

INTERIM RESULTS 2010

AIR NEW ZEALAND 



HIGHLIGHTS

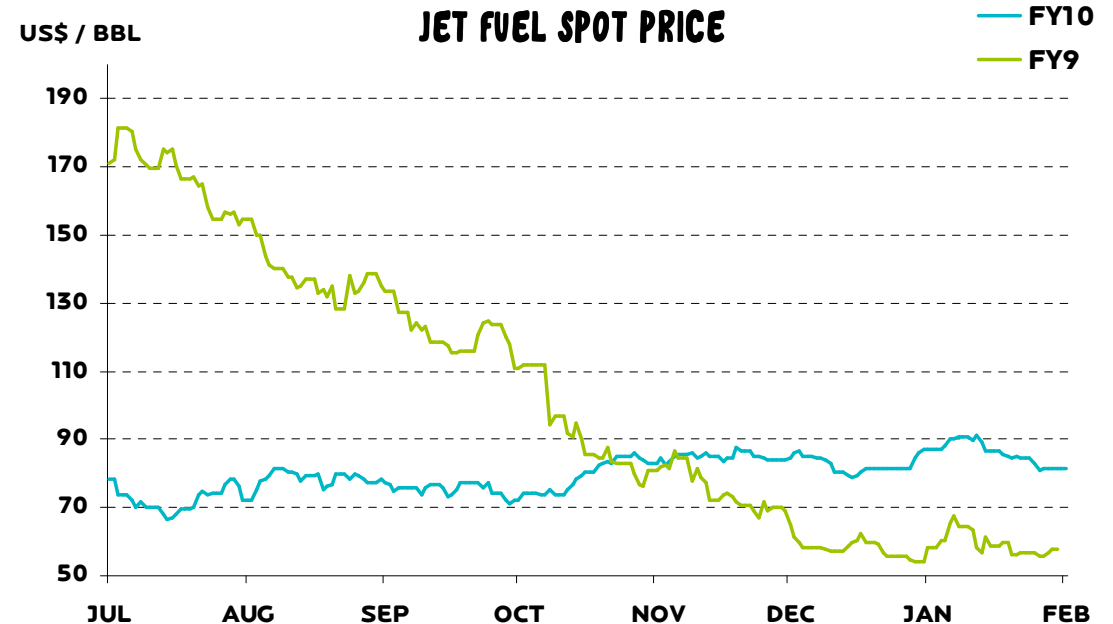
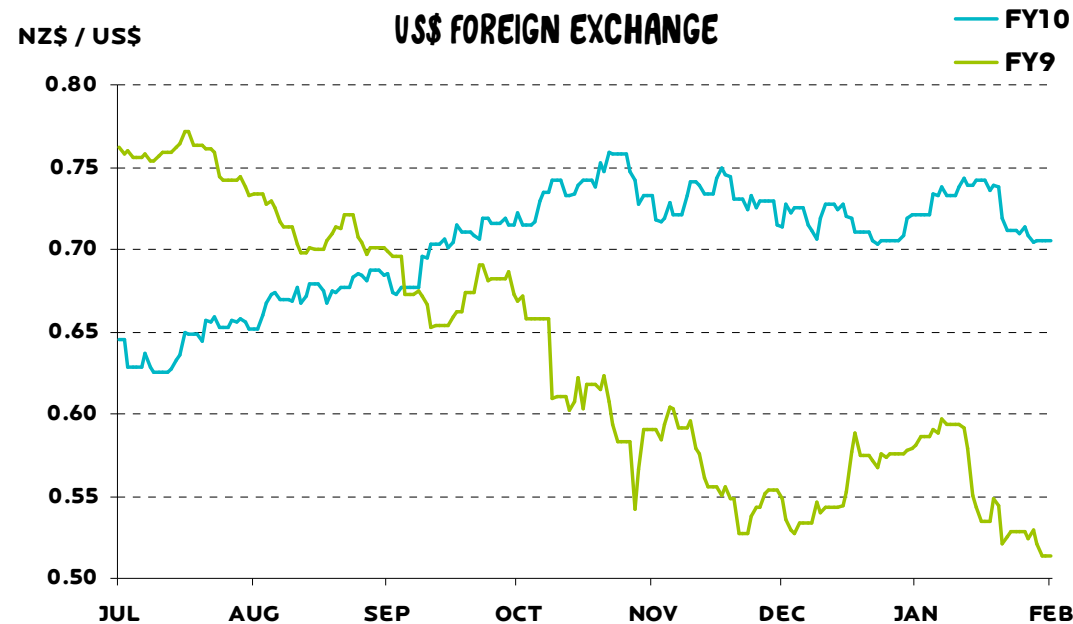
- **NORMALISED EARNINGS* \$96M, UP \$70M**
- **NET CASH POSITION OF \$1.1BN**
- **GEARING STABLE AT 46.0%**
- **ATW AIRLINE OF THE YEAR**
- **UNVEILING OF NEW LONG HAUL PRODUCT**
- **AIRPOINTS™ DEVELOPMENTS**

