

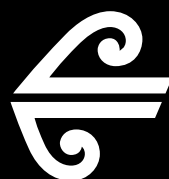


AIR NEW ZEALAND  **Simplified Disclosure Prospectus**

for an offer of fixed rate bonds in Air New Zealand Limited 25 August 2011.



This Prospectus is a simplified disclosure prospectus for an offer of Bonds that will rank in priority to the Shares of Air New Zealand Limited, which are listed on the NZSX and ASX.



Arranger and Joint Lead Manager:



Joint Lead Manager:



Co-Managers:



Air New Zealand Limited is subject to a disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZDX and NZSX markets operated by NZX.





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Important information

Introduction

This Prospectus is a simplified disclosure prospectus prepared in accordance with regulation 10 and schedule 12 of the Securities Regulations. It is prepared as at, and dated, 25 August 2011.

This Prospectus is for an offer of unsecured, unsubordinated fixed rate Bonds issued by Air New Zealand Limited.

Applications to subscribe for Bonds should be made using an Application Form which accompanies this Prospectus or, if investors are subscribing for Bonds through the Priority Pool, on a Priority Pool Application Form obtained from the Registrar.

Registration

A copy of this Prospectus, signed by or on behalf of the Directors, and having attached to it all documents and other matters required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers at Auckland for registration in accordance with section 42 of the Securities Act. The documents required to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration are copies of the NZX announcements referred to on page 42 of this Prospectus and the Trustee's statement as set out on page 25 of this Prospectus.

Definitions

Capitalised terms used in this Prospectus have defined meanings which appear in the Glossary on pages 44 to 45 or within the relevant section of this Prospectus in which the term is used.

All references in this Prospectus to "\$" or "dollars" are to New Zealand dollars unless otherwise specified. All references in this Prospectus to dates and times are to New Zealand dates and times.

Investment decision

This Prospectus does not take into account the individual investment objectives, financial situation or needs of any particular person. The information in this Prospectus does not constitute financial product advice. Before applying for any Bonds, you should consider your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). If you are in any doubt as to how to deal with this Prospectus, you should consult your financial or other professional adviser before deciding whether or not to apply for Bonds.

Offer only in New Zealand

The Bonds are offered in New Zealand to New Zealand resident investors. This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand. No action has been, or will be, taken by Air New Zealand to register this Prospectus in any jurisdiction other than New Zealand or to otherwise permit an offer of the Bonds, or possession or distribution of any offering material in connection with the Bonds, in any jurisdiction other than New Zealand.

No person may purchase, offer, sell, distribute or deliver any Bonds, or be in possession of, or deliver or distribute to any other person, any offering material or any documents in connection with the Bonds (including this Prospectus), in any jurisdiction other than in compliance with all applicable laws and regulations. Air New Zealand disclaims all liability to any person for any failure to comply with such laws and regulations.

Only New Zealand resident Shareholders and employees of the Air New Zealand Group may apply for Bonds in the Priority Pool.

Air New Zealand does not accept any liability or responsibility to determine whether a person is eligible to participate in the Offer. By applying for Bonds, each investor agrees to indemnify Air New Zealand and its directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions described above.

Forward-looking statements

This Prospectus includes certain forward-looking statements. As such statements relate to future matters, they are subject to inherent risks and uncertainties (many of which are beyond the control of Air New Zealand) which may cause the actual results, performance or achievements of Air New Zealand, the Air New Zealand Group or the airline industry to be materially different from any future matters, results, performance or achievements expressed or implied by such forward-looking statements in this Prospectus. These risks and uncertainties include factors specific to Air New Zealand, the Air New Zealand Group, factors relating to the airline industry in general and matters such as general economic and market conditions. Given these uncertainties, you should not place undue reliance on any forward-looking statements in this Prospectus. None of Air New Zealand, any members of the Air New Zealand

Group, the Arranger, the Joint Lead Managers, the Co-Managers, the Organising Participant, the Trustee nor their respective directors, officers, employees or agents, nor any other person, can assure you that any estimated, projected or forecast outcomes will be achieved. Under no circumstances should the inclusion of any forward-looking statements in this Prospectus be regarded as a representation or warranty by Air New Zealand, any members of the Air New Zealand Group, the Arranger, the Joint Lead Managers, The Co-Managers, the Organising Participant, the Trustee or their respective directors, officers, employees or agents, or any other person, that those forward-looking statements will be achieved.

Risk factors

It is important that investors read this Prospectus in its entirety before deciding whether to apply for any Bonds. Investors should consider the risks associated with an investment in the Bonds.

A summary of the principal risks associated with Air New Zealand, the Air New Zealand Group and the Bonds is set out in the section entitled "Risk factors" on pages 27 to 33 of this Prospectus.

Additional information

Other important information about Air New Zealand is contained in announcements made by Air New Zealand through NZX. Copies of those announcements are available on NZX's website (www.nzx.com) under the NZSX code "AIR".

Air New Zealand publishes an Annual Report and an interim shareholder review each financial year. Copies of each Annual Report and interim shareholder review are available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Non-reliance

No person is authorised to provide any information or to make any representation on behalf of Air New Zealand in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Air New Zealand in connection with the Offer.

This Prospectus does not constitute a recommendation by Air New Zealand, any members of the Air New Zealand Group, the Arranger, the Joint Lead Managers, the Co-Managers, the Organising Participant, the Trustee, or any of their respective directors, officers, employees or agents

to subscribe for or purchase any Bonds. Each recipient of this Prospectus must make their own independent investigation and assessment of the financial condition and affairs of Air New Zealand before deciding whether or not to apply for Bonds. To the maximum extent possible at law, neither Air New Zealand, any members of the Air New Zealand Group, the Arranger, the Joint Lead Managers, the Co-Managers, the Organising Participant, the Trustee, and their respective directors, officers, employees or agents deny any liability whatsoever for any loss arising from this Prospectus or its contents or otherwise arising in connection with the Offer.

The Arranger, the Joint Lead Managers, the Co-Managers, the Organising Participant and the Trustee have not independently verified the information contained in this Prospectus. In accepting delivery of this Prospectus, the recipient acknowledges that none of the Arranger, the Joint Lead Managers, the Co-Managers, the Organising Participant, the Trustee nor any of their respective directors, officers, employees or agents gives any warranty or representation (express or implied) of accuracy or reliability and that they take no responsibility for this Prospectus.

Summary of the Offer

Key features

Issuer: Air New Zealand Limited

Description of Bonds: Unsecured, unsubordinated fixed rate debt obligations of Air New Zealand Limited

Issue Price: \$1.00 per Bond (being the Principal Amount of each Bond)

Interest Payment Dates: 15 May and 15 November in each year, commencing on 15 November 2011 until and including the Maturity Date of the Bonds. Interest payable on the First Interest Payment Date will be paid to the first registered holder of a Bond (regardless of any transfer of a Bond prior to the First Interest Payment Date)

Interest Rate: The Bonds will pay interest at the Interest Rate announced through NZX by Air New Zealand on the Rate Set Date (being the date on or before the Opening Date on which the Interest Rate is determined by Air New Zealand in consultation with the Joint Lead Managers)

Interest on application moneys: Interest on the Bonds will accrue at the Interest Rate from (and including) the date on which a Bondholder's application moneys for the Bonds have been banked into the trust account operated in respect of the Offer

Maturity Date: 15 November 2016

Offer amount: Up to \$150 million

Minimum application amount: \$5,000 (and multiples of \$1,000 thereafter)

Listing and quotation: Application has been made to NZX for permission to list the Bonds on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus
NZDX is a registered market operated by NZX which is a registered exchange

How to apply: Applications must be made on an Application Form contained in this Prospectus or, if investors are subscribing for Bonds through the Priority Pool, on a Priority Pool Application Form obtained from the Registrar. Instructions on how to apply for Bonds are set out in the section entitled "Application instructions" on page 47

Important dates

Opening Date*	5 September 2011
Closing date for applications through the Priority Pool	5.00pm, 16 September 2011
Closing Date*	5.00pm, 23 September 2011
Allotment date of Bonds**	28 September 2011
Expected date of initial quotation and trading of the Bonds on the NZDX	30 September 2011
First Interest Payment Date (payable to the first registered holder)	15 November 2011

* Air New Zealand reserves the right to vary the Opening Date or Closing Date at its sole discretion, including the closing date for applications through the Priority Pool. If the Closing Date is extended (including the closing date for the Priority Pool), subsequent dates may be extended accordingly. Investors are encouraged to lodge their applications as soon as possible after the Offer opens as interest on the Bonds will accrue from (and including) the date the relevant application moneys have been banked into the trust account operated in respect of the Offer.

** If Air New Zealand decides to extend the period of the Offer beyond 23 September 2011, allotments of further Bonds will be made on a weekly basis during that period until the final Closing Date.

Air New Zealand reserves the right to cancel the Offer and issue of Bonds at any time before allotment of the Bonds in which case all application moneys received will be refunded as soon as possible.

Chairman's letter



Dear Investor,

Air New Zealand is pleased to offer for subscription an issue of bonds which provides New Zealand investors with the opportunity to have a different form of investment exposure to Air New Zealand.

Despite the difficult economic conditions, Air New Zealand has continued to significantly improve its market positioning over the past few years. This has been achieved through increases in capacity and investment in its fleet, its staff and innovation and continued expansion of its alliances with other airlines. Air New Zealand continues to invest in its fleet with new planes such as our new Airbus 320 domestic fleet, and innovations like the "Skycouch" seats in our Boeing 777-300s, which are proving an attractive product to our international customers.

The funds raised from the Offer will further strengthen Air New Zealand's liquidity position, and will be used for general business purposes of the Air New Zealand Group. The Offer diversifies Air New Zealand's funding sources away from sole reliance on overseas aviation debt markets.

The Bonds are unsecured, unsubordinated fixed rate debt obligations of Air New Zealand Limited, having a maturity date of 15 November 2016. The fixed rate of interest applying to the Bonds will be announced by Air New Zealand through NZX on or before the Opening Date. Interest will be paid semi-annually, with the first interest payment date being 15 November 2011, such interest being payable to the first registered Bondholder. A summary of this Offer and its terms are provided under "Summary of the Offer" on page 4.

This Prospectus also provides an overview of Air New Zealand's operations and management, as well as details and important information in relation to the Bonds. Additional information about the Air New Zealand Group is contained in our Annual Report and our announcements through NZX, both available on our website (www.airnewzealand.co.nz/investor-centre).

To ensure that an investment in the Bonds meets your specific objectives, we recommend you read this Prospectus carefully and consult with your financial or other professional advisers before making a decision to invest.

On behalf of the Board we recommend this Offer to you and look forward to your support.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Palmer".

JOHN PALMER *CHAIRMAN*

Air New Zealand



Main terms of the Offer

The following is a summary of the main terms of the Offer. Investors should also refer to the more detailed information in the other sections of this Prospectus, including the section entitled "Risk factors" on pages 27 to 33 of this Prospectus.

Issuer

The issuer of the Bonds is Air New Zealand Limited.

No Subsidiary or Affiliate of Air New Zealand Limited guarantees, or provides any other surety in respect of, the Bonds or any of Air New Zealand Limited's obligations in relation to the Bonds.

Certain information in respect of Air New Zealand and the operations of the Air New Zealand Group is set out in the section entitled "Industry and business description" on pages 12 to 20 of this Prospectus.

Investment description

Air New Zealand is offering Bonds under this Prospectus.

The net proceeds of the issue of the Bonds will be used for general business purposes of the Air New Zealand Group.

The Bonds are unsecured, unsubordinated fixed rate debt obligations of Air New Zealand. The Bonds will rank equally and without preference among themselves, and at least equally with all other unsecured and unsubordinated indebtedness of Air New Zealand, except indebtedness preferred by law.

The Bonds will not be assigned a credit rating.

Offer amount

Bonds with an aggregate Principal Amount of up to \$150 million are being offered by Air New Zealand.

No oversubscriptions will be accepted.

The Offer is not underwritten. The minimum aggregate Principal Amount of Bonds to be issued under this Prospectus is \$100 million. If the total application moneys received is less than this minimum amount, then no Bonds will be issued under this Prospectus.

Issue Price

The Issue Price is \$1.00 per Bond, being the Principal Amount of each Bond. The Issue Price must be paid in full on application for Bonds under the Offer.

Offer period

The Offer will open on the Opening Date (5 September 2011) and in respect of non-Priority Pool applications, will close at 5.00pm on the Closing Date (23 September 2011). In respect of applications to be made through the Priority Pool, the offer will close at 5.00pm on 16 September 2011. However, Air New Zealand reserves the right in its absolute discretion to vary the Opening Date or Closing Date (including the closing date for applications through the Priority Pool).

Interest Rate

The Bonds will pay interest at the Interest Rate announced by Air New Zealand through NZX on the Rate Set Date.

On the Rate Set Date the Interest Rate will be available from any Primary Market Participant and will also be contained in an announcement made by Air New Zealand through NZX. Copies of this announcement will be available on NZX's website (www.nzx.com) under the NZSX code "AIR" and also on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Payment of interest

Interest will be payable on the Bonds semi-annually in arrears on each Interest Payment Date, being 15 May and 15 November of each year, until and including the Maturity Date. The First Interest Payment Date for the Bonds is 15 November 2011. If an Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or further payment as a result thereof.

Interest payable on the First Interest Payment Date will accrue from (and including) the date on which a Bondholder's application moneys for the Bonds have been banked into the trust account operated in respect of the Offer.

Interest payable on the First Interest Payment Date will be paid to the first registered holder of a Bond (regardless of any transfer of a Bond prior to the First Interest Payment Date). On Interest Payment Dates other than the First Interest Payment Date, interest will be paid to the person registered as the Bondholder as at the Record Date immediately preceding the relevant Interest Payment Date.

A more detailed description of how interest payments will be calculated and made is set out under the heading "Interest" on page 38 of this Prospectus.

Maturity Date and redemption

The Bonds will have a maturity date of 15 November 2016. The Principal Amount of each Bond will be payable by Air New Zealand on the Maturity Date. The Principal Amount will be paid on the Maturity Date to the person registered as the Bondholder as at the Record Date for the final Interest Payment Date (being the Maturity Date).

Bondholders have no right to require Air New Zealand to redeem their Bonds prior to the Maturity Date, except in the case of an Event of Default. This means that Bondholders have no ability to cash in their investment prior to the Maturity Date, except following an Event of Default or by selling their Bonds in the secondary market (if one develops).

Air New Zealand may purchase Bonds from any person at any time on market or by private treaty at any price. Any Bonds purchased by Air New Zealand will be deemed to be immediately cancelled but Air New Zealand may, at any time, reissue any such Bonds. Any re-issued Bonds will be subject to the terms of the Trust Deed and the conditions attaching to the Bonds as set out in this Prospectus (except as to the date of issue). Any re-issued Bonds will rank equally with each other and with any Bonds already on issue.

Applications

Who may apply

The Bonds are offered in New Zealand to New Zealand resident investors. Applications for Bonds will be accepted on a first come, first served basis, subject to the rules applicable to the Priority Pool and Firm Allocations, as described below.

Air New Zealand reserves the right to refuse all or any part of any application for Bonds without giving a reason.

Firm Allocations

Other than those reserved for the Priority Pool, all of the Bonds may be reserved for subscription by institutional investors or clients of the Joint Lead Managers, the Co-Managers, Primary Market Participants and other approved financial intermediaries under Firm Allocations. The aggregate number of Bonds so reserved will be determined by Air New Zealand in consultation with the Joint Lead Managers, on or before the Opening Date. However, Air New Zealand in consultation with the Joint Lead Managers, reserves the right to make further Firm Allocations after the Opening Date.

Air New Zealand in consultation with the Joint Lead Managers, will determine the arrangements in respect of Bonds which are not subject to Firm

Allocations (if any). Those arrangements will be announced by Air New Zealand through NZX on or before the Opening Date.

Priority Pool

A pool of Bonds having an aggregate Principal Amount of \$4 million (being 2.67% of the maximum offer amount of \$150 million) has been initially reserved for Shareholders and employees of the Air New Zealand Group. The size of the pool reserved for the Priority Pool may be changed by Air New Zealand in consultation with the Joint Lead Managers in response to demand for the Bonds from Shareholders and employees of the Air New Zealand Group.

The maximum application size under the Priority Pool is \$30,000 per applicant.

Shareholders or employees of the Air New Zealand Group who wish to apply for Bonds through the Priority Pool should obtain a copy of this Prospectus and a Priority Pool Application Form from the Registrar. Applications for Bonds through the Priority Pool should be lodged with the Registrar before 5.00pm on 16 September 2011 and will be treated on a first come, first served basis. Note that this date is earlier than the Closing Date.

How to apply

Other than application for the Priority Pool or acceptance of a Firm Allocation (explained below), applications to subscribe for Bonds must be made on an Application Form contained at the back of this Prospectus and must be lodged, with payment, with the Registrar before 5.00pm on the Closing Date (23 September 2011). Alternatively, applications, with payment, may be lodged with any Joint Lead Manager, the Co-Managers, any Primary Market Participant, the Organising Participant or any other channel approved by NZX, in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (23 September 2011).

Applicants participating in the Priority Pool must provide a completed Priority Pool Application Form, with payment, directly to the Registrar before 5.00pm on 16 September 2011. Note that this date is earlier than the Closing Date.

Applicants accepting a Firm Allocation from a Joint Lead Manager, a Co-Manager, Primary Market Participant or approved financial intermediary, must provide a completed Application Form, with payment, to the office of that Joint Lead Manager, Co-Manager, Primary Market Participant or financial intermediary in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (23 September 2011).

By signing and submitting a valid Application Form or Priority Pool Application Form with full payment, an applicant irrevocably offers to subscribe for Bonds on the terms set out in this Prospectus, the Trust Deed and the Application Form or Priority Pool Application Form, notwithstanding any changes to any dates relating to the Offer which Air New Zealand is entitled to make.

An application cannot be withdrawn or revoked by an applicant once it has been submitted.

Additional instructions on how to apply for Bonds are set out in the section entitled "Application instructions" on page 47 of this Prospectus.

Minimum application amount

Applications to subscribe for Bonds must be for a minimum Principal Amount of \$5,000 each and thereafter in multiples of \$1,000. Applications through the Priority Pool are subject to a maximum application size of \$30,000 per applicant. Otherwise there is no maximum amount of Bonds you may apply for. Applications for less than \$5,000 will not be accepted.

Payments

Except for applicants settling through the NZClear System, payment in full of the aggregate Principal Amount of Bonds applied for must accompany a completed Application Form or Priority Application Form.

Payment must be made by a personal cheque (or, if the application is for Bonds of an aggregate Principal Amount of \$500,000 or more, by bank cheque or any other method approved by the Joint Lead Managers), direct debit or through the NZClear System.

