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MAY MARKET CONDITIONS

Air New Zealand carried 960,000 passengers during the month of May, 5.6% more than the same period last year. Revenue passenger kilometres (RPKs) increased 3.7% on a capacity (ASKs) increase of 1.2%. Group load factor was 81.7%, up 2.0 percentage points.

Short Haul passenger numbers were up 6.0% on the same period last year. Demand (RPKs) increased in the Domestic market by 9.9%, while capacity increased 3.3%. Domestic load factor was up 5.0 percentage points to 83.9%.

Tasman/Pacific demand (RPKs) increased 2.5%, with capacity (ASKs) increasing 2.0%, reflecting the additional frequency on Auckland-Honolulu and the up-gauge to a B777 aircraft on Auckland-Perth. Load factor for Tasman/Pacific was up 0.4 of a percentage point to 82.6%.

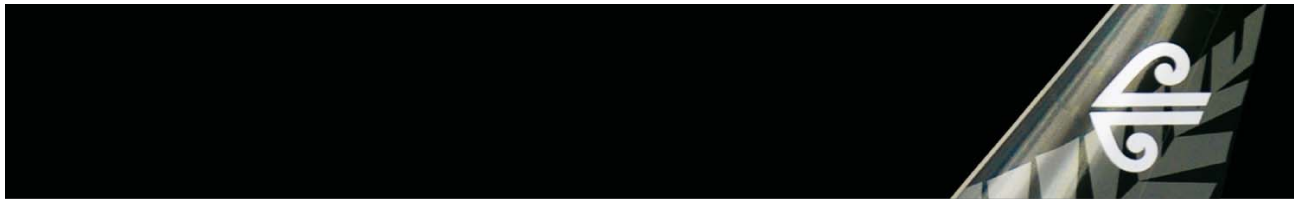
Long Haul passenger numbers increased 2.0% compared to May last year, with demand (RPKs) up 2.6% while capacity increased 0.2%. Load factor increased by 1.8 percentage points to 80.5%.

On North America/UK routes, demand (RPKs) increased 17.4% with capacity (ASKs) increasing by 17.5%. Load factor decreased 0.1 of a percentage point on the previous year to 82.6%.

Demand (RPKs) was down 20.4% on Asia/Japan/UK routes, with capacity (ASKs) decreasing by 23.4% as a result of the consolidation of China flying onto Shanghai and the withdrawal of Hong Kong-London flights. Load factor increased 2.9 percentage points to 76.2%.

Group-wide yields for the financial year to date were up 1.6% on the same period last year. Short Haul yields were down 1.6%, while Long Haul yields were up 5.2%. Removing the impact of foreign exchange, Group-wide yields were up 2.6%.

In May, 78.9% of Air New Zealand's Domestic flights departed within 10 minutes of scheduled departure time.



COMPANY NEWS

Air New Zealand increases interest in Virgin Australia to 22.99%

Air New Zealand has entered into an agreement to acquire a further 3% of the shares of Virgin Australia, taking its interest to 22.99%. The agreement is subject to customary Foreign Investment Review Board (FIRB) and Australian Competition and Consumer Commission (ACCC) conditions and Air New Zealand has filed the required Substantial Shareholder Notice.

Air New Zealand will consider acquiring up to a further 3% of the shares in Virgin Australia, to the extent it is permitted to do so under the Australian Corporations Act, and has made an application to FIRB on that basis.

The additional interest affirms Air New Zealand's strong belief and confidence in Virgin Australia and the strategy it is pursuing under the leadership of John Borghetti and his team. Air New Zealand is not seeking a position on the Board of Virgin Australia nor does it have the intention of obtaining control of Virgin Australia.

New livery unveiled, along with new \$20 million partnership with Tourism New Zealand

Air New Zealand and Tourism New Zealand have signed a Memorandum of Understanding (MoU) valued at more than \$20 million, in a one year partnership to undertake joint marketing activity promoting travel to New Zealand in selected international markets.

Air New Zealand has also unveiled its new aircraft livery which features the iconic official New Zealand Fern Mark, the use of which is managed by Tourism New Zealand and New Zealand Trade and Enterprise.

Settlement of cargo proceedings

The High Court of New Zealand has approved a settlement agreement between Air New Zealand and the New Zealand Commerce Commission which resolves long standing proceedings brought by the Commission against a number of airlines in 2008.

The settlement avoids further protracted and costly litigation. The proceedings alleged agreements in relation to fuel and security surcharges on air cargo.

The agreed settlement amount of \$7.5 million was already factored into the Normalised Earnings before Tax guidance communicated in April.



787-9 destinations and seat selection confirmed

Air New Zealand has confirmed the destinations its new fleet of 10 Boeing 787-9 aircraft will fly to.

The key long haul destinations for the new aircraft will be Shanghai and Tokyo, while it will also service some mid haul destinations such as Perth, Honolulu and Papeete.

