

# AIR NEW ZEALAND ANNUAL RESULTS

---

2007



AIR NEW ZEALAND

# Financial overview



	June 2007	June 2006	Dollar movement	Percentage movement
<b>Operating revenue</b>	\$4,297m	\$3,805m	\$492m	13%
<b>PBUT</b>	\$268m	\$150m	\$118m	79%
<b>NPAT</b>	\$214m	\$96m	\$118m	123%
<b>Adjusted operating cash flow*</b>	\$584m	\$342m	\$242m	71%
<b>Net cash</b>	\$1,057m	\$1,150m	\$(93)m	(8)%
<b>Gearing**</b>	47.3%	51.9%		4.6 pts
<b>Annual dividend</b> (excluding special dividend)	8 cps	5 cps	3 cps	60%
<b>Special dividend</b>	10 cps	–	10 cps	n/a

\* Operating cash flow excluding the impact of the rollover of short-dated foreign exchange contracts

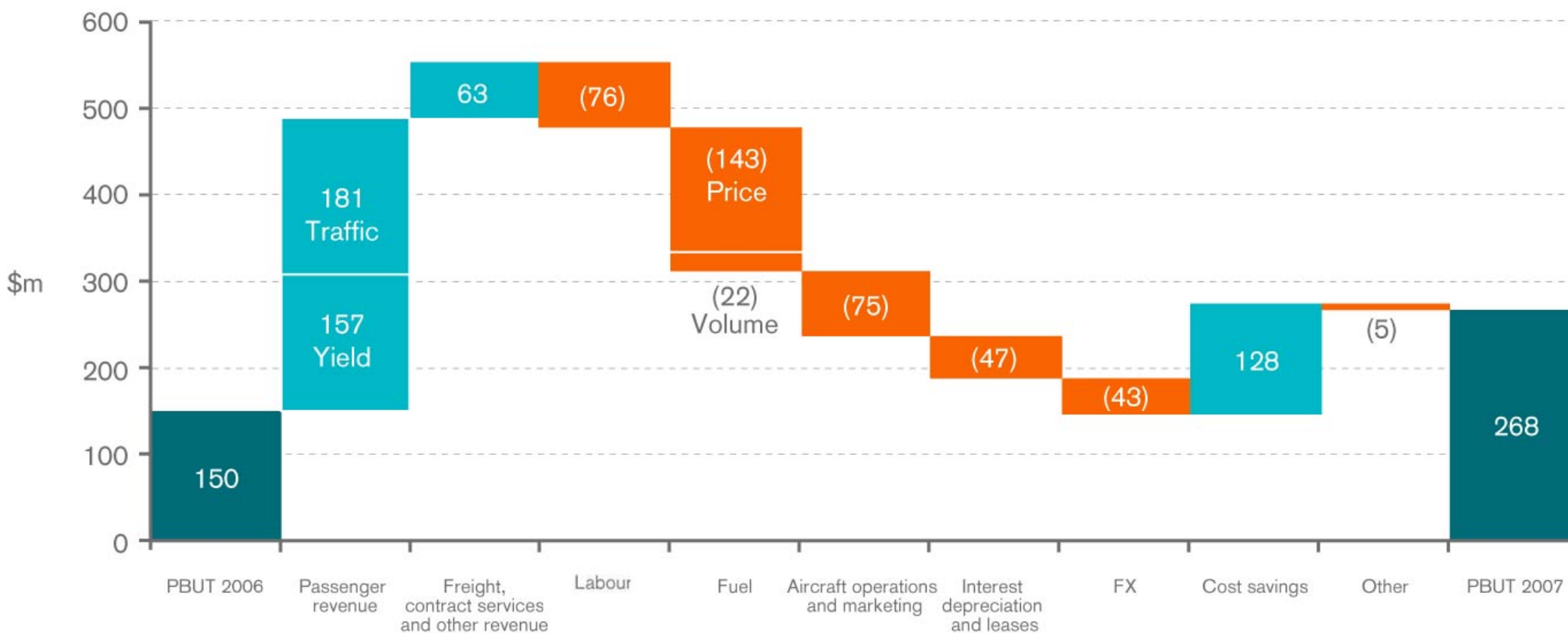
\*\* Convertible notes treated as equity in the 2006 year



