



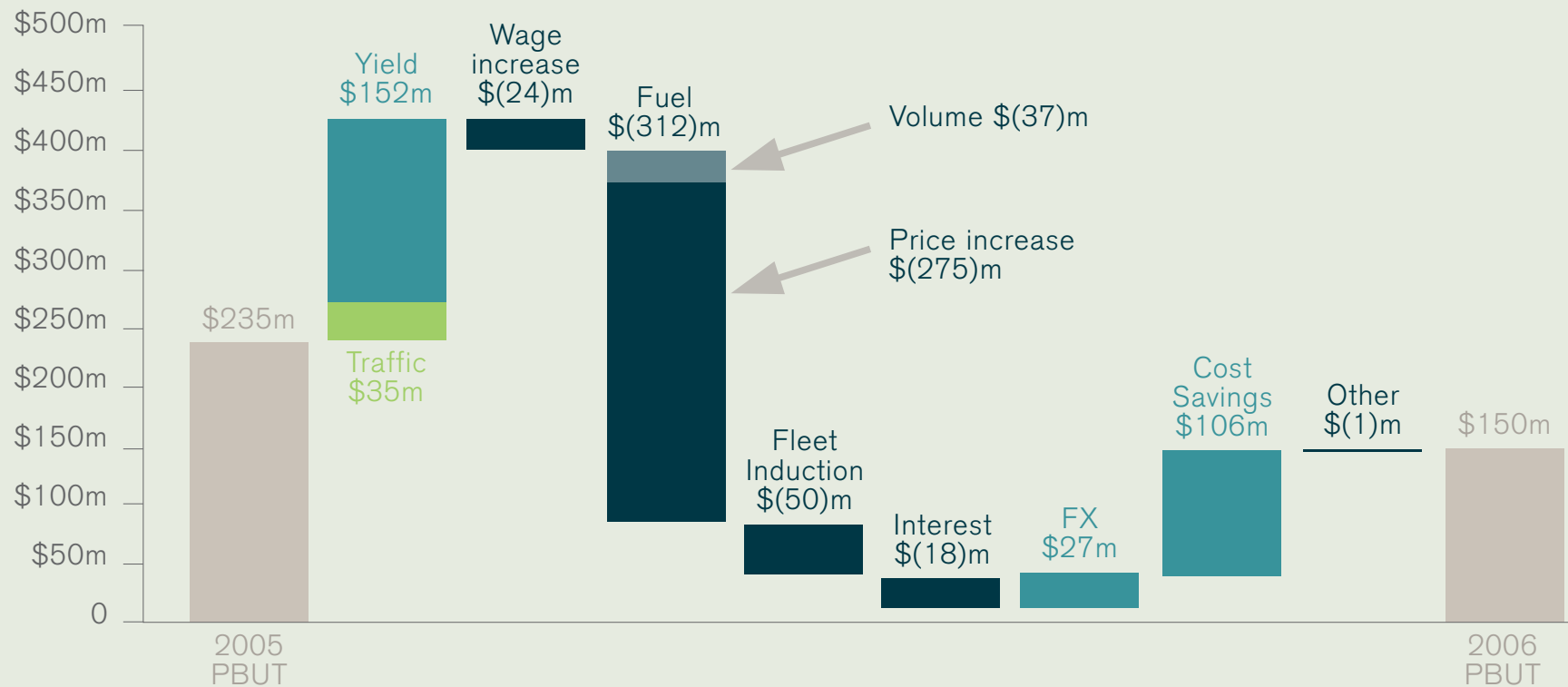
**OUR JOURNEY
CONTINUES...**
2006 ANNUAL RESULTS