The Business Premier cabin will feature Air New Zealand's signature chalk coloured luxurious leather armchair which converts to an indulgent lay flat bed complete with memory foam mattress, cosy duvet and two full size pillows.

In the Premium Economy cabin the airline has worked with US seat designer Zodiac on a customised seat best described as Business-lite. This comfortable ink coloured luxury leather seat will have a 41" pitch, a generous 5" wide armrest and a leg rest and extendable foot support which will allow passengers to really stretch out and relax.

The Economy cabin will feature 16 rows of Air New Zealand's unique and highly popular Kiwi designed Skycouch seats. This is a row of three seats that converts into a sofa like flat surface for both rest and relaxation.

The standard Economy seat in the 787-9 will be also be supplied by US manufacturer Zodiac and customised to Air New Zealand's specifications including a slim line seat back to enhance the feeling of space, sculpted upholstery and a more flexible headrest.



| Group | MAY | | | FINANCIAL YTD | | |
|---------------------------------|-------------|-------------|------------|----------------------|-------------|--------------|
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 960 | 910 | 5.6% | 12,233 | 11,998 | 2.6% |
| Revenue Passenger Kilometres(m) | 1,853 | 1,787 | 3.7% | 25,321 | 24,610 | 3.5% |
| Available Seat Kilometres (m) | 2,269 | 2,241 | 1.2% | 30,271 | 29,743 | 2.4% |
| Passenger Load Factor (%) | 81.7% | 79.7% | 2.0 pts | 83.6% | 82.7% | 0.9 pts |
| Short Haul Total | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 859 | 810 | 6.0% | 10,830 | 10,587 | 2.9% |
| Revenue Passenger Kilometres(m) | 858 | 816 | 5.1% | 11,687 | 11,169 | 5.3% |
| Available Seat Kilometres (m) | 1,033 | 1,008 | 2.5% | 14,043 | 13,388 | 5.5% |
| Passenger Load Factor (%) | 83.1% | 81.0% | 2.1 pts | 83.2% | 83.4% | (0.2 pts) |
| Domestic | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 657 | 611 | 7.5% | 7,920 | 7,776 | 2.5% |
| Revenue Passenger Kilometres(m) | 315 | 287 | 9.9% | 3,847 | 3,708 | 4.4% |
| Available Seat Kilometres (m) | 376 | 364 | 3.3% | 4,662 | 4,536 | 3.4% |
| Passenger Load Factor (%) | 83.9% | 78.9% | 5.0 pts | 82.5% | 81.8% | 0.7 pts |
| Tasman / Pacific | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 202 | 199 | 1.5% | 2,910 | 2,811 | 4.1% |
| Revenue Passenger Kilometres(m) | 542 | 529 | 2.5% | 7,840 | 7,461 | 5.7% |
| Available Seat Kilometres (m) | 657 | 644 | 2.0% | 9,380 | 8,852 | 6.6% |
| Passenger Load Factor (%) | 82.6% | 82.2% | 0.4 pts | 83.6% | 84.3% | (0.7 pts) |
| Long Haul Total | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 102 | 100 | 2.0% | 1,403 | 1,410 | 0.1% |
| Revenue Passenger Kilometres(m) | 996 | 971 | 2.6% | 13,634 | 13,440 | 2.1% |
| Available Seat Kilometres (m) | 1,236 | 1,233 | 0.2% | 16,228 | 16,355 | (0.2%) |
| Passenger Load Factor (%) | 80.5% | 78.7% | 1.8 pts | 84.0% | 82.2% | 1.8 pts |
| Asia / Japan / UK | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 33 | 41 | (19.0%) | 557 | 595 | (5.7%) |
| Revenue Passenger Kilometres(m) | 304 | 381 | (20.4%) | 5,072 | 5,443 | (6.2%) |
| Available Seat Kilometres (m) | 398 | 520 | (23.4%) | 6,291 | 6,809 | (7.1%) |
| Passenger Load Factor (%) | 76.2% | 73.3% | 2.9 pts | 80.6% | 79.9% | 0.7 pts |
| North America / UK | MAY | | | FINANCIAL YTD | | |
| | 2013 | 2012 | % * | 2013 | 2012 | % * + |
| Passengers carried (000) | 68 | 59 | 16.7% | 846 | 816 | 4.3% |
| Revenue Passenger Kilometres(m) | 692 | 589 | 17.4% | 8,562 | 7,998 | 7.7% |
| Available Seat Kilometres (m) | 838 | 713 | 17.5% | 9,938 | 9,546 | 4.7% |
| Passenger Load Factor (%) | 82.6% | 82.7% | (0.1 pts) | 86.2% | 83.8% | 2.4 pts |

* % change is based on numbers prior to rounding.

+ The year-to-date percentage movements have been adjusted on a daily weighted average basis. The adjustment takes into account the difference in days for the accounting month of July 2012 (29 days) compared with July 2011 (31 days).

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.