Cheques should be in New Zealand dollars drawn on a New Zealand bank and submitted with a completed Application Form or Priority Application Form. Cheques should be made payable to "Air New Zealand Bond Offer" and crossed "Not Transferable", and must not be post-dated.

If payment is made by direct debit, please read the relevant section in the "Application instructions" on page 47 of this Prospectus carefully and complete that section of the Application Form or Priority Application Form.

Applicants who are members of the NZClear System, or who are able to have payments made on their behalf through the NZClear System, may, by prior arrangement with the Registrar, settle their applications for Bonds through the NZClear System with the Registrar up to and including the allotment date.

Refunds

If Air New Zealand accepts an application in part, the balance of the application moneys will be refunded as soon as practicable and, in any event, within five Business Days after the Closing Date.

Any application moneys received in respect of an application which is not accepted in full or part by Air New Zealand (whether because of late receipt, failure to raise the minimum subscription amount of \$100 million for the Offer, or otherwise) will be refunded as soon as practicable and, in any event, within five Business Days after the Closing Date.

Air New Zealand reserves the right to cancel the Offer and issue of Bonds at any time before allotment of the Bonds in which case all application moneys received will be refunded as soon as possible.

No interest will be paid on refunds.

Date of allotment

Applicants who provide their applications to the Registrar before 5.00pm on 23 September 2011, or in the case of applications through the Priority Pool before 5.00pm on 16 September 2011, will be allotted Bonds on 28 September 2011, or such other date as determined by Air New Zealand as permitted by the NZSX Listing Rules (subject to their application being accepted and Air New Zealand receiving total applications of not less than \$100 million). If Air New Zealand decides to extend the period of the Offer beyond 23 September 2011, allotments of further Bonds will be made on a weekly basis during that period until the final Closing Date.

Applicants should not attempt to sell any Bonds until they know whether, and how many, Bonds have been allotted to them. Air New Zealand does not accept any liability should any person attempt to sell or otherwise deal with the Bonds before the applicant receives his or her Statement.

NZDX listing and quotation

Application has been made to NZX for permission to list the Bonds on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. NZDX is a registered market operated by NZX which is a registered exchange.

It is intended that initial quotation and trading of the Bonds on the NZDX will commence on 30 September 2011.

Trustee

The Trustee for Bondholders is The New Zealand Guardian Trust Company Limited.

The Trustee holds on trust for the benefit of Bondholders the right to enforce Air New Zealand's obligations under the Bonds. The Trustee does not guarantee the repayment of the Bonds or the payment of interest on the Bonds.

The Trustee will not be liable to Air New Zealand or any Bondholder for the receipt or application by Air New Zealand of the Issue Price or be bound to see to the application of those proceeds or letters of allotment to the persons entitled to them.

Trust Deed

The terms and conditions of the Bonds are set out in the Trust Deed.

A summary of the principal provisions of the Trust Deed is set out in the section entitled "Summary of Trust Deed" on pages 21 to 23 of this Prospectus.

Events of Default

Upon the occurrence of any Event of Default, the Trustee may in its discretion, and shall if directed to do so by an Extraordinary Resolution, declare the Bond Moneys to be immediately due and payable. However, none of the events specified in the Trust Deed as an Event of Default will constitute an Event of Default, and the Bond Moneys will not become immediately due and payable, unless the Event of Default is continuing unremedied and the Trustee has given a notice to Air New Zealand declaring the Bond Moneys to be immediately due and payable.

The events or circumstances which constitute an Event of Default in respect of the Bonds are set out under the heading "Events of Default" on page 22 of this Prospectus.

New Zealand taxation

A description of the applicable New Zealand taxes is set out under the heading "Taxation of returns" on pages 37 to 38 of this Prospectus.

Industry and business description

The business overview set out in this section is a summary of the business of the Air New Zealand Group comprising Air New Zealand Limited and all of its Subsidiaries and Affiliates. Investors should be aware that the Bonds are being issued by Air New Zealand Limited, the parent company of the Air New Zealand Group. No Subsidiary or Affiliate of Air New Zealand guarantees, or provides any other surety in respect of the Bonds or any of Air New Zealand's obligations in relation to the Bonds. Air New Zealand is the only person (as that term is defined in the Securities Act) legally liable to pay interest on the Bonds and the Principal Amount of the Bonds as at the date of this Prospectus.

This section should be read in conjunction with the other information contained in this Prospectus (including the "Risk factors" section on pages 27 to 33).

Overview

The Air New Zealand Group operates an international and domestic airline that provides air passenger services and cargo transport services to, from and within New Zealand to more than 13 million passengers a year. The Air New Zealand Group operates on average 3,800 flights each week to domestic and international destinations.

The Air New Zealand Group is recognised as one of the world's leading airlines, and was named the Air Transport World Airline of the Year 2010. The Air New Zealand Group has received numerous other awards recognising excellence across the Air New Zealand Group including the recent Skytrax World Airlines 2011 Awards 'Best Airline Australia/Pacific' and Aviation Week's 2011 award for the Global MRO of the year for the Air New Zealand technical operations. Air New Zealand had the best overall reputation in New Zealand in the 2011 AMR and Reputation Institute annual survey.

As New Zealand's airline and the provider of the first New Zealand experience for many overseas travellers, the Air New Zealand Group is a key part of the New Zealand tourism industry. Similarly, tourism is an important driver of the Air New Zealand Group's performance as the Air New Zealand Group generates a significant portion of its revenue from overseas travellers.

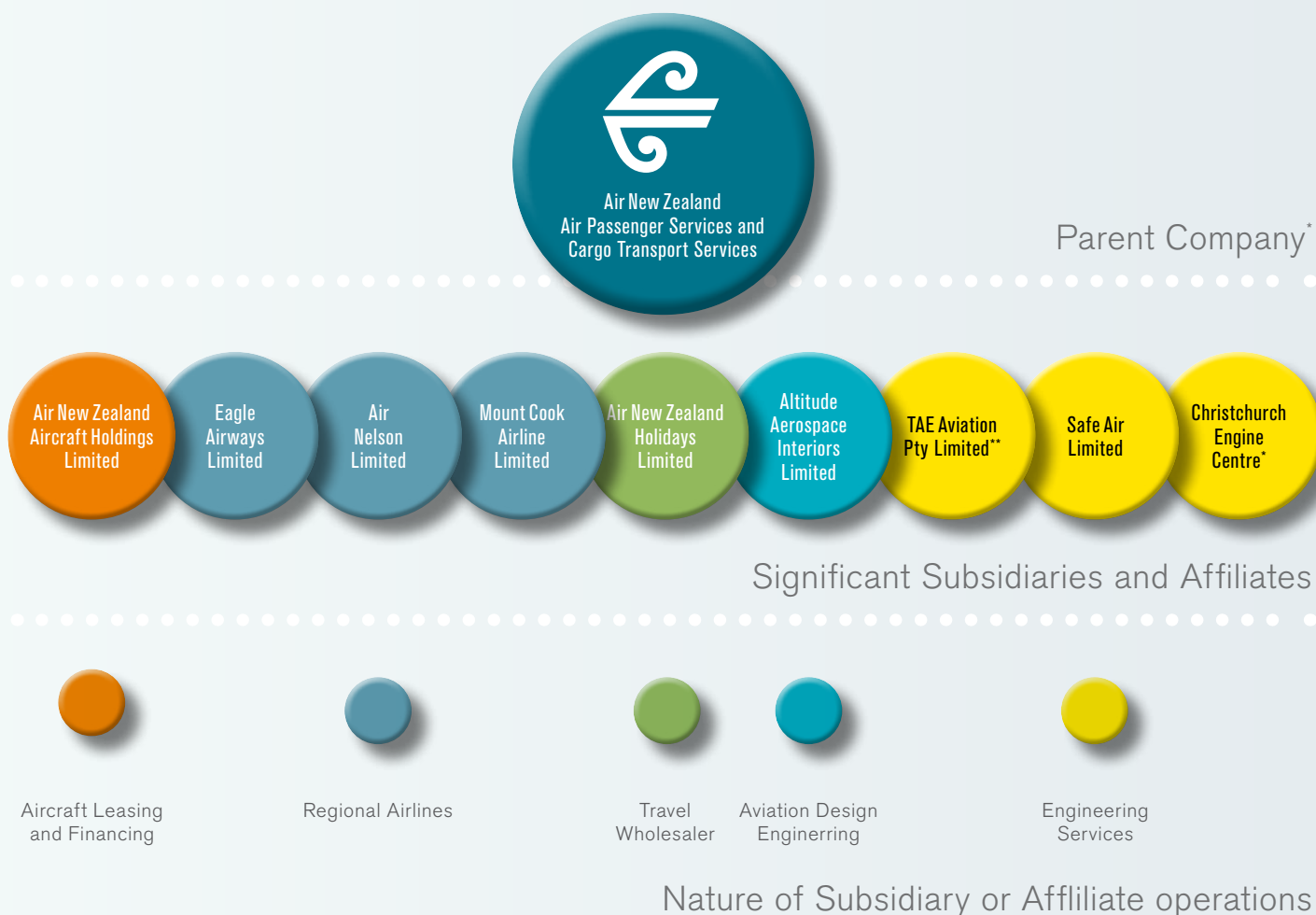
The Air New Zealand Group's consolidated operating revenue reached \$4.3 billion in FY11, generated by a fleet of over 100 aircraft and 11,600 employees.

In FY11 Air New Zealand's operations made up the majority of the Air New Zealand Group's total operations, earning 84% of the Air New Zealand Group's consolidated operating revenue for that period. As at 30 June 2011, Air New Zealand owned 70% of the Air New Zealand Group's total assets and was liable for 76% of the Air New Zealand Group's total liabilities.

The principal activity of Air New Zealand is the sale of air passenger services and cargo transport services. Air New Zealand holds the airline air operator certificate required under the New Zealand Civil Aviation Act 1990 for the jet aircraft fleet.

Air New Zealand Group structure

The diagram below shows the material operating Subsidiaries or Affiliates of Air New Zealand. All Subsidiaries or Affiliates in the diagram are 100% owned by Air New Zealand, unless otherwise stated. For a full list of Air New Zealand's Subsidiaries and Affiliates please refer to the Annual Report for Air New Zealand and the Air New Zealand Group for FY11 which can be viewed on NZX's website (www.nzx.com) under the NZSX code "AIR" or on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).



* The Christchurch Engine Centre is a partnership under the Partnership Act 1908 in respect of which Air New Zealand has a 49% interest.

** This is a holding company which has two subsidiaries which carry out the operations.

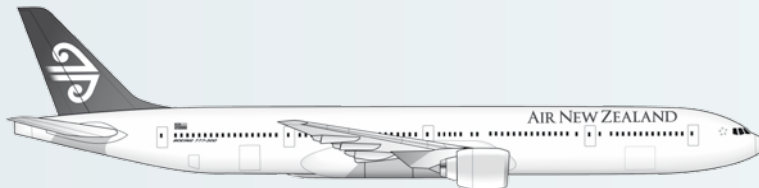
No Subsidiary or Affiliate of Air New Zealand guarantees, or provides any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to Bonds.

Fleet overview as at 30 June 2011



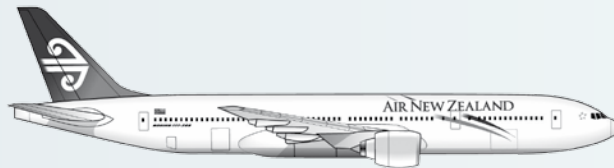
Boeing 747-400

Number: 5
Average Age: 16.9 years
Maximum Passengers: 379
Cruising Speed: 920 km/hr
Av. Daily Utilisation: 10:04 hrs



Boeing 777-300ER

Number: 3
Average Age: 0.4 years
Maximum Passengers: 332
Cruising Speed: 910 km/hr
Av. Daily Utilisation: 15:03



Boeing 777-200ER

Number: 8
Average Age: 5.2 years
Maximum Passengers: 304
Cruising Speed: 910 km/hr
Av. Daily Utilisation: 14:46 hrs



Boeing 767-300ER

Number: 5
Average Age: 15.8 years
Maximum Passengers: 234
Cruising Speed: 870 km/hr
Av. Daily Utilisation: 12:29 hrs



Airbus A320-200

Number: 14
Average Age: 6.0 years
Maximum Passengers: 168 Shorthaul or
171 Domestic
Cruising Speed: 850 km/hr
Av. Daily Utilisation: 10:58 hrs Shorthaul or
8:53 Domestic



Boeing 737-300

Number: 15
Average Age: 13.6 years
Maximum Passengers: 133
Cruising Speed: 790 km/hr
Av. Daily Utilisation: 7:16 hrs



ATR 72-500

Number: 11
Average Age: 10.5 years
Maximum Passengers: 68
Cruising Speed: 518 km/hr
Av. Daily Utilisation: 7:08 hrs



Bombardier Q300

Number: 23
Average Age: 4.4 years
Maximum Passengers: 50
Cruising Speed: 520 km/hr
Av. Daily Utilisation: 6:56 hrs



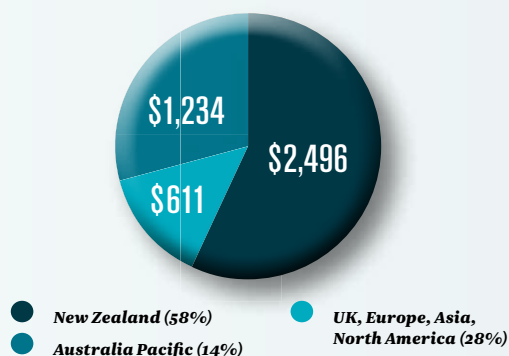
Beech 1900D

Number: 18
Average Age: 9.5 years
Maximum Passengers: 19
Cruising Speed: 510 km/hr
Av. Daily Utilisation: 6:08 hrs

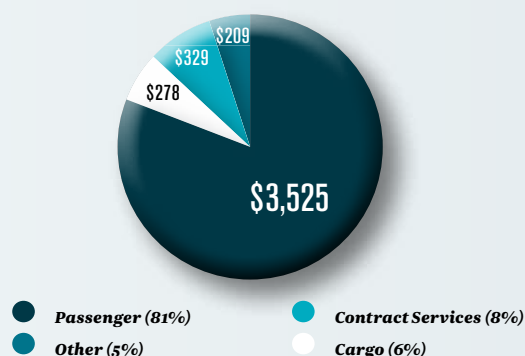
Operational overview

In FY11 the Air New Zealand Group carried 13.1 million passengers on its domestic and international network. The graphs below show a breakdown of the Air New Zealand Group's revenue by origin of sale and revenue source for FY11.

**Air New Zealand Group FY11
Revenue by Origin of Sale (millions)**



**Air New Zealand Group FY11
Revenue by Source (millions)**



In FY11 the Air New Zealand Group passenger volumes were led by domestic travel which made up 65% of all passengers travelling with the Air New Zealand Group. The Tasman and Pacific market carried the next largest number of passengers with 22% of all passengers travelling with the Air New Zealand Group, followed by international long haul travel making up 13% of all passengers travelling with the Air New Zealand Group.

On a capacity basis (measured by available seat kilometres), in FY11 international long haul travel represented 57% of all available seat kilometres, the Tasman and Pacific market represented 28% of all available seat kilometres and domestic travel represented 15% of all available seat kilometres.

Air passenger services

The Air New Zealand Group provides domestic, Tasman and Pacific and international long haul air passenger services. Air passenger services generated \$3.5 billion of revenue (being 81% of the Air New Zealand Group's consolidated operating revenues).

Domestic

The Air New Zealand Group is the largest domestic airline operator in New Zealand. It provides customers with air passenger services to 27 destinations throughout New Zealand and operates up to 500 domestic flights per day.

In FY11, the Air New Zealand Group provided air passenger services for 8.5 million domestic passengers.

Tasman and Pacific

The Air New Zealand Group operates an average of 350 flights per week on its Tasman and Pacific network, flying directly to 7 destinations in Australia and 9 destinations in the Pacific Islands.

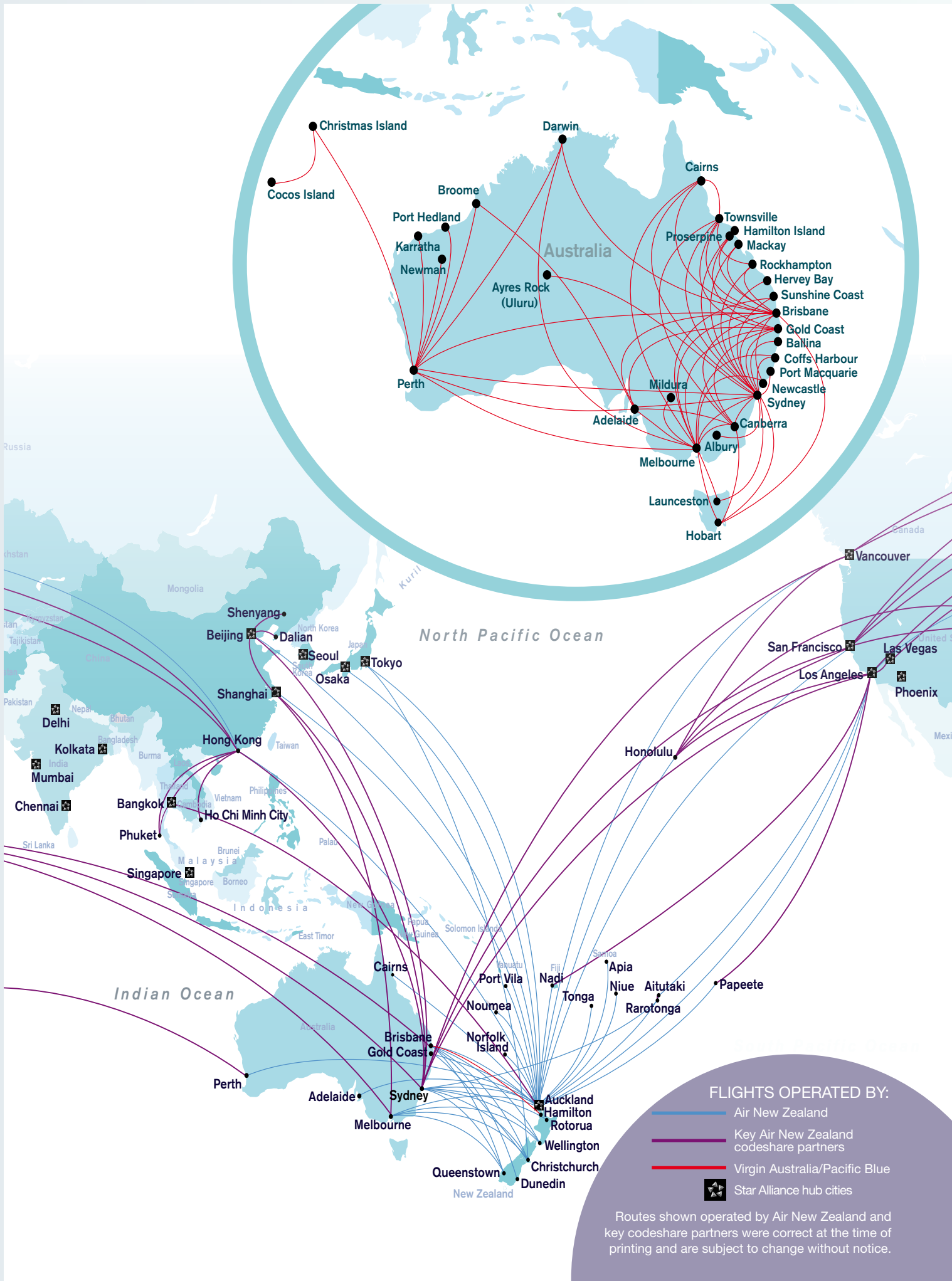
The Trans-Tasman Alliance with Virgin Australia was implemented at the end of July 2011. The implementation of this alliance followed Air New Zealand's acquisition of 14.99% of Virgin Australia during the first quarter of calendar 2011. This alliance increases the number of destinations in Australia available to Air New Zealand Group customers to 31 in total and also increases the frequency of Tasman flights available to Air New Zealand Group customers.