FINANCIAL OVERVIEW

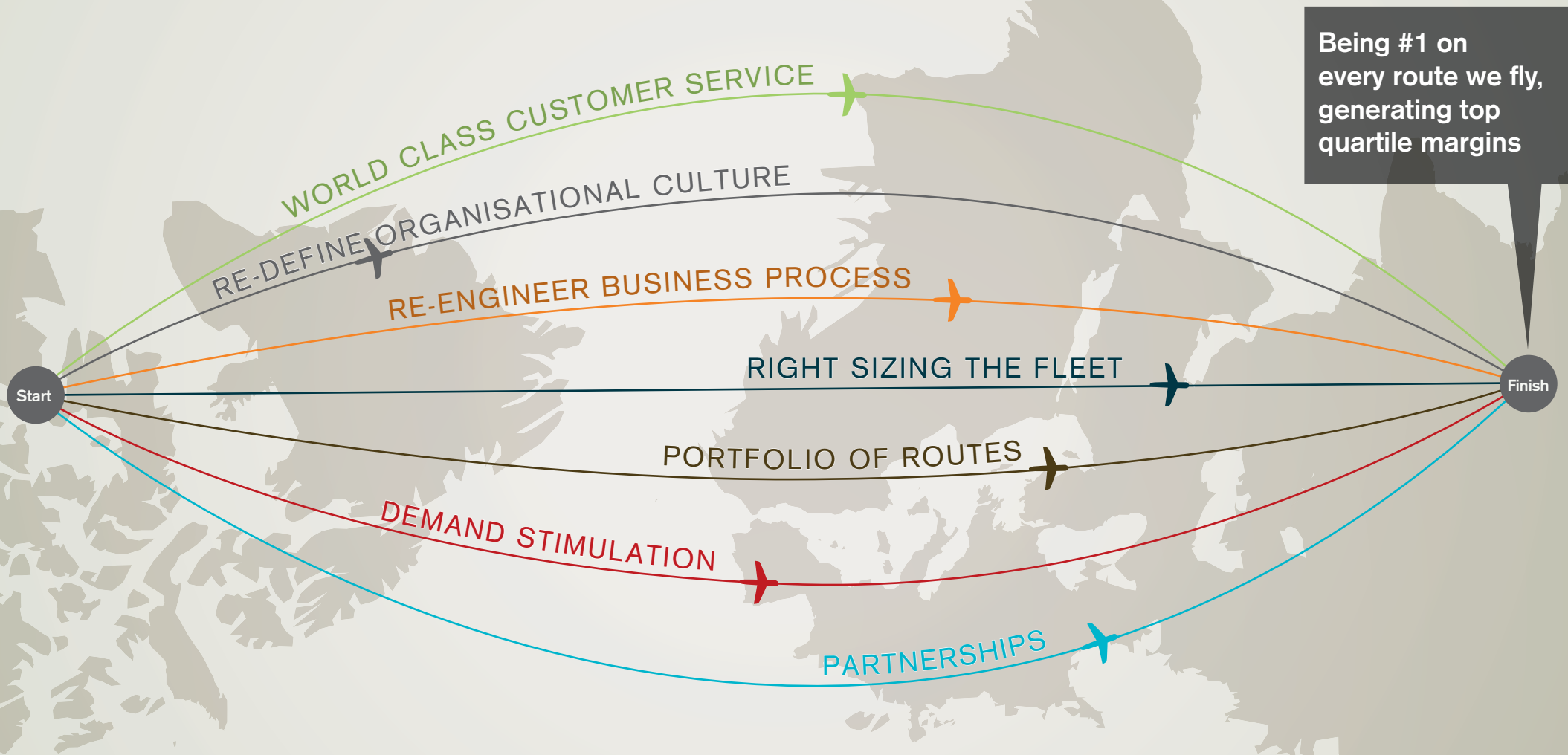
	30 June 06	30 June 05	Dollar Movement	Percentage Movement
Operating revenue	\$3,805m	\$3,616m	+\$189m	+5%
PBUT	\$150m	\$235m	-\$85m	-36%
NPAT	\$96m	\$180m	-\$84m	-47%
Operating cash flow	\$473m	\$437m	+\$36m	+8%
Cash	\$1,150m	\$1,070m	\$80m	+7%
Gearing	54.7%	44.0%	-	-10.7 pts
Annual dividend	5 cps	5 cps	-	-