* NORMALISED EARNINGS BEFORE TAXATION AFTER EXCLUDING THE NET IMPACT OF DERIVATIVES THAT HEDGE EXPOSURES IN OTHER FINANCIAL PERIODS



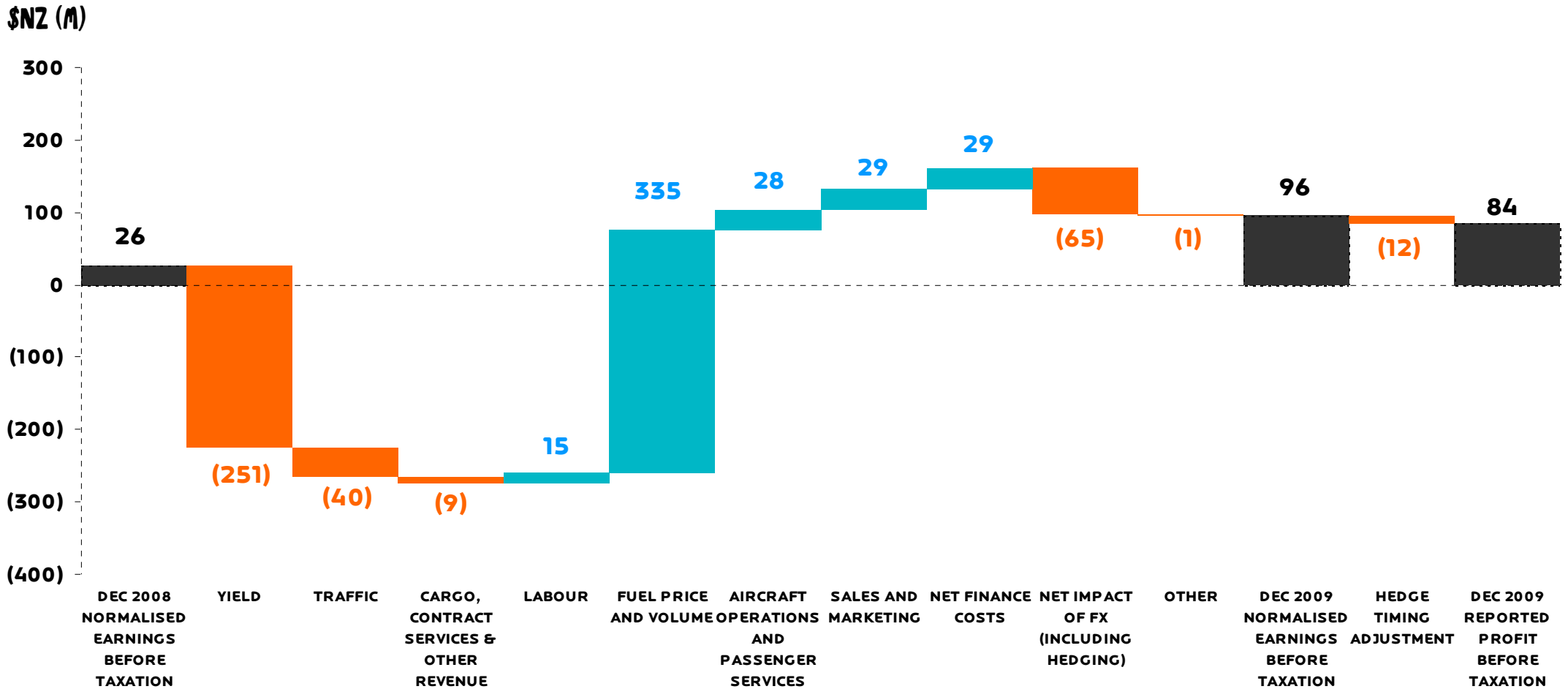
MORE STABLE OPERATING ENVIRONMENT

- AIR TRAVEL DEMAND BOTTOMING OUT
- LOWER SPOT FUEL PRICES, LONG TERM UPWARD TREND CONTINUES
- MORE STABLE FOREIGN EXCHANGE RATES
- COMPETITION REMAINS INTENSE