In FY11, the Air New Zealand Group carried 2.3 million passengers across the Tasman and 0.6 million passengers to and from the Pacific Islands.

International Long Haul

The Air New Zealand Group operates a full service long-haul network to 10 destinations and is a member of the Star Alliance, extending the network available to Air New Zealand Group customers.

In FY11, the Air New Zealand Group carried 1.7 million passengers to and from international destinations including America, Britain, Canada, China and Japan. Through the Star Alliance network, the Air New Zealand Group's customers benefit from coordinated flights, shared lounge access and an extended loyalty programme. The Air New Zealand Group also has code-sharing arrangements with airlines that are not members of the Star Alliance, such as Virgin Atlantic, Etihad Airways and Japan Airlines, further increasing the number of destinations and routes available to the Air New Zealand Group's customers.

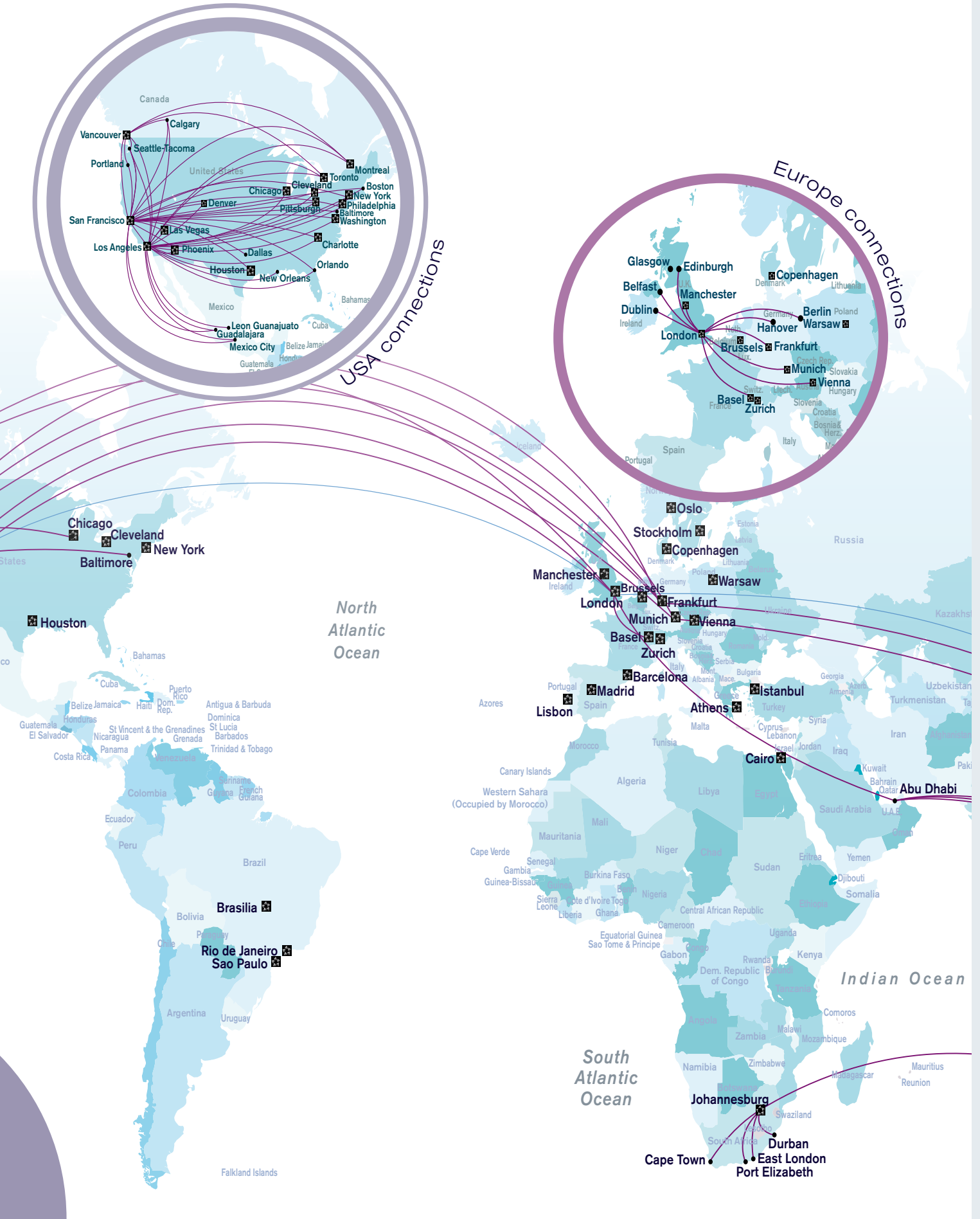


FLIGHTS OPERATED BY:

- Air New Zealand
- Key Air New Zealand codeshare partners
- Virgin Australia/Pacific Blue
- Star Alliance hub cities

Routes shown operated by Air New Zealand and key codeshare partners were correct at the time of printing and are subject to change without notice.

Global Network Map



Cargo

The Air New Zealand Group carries cargo domestically and internationally on its air passenger services. Cargo transport services generated \$278 million of the Air New Zealand Group's revenue in FY11 (being 6% of the Air New Zealand Group's consolidated operating revenue in FY11).

Contract services

The Air New Zealand Group also earns revenue from providing contract services to third parties for ground handling, aircraft maintenance, and design, manufacture and installation of aircraft interiors. Overall contract services generated \$329 million of the Air New Zealand Group's revenue in FY11 (being 8% of the Air New Zealand Group's consolidated operating revenue in FY11).

Airpoints loyalty programme

Air New Zealand's Airpoints loyalty programme is a key part of customer engagement. Membership of the Airpoints loyalty programme continues to grow with 16% membership growth occurring during FY11. Members can earn Airpoints Dollars by flying on Air New Zealand and partner airlines, through everyday spending using any Airpoints earning credit card and by scanning their Airpoints card at participating retailers.

Airpoints Dollars can be redeemed to purchase seats on Air New Zealand Group ticketed and operated flights and certain partner airlines or redeemed for certain car rentals and hotel accommodation and Koru Club membership or to purchase products from the online Airpoints store.

Strategic initiatives

The Air New Zealand Group maintains a programme of strategic initiatives across its business. Recent initiatives include:

Seats to Suit: In November 2010, the Air New Zealand Group introduced the "Seats to Suit" product on its Tasman and Pacific network which has to date resulted in significant gains in market share and passenger volumes. The "Seats to Suit" product gives the customer flexibility to choose to pay just for the services that they require for their air travel by offering four fare types: Seat, Seat + Bag, The Works and Works Deluxe.

Alliances: Air New Zealand has recently established the Trans-Tasman Alliance with Virgin Australia which extends the services offered by both airlines and provides a more seamless customer experience between Australia and New Zealand.

New International Product: Progressive rollout of new customer experience on Boeing 777-300ER aircraft. The award winning interior includes the Skycouch seat in economy, the Spaceseat in premium economy and an improved business premier service.

Fleet Simplification: The Boeing 747-400 aircraft are being and will be progressively replaced by new Boeing 777-300ER aircraft and Boeing 787-9 aircraft (when they become available). The narrow body domestic Boeing 737-300 aircraft are also progressively being replaced by Airbus 320 aircraft which will result in the Air New Zealand Group having a single-type narrow body jet fleet.

Sustainability

It is the Air New Zealand Group's goal to be one of the world's most environmentally sustainable airlines and the Air New Zealand Group has a range of initiatives underway to help it achieve this goal.

The Air New Zealand Group offers customers two options to make an active contribution to environmental sustainability. Customers can either directly offset the carbon dioxide emissions from their travel by making donations to the Air New Zealand Group Carbon Offset Programme, with all contributions going directly to purchase TrustPower wind farm credits in New Zealand or choose to make a donation to the Air New Zealand Environment Trust. Donations made to the Air New Zealand Environment Trust are utilised to support projects that protect, preserve and enhance New Zealand's natural environment.

Awards

The Air New Zealand Group has received numerous awards recognising its world class airline performance, including for innovation and commitment to the environment. Awards received include:

YEAR	AWARDER	AWARD
2011	<i>Airline Business</i>	<i>Airline Strategy Award – Marketing</i>
2011	<i>Randstad Award (NZ)</i>	<i>Most Attractive Employer</i>
2011	<i>Aviation Week</i>	<i>Global MRO of the Year – Technical Operations</i>
2011	<i>Condé Nast Traveller Reader's Awards</i>	<i>Aviation Innovation and Design – Skycouch</i>
2011 / 2010	<i>Skytrax World Airline Awards</i>	<i>Best Airline Australia/Pacific</i>
2011	<i>Skytrax World Airline Awards</i>	<i>World's Best Premium Economy Class Airline</i>
2010	<i>Business Traveller Magazine</i>	<i>Best Business Travel</i>
2010	<i>Air Transport World</i>	<i>Airline of the Year</i>
2010	<i>Which? Awards</i>	<i>Best Airline</i>
2010	<i>Condé Nast Traveller Reader's Awards</i>	<i>Favourite Long-Haul Leisure Airline</i>
2009	<i>Qualmark Green</i>	<i>Enviro-Gold accreditation – the highest Qualmark Green rating</i>
2009	<i>Loyalty Awards</i>	<i>Most innovative frequent flier programme</i>
2009	<i>Airline Business</i>	<i>Airline Strategy Award – Technology</i>

Staff culture

A cornerstone to the success of the Air New Zealand Group is its people. The Air New Zealand Group invests in training and development as well as in enhancing the work environment for its employees. The Air New Zealand Group encourages its employees to be themselves and in doing so, treat customers as they would a friend. The kiwi 'can do' attitude is evident in every part of the Air New Zealand Group's business which has led to a world class customer experience and innovation across the business. The culture of the Air New Zealand Group encourages employees to be proud of who they work for, where they come from and be confident in sharing this with the world.

Fleet replacement programme

The Air New Zealand Group maintains an ongoing fleet replacement programme and as part of those programmes expects to exit some aircraft and take delivery of new aircraft as follows:

AIRCRAFT TYPE	FY2012	FY2013	FY2014	FY2015	FY2016
Boeing 777-300ER deliveries	2	-	-	-	-
Airbus 320 deliveries	2	1	3	4	-
Boeing 787-9 deliveries*	-	-	5	-	1
Boeing 747-400 exits	(3)	-	(2)	-	-
Airbus 320 exits	-	-	(2)	-	(3)
Boeing 737-300 exits	(2)	(2)	(3)	(1)	-
Boeing 767-300ER exits	-	-	-	-	(3)

* Note: these are indicative dates as provided by Boeing but could be subject to further delays. For further information about delivery of the Boeing 787-9 aircraft see page 32 of this Prospectus.

The Air New Zealand Group is also in the process of considering additional aircraft purchases or leases as part of its fleet replacement programmes and potential fleet expansion.

Fleet funding

The Air New Zealand Group funds its aircraft through a combination of its own reserves, commercial and export credit backed loans, finance leases and operating leases. Air New Zealand Aircraft Holdings Limited, a Subsidiary of Air New Zealand, is the registered owner or lessee of the majority of the aircraft operated by Air New Zealand.

Neither Air New Zealand Aircraft Holdings Limited nor any of the other Subsidiaries or Affiliates of Air New Zealand, guarantees, or provides any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to the Bonds.

Currently all of the Air New Zealand Group's aircraft related loans and finance leases are secured against aircraft and aircraft related assets of the Air New Zealand Group. As at 30 June 2011 aircraft and aircraft related assets of the Air New Zealand Group having a book value of \$1,539 million were pledged as security over secured borrowing and finance lease obligations having a book value of \$1,255 million as at 30 June 2011.

The Air New Zealand Group sources aircraft on operating leases and sources aircraft funding from a wide range of lenders active in the global aviation finance markets. The Air New Zealand Group actively seeks a diversified pool of financing and leasing structures so as to limit its reliance on any one funding source, product or market.

Air New Zealand guarantees the obligations of its Subsidiaries in relation to all financed aircraft.

For further information about fleet funding see page 30 of this Prospectus.

Hedging

Air New Zealand attempts to minimise the impact of short term volatility in jet fuel prices and foreign currency exchange rates by deploying hedging strategies. The objective of these strategies is to provide certainty over the short term allowing sufficient time to adjust pricing and capacity to the changing input prices and rates. Typically hedging is for twelve months and the target is to be 80% hedged for the next six months, with the total hedges representing around 60% of 12 months uplift.

At various times the oil markets have displayed excessive volatility that cannot be reasonably explained by economic fundamentals. When this is the case the Board can deem the markets to be "unruly" and the minimum hedge levels can be reduced to around 20% of 12 months uplift. The

practical effect of this is that Air New Zealand will rely on its existing hedge book and may not instigate new hedges for several months.

For further information about hedging of jet fuel prices and foreign currency exchange rates see pages 28 to 29 of this Prospectus.

Government ownership

Air New Zealand is currently majority owned by the Crown. The Crown's current holding in Air New Zealand (as at 22 August 2011) is 73.72%. The Crown, via its holding of a preference "Kiwi Share", also has special shareholder rights. These special rights are set out in the Air New Zealand constitution.

The Government has stated that it has sought advice from The Treasury on the merits and viability of applying a mixed ownership model to selected State Owned Enterprises. Air New Zealand has been identified by the Crown as a good example of the mixed ownership model and accordingly Air New Zealand is not expecting a change in the conduct of the Crown in its dealings with Air New Zealand. However, if the current Government is re-elected later this year, it is expected that in the short to medium term after the election the Crown will sell down part of its shareholding in Air New Zealand. The Government has publicly stated that it intends to retain a majority ownership of Air New Zealand so it is not expected that the Crown's shareholding will fall below 51%. However, Air New Zealand cannot give investors any assurances about the level of the Crown's shareholding in Air New Zealand in the future.

Summary of Trust Deed

Introduction

This section contains a summary of the principal provisions of the Trust Deed under which the Bonds will be constituted and issued.

Capitalised terms that are used in this section in relation to the Trust Deed but not defined in this Prospectus have the meaning given to those terms in the Trust Deed.

Trust Deed

The Trust Deed is dated 24 August 2011. Air New Zealand and the Trustee are the parties to the Trust Deed.

The Trust Deed contains terms relating to:

- the payment of interest in respect of the Bonds; and
- other specific conditions applicable to the Bonds.

Investors requiring further information in relation to the Trust Deed should refer to the copy of this document which is available on the Companies Office website (www.business.govt.nz/companies). The Trust Deed is also available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed.

The Trustee and the Bondholders

The Trustee is appointed under the Trust Deed to act as trustee for the Bondholders.

The Trustee does not guarantee the payment of interest or the Principal Amount of the Bonds.

Issue and form of the Bonds

The Trust Deed provides that Air New Zealand may issue the Bonds on the terms contained in the Trust Deed.

The Bonds rank equally with all present and future unsecured and unsubordinated indebtedness of Air New Zealand, except indebtedness preferred by law.

The Trust Deed does not create any security over the assets of Air New Zealand or any of its Subsidiaries or Affiliates. None of the Subsidiaries or Affiliates of Air New Zealand nor any other person guarantees the obligations of Air New Zealand under the Trust Deed or in respect of the Bonds.

Trustee's powers and duties

Brief particulars of the duties stated by the Trust Deed to be those of the Trustee are set out on page 39 under the heading "Duties and powers of the Trustee".

Reporting

Air New Zealand will provide to the Trustee:

- the annual audited financial statements of the Air New Zealand Group; and
- the half-yearly unaudited financial statements of the Air New Zealand Group.

Air New Zealand covenants to supply to the Trustee, at the same time the latest audited financial statements of the Air New Zealand Group are provided in accordance with the Trust Deed, a separate report by its auditor as to certain matters related to the Trust Deed.

Air New Zealand's interim report (including unaudited financial statements for the first six months of each financial year) and its Annual Report will be made available to Bondholders in accordance with the Listing Rules. Those reports will also be available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Events of Default

Upon the occurrence of any Event of Default, the Trustee may in its discretion, and shall if directed to do so by an Extraordinary Resolution, declare the Bond Moneys to be immediately due and payable. However, none of the events specified in the Trust Deed as an Event of Default will constitute an Event of Default, and the Bond Moneys will not become immediately due and payable, unless the Event of Default is continuing unremedied and the Trustee has given a notice to Air New Zealand declaring the Bond Moneys to be immediately due and payable.

The events or circumstances which constitute an Event of Default in respect of the Bonds include the following:

- Air New Zealand fails to pay any Principal Amount or interest on a Bond within two Business Days of its due date or any other amount payable in respect of a Bond is not paid within five Business Days of its due date;
- Air New Zealand becoming insolvent or unable to pay its indebtedness as it falls due, suspending payments to creditors, making an assignment or arrangement for the benefit of its creditors or ceasing to carry on business;
- an order is made or resolution made for the winding up or dissolution of Air New Zealand;
- Air New Zealand being declared at risk pursuant to the Corporations (Investigation and Management) Act 1989 or has a statutory manager appointed; and
- any indebtedness of Air New Zealand in respect of borrowed money or under a guarantee of borrowed money of, or in excess of, \$20,000,000 is declared due before it would otherwise have been due by reason of any default or event of default (however described) other than any such indebtedness the liability for which, or associated default or event of default, is being contested in good faith in appropriate proceedings.