# Key influences on profitability



PBUT reconciliation



# Strategic imperatives



- No.1 in chosen markets
- Optimised portfolio of capacity and routes
- Strong relationships and alliances to maximise reach
- Business simplification
- Sustainable margins consistently in the top quartile of the airline industry



# Focus for the coming year



- Reinvesting at home
- Growing the customer relationship
- Protecting our environment
- Progressing the long-haul



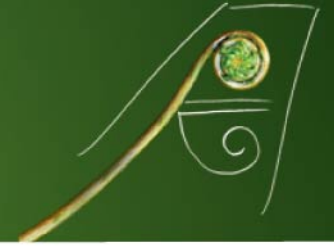
# Reinvesting at home



- Domestic New Zealand remains a key focus and an area where growth is still achievable
- Significant investment has been made in the Regional network - in particular via the introduction of the Q300 fleet
- Focus will move to improving our products for high value customers - while maintaining “everyday low fares”
- The airport experience must improve to support the ongoing growth in air travel



# Growing the customer relationship



- Our frequent flyer programme will undergo some changes, with further segmentation of status
- We will look to grow the value of our loyalty programme by broadening its reach
- Further developments online as we put the customer back in full command of their travel arrangements



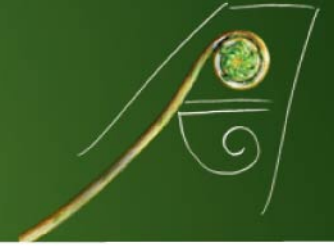
# Protecting our environment



- Air New Zealand actively seeks to assist in developing aviation biofuels and we continue to assess possibilities in this area
- Customers will be given more environmental choices, and will have the opportunity to purchase carbon credits
- Significant internal mobilisation has occurred to raise the profile of environmental issues
- We continue to explore involvement in practical environmental initiatives



# Progressing the long-haul



- The long-haul network experienced strong growth in 2007, with 7.4% growth in passengers carried
- Results of the Business Premier and Pacific Premium Economy products have been pleasing
- The long-haul fleet direction has now settled, with wide-body investments secured through to 2015
- Work has begun on the next generation of long-haul product, to be delivered with the 787-9 and 777-300ER from 2010