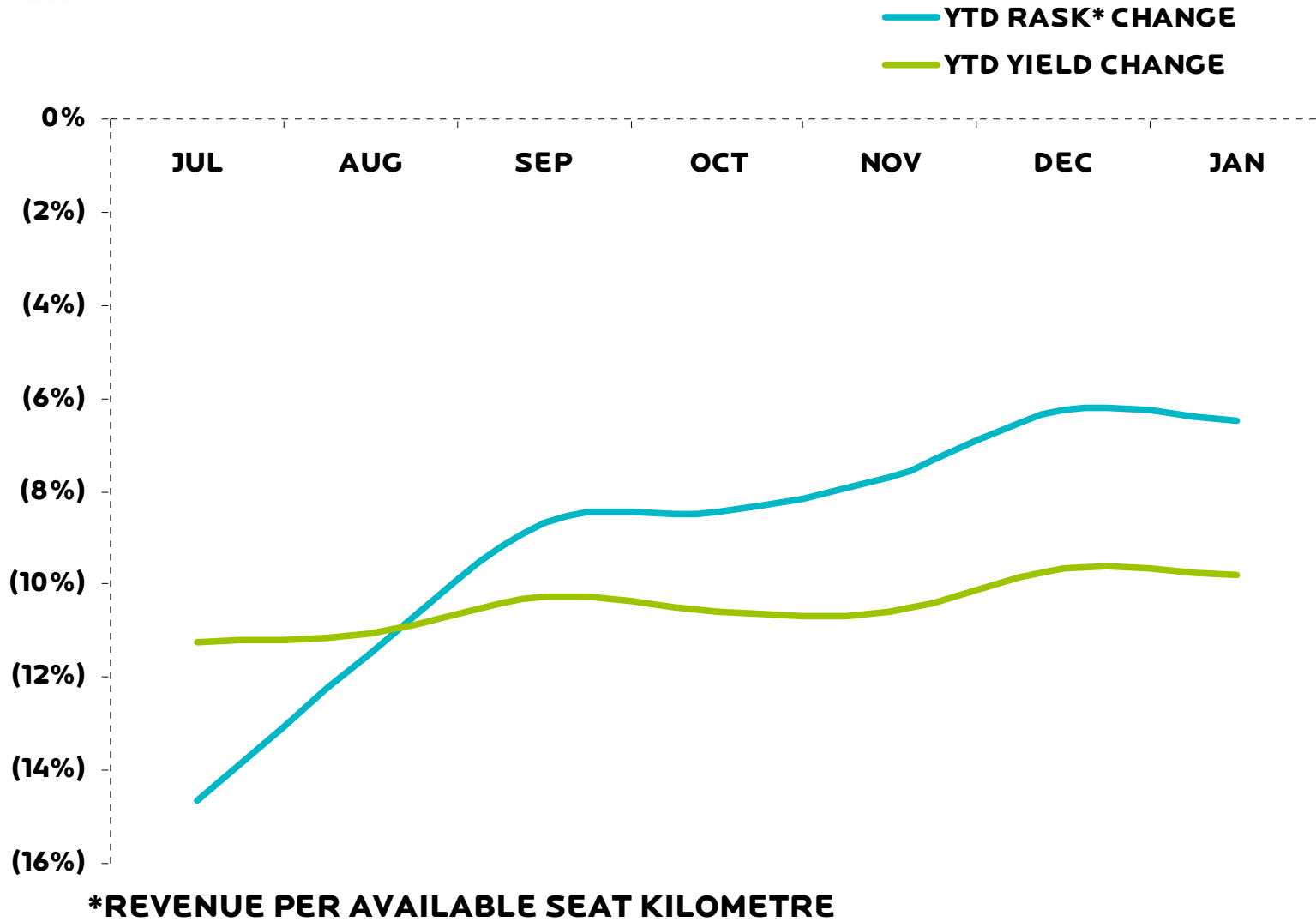


KEY INFLUENCES ON PROFITABILITY





REVENUE MANAGEMENT



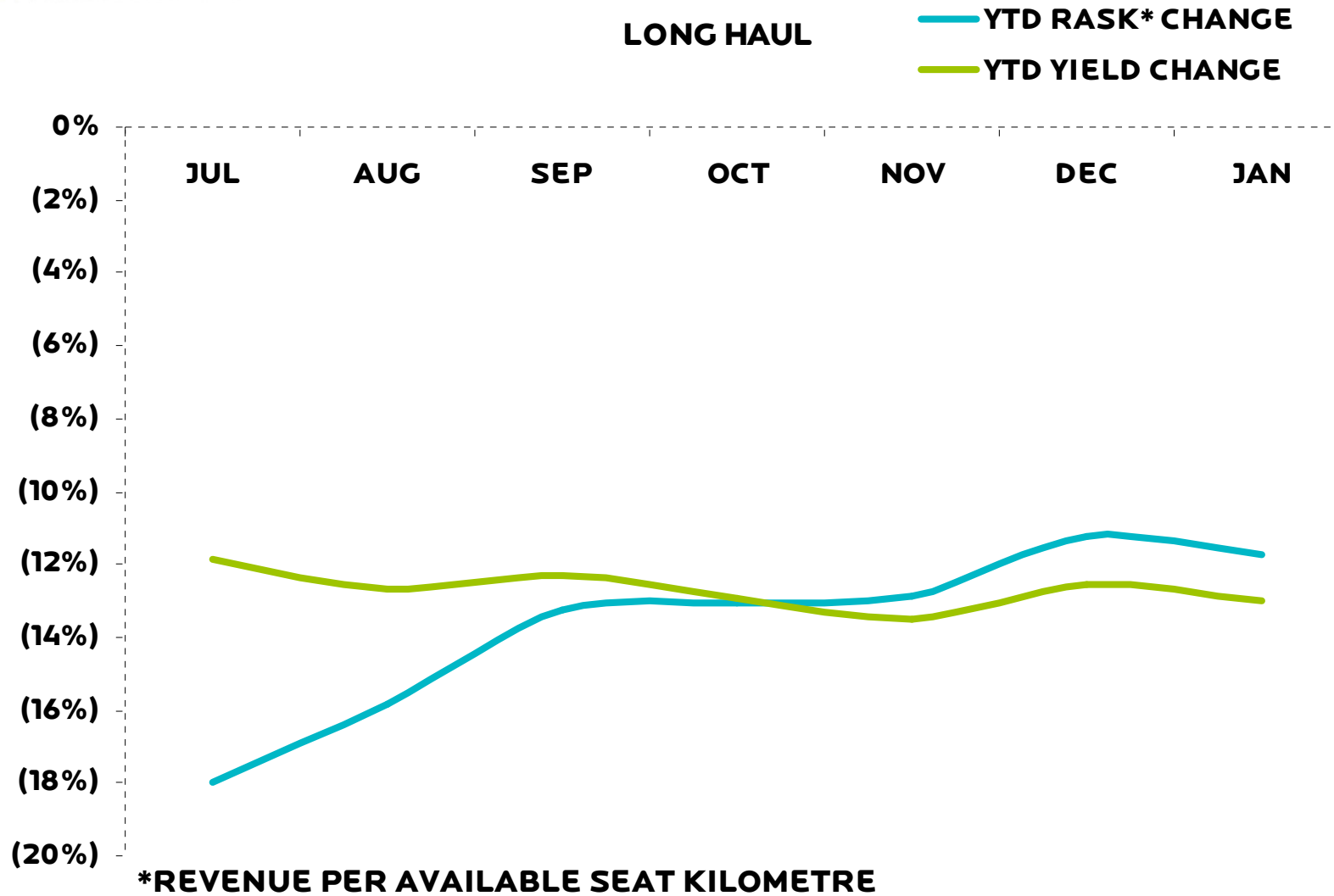


LONG HAUL PERFORMANCE

- **PASSENGER DEMAND DOWN 7.3%**
- **CAPACITY REDUCED BY 8.7%**
- **LOAD FACTOR IMPROVED 1.2 PERCENTAGE POINTS TO 83.3%**
- **YIELD DOWN 12.5%**
- **DEMAND REMAINED WEAK ON ASIAN ROUTES**
- **US ROUTES SHOWED SIGNS OF RECOVERY**



LONG HAUL REVENUE MANAGEMENT





DOMESTIC PERFORMANCE

- **DEMAND UP 4.8%**
- **CAPACITY RELATIVELY UNCHANGED**
- **LOAD FACTOR IMPROVED 3.8 PERCENTAGE POINTS TO 77.2%**
- **CHANGING COMPETITIVE DYNAMICS**
- **OTP IMPROVED TO 87.6%* ON TIME**
- **A320S ON ORDER IN MOVE TO A SINGLE NARROW BODY FLEET**
- **GRABASEAT™ AN EFFECTIVE SALES TOOL FOR LOW COST SEATS**