Covenants

The Trust Deed contains a number of covenants by Air New Zealand, including that for so long as the Bonds are outstanding:

- it will notify the Trustee promptly and in any event within 10 Business Days of it becoming aware that an Event of Default has occurred and is continuing;
- it will maintain its corporate existence and comply with laws; and
- it will use its reasonable endeavors to ensure that the Bonds are, upon their issue, quoted on the NZDX and that such quotation is maintained.

Purchase and re-issue of Bonds

Air New Zealand may purchase Bonds from any person at any time on market or by private treaty at any price. Any Bonds purchased by Air New Zealand will be deemed to be immediately cancelled but Air New Zealand may, at any time, re-issue any such Bonds. Any re-issued Bonds will be subject to the terms of the Trust Deed and the conditions attaching to the Bonds as set out in this Prospectus (except as to the date of issue). Any re-issued Bonds will rank equally with each other and with any Bonds already on issue.

Meetings

The Trust Deed contains provisions for meetings of Bondholders and the matters that may be determined by Extraordinary Resolution or other resolution of Bondholders.

Subject to the provisions of the Trust Deed, the Trustee or Air New Zealand may convene a meeting of Bondholders at any time. The Trustee must convene a meeting of Bondholders at the request in writing of the holders of at least 10% of the aggregate Principal Amount of the Bonds then outstanding. In addition, Air New Zealand must convene a meeting of Bondholders whenever required to do so by law.

Bondholders have the power exercisable by Extraordinary Resolution to agree, approve, authorise, ratify and sanction various acts, matters or things in relation to, or in connection with, the Trust Deed, the Bonds and the exercise or performance by the Trustee of its powers, duties and discretions. For example, Bondholders may by an Extraordinary Resolution:

- sanction, either unconditionally or conditionally, any modification, abrogation, novation, variation of, or arrangement in respect of the rights of Bondholders against Air New Zealand arising under the Trust Deed or in relation to the Bonds;
- assent to any proposal for modification of the Trust Deed or conditions attaching to the Bonds;
- subject to the Securities Act, discharge or exonerate any person or persons from any liability in respect of any act or omission for which such person or persons may have become responsible under the Trust Deed or in relation to the Bonds;
- authorise any person or persons to concur in and execute all such documents and do all such acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- direct or request the Trustee to take such action or do such things as the Trustee may lawfully do under the Trust Deed and to authorise the Trustee to deduct its costs and expenses from any amount received by the Trustee on account of Bondholders, to the extent such additional authority may be required; and
- subject to the provisions of the Trust Deed, request the removal of the Trustee and approve the appointment of a new trustee.

An Extraordinary Resolution of Bondholders is a resolution passed at a meeting of the Bondholders duly convened and held by a majority consisting of not less than 75% of the votes cast on that resolution or, if a poll is required, by not less than 75% of the votes cast on the poll. An Extraordinary Resolution is binding on all Bondholders, whether or not they were present at such meeting. Neither the Trustee nor Air New Zealand may take any action that affects the rights attached to the Bonds unless that action has been approved by an Extraordinary Resolution.

A quorum for the purposes of a meeting of Bondholders is two or more Bondholders present in person or by proxy and holding or representing not less than 10% of the aggregate Principal Amount of the Bonds then on issue and outstanding. A quorum is required in order to pass an Extraordinary Resolution.

Where a particular majority is not required by the Trust Deed or by law, any matter arising at a meeting of Bondholders duly convened and held will be determined by a simple majority of the persons voting on a show of hands or, if a poll is duly demanded, by a majority consisting of at least 50.1% of the votes given on such poll.

Amendments to Trust Deed

A description of how the terms and conditions of the Trust Deed may be amended is set out under the heading "Amendments to Trust Deed" on page 40 of this Prospectus.

Any amendment to the Trust Deed will be binding on all Bondholders, but it will only be effective if it is in writing and signed by Air New Zealand and the Trustee.

Miscellaneous provisions of Trust Deed

The Trust Deed also contains detailed provisions relating to procedures for transfer and registration of the Bonds and various other matters.

Because the Bonds are to be registered (rather than bearer) bonds, the Trustee and Air New Zealand are entitled to rely on the Register as the sole and conclusive record of the Bonds held by a Bondholder, notwithstanding any discrepancy between the Register and any certificate issued in respect of any Bonds. A certificate will not constitute a document of title and transfers must be effected using a registrable transfer form or by means of the Settlement System (or its successor) operated by NZX. A transfer will not take effect until the transferee is registered as the holder of the Bond.

A Bondholder may transfer Bonds in minimum Principal Amounts of \$1,000 provided that, Air New Zealand may refuse to register a transfer if the transfer would result in the transferee holding Bonds with an aggregate Principal Amount of less than \$5,000 (or in the case of amounts held by NZX registered brokers and registered banks \$1,000). Air New Zealand may also refuse to register a transfer if it has a lien on the Bonds or the transferor has failed to produce such evidence as Air New Zealand reasonably requires to establish the transferor's right to transfer the relevant Bonds.

Neither the Trustee nor Air New Zealand is liable to the other or to any Bondholder for relying on the Register or for accepting in good faith as valid the details recorded on the Register if they are subsequently found to be forged, irregular or not authentic.



Trustee's statement

25 August 2011
The Directors
Air New Zealand Limited
Air New Zealand House
185 Fanshawe Street
Auckland 1142

Guardian Trust

Prospectus for an offer of unsecured, unsubordinated fixed rate bonds

Clause 9(3) of Schedule 12 to the Securities Regulations 2009 requires us to confirm that the offer by Air New Zealand Limited ("Air New Zealand") of the unsecured, unsubordinated fixed rate bonds (the "Bonds") set out in the simplified disclosure prospectus dated 25 August 2011 (the "Prospectus") complies with any relevant provisions of the trust deed between Air New Zealand and The New Zealand Guardian Trust Company Limited (the "Trustee") dated 24 August 2011 (the "Trust Deed").

The relevant provisions of the Trust Deed are those which:

- (a) entitle Air New Zealand to constitute and issue under the Trust Deed the Bonds offered under the Prospectus; and
- (b) impose any restrictions on the right of Air New Zealand to offer the Bonds, and are described in the "Summary of Trust Deed" section of the Prospectus.

The Trustee confirms that the offer of the Bonds set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) that the Trustee relies on the information supplied to it by Air New Zealand pursuant to the Trust Deed, and does not carry out an independent check of the statements or the figures supplied to it in that information.

The Trustee does not guarantee the repayment of the Bonds offered, the payment of interest thereon or any other aspect of the Bonds or obligations of Air New Zealand.



Signed for and on behalf of the Trustee

The New Zealand Guardian Trust Company Limited

Corporate Trusts

Vero Centre, 48 Shortland Street, Auckland 1010
PO Box 1934, Shortland Street, Auckland 1140, New Zealand
Telephone: (09) 377 7300, Facsimile: (09) 377 7477
Email: ct-auckland@nzgt.co.nz

www.guardiantrust.co.nz



Risk factors

Investors should be aware that there are risks associated with an investment in the Bonds.

The principal risks for Bondholders in relation to the Bonds are that:

- Bondholders may not receive timely, or any, interest payments on the Bonds (and therefore not receive the returns described on pages 37 to 39 of this Prospectus); or
- Air New Zealand may be unable to repay all, or any, of the Principal Amount of the Bonds.

These circumstances could arise for a number of reasons, including if:

- there is a material deterioration in the operating performance of the Air New Zealand Group, and therefore, the financial performance or position of Air New Zealand (including its ability to service its debt obligations); or
- Air New Zealand or any of its Subsidiaries or Affiliates becomes insolvent, is placed in liquidation, receivership or statutory management, or otherwise becomes unable to pay its debts as they fall due. In those circumstances, Bondholders could receive none, or only some, of the expected returns (including interest payments on the Bonds) and/or be paid none, or only some of, the Principal Amount of the Bonds.

The principal factors which may, either individually or in combination, affect the future financial performance or position of the Air New Zealand Group, and therefore the ability of Air New Zealand to pay interest on, or repay the Principal Amount of, the Bonds are set out below. Some risks are specific to the Air New Zealand Group and its business, some are applicable to the airline industry in general and some are of a more general nature. There are also certain factors which could reduce or eliminate the returns intended to be derived from holding the Bonds. Further information about these factors is set out on pages 37 to 39 of this Prospectus under the heading "Returns".

Investors should carefully consider these risk factors (together with the other information in this Prospectus) before deciding to invest in the Bonds. The summary of risks presented is not exhaustive and this Prospectus does not take account of the personal circumstances, financial position or investment requirements of any one person in particular. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Bonds in light of their individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

Structure of Bond issue

The Bonds are being issued by Air New Zealand. No Subsidiary or Affiliate of Air New Zealand guarantees, or provides any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to the Bonds. This means that any assets owned by the Subsidiaries or Affiliates of Air New Zealand are not necessarily available to Air New Zealand to satisfy any of its liabilities to Bondholders. In any event, in the absence of guarantees from such parties, Air New Zealand's claim to any assets of its Subsidiaries or Affiliates is a claim to any surplus (after payment of secured and unsecured creditors of the Subsidiary or Affiliate) distributed to a shareholder or owner by a Subsidiary or an Affiliate on a liquidation.

Air New Zealand invests in, advances money to, and borrows from its Subsidiaries and Affiliates. Air New Zealand also guarantees certain obligations of its Subsidiaries to third parties. Accordingly, any material adverse effect on the financial performance or position of a Subsidiary or an Affiliate of Air New Zealand could have a material adverse effect on the financial performance or position of Air New Zealand and/or reduce funds that Air New Zealand has available to satisfy its obligations under the Bonds.

Material reductions in demand

The Air New Zealand Group is exposed to the risk of material reductions in demand for its air passenger, cargo transport and other associated services caused by one or more of a range of factors which could be short or long term in nature and may have a local, regional or global effect. Material reductions in demand would have a material adverse impact on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

A significant fluctuation or deterioration in global, regional or domestic financial market conditions may result in a deterioration in consumer confidence. This could result in a decline in demand for the Air New Zealand Group's services, including as a result of the factors described below, being intensified. This could have a further material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Factors which could cause material changes in demand for the Air New Zealand Group's services include, but are not limited to, the following.

Economic and financial conditions and risks

A substantial portion of airline travel (both business and leisure) is discretionary. The airline industry is sensitive to general economic conditions and shifts in consumer confidence. Consequently, economic recessions or downturns are likely to adversely affect demand for air passenger services and cargo space. Typically, such circumstances would lead to lower load factors, greater competition for available traffic and lower passenger yields on the Air New Zealand Group's network.

Economic recessions or downturns or uncertainty in global, regional or domestic financial markets (including markets where the Air New Zealand Group does not operate) may also lead to other airlines shifting their capacity to markets and routes served by the Air New Zealand Group, increasing competition in such markets resulting in excess capacity, lower load factors for passengers and cargo, lower passenger or cargo yields and downward pressure on fares that are able to be charged by the Air New Zealand Group.

Demand for the services of the Air New Zealand Group can also be adversely affected by global fluctuations in foreign currency and interest rates which can reduce the discretionary spending of consumers, the price of airfares in different countries and consumer confidence. The Air New Zealand Group's international business is more reliant on inbound passengers than outbound passengers.

Increases in jet fuel costs can also impact on demand for the services of the Air New Zealand Group if these increases lead to higher prices for airfares.

For further information regarding foreign currency fluctuations, interest rate fluctuations and increases in jet fuel costs see pages 28 to 29 of this Prospectus.

Attractiveness of New Zealand as a tourist destination

Anything that makes New Zealand less attractive as a destination (such as a sustained increase in the New Zealand currency against currencies of the countries of origin of inbound travellers or an adverse change in the perception of New Zealand as a holiday destination relative to other destinations) could result in lower demand for the services of the Air New Zealand Group.

Impact of external events

External global events including terrorist attacks, military conflicts, the impact of pandemics and natural disasters such as earthquakes, floods, storms and volcanic eruptions can cause material reductions

in demand for the Air New Zealand Group's airline passenger services through the cancellation of existing customer bookings, reductions in new customer bookings and the closure or restriction of access to airspace or airports. There may also be material reductions in demand for the Air New Zealand Group's cargo transport services and other services as a consequence of such events.

Passenger taxes

The Air New Zealand Group is exposed to the risk that countries in which it operates impose passenger taxes and duties or other costs which increase the cost of air passenger travel to consumers which adversely affects demand for air passenger travel.

Environmental

Concerns about the environmental impacts of air travel and any increase in the preference of potential customers for "green" travel could cause a reduction in customer demand for the Air New Zealand Group's services.

Customer concentration

The New Zealand Government is currently the Air New Zealand Group's biggest air passenger services customer, representing approximately 4.6% of all air passenger revenue in FY11. Air New Zealand is currently participating in the All of Government Air Travel tender process under which it is being asked to bid to provide air passenger services to the Government. The outcome of this tender process is unknown. However, if Air New Zealand was to lose a significant part of the air passenger services to another airline, this would have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Material changes in input costs

The Air New Zealand Group is exposed to material changes in prices for the goods and services it requires to operate. If there is a material increase in the price of such goods and services this could have an adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

A significant fluctuation or deterioration in global, regional or domestic financial markets could result in the impact of the cost increases as described below being intensified. This could have a further material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Examples of where an increase in the costs of goods and services required by the Air New Zealand Group to operate its business could adversely effect the Air New Zealand Group's financial performance include, but are not limited to, the following.

Increases in jet fuel costs

Jet fuel costs constitute a significant proportion of the Air New Zealand Group's total operating costs. In FY11, the Air New Zealand Group's largest cost was jet fuel, which constituted approximately 29% of the Air New Zealand Group's operating costs (excluding aircraft lease costs and depreciation) for that period.

Jet fuel costs are subject to wide price fluctuations driven by factors such as supply and demand dynamics, geopolitical issues, hedge fund behaviour and economic conditions, all of which cannot be predicted with any degree of certainty and are outside the Air New Zealand Group's control. A jet fuel supply shortage could result in higher jet fuel prices.

The Air New Zealand Group attempts to minimise the impact of volatility in jet fuel prices by entering into fuel hedge contracts. These contracts may not fully protect the Air New Zealand Group from increases in the price of jet fuel. There is also no protection beyond the period of the contract and fuel hedge contracts may (due to the cost of these instruments) limit the benefits the Air New Zealand Group would derive from decreases in the cost of jet fuel during the term of the contracts. Air New Zealand uses crude oil hedges to mitigate the impact on the movement of jet fuel prices. The imperfect relationship between crude oil and jet fuel price fluctuations means the effectiveness of the hedge is not assured.

Any increase or sustained high levels for jet fuel prices will increase the Air New Zealand Group's operating expenses and may have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Emission trading schemes

The Air New Zealand Group is exposed to the risk that countries in which it operates introduce or continue to apply emissions regulations and associated trading schemes.

In February 2009, EU Directive 2008/101/EC came into force, bringing the aviation industry within the EU Emissions Trading Scheme (**EU ETS**). As a result, all flights departing from, and arriving at, European Union airports will be included within the EU ETS from 1 January 2012. The EU ETS caps total emissions to a fixed limit with operators required to surrender allowances for each reporting year to cover their total emissions. For the period 1 January 2012 to 31 December 2012, 15% of allowances will be sold to operators through an auction process. The remaining allowances will be allocated free of charge according to a formula which has been designed to attempt fair allocation between operators. From 31 December 2012 until 31 December 2020, a tapering amount of free allowances will be allocated to operators. Thereafter there will be no free allocations. The EU ETS's legality under international treaties has been challenged in the Court of Justice of the European Union by a number of airlines and airline industry associations, including the International Air Transport Association.

The cost and amount of allowances which the Air New Zealand Group will have to purchase in 2012 is estimated to be \$3.0 million per annum, based on its current schedule of flights. Should the Air New Zealand Group not be able to obtain sufficient allowances under the auction/free allocation processes, it will have to purchase additional allowances on the open market. If such additional purchases were required, this would increase the Air New Zealand Group's total operating costs, which could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The future effects of emissions regulations and associated trading schemes in countries in which the Air New Zealand Group operates are not currently foreseeable with certainty but may lead to a decrease in demand for air passenger travel, limit the Air New Zealand Group's operational flexibility and increase costs which could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Cost of access to key infrastructure

The Air New Zealand Group incurs airport user charges from each airport that it services. The major New Zealand airports have a statutory right to fix or alter airport charges, subject only to a duty to consult with major customers. There can be no assurance that any increases in airport user charges to the Air New Zealand Group will be reasonable, or that the Air New Zealand Group will be able to offset an increase in such charges with higher fares.

The availability and cost of terminal space, landing slots and other airport related services impacts the Air New Zealand Group's operating expenses. Significant increases in such costs would reduce the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds. In addition, the inability of the Air New Zealand Group to continue to lease, acquire or access airport facilities as required and on reasonable terms may affect the Air New Zealand Group's financial performance through disruption or delay to services.

Significant ongoing litigation

Certain Air New Zealand Group members are defendants in various proceedings in a number of the jurisdictions in which they operate. These proceedings include proceedings issued by the Australian Competition & Consumer Commission against Air New Zealand and a number of other airlines, alleging breaches of the (Australian) Trade Practices Act 1974, and by the New Zealand Commerce Commission against Air New Zealand and a number of other airlines, alleging breaches of the (New Zealand) Commerce Act 1986. These proceedings relate to alleged anti-competitive conduct in relation to fuel surcharges and security or insurance charges.

The proceedings against Air New Zealand Group members also include class actions in several jurisdictions, including the United States, Canada and Australia, which allege various forms of anti-competitive behaviour by Air New Zealand (and a number of other airlines), including price fixing in respect of fares, rates and surcharges.

Air New Zealand has been advised that it is no longer subject to investigations by the Department of Justice in the United States or the European Commission in relation to alleged air cargo cartel conduct in those jurisdictions and accordingly, Air New Zealand is not the subject of any proceedings in respect of those previous allegations.

Air New Zealand is defending each of these proceedings, which it believes could continue for some time. Air New Zealand cannot predict with any certainty the amounts (if any) which might be required to pay any fines or penalties which might be imposed or to pay any damages which might be awarded or to settle any such proceedings. In the event that a court determined, or it was agreed with a regulator, that Air New Zealand had breached relevant laws, Air New Zealand would be potentially liable for pecuniary penalties and/or third party damages under the laws of the relevant jurisdiction. Such penalties and/or damages could be for material amounts and payment of them could have a material adverse effect on the Air New Zealand Group's financial performance or position and therefore its ability to perform its obligations under the Bonds. Air New Zealand has not made any provisions in its FY11 financial statements in respect of the proceedings described above.