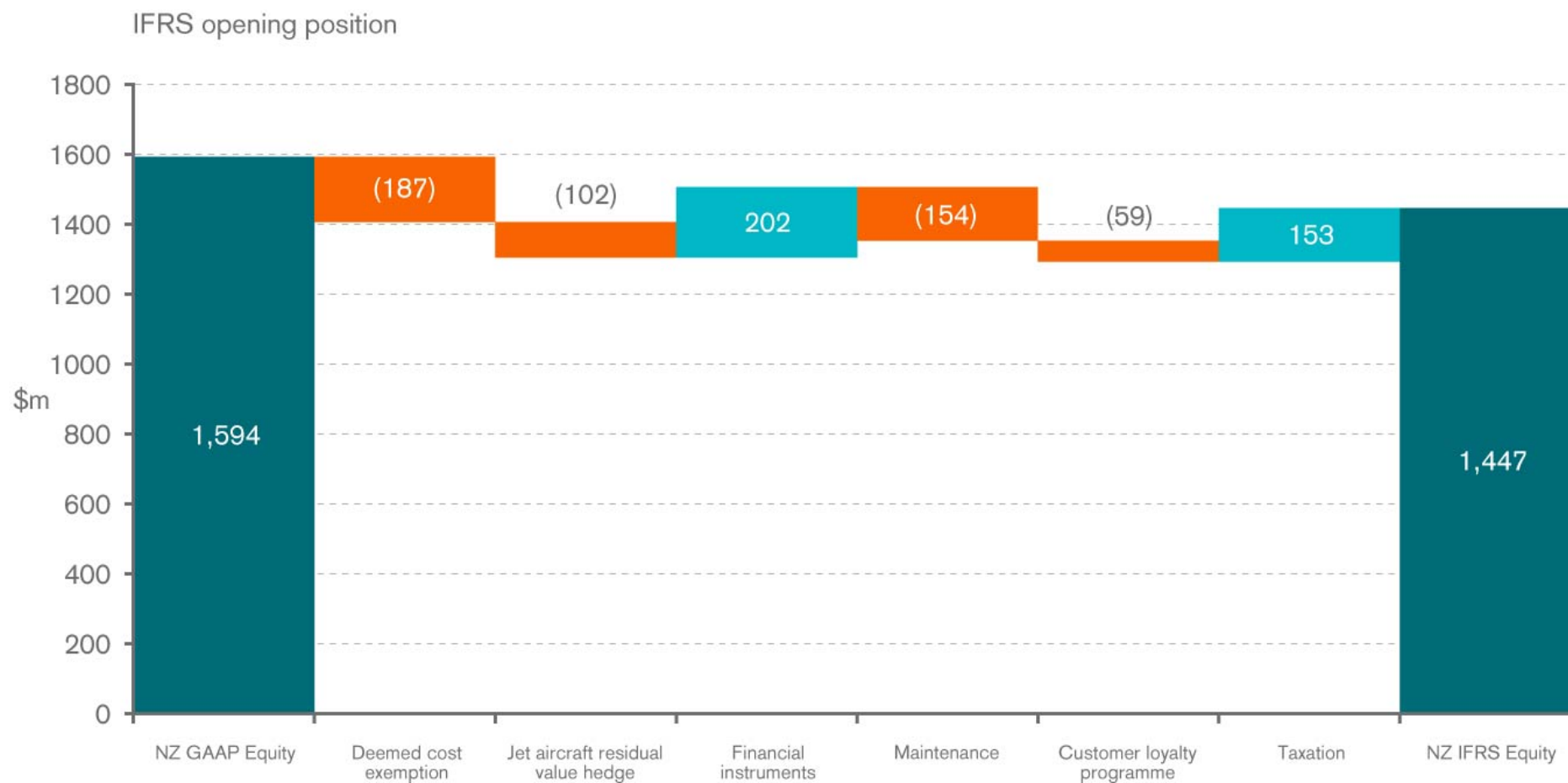
# Retaining flexibility



- Flexibility is the key to allowing an airline to balance capacity with demand
- Air New Zealand now has a favourable profile of aircraft purchase options and lease maturities
- We will have the flexibility to either increase or decrease capacity to meet future demand
- Our strong cash position also allows us to take advantage of opportunities to reduce our cost base when they arise



# IFRS opening position



# Outlook



- Fuel prices have increased 16% during 2007 and will continue to apply pressure in 2008
- Fuel hedges currently lock-in 62% of our fuel requirement for 2008 at US\$70.50 (crude)
- Forward bookings through to the high season are strong
- Expect to better 2007 PBUT in 2008 assuming operating environment does not materially change



# Attachments



- Financial overview
- Cash and gearing overview
- Group operating performance
- Key operating statistics
- Long-haul operating statistics
- Short-haul operating statistics
- Capital expenditure
- New aircraft at a glance
- Fleet plan



# Financial overview



	June 2007	June 2006	Dollar movement	Percentage movement
<b>Operating revenue</b>	\$4,297m	\$3,805m	\$492m	13%
<b>PBUT</b>	\$268m	\$150m	\$118m	79%
<b>NPAT</b>	\$214m	\$96m	\$118m	123%
<b>Adjusted operating cash flow*</b>	\$584m	\$342m	\$242m	71%
<b>Net cash</b>	\$1,057m	\$1,150m	\$(93)m	(8)%
<b>Gearing**</b>	47.3%	51.9%		4.6 pts
<b>Annual dividend</b> (excluding special dividend)	8 cps	5 cps	3 cps	60%
<b>Special dividend</b>	10 cps	–	10 cps	n/a