* AIR NEW ZEALAND ADHERES TO A MORE DISCIPLINED 10 MIN STANDARD THAN THE REST OF THE MARKET

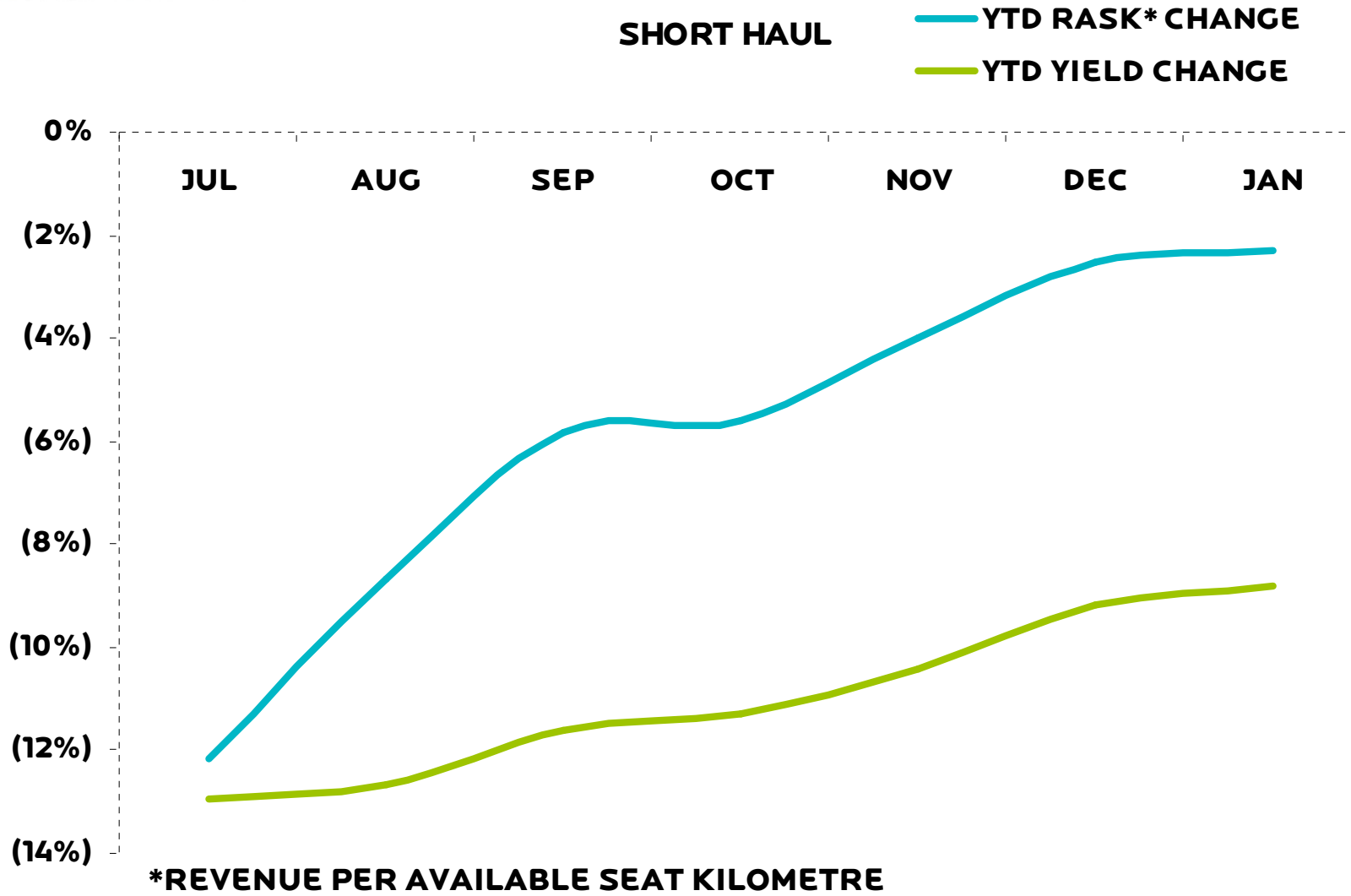


TASMAN & PACIFIC ISLAND PERFORMANCE

- **DEMAND DOWN 2.9%**
- **REDUCED CAPACITY BY 10.5%**
- **LOAD FACTOR IMPROVED 6.3 PERCENTAGE POINTS**
- **ROTORUA/SYDNEY SERVICE LAUNCHED**
- **SYDNEY TO RAROTONGA TRIAL SERVICE ANNOUNCED**
- **UNSTABLE MARKET DYNAMICS PERSIST**