Financial risks

The Air New Zealand Group is exposed to various financial risks including changes in foreign currency exchange rates and interest rates. Material adverse changes to these factors could have a material adverse impact on the Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

A significant fluctuation or deterioration in global, regional or domestic financial markets could result in the impact of financial market risks as described below being intensified for the Air New Zealand Group. This could have a further material adverse effect on the Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Examples of how financial risks can adversely effect the Air New Zealand Group's financial performance or position include, but are not limited to, the following.

Foreign currency fluctuations

The Air New Zealand Group is exposed to fluctuations in foreign currency exchange rates because a significant part of its revenues and costs are denominated in foreign currencies.

In particular, Air New Zealand receives a significant portion of its revenue in foreign currencies, such as United States dollars, Australian dollars, Pounds Sterling, European Community Euros, Japanese Yen and Chinese Yuan. Appreciation in the New Zealand dollar, against a currency in which the Air New Zealand Group's revenues are denominated, would decrease the Air New Zealand Group's revenue (when measured in New Zealand dollars) and this would have an adverse impact on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The principal foreign currency in which the Air New Zealand Group incurs expenses (in relation to jet fuel, aircraft operating leases, aircraft spare parts, borrowing costs and aircraft purchases) is United States dollars. The Air New Zealand Group's United States dollar denominated costs exceed its United States dollar denominated revenue.

Depreciation in the New Zealand dollar against the United States dollar (or any other currency in which any of the Air New Zealand Group's expenses are denominated) would increase the Air New Zealand Group's total operating expenses when measured in New Zealand dollars, and this would decrease the Air New Zealand Group's New Zealand dollar financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The Air New Zealand Group enters into foreign exchange contracts to hedge against near term currency fluctuations. Such contracts do not fully protect the Air New Zealand Group from the adverse impact of significant exchange rate fluctuations over the longer term.

Interest rate fluctuations

As at 30 June 2011, 85% of the Air New Zealand Group's long term secured borrowings and finance lease liabilities over aircraft are calculated by reference to floating interest rates. The Air New Zealand Group has exposure to interest rates in various markets including to the London Interbank Offered Rate. As a result, the Air New Zealand Group's financial performance or position will be affected by significant changes in the level of interest rates.

From time to time, the Air New Zealand Group enters into contracts fixing the rate of interest payable in the future to minimise any adverse impact of changes in interest rates on its floating rate commitments. However, it may not be fully protected from any significant increases in interest rates, and as a result of these contracts, may not receive the benefit of falling interest rates. Increased interest rates would impose additional costs on the Air New Zealand Group, which in turn, would reduce the Air New Zealand Group's financial performance or position and the ability of Air New Zealand to perform its obligations under the Bonds.

Failure by counterparties

The Air New Zealand Group is exposed to the risk that certain of its significant counterparties, such as the banks it invests with, its derivative counterparties and its insurers, may default in their obligations to the Air New Zealand Group. This could cause significant losses to the Air New Zealand Group which may have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Unavailability of finance or an increase in its costs of funding.

The Air New Zealand Group funds its aircraft through a combination of its own reserves, commercial and export credit backed loans, finance leases and operating leases sourced from the global aviation finance markets. Because of changing market conditions, the Air New Zealand Group cannot be certain that it will be able to secure new funding from third parties on terms attractive to it, or at all.

If the Air New Zealand Group is unable to raise sufficient finance at any time to meet its commitments, this could have a material adverse effect on the Air New Zealand Group's financial position. If its cost of funding increases materially in the future, this could have a material adverse effect on the Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Adverse changes in competitive environment

The airline industry is highly competitive. The Air New Zealand Group faces competition in the airline passenger services market, cargo services market and engineering and maintenance services markets. The Air New Zealand Group is also exposed to the risk of potential competition from new entrants in all markets in which the Air New Zealand Group operates, as well as changes in the effectiveness of existing competitors competing with the Air New Zealand Group.

Many of the airlines against which the Air New Zealand Group competes, or may compete in the future, have larger networks and/or home markets, and are well resourced.

Any increase in competition, or any improved effectiveness of existing competition, could reduce the Air New Zealand Group's market share, which in turn could have a material adverse impact on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

There are a number of factors which could impact on the competitive position of the Air New Zealand Group including, but not limited to, the following.

Alliances

The Air New Zealand Group is a member of the Star Alliance and has other important alliances, including the Trans-Tasman Alliance with Virgin Australia, and code-sharing arrangements with airlines that are not members of the Star Alliance, such as Virgin Atlantic, Etihad Airways and Japan Airlines.

The success of these alliances depends, in part, on the actions and strategic plans of the other member airlines over which Air New Zealand has no control. Many of these airlines are competitors of the Air New Zealand Group in certain markets and on certain routes. The failure of an alliance, of which the Air New Zealand Group is a member, to operate effectively, or the failure of any other member airline, could adversely affect the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The Trans-Tasman Alliance has been authorised by the Australian Competition & Consumer Commission and the New Zealand Minister of Transport for a three year period ending on 31 December 2013. It is intended that Air New Zealand and Virgin Australia will apply for reauthorisation prior to 31 December 2013. In the event that either the Australian Competition & Consumer Commission or the New Zealand Minister of Transport do not reauthorise the Trans-Tasman Alliance the alliance would need to be disestablished. Depending on the performance of the Trans-Tasman Alliance up to that point in time, the loss to the Air New Zealand Group of the benefits of the Trans-Tasman Alliance and the costs of disestablishment could adversely affect the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Strategic initiatives

The Air New Zealand Group maintains a programme of strategic initiatives across its business. The success of these strategic initiatives depends on a number of factors, including the Air New Zealand Group's ability to efficiently implement complex initiatives within tight timeframes, the availability of sufficient resources and personnel to implement and support those initiatives, the ability to obtain timely regulatory input and approvals where needed, and the timely monitoring and measurement of the success of these initiatives. If the Air New Zealand Group's strategic initiatives are not effective in responding to competitive threats or are not implemented successfully this could adversely affect the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Disruption to operations

The Air New Zealand Group, like other participants in the airline industry, faces the risk of disruption to the operation of its services. Disruptions could have a material adverse effect on the Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Factors which could cause disruption to the Air New Zealand Group's operations include, but are not limited to, the following.

Domestic and global regulation

The Air New Zealand Group is subject to the regulatory control of numerous government agencies, including the Civil Aviation Authority, a New Zealand statutory body. The Air New Zealand Group is required to hold airline air operator certificates and an international air service licence under the New Zealand Civil Aviation Act 1990 to enable it to fly aircraft into and out of New Zealand air space and to operate outside New Zealand territory. Any decision by the Civil Aviation Authority to revoke any or all of the air operator certificates, or take any other regulatory action concerning the aircraft or operations of the Air New Zealand Group, would have a material adverse effect on the Air New Zealand Group's financial performance or position (and therefore the ability of Air New Zealand to perform its obligations under the Bonds) in a number of ways, including: loss of revenue due to the grounding of aircraft, financial or other penalties, damage to the Air New Zealand Group's reputation as a responsible operator, flight delays and reductions in future bookings.

The Air New Zealand Group's ability to operate international air passenger services and cargo services is regulated through intergovernmental aviation arrangements. Changes to these arrangements might prevent access to additional capacity on particular routes and this could have a negative impact on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds. In addition, if the New Zealand Government grants

additional rights to foreign carriers to operate services to and from New Zealand, the Air New Zealand Group's market share on routes to and from New Zealand could decline which would have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

There has been increased global regulation and regulatory scrutiny of the airline industry including in relation to customer rights and airline security. Any additional regulation introduced in jurisdictions where the Air New Zealand Group has established, or may establish, operations, could impose restrictions or costs that could adversely impact the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

In addition, the Air New Zealand Group is subject to regulatory oversight in many other areas, including occupational health and safety and environmental regulations. Failure to comply with applicable regulations may result in significant fines and penalties being imposed by applicable regulators, industrial disruption or stoppages, and damage to the Air New Zealand Group's reputation which could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Operation of IT systems and reliance on IT suppliers

The Air New Zealand Group generates a significant amount of its ticket sales through its websites. In FY11 total revenue from electronic tickets sales through these websites was \$1.2 billion.

The Air New Zealand Group's ability to manage ticket sales (including through its websites), receive and process reservations, manage the network traffic and perform other critical business operations is highly dependent on the efficient and uninterrupted operation of:

- the information technology systems it uses (whether owned by the Air New Zealand Group or provided by third parties);
- the systems used by third parties dealing with the Air New Zealand Group; and
- the internet in general.

As with all technology systems, those on which the Air New Zealand Group relies are vulnerable to disruptions, computer viruses, acts of sabotage and other events which may restrict the Air New Zealand Group's ability to access and use its technology systems. The Air New Zealand Group is also highly reliant on the quality, security and uninterrupted operation of those information technology systems it is provided by third party suppliers which are critical to its business operations. Often there may be a limited number of suppliers who are able to provide the relevant technology systems to the Air New Zealand Group resulting in greater reliance being placed on a small number of third party suppliers and an inability to replace third party suppliers on short notice.

While the Air New Zealand Group has a business continuity plan in place to cover all its major systems and disruption risks, there is always the risk that such a plan may ultimately prove to be inadequate. If the plan is inadequate, any resulting disruption in these systems could result in the loss of bookings and loss of important data, increased expenses, disruption of flight services and inability to comply with regulatory requirements, any of which could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds. In addition, a material decrease in consumer confidence in the payment mechanisms used for electronic ticket sales through the Air New Zealand websites or the internet generally, could result in reduced ticket sales through the Air New Zealand websites which could adversely affect the Air New Zealand Group's financial

performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Airline operations and safety

In the event of an accident or incident involving an aircraft or equipment operated, designed or maintained by the Air New Zealand Group, significant losses could be incurred from repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and from significant potential claims of injured customers, other airlines to whom the Air New Zealand Group provides contracting services and others. The Air New Zealand Group maintains liability insurance in relation to such matters in amounts and of the type consistent with industry practice. The amount or scope of such coverage may not be adequate to cover all losses and the Air New Zealand Group may be forced to bear substantial losses from an accident or incident.

Any aircraft accident or incident, even if fully insured, could also significantly damage the Air New Zealand Group's reputation, which could cause customers to choose not to fly with Air New Zealand or airlines to whom the Air New Zealand Group provides contracting services to terminating such services. If a loss of confidence in Air New Zealand by customers (including third party contracting customers) occurred on a large scale and over an extended period, this could adversely affect the Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The Air New Zealand Group is exposed to the risk that one or more of its aircraft types could be grounded at any one time (whether the event directly involves the Air New Zealand Group or not). This may occur for a number of reasons, including, but not limited to, a decision by a supplier to recall a specific part in response to discovery of a design defect or mechanical problem, or a decision to ground a particular type of aircraft as a result of an event involving an aircraft of that type or of a similar type. Any such grounding would disrupt the Air New Zealand Group's services, and cause a loss of customers to competitors that fly different aircraft types which could have a material adverse effect on Air New Zealand Group's financial performance or position and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

The Air New Zealand Group's financial performance could also be adversely affected if the public avoids flying on its aircraft due to an adverse perception of a specific type of aircraft due to safety concerns or other problems.

Impact of external events

External global events including terrorist attacks, military conflicts, the impact of pandemics and natural disasters such as earthquakes, floods, storms and volcanic eruptions can cause disruption to the Air New Zealand Group's operations through the cancellation of existing customer bookings, reductions in new customer bookings and the closure or restriction of access to airspace or airports.

Reliance on key suppliers

The Air New Zealand Group is dependent on its ability to source, on favourable terms, sufficient quantities of goods and services in a timely manner, including the supply of jet fuel, supply of substantial equipment such as aircraft, engines and related components and those services available at airports or from airport authorities, such as ground handling, in flight catering and air traffic control services. The Air New Zealand Group is also dependent on third parties for services such as fuel distribution and aircraft and engine maintenance. In certain cases, the Air New Zealand Group may only be able to access goods and services from a limited number of suppliers and the transition to new suppliers of such goods

and services may take a significant amount of time and require significant resources. The failure, refusal or inability of a supplier to provide goods or services may arise as a result of numerous different causes, many of which are beyond the Air New Zealand Group's control. Any failure or inability by the Air New Zealand Group to successfully source goods and services, including because of the failure, refusal or inability of a supplier to provide goods or services, or to source goods and services on terms and pricing and within the timeframes acceptable to the Air New Zealand Group could negatively impact the Air New Zealand Group's business.

The Air New Zealand Group could also be adversely affected by the failure or inability of the relevant aircraft suppliers to meet agreed upon delivery dates for new aircraft. The Air New Zealand Group has been, and continues to be, adversely affected by delays in the delivery of the new Boeing 787-9 aircraft. Further delays will mean that the achievement of the relative financial and operational performance advantages that the Boeing 787-9 aircraft offers will be delayed further and changes will be required to the Air New Zealand Group's fleet refurbishment and replacement plans. There is also a risk that the Air New Zealand Group could be short of wide body aircraft capacity if the market quickly enters into a high demand growth period, adversely affecting the ability of the Air New Zealand Group to take advantage of such demand growth.

Insurance

Consistent with standard industry practice, the Air New Zealand Group is not insured in respect of certain matters which may arise as a result of external events. Insurance for losses arising in connection with environmental issues, nuclear disaster and certain war risks is either not available from any market or, in limited instances where it is available, it is considered to be disproportionately expensive.

The Air New Zealand Group is not insured in relation to mechanical failure of aircraft engines, with only the resultant damage from such mechanical failure being covered by insurance and not the aircraft engine itself.

In addition, the occurrence of external events (such as the earthquakes, floods, storms and volcanic eruptions which have occurred in various parts of the world over the past 18 months) could potentially impact on the insurance premiums payable by the Air New Zealand Group.

If an uninsured risk materialises or an insured risk materialises that exceeds a policy's financial limit and the resultant liability faced by the Air New Zealand Group is material, the Air New Zealand Group's financial performance or position would be adversely affected and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Access to airports

Access to airports, in particular in relation to takeoff and landing slots (**Slots**) and changes to Slot allocations could affect the competitiveness and costs incurred by the Air New Zealand Group. If an adequate number of Slots were not made available to the Air New Zealand Group or the Air New Zealand Group was unable to secure attractive Slots, the Air New Zealand Group may be forced to change its flight schedules or reduce its aircraft utilisation rate. If the Air New Zealand Group were not to use its Slots on a temporary or long term basis, whether for commercial or other reasons, the Air New Zealand Group might lose these Slots. There can be no assurance that the Air New Zealand Group will be able to secure attractive Slots in the future.

Should the Air New Zealand Group lose its existing Slots or be unable to obtain additional attractive Slots, this could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Relations with its employees and their unions

The specialised nature of the airline industry makes the Air New Zealand Group dependent for its successful operation upon various specialised employee groups (for example, pilots, cabin crew and engineers). As at 30 June 2011, approximately 70% of the Air New Zealand Group's workforce were members of unions or were covered by collective bargaining agreements with the Air New Zealand Group. These agreements typically have a term of less than three years and the Air New Zealand Group is currently in the process of renegotiating a number of such agreements.

Consequently, the Air New Zealand Group, like other airlines, is susceptible to industrial action by such employee groups. The failure by the Air New Zealand Group to negotiate satisfactorily with its own employee groups or any prolonged industrial action by any employee groups on which the Air New Zealand Group is dependent is likely to result in disruptions, delays and possibly cancellations of scheduled flights or cancellation of contracts for other services offered by the Air New Zealand Group (for example, maintenance contracts with third parties). This could cause customers to seek alternative flights with, or services from, the Air New Zealand Group's competitors and could result in loss of revenues and reductions in profits for Air New Zealand as well as some long term loss of market share to competitors. Additionally, renegotiation of collective bargaining agreements may increase the Air New Zealand Group's labour costs, thereby adversely affecting the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Key employees

The Air New Zealand Group's success depends on the continued service of its key senior executives. The loss of the services of one or more of those executives without finding an adequate replacement within a reasonable time could impact the implementation of business initiatives and cause other disruptions, which could have a material adverse effect on the Air New Zealand Group's financial performance and therefore the ability of Air New Zealand to perform its obligations under the Bonds.

Risks related to Bonds

Interest rate risk and taxes

The amount received from the sale of the Bonds may differ from the amount paid for them. This is because changes in market interest rates after the date of acquisition or market perception of the credit risk associated with the Bonds can affect their value.

Returns on the Bonds may also be affected by taxes (refer to the information set out under the heading "Taxation of returns" on pages 37 and 38 of this Prospectus).

No credit rating for Bonds

The Bonds will not be assigned a credit rating.

As at the date of this Prospectus, Air New Zealand has an issuer credit rating of Baa3 from Moody's Investors Service. Moody's issuer credit ratings are Moody's opinions of the ability of entities to honour senior unsecured financial obligations and contracts¹.

Obligations rated Baa are judged to be subject to moderate credit risk and are considered medium-grade and as such may possess certain speculative characteristics². Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification. The modifier 1 indicates that the obligation ranks at the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category³.

1. Page 11, *Moody's Rating Symbols: Definitions, June 2009*
2. Page 8, *Moody's Rating Symbols: Definitions, June 2009*
3. Page 8, *Moody's Rating Symbols: Definitions, June 2009*

As at 21 March 2011 Moody's changed its rating outlook in relation to Air New Zealand from stable to negative. A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. A negative outlook indicates Moody's opinion that it is likely that an issuer's rating will be downgraded over the medium term.

For the latest ratings information please visit www.moodys.com.

Air New Zealand's issuer credit rating may change over time, including during the Offer, depending on, amongst other things, the business, operational and financial performance or position of Air New Zealand and the Air New Zealand Group as a whole. The Interest Rate that applies to the Bonds will not be adjusted for such changes in Air New Zealand's issuer credit rating.

Air New Zealand's issuer credit rating is not a recommendation to buy, sell or hold the Bonds and the issuer credit rating may be subject to revision or withdrawal at any time by Moody's, including during the Offer. Any downward revision or withdrawal of Air New Zealand's issuer credit rating may have an effect on the ability of investors to sell the Bonds and the market price of the Bonds (and therefore the proceeds received from a sale of the Bonds).

Further debt and other securities

Air New Zealand may, from time to time, and without the consent of Bondholders, create and issue further bonds or other securities. Air New Zealand also has the right to continue to incur any further indebtedness, without the consent of Bondholders. Any further debt or other securities may rank equally with, behind, or in priority to, the Bonds and may otherwise be issued on such terms as Air New Zealand may determine.

Air New Zealand has not provided financial covenants to any bank or financial institution or under the Trust Deed and therefore there are no general restrictions on Air New Zealand incurring any indebtedness, granting any security or disposing of assets.

Air New Zealand may re-issue Bonds previously purchased from Bondholders, see page 22 of this Prospectus.

