AIR NEW ZEALAND

INTERIM RESULT
31 DECEMBER 2006

Rob Fyfe
Chief Executive

STRONG GROWTH IN INTERIM PROFITABILITY

PBUT	↑ 35%
Net profit	↑ 61%
Revenue Growth	↑ 12%
EPS*	↑ 60%

*Diluted

GOOD PERFORMANCES ACROSS ALL MAJOR ROUTES

PORTFOLIO OF ROUTES

NEW ROUTES	CORE ROUTES
Auckland - Shanghai	Auckland - Hong Kong
Auckland - Vancouver	Auckland - Los Angeles
Hong Kong - London	Auckland - San Francisco
4 new domestic routes announced	Auckland - Osaka
	Auckland - Tokyo
	Los Angeles - London
	Pacific Islands (9)
	Tasman (7)
	Domestic (26)

ROUTES WITH LITTLE GROWTH POTENTIAL

Auckland – Singapore
(exited October 06)

Auckland – Nagoya
(exited March 06)

Auckland Taipei
(exited March 06)

Christchurch – Los Angeles
(exited July 06)

A CLEAR STRATEGY TO BUILD SUSTAINABLE DIFFERENCE

2003 - 2007

- Business Transformation (simplify processes)
- Define service model
- Invest in new aircraft and product

2007 - 2010

- Grow/align network
- Brand Personality
- Deliver new service model in the air and on the ground
- Environmental Programme
- Move from Business Transformation to Continuous Improvement

2010 +

- 787 era... new markets and amazing customer experiences
- Invest in new aircraft and product

GEARING IS AT THE LOW END OF OUR TARGET RANGE DUE TO HEALTHY CASH RESERVES AND A ROBUST BALANCE SHEET

TARGET GEARING RANGE

Air NZ gearing as at 31 Dec 06: 46.7%*

- Despite heavy capex, gearing has shifted to the lower end of our target range
- Projected free cash will result in financial position becoming even stronger
- Capital expenditure retreats to around $200m in FY08 from $550m in FY07
- At this stage the next jet aircraft arrives in 2010
- Significant growth capacity left in existing operating fleet

* Gearing includes net capitalised aircraft operating leases treated as debt and convertible notes treated as equity.

INTERIM DIVIDEND LIFTED AND SPECIAL DIVIDEND DECLARED

- After taking into account the improved profitability and outlook, the interim dividend was increased to three cents per share
- Review of current medium-term financial and cash projections has resulted in a special dividend of 10 cents per share
- All dividends fully imputed
- Supplementary dividends for overseas shareholders
- Record date 13 March 2007

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Rob McDonald
Chief Financial officer