KEY INFLUENCES ON PROFITABILITY

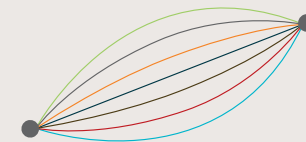


CLEAR STRATEGIC DIRECTIONS

ILLUSTRATIVE ONLY



WORLD CLASS CUSTOMER SERVICE

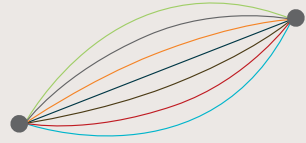


MORE SATISFIED CUSTOMERS

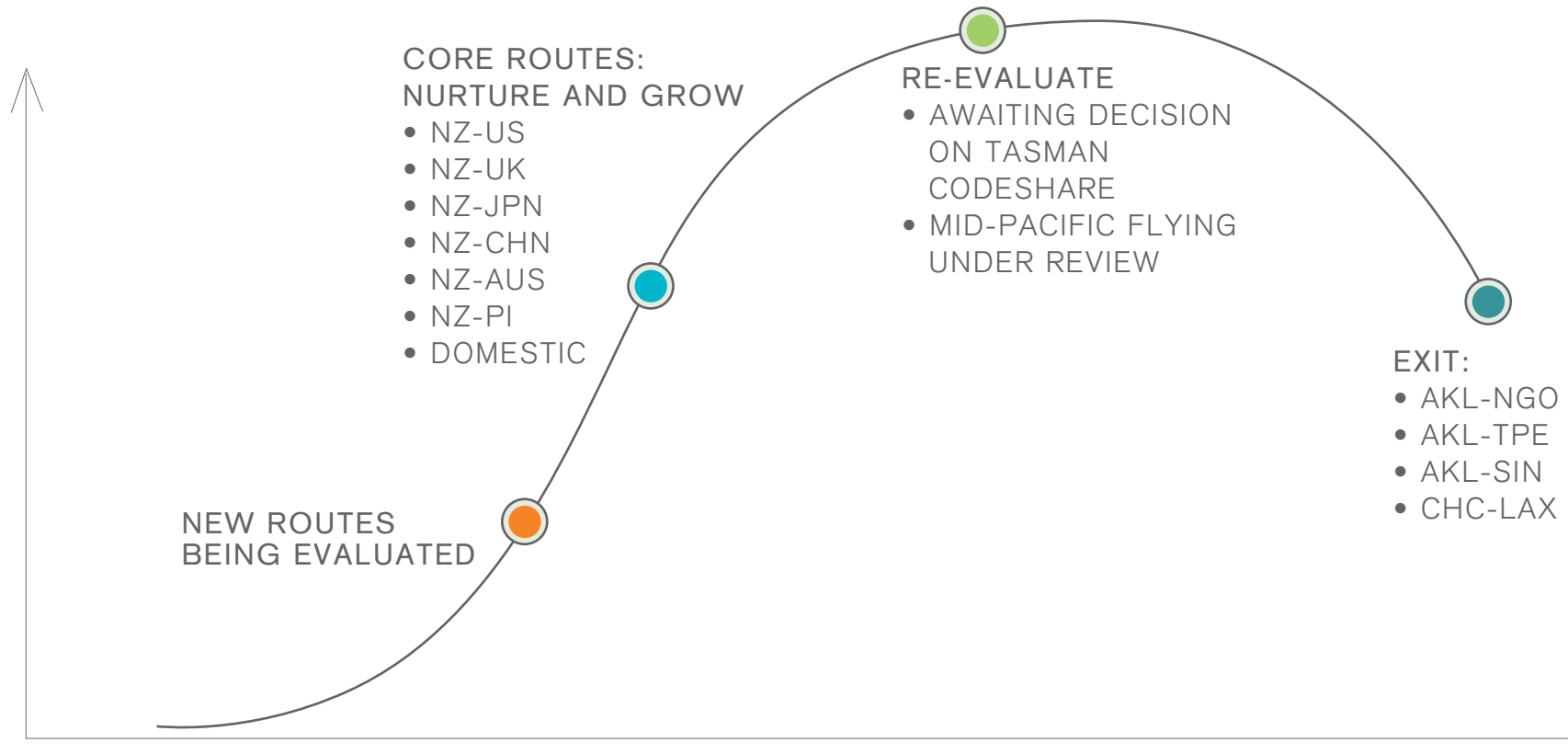
Star Alliance Customer Satisfaction Survey	Score	Improvement	Rank in Star Alliance
Overall Impression of flight	76%	14 points	6th
Business Class	92%	22 points	2nd
Economy Class	75%	13 points	5th
Lounges	80%	20 points	1st



