AIR NEW ZEALAND
INTERIM RESULT
31 DECEMBER 2006

Rob Fyfe
Chief Executive
STRONG GROWTH IN INTERIM PROFITABILITY

PBUS | 35%
---|---
Net profit | 61%
Revenue Growth | 12%
EPS* | 60%

* Diluted

AIR NEW ZEALAND
GOOD PERFORMANCES ACROSS ALL MAJOR ROUTES

REVENUE GROWTH

- **US/Europe**: 13% increase, $574m
- **Asia/Europe**: 15% increase, $281m
- **Australia & PI**: 10% increase, $522m
- **Domestic**: 13% increase, $554m

*Dec 05 revenue vs. Dec 06 increase*
# PORTFOLIO OF ROUTES

<table>
<thead>
<tr>
<th>NEW ROUTES</th>
<th>CORE ROUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland - Shanghai</td>
<td>Auckland - Hong Kong</td>
</tr>
<tr>
<td>Auckland - Vancouver</td>
<td>Auckland - Los Angeles</td>
</tr>
<tr>
<td>Hong Kong - London</td>
<td>Auckland - San Francisco</td>
</tr>
<tr>
<td><strong>4 new domestic routes announced</strong></td>
<td><strong>Auckland - Osaka</strong></td>
</tr>
<tr>
<td>Auckland - Tokyo</td>
<td>Los Angeles - London</td>
</tr>
<tr>
<td><strong>Pacific Islands (9)</strong></td>
<td><strong>Auckland</strong></td>
</tr>
<tr>
<td><strong>Tasman (7)</strong></td>
<td><strong>(exited October 06)</strong></td>
</tr>
<tr>
<td><strong>Domestic (26)</strong></td>
<td><strong>(exited March 06)</strong></td>
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</tbody>
</table>

**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

45% 55%

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
AIR NEW ZEALAND

INTERIM RESULT
31 DECEMBER 2006

Rob McDonald
Chief Financial officer
A GOOD RESULT
12% REVENUE GROWTH; 61% NPAT GROWTH

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

* 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**: +$89m
- **Labour**: -$27m
- **Fuel**: -$101m
  - Price increase: -$90m
- **Traffic**: +$81m
- **Volume**: -$11m
- **Depn**: -$16m
- **Interest**: -$15m
- **Cost Savings**: +$63m
- **FX**: -$30m
- **Other**: +$4m
- **Total**: -$109m

Dec 05 PBUT

Dec 06 PBUT
YIELD AND TRAFFIC STRENGTH CONTINUED INTO JAN 07
NEW LONG-HAUL PRODUCT SCORE CARD

- Overall inflight experience
- Crew appearance
- Crew responsiveness
- Crew availability
- Helpful & attentive
- Welcome & friendly
- Range of entertainment
- Ambience
- Seat Comfort

Source: Air New Zealand Inflight Customer Survey.

BUSINESS CLASS YIELD & LOAD FACTOR SCORE CARD
- Business Class yield up 32%

<table>
<thead>
<tr>
<th>LOAD FACTOR</th>
<th>DEC 06</th>
<th>DEC 05</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>70%</td>
<td>62%</td>
<td>8 points</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
<th>FY04 $M</th>
<th>FY05 $M</th>
<th>FY06 $M</th>
<th>FY07 $M</th>
<th>TOTAL* $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORIGINAL TARGET</td>
<td>35</td>
<td>62</td>
<td>70</td>
<td>78</td>
<td>245</td>
</tr>
<tr>
<td>ACTUAL/FORECAST</td>
<td>13</td>
<td>77</td>
<td>106</td>
<td>130</td>
<td>326</td>
</tr>
</tbody>
</table>

* 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 OUTFLOW ON THE ROLLOVER OF FX CONTRACTS THAT HEDGE EXPOSURES IN OTHER FINANCIAL PERIODS
AIR NEW ZEALAND

INTERIM RESULT
31 DECEMBER 2006

Rob Fyfe
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.