Disposal of assets

There are no restrictions under the Trust Deed on Air New Zealand disposing of its assets (whether to its Subsidiaries or Affiliates, which do not guarantee Air New Zealand's obligations under the Bonds, or to other persons).

Air New Zealand guarantees its Subsidiaries

Air New Zealand Aircraft Holdings Limited, a Subsidiary of Air New Zealand, is the registered owner or lessee of the majority of the aircraft operated by Air New Zealand. Air New Zealand guarantees the obligations of Air New Zealand Aircraft Holdings Limited in relation to loans and finance and operating lease arrangements relating to such aircraft. Any claims against Air New Zealand under these guarantees will rank equally with the Bonds in the event of a liquidation of Air New Zealand.

As at 30 June 2011 aircraft and aircraft related assets of the Air New Zealand Group having a book value of \$1,539 million were pledged as security for aircraft-related borrowing and aircraft finance lease obligations having a value of \$1,255 million as at 30 June 2011.

Neither Air New Zealand Aircraft Holdings Limited nor any of the other Subsidiaries or Affiliates of Air New Zealand, guarantees, or provides any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to the Bonds.

Enforcement

The Bond Moneys are able to be declared immediately due and payable by the Trustee only if an Event of Default (as described under the heading "Events of Default" on page 22 of this Prospectus) has occurred and is continuing unremedied.

Ranking of claims

The Trust Deed does not create any security over the assets of Air New Zealand. In a liquidation of Air New Zealand, Bondholders' rights to repayment of any Bond Moneys will rank after the claims of:

- persons to whom preferential payments must be made (including creditors preferred by law); and
- secured creditors.

Claims of the Bondholders will rank equally with the claims of all other unsecured, unsubordinated creditors of Air New Zealand.

No early redemption by Bondholders

Bondholders have no right to require redemption of the Bonds prior to the Maturity Date, except in the case of an Event of Default. This means Bondholders have no ability to cash in their investment prior to the Maturity Date, except following an Event of Default or by selling their Bonds in the secondary market (if one develops).

Air New Zealand may purchase Bonds from any person at any time on market or by private treaty at any price. Any Bonds purchased by Air New Zealand will be deemed to be immediately cancelled but Air New Zealand may, at any time, reissue any such Bonds. Any re-issued Bonds will be subject to the terms of the Trust Deed and the conditions attaching to the Bonds as set out in this Prospectus (except as to the date of issue). Any re-issued Bonds will rank equally with each other and with any Bonds already on issue.

Sale of Bonds

Bondholders may not be able to recoup their original investment if:

- the price at which they are able to sell their Bonds is less than the amount they have paid for them due to interest rate movements or for other reasons; or
- they are unable to sell their Bonds at all due to lack of demand or the Bonds cease to be listed on the NZDX.

There can be no assurance that a secondary market for the Bonds will develop or the liquidity of such market. In the absence of a liquid secondary market for Bonds, Bondholders may not be able to sell their Bonds readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, within a developed secondary market.

Even following the development of a secondary market, and depending on market conditions and other factors, Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those that may be available to other Bondholders.

The price at which Bondholders are able to sell their Bonds may be affected by a deterioration, whether real or perceived, in Air New Zealand's creditworthiness. The secondary market for the Bonds could also be affected by a number of other factors independent of the creditworthiness of Air New Zealand. These factors may include the time remaining to the Maturity Date of the Bonds, the outstanding aggregate Principal Amount of Bonds, the level of demand for Bonds offered for sale in the secondary market from time to time, any legal restrictions limiting demand for the Bonds, the availability of comparable securities, the level, direction and volatility of market interest rates and market conditions generally. For example, if market interest rates go up, the market value of the Bonds may go down and vice versa.

Due to the factors described above, Bonds may not be readily saleable, their value may fluctuate over time and such fluctuations may be significant and could result in losses to a Bondholder who wishes to sell Bonds prior to the Maturity Date.



Statutory information

The Offer is an offer of debt securities that rank in priority to the Shares (which are listed on the NZSX and ASX). Consequently, the information in this section is provided in accordance with schedule 12 of the Securities Regulations.

Names, addresses and other information

The issuer of the Bonds is Air New Zealand Limited, whose registered office is at Air New Zealand House, 185 Fanshawe Street, Auckland.

The Directors of Air New Zealand as at the date of this Prospectus are: Paul Jonathon Bingham, Antony John Carter, Janice Amelia Dawson, James Charles Fox, George Roger Wayne France, Warren Arthur Larsen and John Leonard Palmer.

There is no promoter in relation to the Offer of Bonds pursuant to this Prospectus.

The Trustee in respect of the Bonds is The New Zealand Guardian Trust Company Limited, whose registered office is at Level 7, Vero Centre, 48 Shortland Street, Auckland.

Experts and underwriter

There are no experts named in this Prospectus.

The Offer of Bonds is not underwritten.

Main terms of Offer

The Bonds

The Bonds offered pursuant to this Prospectus are debt securities and constitute unsecured, unsubordinated fixed rate debt obligations of Air New Zealand. The Bonds will rank equally and without preference among themselves, and at least equally with all other unsecured and unsubordinated indebtedness of Air New Zealand, except indebtedness preferred by law. A brief description of the Bonds is set out in the section entitled "Main terms of the Offer" on pages 8 to 11 of this Prospectus.

The Bonds will pay interest at the Interest Rate announced by Air New Zealand through NZX on the Rate Set Date.

The Principal Amount of each Bond will be payable by Air New Zealand on the Maturity Date (15 November 2016). The Principal Amount will be paid to the person registered as the Bondholder as at the Record Date for the final Interest Payment Date (being the Maturity Date).

The Bonds will be entered onto the Register maintained by the Registrar. No certificates in respect of the Bonds will be issued to Bondholders. A Statement will be forwarded to Bondholders following allotment of the Bonds. Title to the Bonds passes by transfer and registration. Air New Zealand and the Registrar will rely on the Register for the purpose of determining entitlements to interest payments on each Interest Payment Date (except the First Interest Payment Date), and for the repayment of the Principal Amount of the Bonds when they are redeemed.

The terms and conditions applicable to the Bonds are contained in the Trust Deed. A summary of the principal provisions of the Trust Deed is set out in the section entitled "Summary of Trust Deed" on pages 21 to 23 of this Prospectus.

Trustee

The Trustee holds on trust for the benefit of Bondholders the right to enforce Air New Zealand's obligations in respect of the Bonds. The Trustee does not guarantee repayment of the Bonds or the payment of interest on the Bonds.

Maximum amount of securities being offered

Bonds with an aggregate Principal Amount of up to \$150 million are being offered by Air New Zealand.

No oversubscriptions will be accepted.

The minimum aggregate Principal Amount of Bonds to be issued under this Prospectus is \$100 million. If the total application moneys received is less than this minimum amount, then no Bonds will be issued under this Prospectus.

Issue Price

The Issue Price of each Bond is \$1.00, being the Principal Amount of each Bond. The Issue Price must be paid in full on application for Bonds under the Offer.

Applications

Applications to subscribe for Bonds must be made on an Application Form contained at the back of this Prospectus or, if investors are subscribing for Bonds through the Priority Pool, on a Priority Pool Application Form obtained from the Registrar.

The Bonds are offered in New Zealand to New Zealand resident investors. Applications for Bonds will be accepted on a first come, first served basis, subject to the Priority Pool and Firm Allocations, as described below.

All of the Bonds, other than those reserved for the Priority Pool, may be reserved for subscription by institutional investors or clients of the Joint Lead Managers, the Co-Managers, Primary Market Participants and other approved financial intermediaries under Firm Allocations. The aggregate number of Bonds so reserved will be determined by Air New Zealand in consultation with the Joint Lead Managers, on or before the Opening Date. However, Air New Zealand, in consultation with the Joint Lead Managers, reserves the right to make further Firm Allocations after the Opening Date.

Air New Zealand, in consultation with the Joint Lead Managers, will determine the arrangements in respect of Bonds which are not subject to Firm Allocations (if any). Those arrangements will be announced by Air New Zealand through NZX on or before the Opening Date.

Applicants accepting a Firm Allocation from a Primary Market Participant or approved financial intermediary, must provide a completed Application Form (with payment) to the office of that Primary Market Participant or financial intermediary in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (23 September 2011).

A pool of Bonds having an aggregate Principal Amount of \$4 million (being 2.67% of the maximum offer amount of \$150 million) has been initially reserved for Shareholders and employees of the Air New Zealand Group. The size of the pool reserved for the Priority Pool may be changed by Air New Zealand in consultation with the Joint Lead Managers in response to demand for the Bonds from Shareholders and employees.

The maximum application size under the Priority Pool is \$30,000 per applicant.

Shareholders or employees of the Air New Zealand Group who wish to apply for Bonds through the Priority Pool should obtain a copy of this Prospectus and a Priority Pool Application Form from the Registrar. Applications for Bonds through the Priority Pool should be lodged with the Registrar before 5.00pm on 16 September 2011 and will be treated on a first come, first served basis. Note that this date is earlier than the Closing Date.

Application Forms from all other applicants must be mailed or delivered (with payment) so that they are received by the Registrar before 5.00pm on the Closing Date (23 September 2011). The address details of the Registrar are:

Link Market Services Limited

Postal address:

PO Box 91976

Auckland 1142

Physical address:

Level 16, Brookfields House

19 Victoria Street

Auckland

Applicants may also lodge an Application Form (with payment) with the Joint Lead Managers (at the addresses set out in the Directory), the Co-Managers, any Primary Market Participant, the Organising Participant or any other channel approved by NZX, in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (23 September 2011).

Air New Zealand reserves the right to accept applications which are received by the Registrar after the Closing Date, but has no obligation to do so.

By signing and submitting a valid Application Form or Priority Pool Application Form with full payment, an applicant irrevocably offers to subscribe for Bonds on the terms set out in this Prospectus, the Trust Deed and the Application Form or Priority Application Form (as applicable), notwithstanding any changes to the Closing Date.

Applications to subscribe for Bonds must be for a minimum Principal Amount of \$5,000 each and thereafter in multiples of \$1,000. There is no maximum amount of Bonds you may apply for, but applications for less than \$5,000 will not be accepted.

Except for applicants settling through the NZClear System, payment in full of the aggregate Principal Amount of Bonds applied for must accompany a completed Application Form or Priority Application Form.

Applicants must pay for the Bonds applied for by a personal cheque (or, if the application is for Bonds of an aggregate Principal Amount of \$500,000 or more, by bank cheque or other method approved by the Joint Lead Managers), direct debit or through the NZClear System.

Cheques should be in New Zealand dollars drawn on a New Zealand bank and submitted with a completed Application Form or Priority Application Form. Cheques should be made payable to "Air New Zealand Bond Offer", crossed "Not Transferable", and must not be post-dated.

If payment is made by direct debit, please read the relevant section in the "Application instructions" on page 47 of this Prospectus carefully and complete that section of the Application Form or Priority Application Form.

Applicants who are members of the NZClear System, or who are able to have payments made on their behalf through the NZClear System, may, by prior arrangement with the Registrar, settle their applications for Bonds through the NZClear System with the Registrar up to and including the allotment date.

Air New Zealand reserves the right to refuse all or any part of any application for Bonds without giving a reason. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Any application moneys received in respect of an application which is not accepted in full or part by Air New Zealand (whether because of late receipt, failure to raise the minimum subscription amount of \$100 million for the Offer, or otherwise), will be refunded (without interest) as soon as practicable and, in any event, within five Business Days after the Closing Date.

If Air New Zealand accepts an application in part, the balance of the application moneys will be refunded (without interest) as soon as practicable and, in any event, within five Business Days after the Closing Date.

Sufficient cleared funds should be held in your bank account as cheques dishonoured or failed direct debit will result in your application being rejected and your allotment being cancelled. In addition, Air New Zealand may pursue the defaulting applicant for any damages suffered as a result of the payment being dishonoured.

Air New Zealand reserves the right to cancel the Offer and issue of Bonds at any time before allotment of the Bonds in which case all application moneys received will be refunded as soon as possible.

Relationship with listed securities and ranking of securities

The Shares are currently listed on securities markets operated by NZX and the ASX.

The Bonds are unsecured, unsubordinated fixed rate debt obligations of Air New Zealand and, in a liquidation of Air New Zealand, will rank before the claims of persons holding Shares.

As at the date of the latest statement of financial position referred to in this Prospectus (being FY11) there were no securities (as that term is defined in the Securities Act) secured by a mortgage or charge over any assets of Air New Zealand. Accordingly, as at 24 August 2011, there were no securities (as that term is defined in the Securities Act) secured by a mortgage or charge over any of the assets of Air New Zealand ranking in point of security ahead of, or equally with, the Bonds (which are unsecured) offered under this Prospectus.

Air New Zealand Aircraft Holdings Limited, a Subsidiary of Air New Zealand, is the registered owner or lessee of the majority of the aircraft operated by Air New Zealand. Air New Zealand guarantees the obligations of Air New Zealand Aircraft Holdings Limited in relation to loans and lease arrangements relating to such aircraft as described in more detail on page 33 of this Prospectus.

Additional information in relation to the ranking of the Bonds is set out on pages 39 to 40 under the heading "Consequences of insolvency".

Issue expenses

The estimated amount of expenses of the Offer is \$3.4 million, based on an Offer amount of \$150 million and all of the Bonds being reserved for subscription under Firm Allocations and the Priority Pool. That amount includes brokerage (as referred to below), issue management fees, legal and accounting fees, registry expenses, advertising expenses and expenses in respect of the printing and distribution of this Prospectus. This estimate includes the fees payable to the Joint Lead Managers for acting as joint lead managers of the Offer.

Air New Zealand will pay brokerage of 1.00% to Primary Market Participants in respect of Bonds issued by Air New Zealand under valid applications bearing that Primary Market Participant's stamp. Primary Market Participants will also be paid additional brokerage of 0.50% of the aggregate Principal Amount of Bonds allocated pursuant to Firm Allocations.

Returns

Introduction

The information set out below in relation to returns on the Bonds should be read in conjunction with the information set out in the section entitled "Risk factors" on pages 27 to 33 of this Prospectus. Certain events could reduce or eliminate the returns intended to be derived from holding the Bonds.

The returns to Bondholders comprise interest paid on the Bonds and any capital appreciation realised on a sale of the Bonds.

The Bonds do not benefit from any capital growth in Air New Zealand and Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the Shares.

Key factors determining returns

The key factors that will determine the returns to Bondholders are:

- the Interest Rate;
- Air New Zealand's financial condition and financial performance and position to the extent that this affects Air New Zealand's ability to pay interest on the Bonds or repay the Principal Amount or the price of the Bonds on the secondary market (if one develops);
- the performance by Air New Zealand of its obligations as the issuer of the Bonds, including the payment of interest on the Interest Payment Dates;
- the price of the Bonds if a Bondholder chooses to transfer Bonds or sell Bonds on the secondary market (if one develops);
- each Bondholder's individual circumstances for tax purposes; and
- the other risk factors described in the section entitled "Risk factors" on pages 27 to 33 of this Prospectus.

No amount of returns promised

It is not possible to quantify, as at the date of this Prospectus, the exact amount of returns Bondholders will receive. Therefore, no amount of returns on the Bonds is promised by Air New Zealand.

Taxation of returns

The returns on the Bonds will be affected by taxes.

Air New Zealand will not compensate or gross-up for any taxes deducted or withheld on payments under the Bonds. In addition, if in relation to any Bond, Air New Zealand becomes liable to make any payment of, or on account of, tax payable by the relevant Bondholder, Air New Zealand will be indemnified by that Bondholder in respect of any such liability, and any moneys paid by Air New Zealand in respect of any such tax liability may be recovered from that Bondholder as a debt due to Air New Zealand and may be withheld from future payments to that Bondholder.

The information set out below is based on applicable tax legislation current as at the date of this Prospectus. Taxation laws are subject to change, and such changes may materially affect your tax position with respect to an investment in the Bonds. All references to taxation in this Prospectus are of a general nature only, and are not (and should not be construed as) legal or tax advice to any Bondholder. You should seek independent financial and tax advice before deciding to invest. In particular, you should consult your own tax adviser in relation to your specific circumstances.

All Bondholders must give written notice to the Registrar (or, where applicable, to the custodian/nominee registered as the Bondholder in respect of the Bonds held on behalf of the beneficial owner) of their country of residence for taxation purposes and, if not New Zealand tax resident, whether the Bondholder is engaged in business in New Zealand through a fixed establishment in New Zealand. Bondholders who are companies (other than corporate trustees) must notify Air New Zealand that they are a company.

This requirement for written notice is satisfied for initial Bondholders where the relevant parts of the Application Form or Priority Pool Application Form are completed by applicants.

In this section:

- Bondholders who are New Zealand tax resident are referred to as "Resident Bondholders".
- Bondholders who are not New Zealand tax resident but are engaged in business in New Zealand through a fixed establishment in New Zealand are referred to as "New Zealand Branch Bondholders".
- Bondholders who are not New Zealand tax resident and who are not engaged in business in New Zealand through a fixed establishment are referred to as "Non-Resident Bondholders".

Resident withholding tax: Resident Bondholders and New Zealand Branch Bondholders

For Resident Bondholders and New Zealand Branch Bondholders, RWT will be deducted by Air New Zealand from interest paid or credited to them unless they provide Air New Zealand with a valid RWT exemption certificate or evidence that they are not otherwise liable for RWT and Air New Zealand is otherwise satisfied that no deduction on account of RWT is required. Each Bondholder should provide their IRD number and a copy of their RWT exemption certificate (if applicable) as stipulated in the Application Form or Priority Pool Application Form.

RWT will be deducted at the rates applicable at the time interest is paid or credited.

If an IRD number is supplied, then the following RWT rates will apply:

- 10.5%, where the Bondholder is an individual with income of \$14,000 or less or a trustee of a testamentary trust who chooses to apply this rate;
- 17.5%, where the Bondholder is an individual with income between \$14,001 and \$48,000 (inclusive) or a trustee of a trust who chooses to apply this rate;
- 28%, where the Bondholder is a company (other than a corporate trustee) that chooses to apply this rate;
- 30%, where the Bondholder is an individual with income between \$48,001 and \$70,000 (inclusive) or a trustee of a trust who chooses to apply this rate; or
- 33%, where the Bondholder is an individual with income over \$70,000, a trustee of a trust or company that chooses to apply this rate.

For individual or trustee Bondholders who fail to notify Air New Zealand of any chosen RWT rate, RWT will be deducted at the default rate of 33%.

For corporate Bondholders who fail to notify Air New Zealand of any chosen RWT rate, the rate of 28% will apply.

Joint Bondholders will be taxed at the highest applicable rate described above as if they were one person.

The RWT rate of 33% will be applied if any Bondholder fails to provide an IRD number to Air New Zealand.

A tax credit for RWT deducted will be available against any income tax liability of the Bondholder.