\* Operating cash flow excluding the impact of the rollover of short-dated foreign exchange contracts

\*\* Convertible notes treated as equity in the 2006 year



# Cash and gearing overview



	June 2007	June 2006	Movement
<b>Adjusted operating cash flow*</b>	\$584m	\$342m	\$242m
<b>Net operating cash flow</b>	\$331m	\$473m	(\$142m)
<b>Investing cash flow</b>	(\$510m)	(\$772m)	\$262m
<b>Financing cash flow</b>	\$86m	\$379m	(\$293m)
<b>Net increase in cash</b>	(\$93m)	\$80m	(\$173m)
<b>Net cash</b>	\$1,057m	\$1,150m	(\$93m)
<b>Gearing**</b>	47.3%	51.9%	4.6 pts

\* Excluding the impact of the rollover of foreign exchange contracts that hedge exposures in other financial periods

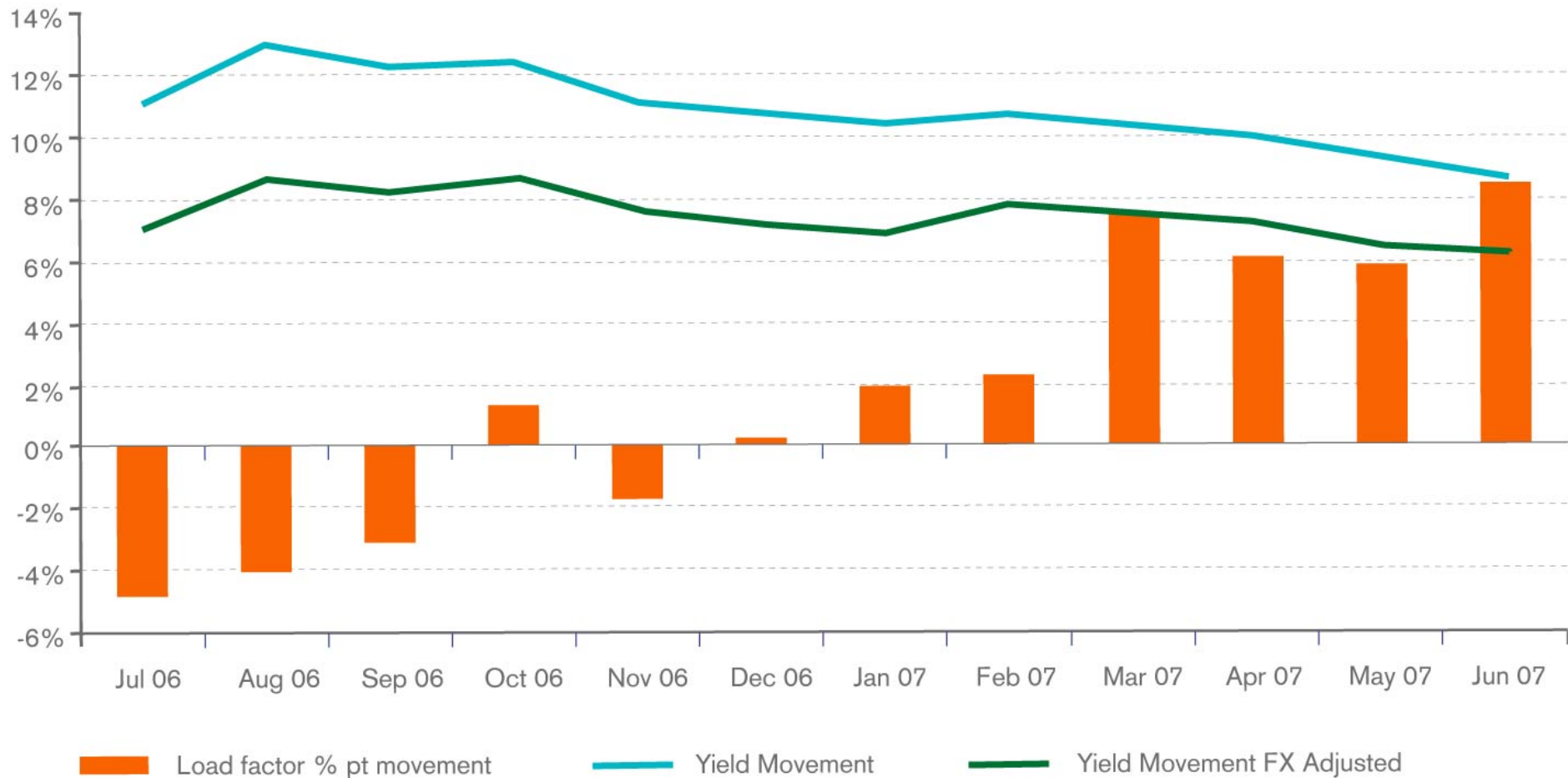
\*\* Convertible notes treated as equity in the 2006 year