SHORT HAUL REVENUE MANAGEMENT





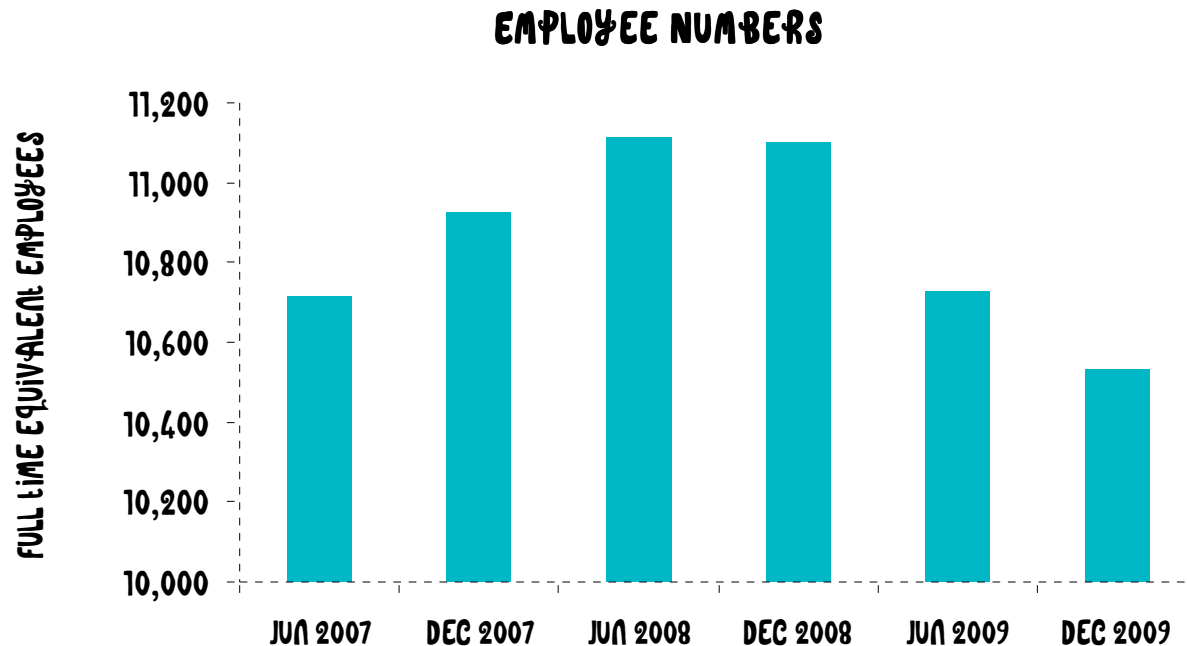
OTHER BUSINESSES

- **CARGO**
 - **REVENUE DOWN ON LOWER VOLUMES AND YIELDS**
 - **CESSATION OF FREIGHTER LEASE IN MARCH 2009**
- **ENGINEERING BUSINESSES CONTINUE TO INCREASE REVENUE**
 - **MARINE & INDUSTRIAL GAS TURBINES**



COST INITIATIVES

- NETWORK OPTIMISED FOR DEMAND LEVELS
- FUEL EFFICIENCY INITIATIVES CONTINUE
- EMPLOYEE NUMBERS REDUCED BY 5% SINCE DECEMBER 2008
- CONTINUOUS COST MANAGEMENT





THE TRAVEL EVOLUTION CONTINUES

- **WORLD-FIRST LONG HAUL PRODUCT FROM NOVEMBER**
- **CONTINUE TO EVOLVE TASMAN/PACIFIC OPERATIONS**
- **MORE CAPACITY AND EVERYDAY LOW FARES FOR DOMESTIC OPERATION WITH A320 ARRIVAL**



STRATEGIC PRIORITIES

- **MAKING THE MOST OF ANY DEMAND UPSIDE**
- **PROMOTION AND DELIVERY OF NEW LONG HAUL PRODUCT**
- **MANAGING FLEET REPLACEMENT PROGRAMMES**
- **MAINTAINING OUR ENVIRONMENTAL LEADERSHIP POSITION**
- **FURTHER DEVELOPMENT OF AIRPOINTS PROGRAMME**