Approved issuer levy and non-resident withholding tax: Non-Resident Bondholders

Air New Zealand will elect to register the Bonds for AIL purposes. Unless otherwise agreed, Air New Zealand will, where it is lawfully able, deduct approved issuer levy (currently 2% of amounts treated as interest) from payments made or credited to Non-Resident Bondholders.

Non-Resident Bondholders may request (by written notice to the Registrar) that AIL not be deducted from interest paid or credited in respect of their Bonds, and that NRWT be deducted instead, at the rate required by law. The rate of NRWT may be reduced under an applicable double tax agreement where the Non-Resident Bondholder provides satisfactory evidence to the Registrar of entitlement to such reduced rate.

If a Non-Resident Bondholder derives interest under the Bonds jointly with one or more New Zealand tax residents, NRWT must be deducted from the interest paid or credited to the Non-Resident Bondholder at the applicable RWT rate. In such cases, the Non-Resident Bondholder may be entitled to claim a refund of the NRWT to the extent that NRWT was deducted at a rate higher than that set out in an applicable double tax agreement.

The Taxation (International Investment and Remedial Matters) Bill proposes to introduce a 0% rate of AIL for interest on certain qualifying listed or traded widely held bonds, with effect from the date the bill is passed into law. If enacted in its current form, the 0% rate of AIL may be available for interest paid to Non-Resident Bondholders on the Bonds. If this proves to be the case, Air New Zealand will, where it is lawfully able, apply the 0% rate of AIL to interest payments made or credited to Non-Resident Bondholders.

Withholding tax not always a final tax

For some Bondholders, withholding tax will not be a final tax in relation to their Bonds (see below). Where withholding tax is not a final tax, Bondholders should include income from their Bonds in their tax return and pay such further tax as is necessary.

New Zealand financial arrangements rules

For Resident Bondholders and New Zealand Branch Bondholders who acquire their Bonds for the purpose of their New Zealand fixed establishment, the Bonds will be financial arrangements that are subject to the financial arrangements rules.

Under the financial arrangements rules, "cash-basis" Bondholders will be taxable (at their relevant marginal tax rate) on interest paid or credited to them on the Bonds in the Income Year. RWT deducted from the interest by Air New Zealand will be allowed as a credit against tax payable by the Bondholder on the interest. Broadly, a "cash-basis" holder is a person who, in an Income Year:

- derives income or expenditure under financial arrangements of \$100,000 or less; or
- has entered into financial arrangements the aggregate absolute value of which is \$1 million or less,

provided that, in each case, in the particular Income Year, the difference between income calculated by applying a spreading method (see below) and income calculated on a cash receipts basis is not greater than \$40,000.

For Bondholders who are not "cash-basis" Bondholders, income in respect of the Bonds must be spread over the term of the Bonds using a spreading method prescribed in the financial arrangements rules. Tax is payable on income allocated to each Income Year using the spreading method at the Bondholder's relevant marginal tax rate. RWT deducted by Air New Zealand from interest on the Bonds will be allowed as a credit against tax payable on the income recognised under the financial arrangements rules.

Both "cash-basis" and non "cash-basis" Bondholders will be required to perform a base price adjustment in the Income Year in which the Bonds mature or are redeemed, or in which the Bondholder transfers their Bonds. The base price adjustment is a "wash-up" calculation which brings to account any income which has not been accounted for over the term of the Bonds.

New Zealand Branch Bondholders who do not acquire the Bonds for the purpose of their New Zealand fixed establishment may also be subject to New Zealand income tax on income from their Bonds (although the financial arrangements rules will not apply to

these Bondholders). Bondholders should ascertain whether New Zealand's provisional tax rules apply to them.

Interest

Air New Zealand will pay interest on each Bond at the Interest Rate. The Interest Rate applicable to the Bonds will not change after the Bonds have been issued (irrespective of any circumstance which may arise, including a deterioration in the financial condition of Air New Zealand).

Interest will be payable on the Bonds semi-annually in arrears on each Interest Payment Date, being 15 May and 15 November of each year, until and including the Maturity Date. The First Interest Payment Date for the Bonds is 15 November 2011. If an Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or further payment as a result thereof.

Interest payable on the First Interest Payment Date will accrue from (and including) the date on which a Bondholder's application moneys for the Bonds have been banked into the trust account operated in respect of the Offer. Interest will be paid in equal semi-annual instalments⁴ on each Interest Payment Date, except in respect of the first interest period or a broken period upon redemption or cancellation of the Bonds⁵.

Interest payable on the First Interest Payment Date will be paid to the first registered holder of a Bond (regardless of any transfer of the Bond prior to the First Interest Payment Date). On Interest Payment Dates other than the First Interest Payment Date, interest will be paid to the person registered as the Bondholder as at the Record Date immediately preceding the relevant Interest Payment Date.

Maturity Date

The Bonds will have a maturity date of 15 November 2016. The Principal Amount of each Bond will be payable by Air New Zealand on the Maturity Date to the person registered as the Bondholder as at the Record Date for the final Interest Payment Date (being the Maturity Date).

Redemption

Bondholders have no right to require Air New Zealand to redeem their Bonds prior to the Maturity Date, except in the case of an Event of Default (described further under the heading "Events of Default" on page 22 of this Prospectus). This means that Bondholders have no ability to cash in their investment prior to the Maturity Date, except following an Event of Default or by selling their Bonds in the secondary market (if one develops).

Air New Zealand may purchase Bonds from any person at any time on market or by private treaty at any price. Any Bonds purchased by Air New Zealand will be deemed to be immediately cancelled but Air New Zealand may, at any time, reissue any such Bonds.

Any re-issued Bonds will be subject to the terms of the Trust Deed and the conditions attaching to the Bonds as set out in this Prospectus (except as to the date of issue). Any re-issued Bonds will rank equally with each other and with any Bonds already on issue.

Person legally liable to pay returns

If a Bondholder sells Bonds, the purchaser of the Bonds will be legally liable to pay the purchase price of those Bonds to that Bondholder.

Air New Zealand is legally liable to pay all other returns on the Bonds.

4. *These equal instalments will be calculated by multiplying the Interest Rate by the Principal Amount and dividing that number by two.*
5. *In these situations, interest payable in respect of each Bond will be calculated for the relevant period on the basis of the number of days elapsed and a 365 day year.*

Guarantors

None of the Air New Zealand Subsidiaries or Affiliates guarantee, or provide any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to the Bonds.

As at 22 August 2011 the Crown has a 73.72% shareholding in Air New Zealand. The Crown does not guarantee, or provide any other surety in respect of, the Bonds or any of Air New Zealand's obligations in relation to the Bonds.

Provisions of Trust Deed and other restrictions on Air New Zealand

Trust Deed

The Bonds will be issued pursuant to the Trust Deed dated 24 August 2011 between Air New Zealand and the Trustee.

The Trust Deed contains the conditions of the Bonds. Bondholders are bound by, and are deemed to have notice of, the provisions of the Trust Deed. A summary of the principal provisions of the Trust Deed is set out in the section of this Prospectus entitled "Summary of Trust Deed" on pages 21 to 23. Investors requiring further information should refer to the Trust Deed. A copy of the Trust Deed is available on the Companies Office website (www.business.govt.nz/companies), or Air New Zealand's website (www.airnewzealand.co.nz/investor-centre) or by contacting Air New Zealand at the address set out in the Directory.

Duties and powers of the Trustee

The principal powers and duties of the Trustee under the Trust Deed in relation to Bondholders are summarised as follows:

- upon the occurrence of any Event of Default, and provided that the Event of Default is continuing unremedied, the Trustee may in its discretion, and shall if directed to do so by an Extraordinary Resolution, declare the Bond Moneys to be immediately due and payable by notice in writing to Air New Zealand and apply all moneys received in accordance with the provisions of the Trust Deed;
- to give certain waivers and make certain determinations which will be binding on Bondholders, if in the case of a waiver the Trustee is satisfied that the interests of Bondholders will not be materially prejudiced or if the waiver is approved by an Extraordinary Resolution;
- to perform a number of functions relating to the ongoing administration of the Trust Deed, including in relation to any meetings of Bondholders, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary (such as making an application to the High Court of New Zealand under the Securities Act and agreeing to modifications to the Trust Deed), all upon the terms set out in the Trust Deed; and
- on being satisfied that all Bond Moneys have been paid or provided for upon the terms of the Trust Deed, to execute a deed of release of the Trust Deed.

In addition, the Trustee has a statutory duty pursuant to the Securities Act and the Securities Regulations to exercise reasonable diligence to ascertain whether or not there has been any breach of the terms of the Trust Deed or of the terms of any offer of the Bonds and to do all it is empowered to do to cause any such breach of those terms to be remedied (except where the Trustee is satisfied that the breach will not materially prejudice the interests of Bondholders).

The Trustee receives the benefit of a general indemnity from Air New Zealand for any liabilities, expenses, actions, proceedings, costs, losses, claims and demands it sustains or incurs while acting as Trustee unless the claim arises out of the Trustee's failure to comply with the standard of care imposed on it by the Trust Deed. The Trustee is not indemnified against liability for fraud, gross

negligence, wilful breach of trust or law or dishonesty on the part of the Trustee or any of its officers, employees, attorneys or agents, where the Trustee has failed to show the degree of care and diligence required of it having regard to the powers, authorities and discretions conferred on it under the Trust Deed and the provisions of the Trust Deed.

Subject to its duties contained in clause 1 of schedule 15 to the Securities Regulations, the Trustee has absolute discretion as to the exercise or non-exercise of its powers in relation to the Bonds. Under the Trust Deed, the Trustee may, amongst other things, in relation to the Bonds:

- refrain from exercising any power until directed by an Extraordinary Resolution;
- represent and act on behalf of Bondholders in any matter concerning them generally;
- invest any moneys held in its capacity as Trustee, in the name of the Trustee or its nominee, in any investment and in any currency it considers fit, with power to vary or transpose such investments for others of a like nature and deal with or dispose of such investment, and all income (less any customary fees and expenses incurred in connection with such investments), and for these purposes to buy and sell currencies, and all income from such investments will belong to the person in respect of whom such moneys are held by the Trustee;
- in the performance of its duties, act on, or decline to act on, certificates signed by or on behalf of Air New Zealand, and the advice or opinion of professional advisers; and
- convene meetings of Bondholders or otherwise seek directions from the Bondholders or a court in New Zealand.

Borrowing restrictions

There are no restrictions on the ability of Air New Zealand to borrow that result from any undertaking given, or contract or deal entered into, by Air New Zealand. The Trust Deed does not contain any restrictions on the ability of Air New Zealand to borrow or incur any further indebtedness.

Restrictions on new mortgages or charges or ratio of liabilities

The Trust Deed does not create any security over the assets of Air New Zealand or any of its Subsidiaries or Affiliates. None of the Subsidiaries or Affiliates of Air New Zealand nor any other person guarantees the obligations of Air New Zealand under the Trust Deed or in respect of the Bonds. Further, there are no limitations in the Trust Deed relating to the creation of new mortgages or charges ranking in point of security ahead of, or equally with, any mortgage or charge securing the Bonds nor any ratio of liabilities or class of liabilities to assets, or to any class of assets of Air New Zealand.

Trustee's statement

The statement required to be made by the Trustee pursuant to clause 9(3) of schedule 12 of the Securities Regulations is set out on page 25 of this Prospectus.

Consequences of insolvency

Bondholders will not be liable to pay any money to Air New Zealand or any other person in respect of the Bonds as a direct result of the insolvency of Air New Zealand. However, in the event of the insolvency of Air New Zealand, Bondholders could receive none, or only some, of the returns referred to under the heading "Returns" on pages 37 to 39 of this Prospectus. It is therefore foreseeable in those circumstances that Bondholders would receive less than the amount they paid for their investment in the Bonds.

The Bonds are unsecured, unsubordinated fixed rate debt obligations of Air New Zealand. In a liquidation of Air New Zealand, Bondholders' rights to payment of any amounts owing under the Bonds will rank after the claims of:

- persons to whom preferential payments must be made (including creditors of Air New Zealand preferred by law); and
- secured creditors (see below).

Bondholders' rights to payment of any amounts owing under the Bonds will rank equally among themselves and with the claims of all other unsecured and unsubordinated creditors of Air New Zealand (after payment of any amounts due to the Trustee pursuant to the Trust Deed).

Air New Zealand has granted a security interest to ANZ National Bank Limited over certain amounts held on deposit with ANZ National Bank Limited. The security interest secures certain obligations of Air New Zealand in relation to credit card arrangements with members of the ANZ Group. ANZ National Bank Limited will rank in priority to Bondholders in respect of amounts subject to this security interest.

Air New Zealand has granted a security interest to Bank of New Zealand over certain amounts held on deposit with Bank of New Zealand. The security interest secures certain obligations of Air New Zealand in relation to credit card arrangements with the Bank of New Zealand and its affiliates. Bank of New Zealand will rank in priority to Bondholders in respect of amounts subject to this security interest.

Banks and other institutions ("payment service suppliers") with whom Air New Zealand has credit card service arrangements can, in certain circumstances:

- withhold amounts otherwise payable to Air New Zealand by that payment service supplier; and/or
- require Air New Zealand to place monies on deposit with that payment service supplier; and/or
- exercise rights of set-off in respect of amounts otherwise payable to Air New Zealand,

in each case in respect of the obligations of Air New Zealand to that payment service supplier (or institutions for whom that payment service supplier arranges credit card services), for services paid for in advance but not yet performed by Air New Zealand. The amount held back or set-off by a payment service supplier, or required to be placed on deposit by Air New Zealand, can fluctuate based on a number of factors, such as the amount of sales through the payment service provider, (and potentially can increase to an amount that equals or exceeds the full amount of Air New Zealand's exposure to the payment service supplier). Depending on the particular terms of the arrangement, the payment service supplier may have a right of set-off and/or a security interest in either (or both) of the amounts withheld and the amounts of the relevant deposit.

On a liquidation of Air New Zealand, a payment service supplier may have a claim that ranks ahead of claims by Bondholders. As at 30 June 2011 the amount held on deposit by payment service suppliers for this purpose was \$170 million.

For the avoidance of doubt, in a liquidation of Air New Zealand, the claims of Bondholders will rank ahead of claims of the holders of the Shares.

Alteration of securities

Terms of the Offer

Air New Zealand reserves the right to vary the Opening Date or Closing Date including the closing date for applications through the Priority Pool at its sole discretion. If the Closing Date (including the closing date for applications through the Priority Pool) is extended beyond 23 September 2011, allotments of further Bonds will be made on a weekly basis until the final Closing Date.

The terms of the Offer and the terms and conditions on which investors may apply for and acquire the Bonds may be altered by an amendment to this Prospectus and, if required, the Trust Deed. Details of any amendment to this Prospectus and the Trust Deed must be filed with the Registrar of Financial Service Providers.

Amendments to Trust Deed

The terms and conditions of the Trust Deed may be altered with the approval of Bondholders by an Extraordinary Resolution, and, in limited circumstances, with the approval only of the Trustee and Air New Zealand. A description of the requirements for an Extraordinary Resolution is set out on pages 22 to 23 of this Prospectus under the heading "Meetings".

The following amendments do not require Bondholder approval:

- amendments of a formal or technical nature;
- amendments that are to correct a manifest error;
- amendments that are to comply with the requirements or a modification of the requirements of any applicable law or any rules of any stock exchange;
- amendments that are necessary for the purpose of obtaining or maintaining a quotation of the Bonds on any stock exchange; and
- amendments in respect of any of the provisions of the Trust Deed relating to the reporting provisions, the Trustee's powers or the exercise of the Trustee's powers.

The above circumstances are also subject to the general requirement that the Trustee must be of the opinion that the amendment will not be materially prejudicial to the interests of Bondholders generally.

The consent of Bondholders is not required in respect of any amendment to a term of the Trust Deed which is not applicable to the Bonds.

The Trustee may agree to amend or temporarily vary the Trust Deed for such period and on such terms as may be agreed by the Trustee to reflect an exemption granted to Air New Zealand, or an exemption that is applicable to Air New Zealand, in relation to any obligation imposed upon Air New Zealand by or pursuant to the Securities Act, the Securities Regulations, the Companies Act 1993 or the Financial Reporting Act 1993 which is materially the same as or analogous to any obligation of Air New Zealand under the Trust Deed or the Bonds, provided two authorised officers of Air New Zealand certify that such amendment or temporary variation will not have a material adverse effect on Air New Zealand or be materially and adversely prejudicial to the general interests of Bondholders.

The Trustee may also temporarily vary the provisions of the Trust Deed for such period and on such terms as may be deemed appropriate provided that the Trustee is satisfied that the interests of the affected Bondholders generally will not be materially and adversely prejudiced.

Any amendment to the Trust Deed will be binding on all Bondholders, however, it will only be effective if it is in writing and signed by Air New Zealand and the Trustee.

Early termination

Maturity Date

The Principal Amount of each Bond is payable by Air New Zealand on the Maturity Date.

Redemption by Bondholders

Bondholders have no right to require Air New Zealand to redeem their Bonds prior to the Maturity Date, except in the case of an Event of Default. This means that Bondholders have no ability to cash in their investment prior to the Maturity Date, except following an Event of Default or by selling their Bonds in the secondary market (if one develops).

Air New Zealand may purchase Bonds from any person at any time on market or by private treaty at any price. Any Bonds purchased by Air New Zealand will be deemed to be immediately cancelled but Air New Zealand may, at any time, reissue any such Bonds. Any re-issued Bonds will be subject to the terms of the Trust Deed and the conditions attaching to the Bonds as set out in this Prospectus (except as to the date of issue). Any re-issued Bonds will rank equally with each other and with any Bonds already on issue.

Events of Default

Upon the occurrence of any Event of Default, the Trustee may in its discretion, and shall if directed to do so by an Extraordinary Resolution, declare the Bond Moneys to be immediately due and payable. However, none of the events specified in the Trust Deed as an Event of Default will constitute an Event of Default, and the Bond Moneys will not become immediately due and payable, unless the Event of Default is continuing unremedied and the Trustee has given a notice to Air New Zealand declaring the Bond Moneys to be immediately due and payable.

The Events of Default applicable to the Bonds are listed under the heading "Events of Default" on page 22 of this Prospectus.

Right to sell securities

Bondholders are entitled to sell or transfer their Bonds at any time, subject to the terms of the Trust Deed and any applicable securities laws and regulations. Bonds may be transferred using a transfer document in any commonly used form acceptable to the Registrar or by means of the Settlement System operated by NZX or any successor to that system.

Application has been made to NZX for permission to list the Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. NZDX is a registered market operated by NZX which is a registered exchange.