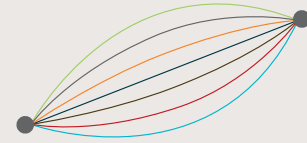
PORTFOLIO OF ROUTES



EMERGING PORTFOLIO OF ROUTES

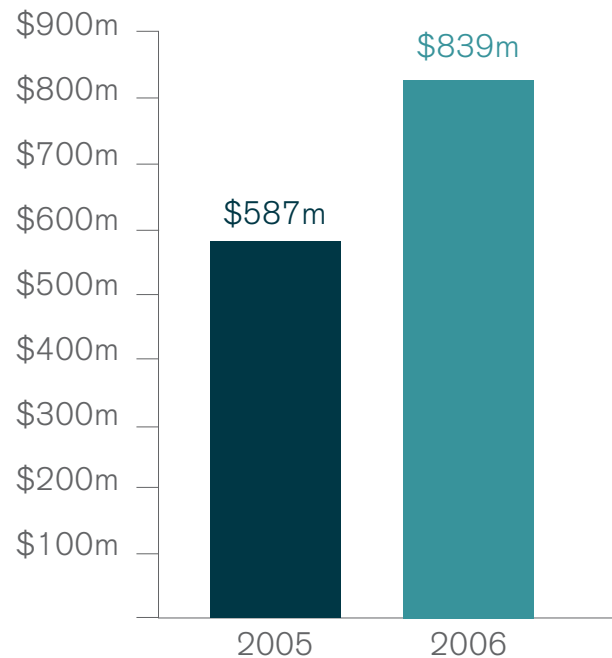


RE-ENGINEERING PROCESSES

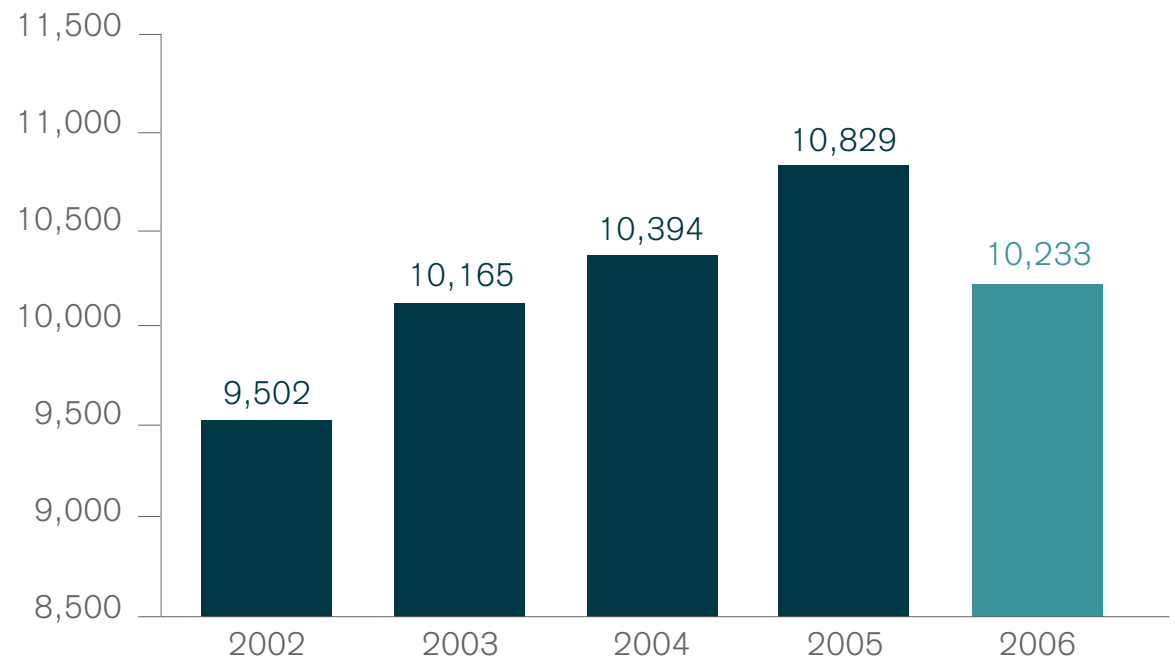


TWO KEY AREAS OF FOCUS – ONLINE AND WORLD CLASS COMPETITIVENESS

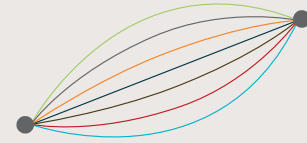
Online revenue up 43%



Employee Numbers down 6% over last year



STRATEGIC INTENT



OUR AIM IS TO BECOME #1 ON EVERY ROUTE

	Market Position	Air NZ Share	
NZ-Australia	1	42%	↑
NZ-UK	1	30%	↑
NZ-USA	1	60%	↑
NZ-Pacific Islands	1	50%	↑
NZ-Japan	1	75%	—
NZ-China	1	30%	↑
NZ-Hong Kong	2	40%	↑
Domestic	1	84%	↑



TRANSITION TO NZ IFRS

- Jet aircraft residual value hedge
- Financial instruments
- Defined benefit plans
- Taxation
- Maintenance

OUTLOOK

- Fuel prices will heavily influence level of profitability in 2007
- Good level of cover in place against macro inputs:
 - 60% of crude oil hedged at US\$71 per barrel
 - 91% of net FX exposure hedged at 68 cents
- At today's fuel prices the cost of fuel will increase by around \$350 million

SUMMARY

2006 FINANCIAL RESULTS

- PBUT \$150m
- NPAT \$96m
- Operating cash flow \$473m
- Final dividend 2.5 cps

2007 OUTLOOK

- Fuel prices will heavily influence profitability in 2007
- Look to maintain stable dividends