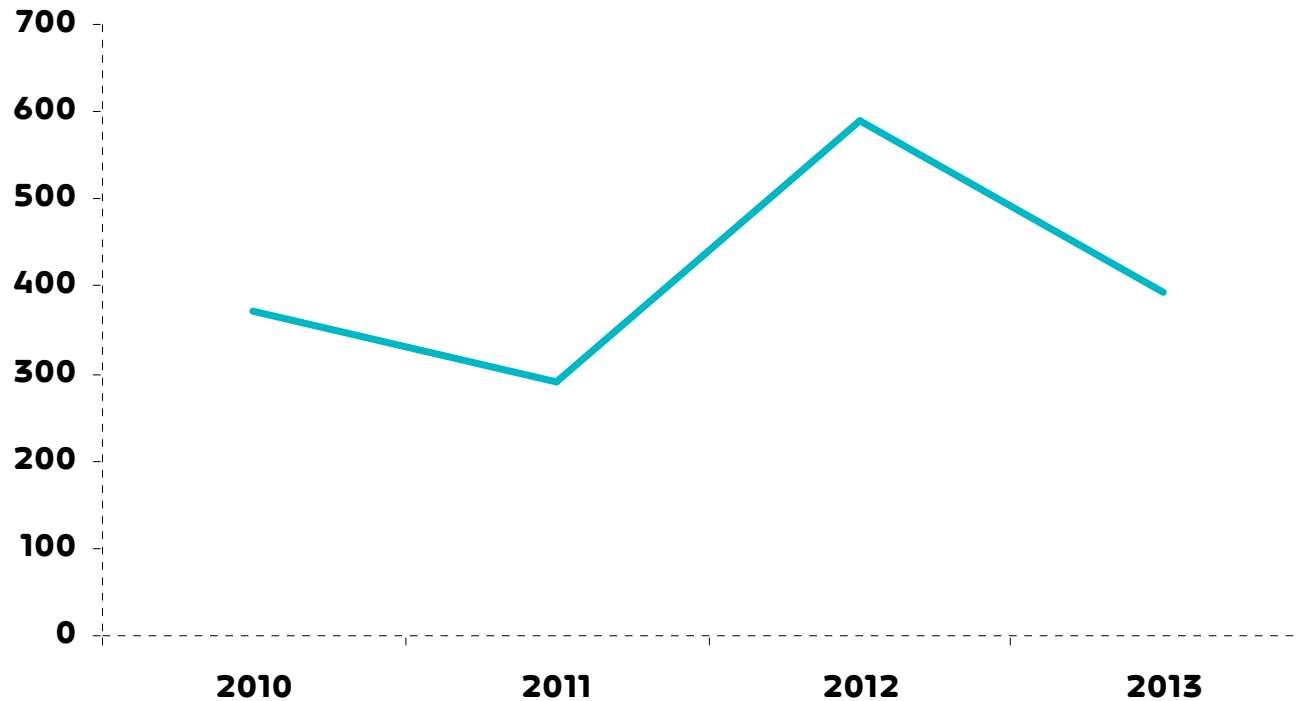
FINANCIAL MANAGEMENT

- **\$1.1BN CASH, DOWN \$0.5BN ON JUNE 2009**
 - **DEBT HEDGE ROLL OVER**
 - **DEBT PAYMENTS**
 - **PROGRESS PAYMENTS**
 - **FIXED ASSET ADDITIONS**
- **GEARING 46.0%, 1.0% INCREASE ON JUNE 2009**
- **AVERAGE FLEET AGE OF 7.9 YEARS**
- **INTERIM DIVIDEND OF 3.0 CENTS PER SHARE**



AIRCRAFT CAPEX COMMITMENTS

\$NZM



1. INCLUDES PROGRESS PAYMENTS ON AIRCRAFT AND IS NET OF SALE AND LEASE BACK AGREEMENTS
2. ASSUMES NZD/USD = 0.7
3. EXCLUDES CAPITALISED MAINTENANCE OF APPROXIMATELY \$50M PER ANNUM AND NON AIRCRAFT CAPEX



FUEL HEDGING*

- **THE SECOND HALF OF FY10 IS APPROX. 90% HEDGED WITH THE AVERAGE EFFECTIVE CEILING AT US\$76 PER BARREL OF WTI CRUDE OIL**
- **AT CURRENT PRICES, THE AVERAGE SINGAPORE JET FUEL PRICE AFTER HEDGING WOULD BE US\$85 PER BARREL FOR THE SECOND HALF OF FY10 COMPARED WITH US\$75 IN THE FIRST HALF**
- **THE FIRST HALF OF FY11 IS APPROX 53% HEDGED WITH THE AVERAGE CEILING OF US\$82 AND AVERAGE FLOOR OF US\$70 PER BARREL OF WTI CRUDE OIL**

***FUEL HEDGE POSITION AS AT 19 FEBRUARY 2010**



CURRENCY HEDGING

- **OPERATING CASH FLOW EXPOSURE FOR THE SECOND HALF OF FY10 IS 91% HEDGED AT AN AVERAGE NZ\$/US\$ RATE OF 0.66**
- **THE FY11 OPERATING CASH FLOW EXPOSURE IS 69% HEDGED AT AN AVERAGE NZ\$/US\$ RATE OF 0.64**
- **US\$466M OF FUTURE CAPEX COMMITMENTS ARE HEDGED AT NZ\$/US\$ RATE OF 0.73 SPOT**