As at the date of this Prospectus, there is no established secondary market for the Bonds. On the basis that permission is expected to be granted to list the Bonds on the NZDX, Air New Zealand considers that a secondary market for the Bonds will develop following completion of the Offer. However, Air New Zealand gives no assurance as to the existence or liquidity of such secondary market. Additional information in relation to the secondary market for Bonds is set out under the heading "Sale of Bonds" on page 33 of this Prospectus.

If a Bondholder wishes to sell Bonds on the NZDX, they should contact their usual NZX firm. Applicants should not attempt to sell their Bonds until they know whether, and how many, Bonds have been allotted to them. None of Air New Zealand, the Arranger, the Joint Lead Managers, the Co-Managers, the Trustee, nor any of their respective directors, officers, employees or agents, nor any other person, accepts any liability or responsibility should any

applicant for Bonds attempt to sell or otherwise deal with any Bonds before receiving a Statement recording the number of Bonds (if any) allotted to them.

A Bondholder may transfer Bonds in minimum Principal Amounts of \$1,000 provided that, Air New Zealand may refuse to register a transfer if the transfer would result in the transferee holding Bonds with an aggregate Principal Amount of less than \$5,000 (or in the case of amounts held by NZX registered brokers and registered banks \$1,000). Air New Zealand may also refuse to register a transfer if it has a lien on the Bonds or the transferor has failed to produce such evidence as Air New Zealand reasonably requires to establish the transferor's right to transfer the relevant Bonds.

No charges are payable to or by Air New Zealand on any sale of Bonds. However, brokerage at applicable rates is likely to be payable by a Bondholder on any transfer of their Bonds effected through a NZX firm or other financial intermediary.

The amount a Bondholder receives from a sale of Bonds may differ from the amount paid for them. Factors which may affect the price at which a Bondholder is able to sell their Bonds are described under the heading "Sale of Bonds" on page 33 of this Prospectus. Air New Zealand will not compensate Bondholders for any loss they incur if they choose to sell Bonds.

Other terms of Offer and securities

All of the terms of the Offer and the Bonds being offered are set out in this Prospectus, except for those:

- implied by law; or
- which are set out in a document that has been registered with a public official, is available for public inspection, and is referred to in this Prospectus.

Information available under issuer's disclosure obligations

Air New Zealand, as the issuer of the Shares (which are quoted on NZSX and ASX), is subject to continuous disclosure obligations under the Listing Rules (which are "continuous disclosure provisions" for the purposes of section 19D of the Securities Markets Act 1988). As such, Air New Zealand is required to immediately notify NZX of any information concerning Air New Zealand of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price of any of Air New Zealand's listed securities, subject to certain exceptions.

Copies of announcements made by Air New Zealand through NZX are available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre) or on NZX's website (www.nzx.com) under the NZSX code "AIR". You are encouraged to monitor Air New Zealand's announcements through either website.

The table shown on page 42 sets out particulars of the information material to the Offer that has been notified by Air New Zealand through NZX prior to registration of this Prospectus in accordance with its disclosure obligations under the Listing Rules. This is not a list of all announcements previously made by Air New Zealand. Copies of all of the announcements referred to below have been filed with NZX and the Companies Office. The announcements are also available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

DATE OF ANNOUNCEMENT	DESCRIPTION OF ANNOUNCEMENT
25 August 2011	Air New Zealand Group FY11 Annual Results Announcement
23 August 2011	Air NZ Fuel Hedge Position as at 16 August 2011
23 August 2011	Air New Zealand Investor Update (July Operating Stats)
21 August 2011	Air New Zealand Limited – 5(2CA) Statement
4 August 2011	Director Retirement
26 July 2011	Air New Zealand Investor Update (June Operating Stats)
8 July 2011	Air NZ Released from US Dept of Justice Cargo Investigation
27 June 2011	Air New Zealand Investor Update (May Operating Stats)
24 May 2011	Air NZ Fuel Hedge Position as at 19 May 2011
24 May 2011	Air New Zealand Investor Update (April Operating Stats)
16 May 2011	AIR and VBA Announce New-look Joint Network
21 April 2011	Air New Zealand Monthly Investor Update (March Operating Stats)
23 March 2011	Air New Zealand Investment in Virgin Blue
23 March 2011	Air New Zealand Monthly Investor Update (February Operating Stats)
21 March 2011	Air New Zealand: Moody Changes Air New Zealand's Outlook
22 February 2011	Air New Zealand's Investment in Virgin Blue
21 February 2011	Air New Zealand Monthly Investor Update (January Operating Stats)
21 February 2011	Air NZ Fuel Hedge Position as at 16 February 2011
21 January 2011	Air New Zealand Monthly Investor Update (December Operating Stats)
21 January 2011	Air NZ Acquires Substantial Shareholding in Virgin Blue
21 December 2010	NZ Minister of Transport Approves AIR/VBA Alliance
20 December 2010	Air NZ Monthly Investor Update (November Operating Stats)
16 December 2010	ACCC Gives Go Ahead for Trans-Tasman Alliance
25 November 2010	Air NZ Fuel Hedge Position as at 19 November 2010
25 November 2010	Air NZ Monthly Investor Update (October Operating Stats)
10 November 2010	Positive Verdict for Air NZ in EC Air Cargo Case
27 October 2010	Air NZ Monthly Investor Update (September Operating Stats)
1 October 2010	Moody's raises Air NZ's issuer rating to Investment Grade
21 September 2010	Air NZ Monthly Investor Update (August Operating Stats)
10 September 2010	Virgin Blue and Air New Zealand Alliance
6 September 2010	Air New Zealand Not Liable For Travel Agent Commissions

Financial statements

The audited consolidated financial statements for Air New Zealand and the Air New Zealand Group for FY11 that comply with the Financial Reporting Act 1993 were registered at the Companies Office on 25 August 2011, and notified by Air New Zealand through NZX on 25 August 2011. These financial statements can be viewed on NZX's website (www.nzx.com) under the NZSX code "AIR" or on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Access to information and statements

Copies of the announcements referred to above under the heading "Information available under issuer's disclosure obligations" and the audited consolidated financial statements for Air New Zealand and the Air New Zealand Group for FY11 are available on request, free of charge, from Air New Zealand. To obtain this information, a request in writing should be made to Air New Zealand (Attention: Investor Relations Manager) at the address specified in the Directory.

Copies of those documents are also filed on a public register at the Companies Office and are available for public inspection (including at www.business.govt.nz/companies).

Those documents and other documents of, or relating to, Air New Zealand are also available on Air New Zealand's website (www.airnewzealand.co.nz/investor-centre).

Other material matters

NZXMS (NZX Market Supervision) has granted Air New Zealand a waiver from NZDX Listing Rule 11.1.1 to enable Air New Zealand to decline to accept or register a transfer of Bonds if the transfer is not a multiple of \$1,000 or the transfer would result in the transferor or transferee holding Bonds of an aggregate Principal Amount of less than \$5,000.

There are no additional material matters relating to the Offer of Bonds other than those set out in:

- this Prospectus;
- the NZX announcements referred to on page 41;
- the audited consolidated financial statements for Air New Zealand and the Air New Zealand Group for FY11; and
- contracts entered into in the ordinary course of business by a member of the Air New Zealand Group.

Directors' statement

The Directors of Air New Zealand, after due enquiry by them, are of the opinion that Air New Zealand is in compliance with the requirements of the continuous disclosure provisions that apply to it.

The copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration has been signed by each of the Directors of Air New Zealand Limited.

Paul Jonathon Bingham

Antony John Carter

Janice Amelia Dawson

James Charles Fox

George Roger Wayne France

Warren Arthur Larsen

John Leonard Palmer

Glossary

In this Prospectus, unless the context requires otherwise, the terms set out below have the following meanings:

Affiliates: other entities in which Air New Zealand has an interest, including, but not limited to, the Christchurch Engineering Centre Partnership

AIL: approved issuer levy

Air New Zealand: Air New Zealand Limited

Air New Zealand Group: Air New Zealand and its Subsidiaries and Affiliates

Annual Report: the annual consolidated financial statements for Air New Zealand and the Air New Zealand Group together with the Air New Zealand annual shareholder review

Application Form: the application form contained within this Prospectus

Arranger: First NZ Capital Securities Limited

ASX: ASX Limited

Board: the board of Directors of Air New Zealand

Bondholder: a person whose name is entered in the Register as a holder of a Bond

Bond Moneys: in respect of a Bond, means the Principal Amount of that Bond, together with all accrued but unpaid interest and any other amount due and payable in respect of that Bond

Bonds: the bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this Prospectus

Business Day: a day (other than a Saturday or a Sunday) on which registered banks (as that term is defined in the Reserve Bank of New Zealand Act 1989) generally are open for business in Auckland and Wellington and the NZX is open for trading

Closing Date: 23 September 2011, or such other date as Air New Zealand may determine

Co-Managers: ANZ National Bank Limited, Bank of New Zealand and Forsyth Barr Limited

Directors: the directors of Air New Zealand

Directory: the directory set out in the section entitled "Directory" on page 53 of this Prospectus

Event of Default: in relation to the Bonds, means the events defined as such in the Trust Deed, as summarised under the heading "Events of Default" on page 22 of this Prospectus

Extraordinary Resolution: in relation to Bondholders, a resolution passed at a meeting of the Bondholders duly convened and held by a majority consisting of not less than 75% of the votes cast on that resolution or, if a poll is required, by not less than 75% of the votes cast on the poll.

Firm Allocations: Bonds reserved for subscription by institutional investors or clients of the Joint Lead Managers, the Co-Managers, Primary Market Participants and other approved financial intermediaries, as determined by Air New Zealand in consultation with the Joint Lead Managers, on or before the Opening Date

First Interest Payment Date: 15 November 2011

FY11: the financial year of the Air New Zealand Group ended 30 June 2011

Income Year: usually the standard tax year which commences on 1 April and ends on the following 31 March. Bondholders who have approval from the Inland Revenue Department to adopt a non-standard tax balance date may have a different income year

Interest Payment Date: 15 May and 15 November in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 15 November 2011

Interest Rate: the rate of interest per annum payable on the face value of the Bonds as announced by Air New Zealand through NZX on the Rate Set Date

Issue Price: \$1.00 per Bond, being the Principal Amount of each Bond

Joint Lead Managers: First NZ Capital Securities Limited and Craigs Investment Partners Limited

Listing Rules: the NZSX and NZDX listing rules as amended from time to time

Maturity Date: 15 November 2016

NRWT: non-resident withholding tax

NZClear System: the securities clearing and settlement facility operated by the Reserve Bank of New Zealand and known as the NZClear System or any successor to that system

NZDX: the debt security market operated by NZX

NZSX: the main board equity security market operated by NZX

NZX: NZX Limited (a registered exchange regulated under the Securities Markets Act 1988)

Offer: the offer of Bonds made by Air New Zealand under this Prospectus

Opening Date: 5 September 2011, or such other date that Air New Zealand may determine

Organising Participant: First NZ Capital Securities Limited

Primary Market Participant: has the meaning given to that term in the Listing Rules

Principal Amount: \$1.00 per Bond

Priority Pool: a pool of Bonds having an aggregate Principal Amount of \$4 million (being 2.67% of the maximum offer amount of \$150 million) initially reserved for Air New Zealand Shareholders and employees of the Air New Zealand Group as set out in this Prospectus

Priority Pool Application Form: the application form to be completed by persons subscribing for Bonds through the Priority Pool and which can be obtained from the Registrar

Prospectus: this simplified disclosure prospectus dated 25 August 2011

Rate Set Date: the date on or before the Opening Date on which the Interest Rate is determined by Air New Zealand in consultation with the Joint Lead Managers

Record Date: a day ten days prior to the relevant Interest Payment Date: (whether or not such date is a Business Day), such Record Date being notified through NZX at least 10 Business Days prior to the relevant Record Date, or within such lesser period as is approved by NZX

Register: the register in respect of the Bonds maintained by the Registrar

Registrar: Link Market Services Limited

RWT: resident withholding tax

Securities Act: the Securities Act 1978

Securities Regulations: the Securities Regulations 2009

Settlement System: the facilities and systems used to effect the clearing and settlement of transactions on the NZDX

Share: an ordinary share in Air New Zealand

Shareholder: a registered holder of Shares

Statement: a statement of holding of securities complying with Listing Rule 11.2

Subsidiary: a subsidiary, as defined in section 5 of the Companies Act 1993, or an "in-substance" subsidiary, in accordance with any approved financial reporting standard, of Air New Zealand

Trans-Tasman Alliance: arrangements entered into by Virgin Australia and Air New Zealand and others pursuant to which the parties co-ordinate certain aspects of their trans-Tasman operations

Trust Deed: the trust deed dated 24 August 2011 between Air New Zealand and the Trustee

Trustee: The New Zealand Guardian Trust Company Limited or such other trustee as may hold office as trustee under the Trust Deed from time to time

A copy of all New Zealand legislation referred to in this Prospectus may be viewed at www.legislation.govt.nz



Application instructions

You should read this Prospectus carefully before completing an Application Form.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the Principal Amount of Bonds specified on the Application Form (or such lesser amount which Air New Zealand may determine) on the terms and conditions set out in this Prospectus, the Trust Deed and on the Application Form. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Air New Zealand's decision on the aggregate Principal Amount of Bonds to be allotted to an applicant and as to whether to accept or reject an Application Form, or to treat it as valid, will be final.

THE APPLICATION FORM

A = Investor Details

Insert your full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. Use the table below to see **how to write your name correctly**.

Type of applicant:	Correct way to write name:	Incorrect way to write name:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

By supplying your mobile number you will enable the Registrar to advise you by TXT Alerts (post allotment) of any changes on your holding balance, or if your bank account details or address on the register change, or if a new/replacement FIN has been requested. This feature provides additional security to you as an investor.

B = Application Payment Details

Payment must be made in New Zealand dollars for immediate value by a personal cheque (or, if the application is for Bonds of an aggregate Principal Amount of \$500,000 or more, by bank cheque or other method approved by the Joint Lead Managers), direct debit, or through the NZClear System (**institutional investors only**) by prior arrangement.

Complete the TOTAL Principal Amount of Bonds applied for. Note the **minimum amount and minimum integral multiples** that are stated in the Application Form. Please advise payment method and bank account details for future interest payments.

OPTION 1:

If you choose the direct debit option you must **tick the box authorising the Registrar to direct debit** the bank account nominated on the Application Form, **on the day the Application Form is received by the Registrar**, for the TOTAL Principal Amount applied for on the Application Form. The bank account must be with a **New Zealand registered bank**. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are available on the **day the Registrar receives the Application Form**;
- **the person(s) giving the direct debit instruction has/have the authority to operate the account** solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

Should your direct debit fail, your application will be rejected. If requested, a direct debit authority form will be provided to you by the Registrar. Refer to the contact details on the application form.

OPTION 2:

By a personal cheque in New Zealand dollars. Cheques must be made payable to "Air New Zealand Bond Offer", crossed "Not Transferable" and **must not be post-dated as cheques will be banked on day of receipt**. If an applicant's cheque is dishonoured, Air New Zealand may cancel that applicant's allotment of Bonds and pursue any other remedies available to it at law.

OPTION 3:

Applicants who are members of the NZClear System may, by prior arrangement with the Registrar, settle their applications for the Bonds through the NZClear system with the Registrar up to and including the allotment date.

C = Holder number details

If you have other investments registered under a Common Shareholder Number (**CSN**) you must supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN. If you do not provide a CSN it will be deemed that you do not have a current CSN and a base registry number and FIN will be allocated to you at allotment of the Bonds. If you do not have a CSN but do hold shares in Air New Zealand under a base registry number please provide your Air New Zealand shareholder number in this space.

D = Provide your IRD number

RWT will be deducted from any interest paid to you (unless you provide a valid RWT exemption certificate). Tick the RWT rate box that applies to you. If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate. Only one IRD number is required per joint holding.

E = Electronic investor correspondence

By supplying your email address your investor correspondence will be delivered to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs and Air New Zealand encourages you to complete this section.

F = Signing and Dating

Read this Prospectus and Application Form carefully and sign and date the Application Form.

The Application Form must be signed by the applicant(s) personally, or by two directors if a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

G = Closing Date and Delivery

This Offer will close at **5.00pm on 23 September 2011** (being the Closing Date). Applicants should remember that the Closing Date may be changed at the sole discretion of Air New Zealand. Changes will be advised by NZX announcement. Air New Zealand reserves the right to refuse to accept applications received by the Registrar after the Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form and this Prospectus.

H = If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

I = If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the reverse of the Application Form.

Joint applicants must each sign the Application Form.

Personal Information Rights

Personal information provided by you will be held by Air New Zealand and the Registrar at their respective addresses shown in the Directory on the inside back cover of this Prospectus or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. You have a right to access and correct any personal information about you under the Privacy Act 1993. You can also access your information on the Link Market Services website: www.linkmarketservices.com. (You will be required to enter your holder number and FIN).



DIRECTORY

Directors of Air New Zealand Limited

Paul Jonathon Bingham
Antony John Carter
Janice Amelia Dawson
James Charles Fox
George Roger Wayne France
Warren Arthur Larsen
John Leonard Palmer

Registered office of Air New Zealand Limited

Air New Zealand House
185 Fanshawe Street, Auckland

Registrar

Link Market Services Limited
Level 16, Brookfields House, 19 Victoria Street, Auckland
Telephone: (09) 375 5998
Facsimile: (09) 375 5990
Email: Lmsenquiries@linkmarketservices.com

Joint Lead Managers

First NZ Capital Securities Limited
Level 14, 171 Featherston Street, Wellington
Freephone: 0800 320 200

Craigs Investment Partners Limited
Craigs Investment Partners House
158 Cameron Road, Tauranga
Freephone: 0800 226 263

Arranger, Organising Participant

First NZ Capital Securities Limited
Level 14, HP Tower, 171 Featherston Street, Wellington

Co-Managers

ANZ, part of ANZ National Bank Limited
Level 7, 1 Victoria Street, Wellington 6140
Freephone: 0800 269 476

Bank of New Zealand
Level 6, Deloitte Centre, 80 Queen Street, Auckland 1010
Freephone: 0800 275 269

Forsyth Barr Limited
Level 9, Forsyth Barr House, The Octagon, Dunedin 9054
Freephone: 0800 367 227

Solicitors to Air New Zealand

Bell Gully
Level 21, Vero Centre, 48 Shortland Street, Auckland

Trustee

The New Zealand Guardian Trust Company Limited
Level 7, Vero Centre, 48 Shortland Street, Auckland

Solicitors to the Trustee

Buddle Findlay
PricewaterhouseCoopers Tower, 188 Quay Street, Auckland

Auditor

Deloitte (on behalf of the Auditor-General)
Level 18, Deloitte Centre, 80 Queen Street
Shortland Street, Auckland