ATTACHMENTS

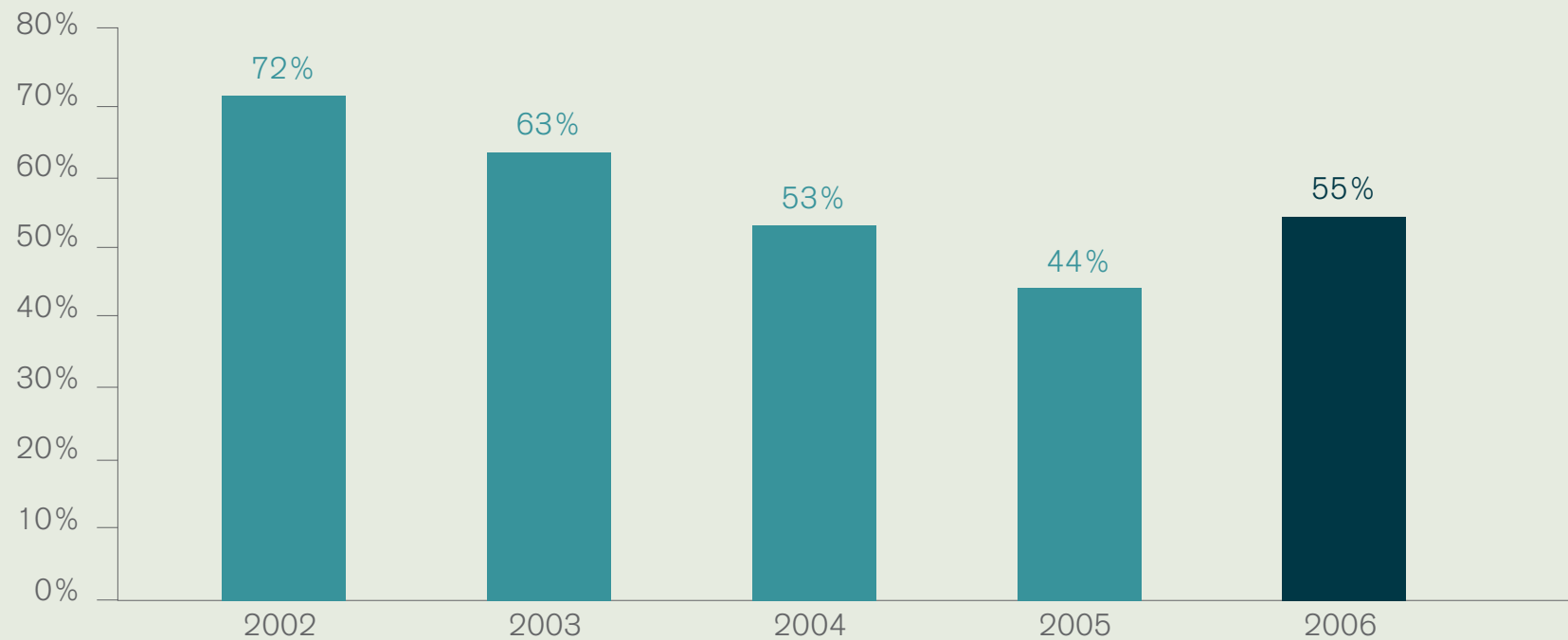
FINANCIAL OVERVIEW - PROFITABILITY

	30 June 06	30 June 05	Dollar Movement	Percentage Movement
Operating revenue	\$3,805m	\$3,616m	+\$189m	+5%
EBITDRA	\$689m	\$697m	-\$8m	-1%
EBIT	\$148m	\$212m	-\$64m	-30%
PBUT	\$150m	\$235m	-\$85m	-36%
Unusuals	(\$44m)	(\$3m)	-\$41m	NA
NPAT	\$96m	\$180m	-\$84m	-47%
Annual dividend	5 cps	5 cps	-	-

FINANCIAL OVERVIEW - CASH

	30 June 06	30 June 05	Dollar Movement	Percentage Movement
Operating cash flow	\$473m	\$437m	+\$36m	+8%
Investing cash flow	(\$772m)	(\$532m)	-\$240m	-45%
Financing cash flow	\$379m	\$145m	+\$234m	+161%
Net increase in cash	\$80m	\$50m	+\$30m	+60%
Cash	\$1,150m	\$1,070m	+\$80m	+7%