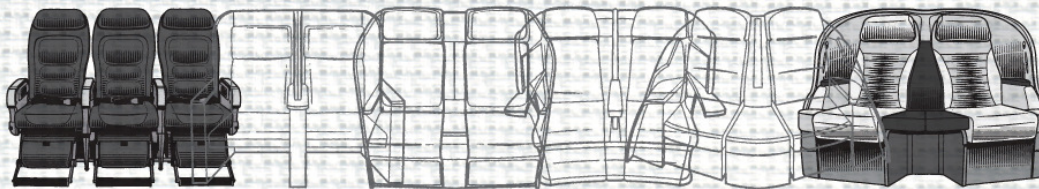
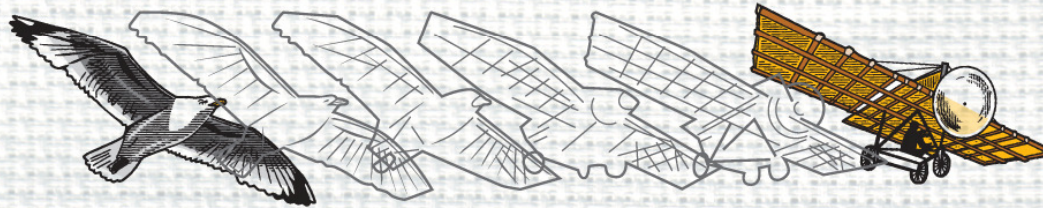
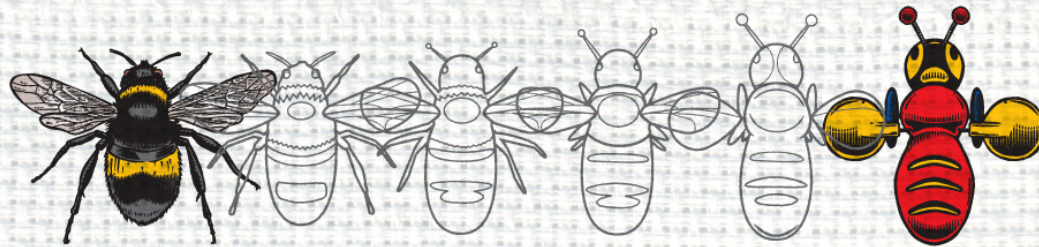
OUTLOOK

- **STABILISATION AND RECOVERY OF THE TRADING ENVIRONMENT**
- **CHALLENGE REMAINS TO IMPROVE PASSENGER NUMBERS AND YIELDS**
- **WE EXPECT A MORE NORMAL SEASONAL BALANCE THIS YEAR WITH THE SECOND HALF WEAKER THAN THE FIRST**
- **FOREIGN EXCHANGE HEDGING LOSS OF AROUND \$20 MILLION* IN THE SECOND HALF COMPARED TO A GAIN OF \$24 MILLION IN THE FIRST HALF**
- **WE EXPECT THE BUSINESS TO REMAIN PROFITABLE IN THE SECOND HALF**

*** BASED ON CURRENT EXCHANGE RATES CONTINUING**



SUPPLEMENTARY INFORMATION





FINANCIAL OVERVIEW

	INTERIM 2010	INTERIM 2009	DOLLAR MOVEMENT	PERCENTAGE MOVEMENT
OPERATING REVENUE	\$2,054M	\$2,419M	\$(365)M	(15%)
NORMALISED EARNINGS*	\$96M	\$26M	\$70M	269%
NET PROFIT AFTER TAX	\$56M	\$24M	\$32M	133%
ADJUSTED OPERATING CASH FLOW	\$165M	\$113M	\$52M	46%
NET CASH	\$1,095M	\$1,417M	\$(322)M	(23%)
GEARING	46.0%	51.9%	N/A	5.9 PTS
INTERIM DIVIDEND	3.0 CPS	3.0 CPS	-	-

* NORMALISED EARNINGS BEFORE TAXATION AFTER EXCLUDING THE NET IMPACT OF DERIVATIVES THAT HEDGE EXPOSURES IN OTHER FINANCIAL PERIODS



NORMALISED EARNINGS

	INTERIM 2010	INTERIM 2009
EARNINGS BEFORE TAXATION	\$84M	\$14M
REVERSE NET (GAINS) / LOSSES ON DERIVATIVES THAT HEDGE EXPOSURES IN OTHER FINANCIAL PERIODS:		
FUEL DERIVATIVES	\$1M	\$101M
FOREIGN EXCHANGE DERIVATIVES	\$11M	\$(88)M
INTEREST RATE DERIVATIVES	-	\$(1)M
NORMALISED EARNINGS BEFORE TAXATION	\$96M	\$26M



AIRCRAFT DELIVERY SCHEDULE

AIRCRAFT TYPE	FY10	FY11	FY12	FY13	FY14	FY15
BOEING 777-300ER	-	3	2	-	-	-
AIRBUS A320	-	2	2	1	3	4
BOEING 787-9	-	-	-	-	5	-



QUESTIONS

