Zealand and V³, through a joint venture, would establish a similar tourism exchange in New Zealand.

The OBX™ is available to all tourism and travel operators and distributors and will be run in New Zealand as a standalone business, independent of Air New Zealand.

New date announced for Air New Zealand biofuel test flight

The world's first commercial aviation test flight powered by a sustainable second-generation biofuel will now take place on 30 December, 2008.

The two-hour test flight is scheduled to take off from Auckland airport on Tuesday morning 30 December, with the jatropha biofuel blend powering one of the Air New Zealand Boeing 747-400's Rolls-Royce RB211 engines.

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The test flight is a joint initiative between Air New Zealand, Boeing, Rolls-Royce and UOP, with support from Terasol Energy, as part of commercial aviation's drive for more sustainable air travel for future generations.

Air Cargo Proceedings

The New Zealand Commerce Commission has initiated proceedings in the High Court in Auckland against 13 airlines, including Air New Zealand, for alleged cartel activity in the air cargo market.

Air New Zealand has never condoned anti-competitive conduct and has cooperated fully with the Commerce Commission throughout its investigation, providing hundreds of thousands of documents and making many current and former employees available for interview from around the world.

Despite extensive reviews of files and interviews with key staff, Air New Zealand has not been able to identify nor has the Commerce Commission indicated to Air New Zealand any evidence of price-fixing or cartel behaviour.

Air New Zealand to suspend freighter service

Air New Zealand has confirmed it is withdrawing its 747 freighter service from 31 March 2009.

The freighter currently operates twice a week from Auckland to a number of international markets including Australia, China, Germany and USA and contributes about a third of cargo revenue.

Large international customers particularly in Asia and Europe have been unable to commit to forward block bookings because of market uncertainties and therefore the service has become unviable.

The 747-400 freighter aircraft is wet-leased from Atlas Air until the end of March 2009. Air New Zealand is currently in discussion with third parties regarding agreements to minimise the impact of the withdrawal on customers.

TAE purchases Tenix Aviation and Masling Industries

Air New Zealand's Australian-based aerospace engineering services company TAE has added to its stable of businesses with the purchase of well-known aviation service provider Tenix Aviation Pty Limited.

The acquisition follows the purchase of Masling Industries Pty Ltd in November. Tenix Aviation is based in South Australia, while Masling Industries is located in Cootamundra, New South Wales.

Tenix Aviation has been involved in the provision of aviation repairs and maintenance since 1964. It has a reputation for quality and a consistently high standard that has contributed to the creation of strong relationships with leading participants in general aviation and regional airline industries.

Masling Industries currently employs 11 people and TAE's purchase will ensure continued growth of this business in Cootamundra under the Masling Industries brand.

General Manager Strategy appointed

Air New Zealand has appointed Stephen Jones as GM Strategy. Stephen has been with Air New Zealand for over 7 years – most recently as GM Domestic but before that as GM Tasman/Pacific. He also previously had responsibility for Strategy within the Ventures Group, Group Financial Planning and Investor Relations.

Air New Zealand purchases Boeing 787 and 777-300 simulators

Air New Zealand has purchased Boeing 787 and Boeing 777-300 full-flight simulators to be based at its Auckland simulator centre.

The Boeing 777 simulator will be delivered in 2010 to coincide with the arrival of Air New Zealand's new 777-300 aircraft and the Boeing 787 simulator in 2012.

Air New Zealand already operates 747, 777-200ER, 767, 737, Airbus A320 and Bombardier Q300/Q100 simulators at its flight simulator training centre at Auckland Airport, training its own pilots and those of other airlines.

NOVEMBER OPERATING STATISTICS TABLE

Group	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	957	1,015	(5.7%)	5,070	5,289	(2.8%)*
Revenue Passenger Kilometres(m)	2,013	2,196	(8.3%)	11,169	11,594	(2.3%)*
Available Seat Kilometres (m)	2,675	2,947	(9.3%)	14,282	14,671	(1.3%)*
Passenger Load Factor (%)	75.3%	74.5%	0.8 pts	78.2%	79.0%	(0.8 pts)

Short Haul Total	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	827	870	(5.0%)	4,337	4,528	(2.9%)*
Revenue Passenger Kilometres(m)	814	867	(6.1%)	4,388	4,642	(4.1%)*
Available Seat Kilometres (m)	1,140	1,128	1.1%	5,968	6,003	0.8%*
Passenger Load Factor (%)	71.4%	76.9%	(5.5 pts)	73.5%	77.3%	(3.8 pts)

Domestic	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	620	644	(3.7%)	3,184	3,280	(1.6%)*
Revenue Passenger Kilometres(m)	282	292	(3.4%)	1,445	1,481	(1.0%)*
Available Seat Kilometres (m)	391	397	(1.4%)	1,976	2,015	(0.6%)*
Passenger Load Factor (%)	72.0%	73.6%	(1.6 pts)	73.2%	73.5%	(0.3 pts)

Tasman / Pacific	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	207	226	(8.4%)	1,153	1,248	(6.3%)*
Revenue Passenger Kilometres(m)	532	575	(7.4%)	2,943	3,161	(5.6%)*
Available Seat Kilometres (m)	748	731	2.3%	3,993	3,989	1.6%*
Passenger Load Factor (%)	71.1%	78.6%	(7.5 pts)	73.7%	79.3%	(5.6 pts)

Long Haul Total	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	130	145	(10.3%)	732	761	(2.4%)*
Revenue Passenger Kilometres(m)	1,199	1,329	(9.8%)	6,781	6,952	(1.1%)*
Available Seat Kilometres (m)	1,535	1,820	(15.7%)	8,313	8,667	(2.8%)*
Passenger Load Factor (%)	78.2%	73.0%	5.2 pts	81.6%	80.2%	1.4 pts

Asia / Japan / UK	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	61	64	(4.7%)	323	336	(2.7%)*
Revenue Passenger Kilometres(m)	547	578	(5.3%)	2,902	2,983	(1.4%)*
Available Seat Kilometres (m)	723	828	(12.6%)	3,665	3,777	(1.7%)*
Passenger Load Factor (%)	75.6%	69.8%	5.8 pts	79.2%	79.0%	0.2 pts

North America / UK	NOVEMBER			FINANCIAL YTD		
	2008	2007	%	2009	2008	%
Passengers carried (000)	69	81	(14.8%)	410	425	(2.2%)*
Revenue Passenger Kilometres(m)	653	751	(13.2%)	3,879	3,968	(0.8%)*
Available Seat Kilometres (m)	812	992	(18.2%)	4,648	4,891	(3.7%)*
Passenger Load Factor (%)	80.4%	75.7%	4.7 pts	83.5%	81.1%	2.4 pts

* Year-to-date percentage movements for capacity and passengers have been adjusted on a daily weighted average basis. The adjustment takes into account the difference in days for the July 2008 period (27 days) compared with July 2007 (29 days).

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Notes:

1. Monthly operating statistics are issued on a preliminary basis and are subject to change. Any changes made will flow through the year-to-date column.

2. Year-on-year percentage movements are calculated on operating statistics prior to rounding adjustments.

ASKs: The number of seats made available for sale multiplied by the distance flown.

RPKs: The number of revenue passengers carried multiplied by the distance flown.

Yield: Revenue (adjusted for currency movements) over distance flown on a per passenger basis (Revenue/RPKs)

Load Factor: RPKs as a percentage of ASKs.

Short Haul: Includes New Zealand, Australia and Pacific Islands.

Long Haul: Includes Asia, North America and Europe

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