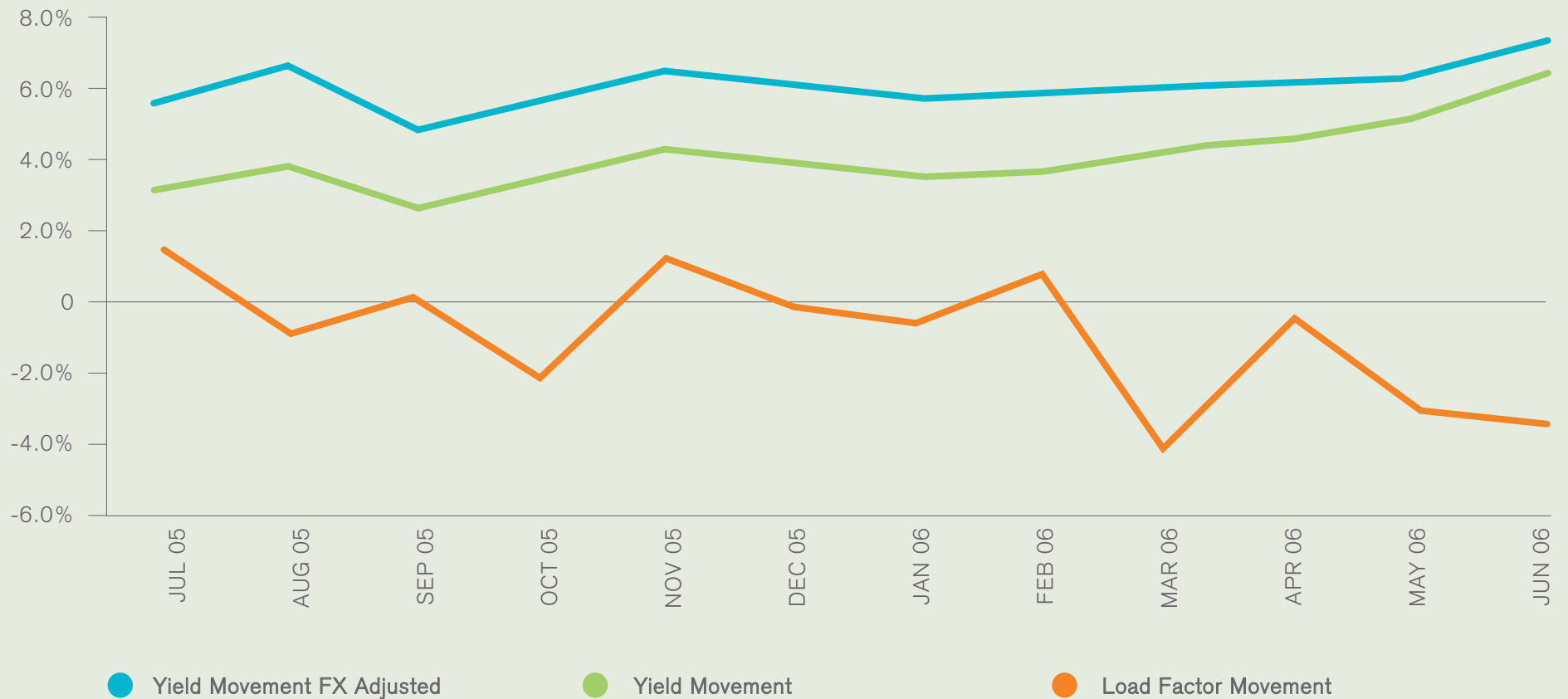
FINANCIAL OVERVIEW - GEARING*



* Including net capitalised aircraft operating leases

GROUP OPERATIONAL PERFORMANCE

YEAR-ON-YEAR LOAD FACTOR & YIELD MOVEMENTS



GROUP OPERATING STATISTICS

	30 June 06	30 June 05	Variance	Percentage Movement
Passengers	11.9m	11.7m	+0.2m	+2%
ASKs	34,055m	33,692m	+363m	+1%
RPKs	25,551m	25,568m	+17m	-
Load Factor	75%	76%	-	-1pts
Yield (cents per RPK)	12.0	11.3	+0.7	+6%

LONG-HAUL OPERATING STATISTICS

	30 June 06	30 June 05	Variance	Percentage Movement
Passengers	1.6m	1.7m	-0.1m	-3%
ASKs	19,415m	19,566m	-151m	-1%
RPKs	14,987m	15,267m	-280m	-2%
Load Factor	77%	78%	-	-1pts

SHORT-HAUL OPERATING STATISTICS

	30 June 06	30 June 05	Variance	Percentage Movement
Passengers	10.3m	10.0m	+0.3m	+3%
ASKs	14,640m	14,126m	+514m	+4%
RPKs	10,564m	10,301m	+263m	+3%
Load Factor	72%	73%	-	-1pts

RIGHT SIZING OF FLEET

Operating Aircraft	30 June 05	New Aircraft	Exited Aircraft	30 June 06	Projected Aircraft Movements	30 June 07 Projected Fleet
747-400	8			8	(1)	7
777-200ER	–	5		5	3	8
767-300ER	9		(2)	7	(1)	6
A320-200	10	4	(2)	12		12
737-300	17		(3)	14		14
ATR72	12		(1)	11		11
Saab 340A	17		(4)	13	(9)	4
Q300	–	8		8	8	16
Beech 1900D	16			16		16
Total operating fleet	89	17	(12)	94	–	94



**AT THE HEART
OF EVERY
NEW ZEALAND
JOURNEY**