# Group operating performance







## Year-on-Year Load Factor & Year-to-Date Yield Movements



# Key operating statistics



	June 2007	June 2006	Movement*
<b>Passengers carried</b>	12.5m	11.9m	 4.9%
<b>Available seat kilometres (ASKs)</b>	35,113m	34,055m	 3.1%
<b>Load factor</b>	76.5%	75.0%	 1.5 pts
<b>Yield (cents per RPK)</b>	13.0	12.1	 7.7%

\* Calculations based on numbers before rounding



# Long-haul operating statistics



	June 2007	June 2006	Movement*
<b>Passengers</b>	1.7m	1.6m	7.4%
<b>ASKs</b>	20,525m	19,415m	5.7%
<b>RPKs</b>	15,894m	14,987m	6.1%
<b>Load factor</b>	77.4%	77.2%	0.2 pts

\* Calculations based on numbers before rounding

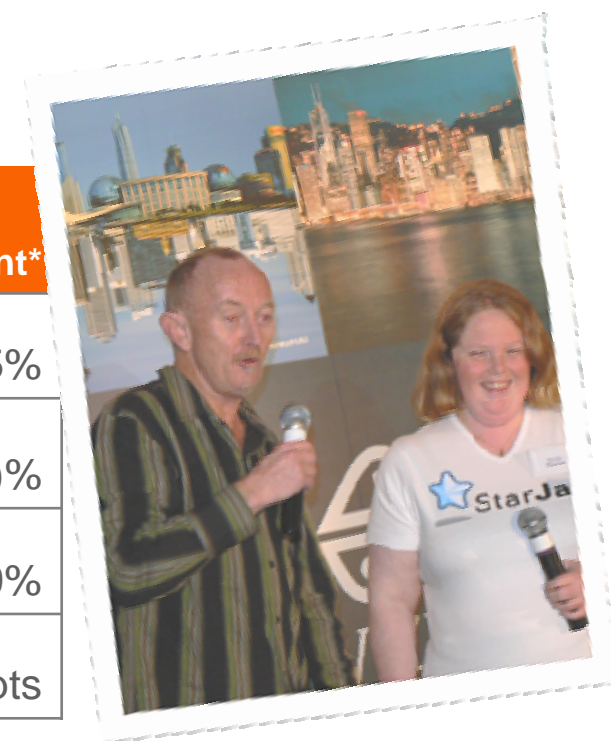


# Short-haul operating statistics

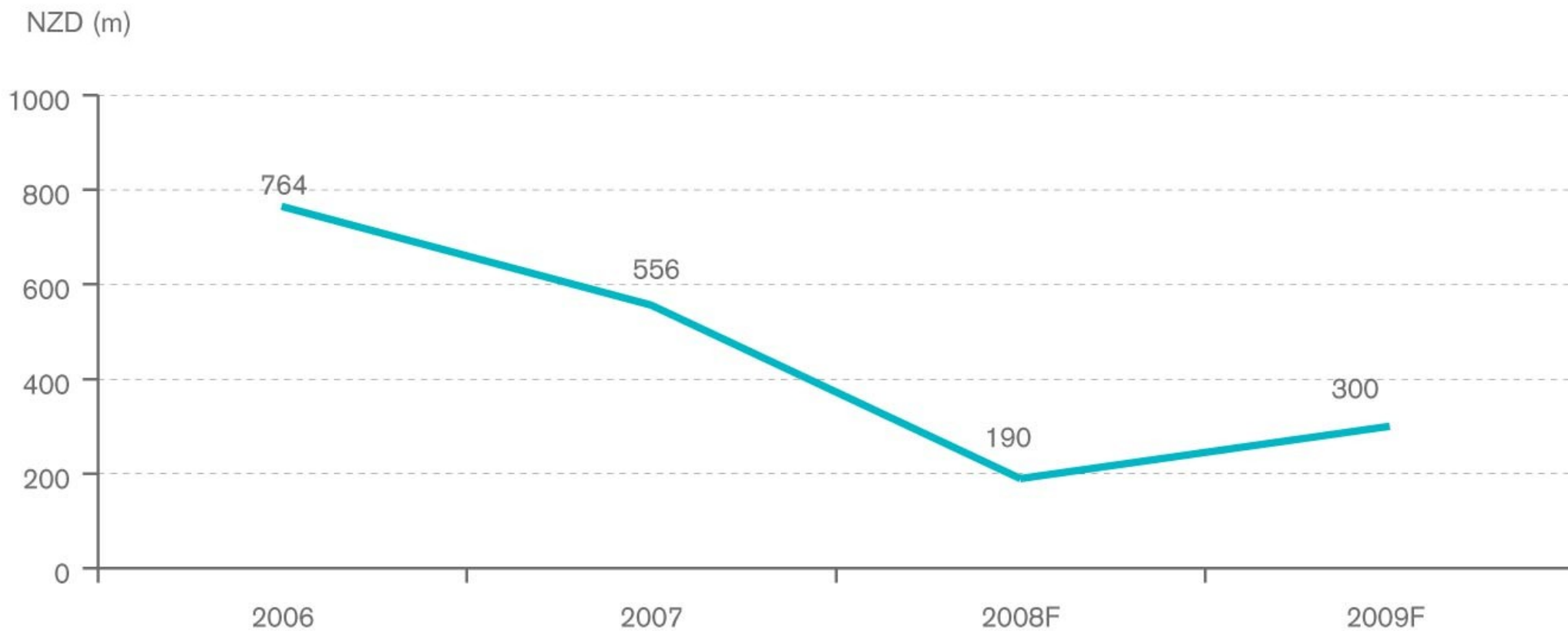


	June 2007	June 2006	Movement*
<b>Passengers</b>	10.7m	10.3m	4.5%