A GOOD RESULT

12% REVENUE GROWTH; 61% NPAT GROWTH

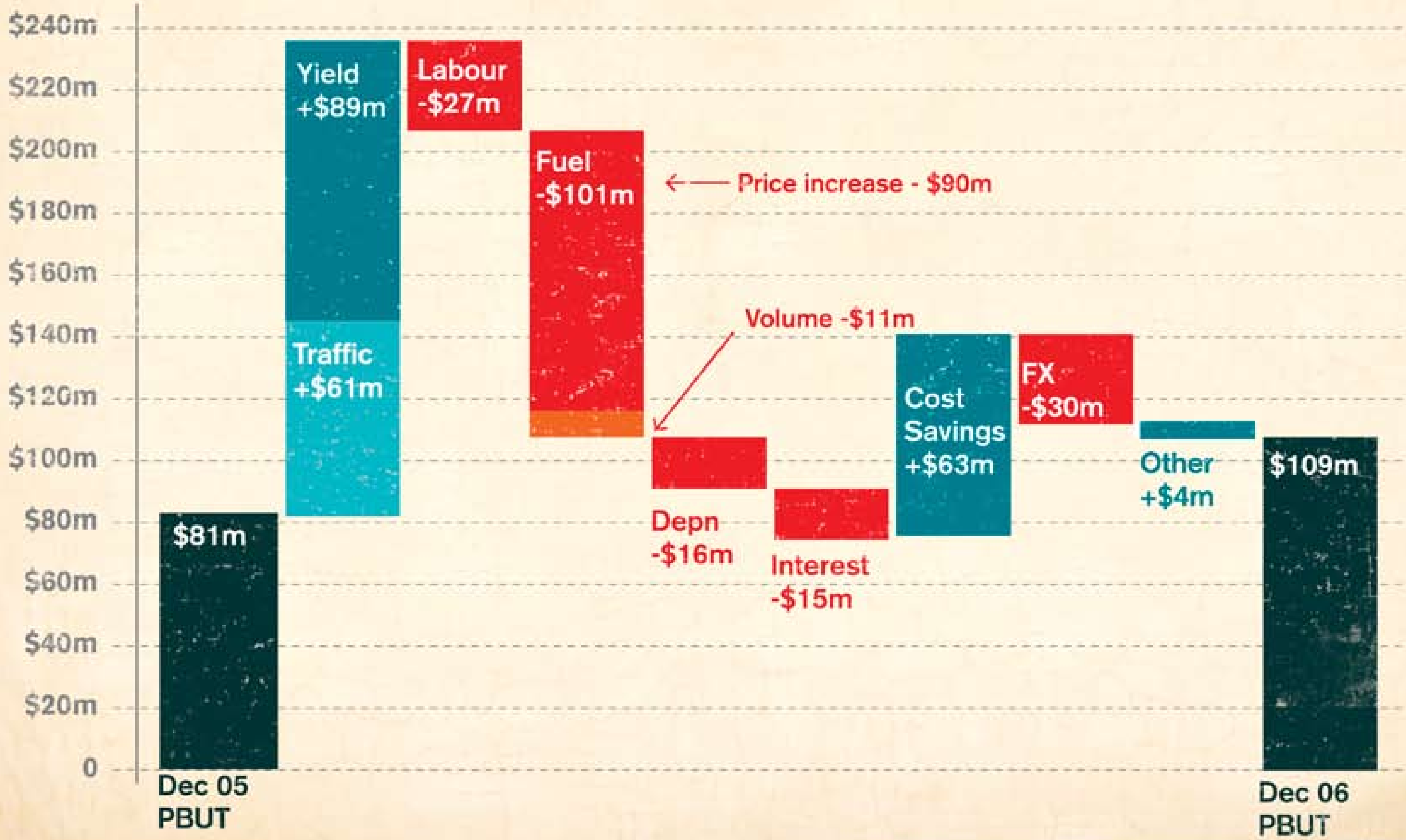
$m	DEC 06	DEC 05	CHANGE
REVENUE	2,135	1,898	+12%
EBITDAR	414	335	+24%
EBIT	116	73	+59%
PBUT	109	81	+35%
NPAT	74	46	+61%
DILUTED EPS (CENTS)	7.2	4.5	+60%
GEARING*	46.7%	51.9%**	+5.2 points
ADJUSTED OPERATING CASH†	209	200	+5%

* Gearing includes net capitalised aircraft operating leases treated as debt and convertible notes treated as equity.

