

Air New Zealand

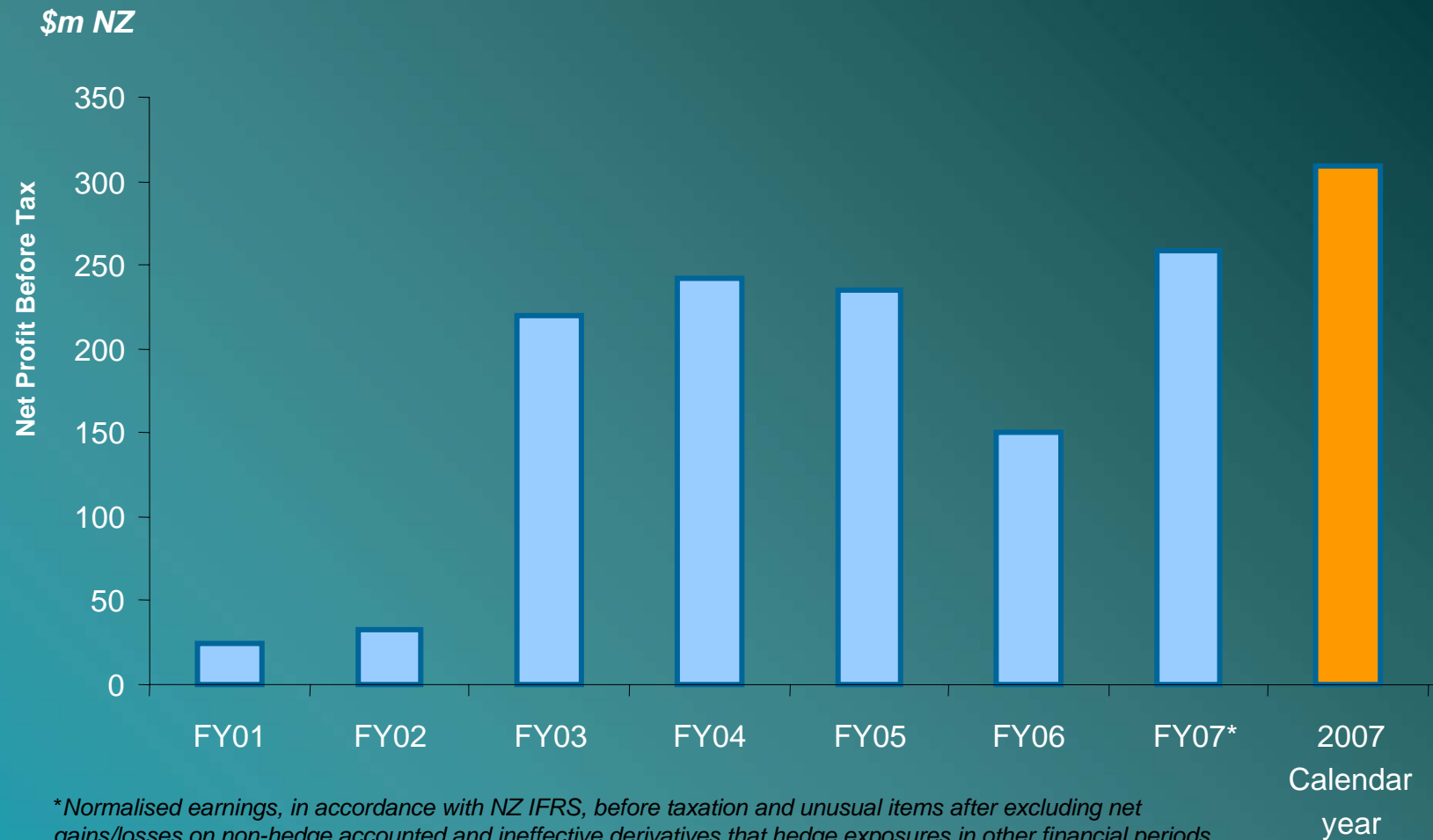
UK/US Roadshow - June 2008

Rob Fyfe, CEO



AIR NEW ZEALAND 

Recent Performance



Strong Position



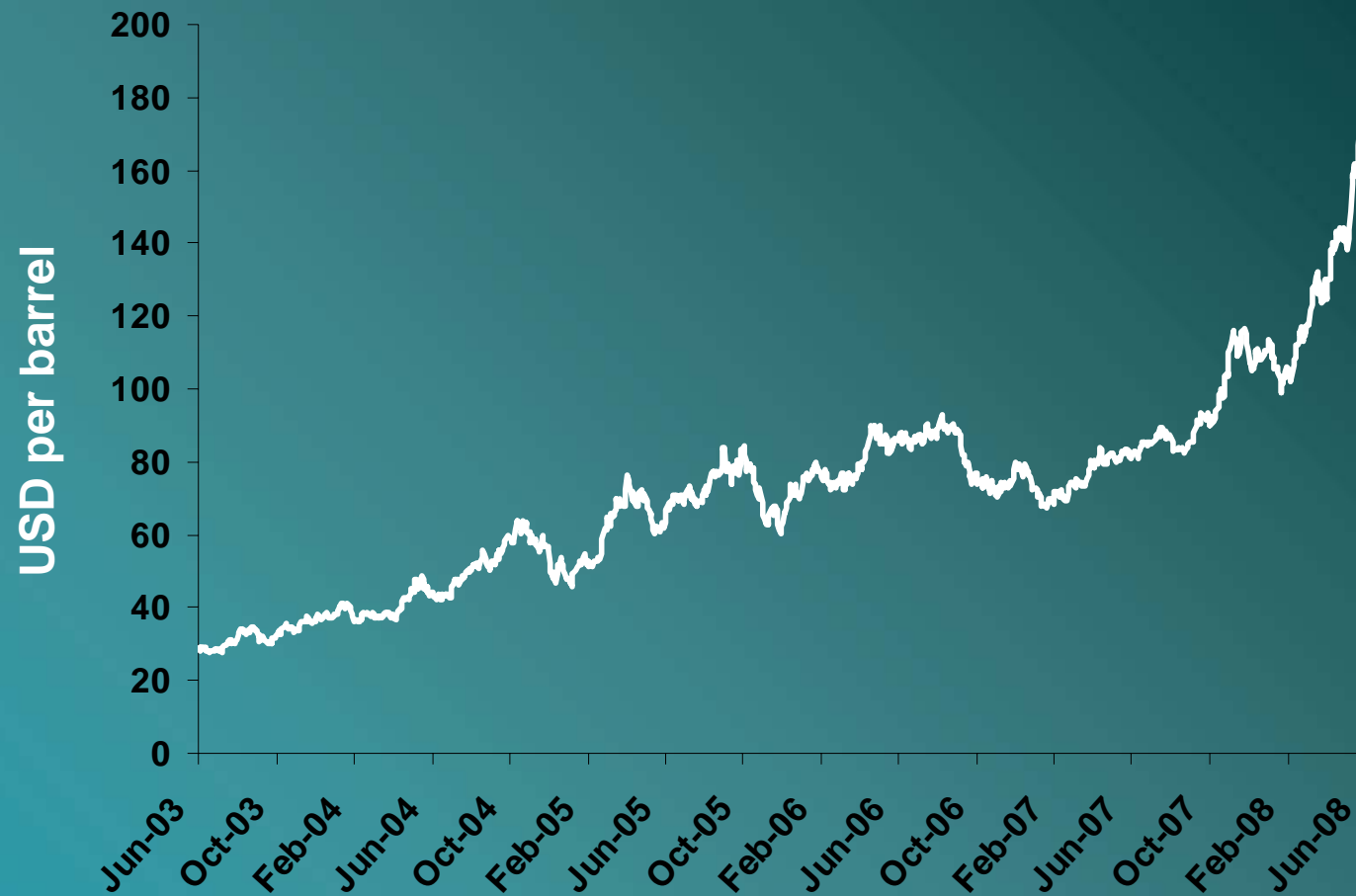
- Fast and flexible
- Strong network position
- World class product
- Strong balance sheet position
- Low capital commitments
- Relatively young fuel efficient fleet

Challenging Times



- Record jet fuel prices
- Record capacity
- US economy slowing
- Other economies also softening
- Inflation risk in developed world
- Increase in commodity prices

Jet Fuel



Affect on Airline Industry



- IATA cut its industry forecast for the fourth time in nine months
 - US\$7.8billion profit to a US\$2.3billion loss
- 24 carriers have failed in the past six months
- Bloomberg's global airline index down over 33% since January
- Air New Zealand's earning guidance for FY08 reduced from over \$259m to less than \$200m

Jet Fuel Price Scenarios



US\$100

- Industry still operating profitability
- Proliferation of low cost carriers

US\$150

- Many carriers just hanging on
- Returns to shareholders unacceptable
- This price level will not clear out underperformers

US\$200

- Balance sheet strength comes into play
- Network strength key
- Surplus capacity
- “War of attrition”
- Ability to adapt crucial
- Monsoon washing away debris

Current Reaction



- Across the board price increases
- Capacity rationalisation
 - Initial frequency cuts and down gauging
- Focus on fuel efficient fleet

New Operating Environment



- Airlines will rationalise routes at the periphery of their network
- Airlines will conserve cash and fight to protect core markets
- In Air New Zealand's markets this could lead to;
 - Capacity rationalisation in the domestic market by the smaller players
 - Less fifth freedom flying on the Tasman
 - Continuing or increased competition on UK routes
 - Reduced likelihood of increased competition on skinny long-haul routes