<b>ASKs</b>	14,588m	14,640m	(0.4)%
<b>RPKs</b>	10,980m	10,564m	3.9%
<b>Load factor</b>	75.3%	72.2%	3.1 pts

\* Calculations based on numbers before rounding



# Capital expenditure



# New aircraft at a glance



	<b>Boeing 787-9</b>	<b>Boeing 767-300ER</b>	<b>Boeing 777-300ER</b>	<b>Boeing 747-400</b>
<b>Passengers</b>	270	234	365	379
<b>Range (km)</b>	13,000	9,640	12,050	11,850
<b>Maximum cruise speed (km/h)</b>	915	870	905	920
<b>CO<sup>2</sup> emissions (kgs per 1000 ASKs)</b>	73	90	82	101



# Fleet plan



Operating aircraft	June 2006	2007 movement	June 2007	2008 movement	June 2008
747-400	8	-	8	-	8
777-200ER	5	3	8	-	8
767-300ER	7	(1)	6	(1)	5
A320-200	12	-	12	-	12
737-300	14	-	14	2	16
ATR72	11	-	11	-	11
Saab 340A	13	(10)	3	(3)	-
Q300	8	8	16	4	20
Beech 1900D	16	1	17	-	17
<b>Total operating fleet</b>	<b>94</b>	<b>1</b>	<b>95</b>	<b>2</b>	<b>97</b>