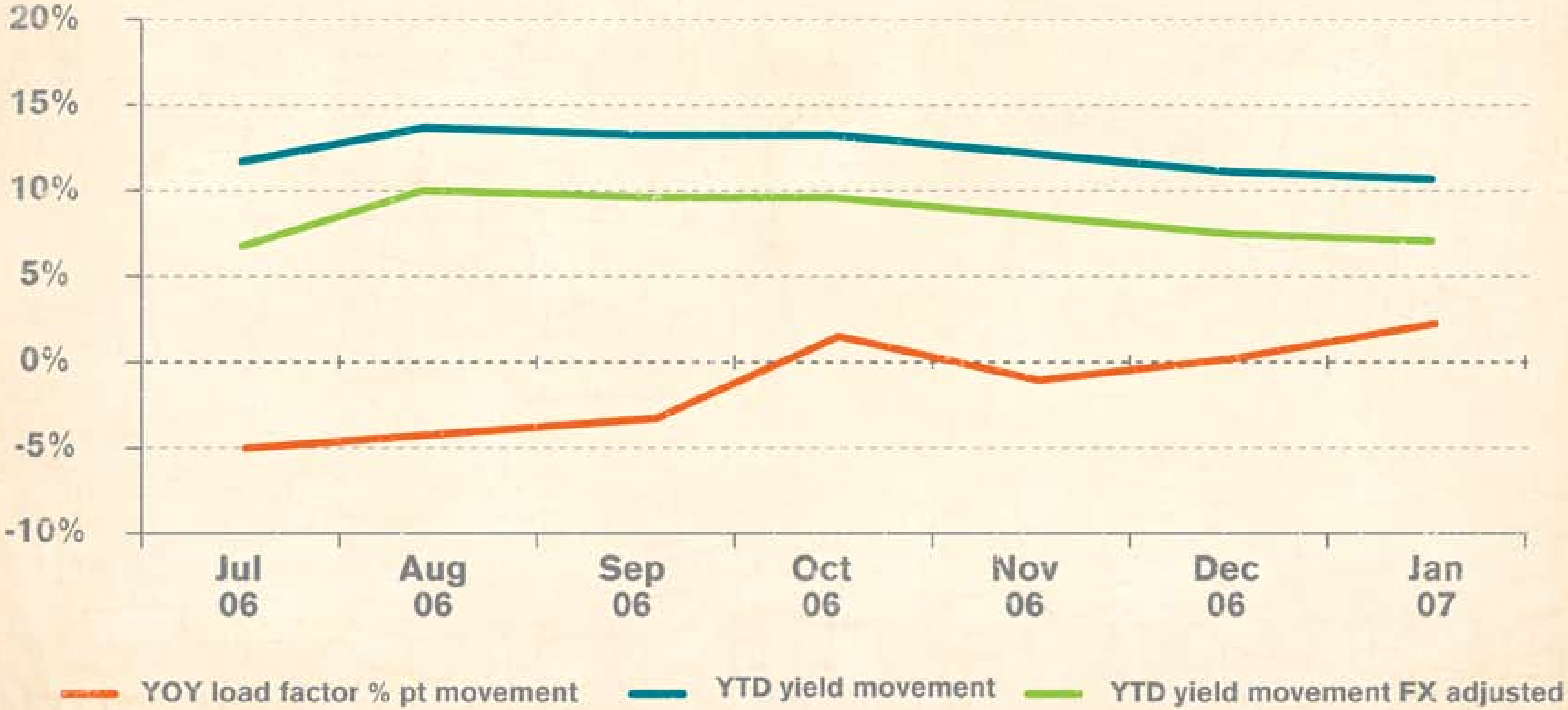
** As at 30 June 2006

† Prior to accounting for cash losses relating to the rollover of foreign exchange contracts that hedge exposures in other periods

STRONG REVENUE GROWTH AND COST SAVINGS CATALYSTS FOR IMPROVED PERFORMANCE



YIELD AND TRAFFIC STRENGTH CONTINUED INTO JAN 07



NEW LONG-HAUL PRODUCT SCORE CARD

Source: Air New Zealand Inflight Customer Survey.

BUSINESS CLASS YIELD & LOAD FACTOR SCORE CARD

- Business Class yield up 32%

	DEC 06	DEC 05	% CHANGE
LOAD FACTOR	70%	62%	8 points

SHORT-HAUL HAS CONTINUED TO OUT-PERFORM EXPECTATIONS

SHORT-HAUL EARNINGS HIGHER DUE TO:

- Strong domestic performance particularly given growth in capacity in regional markets
- Tasman returns to profitability as a result of higher yields, traffic and cost savings

NEW INITIATIVES:

- Bar-on-board
- Domestic fare reductions
- Grab-a-seat
- New routes
- Domestic cargo

COST SAVINGS EXCEEDING TARGET

	FY04 $M	FY05 $M	FY06 $M	FY07 $M	TOTAL* $M
ORIGINAL TARGET	35	62	70	78	245
ACTUAL/FORECAST	13	77	106	130	326

* incremental cost savings

Additional cost savings as at 31 Dec 06 was $63m with labour savings the largest contributor at $31m followed by distribution at $18m

OPERATING CASH DOWN DUE TO ROLLOVER OF FX CONTRACTS RELATING TO OTHER PERIODS

OPERATING CASH (ADJUSTED) UP $9 MILLION TO $209 MILLION

OPERATING CASH, INCLUDING ROLLOVER OF FX CONTRACTS, WAS $131 MILLION LOWER THAN DECEMBER 2005

THE REDUCTION RELATES TO CASH OUTFLOWS ON THE ROLLOVER OF FX CONTRACTS THAT HEDGE EXPOSURES IN OTHER FINANCIAL PERIODS

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Chief Executive

OUTLOOK

- Analysts range between \$204 to \$232 million PBUT
- We note that the level of disclosure has allowed analysts to form a realistic expectation of the Company's performance

KEY TAKE OUTS

- Good improvement in profitability
  - PBUT up 35%
  - NPAT up 61%
  - EPS up 60%
- Gearing of 46.7%* is at the lower end of our target range
- Interim dividend lifted to 3 cents per share
- Special dividend of 10 cents per share declared
- Long-haul showing improvement, but earnings still well below satisfactory levels
- Short-haul profitability up on the back of higher Tasman profits and regional passenger growth

* Gearing includes net capitalised aircraft operating leases treated as debt and convertible notes treated as equity.