ANNUAL RESULTS

2009

NOTHING TO HIDE
HIGHLIGHTS

• Normalised earnings* $145m
• Net cash position of $1.6bn
• Gearing improved 0.3 pts to 45.0%
• Effective capacity management
• Award-winning innovations
• Positive employee engagement
• Strong non-airline revenue growth

* Normalised earnings before taxation after excluding the net impact of derivatives that hedge exposures in other financial periods
MAIN DRIVERS

- Volatile foreign exchange rates and fuel prices
- Deterioration of demand for air travel
- Capacity reduction of 7.2% in response
- Increased competitor capacity on trans Tasman and trans Pacific
KEY INFLUENCES ON PROFITABILITY

$NZ (m)

2008 Normalised Earnings before Taxation: 197
Yield: 18
Traffic: (280)
Freight, Contract Services & Other Revenue: (59)
Labour: (48)
Fuel Price and Volume: 370
Maintenance, Aircraft Operations and Passenger Services: (9)
Sales & Marketing: 51
Depreciation and Lease Costs: 25
Impact of Fuel Hedging: 272
Impact of FX (Including Hedging): (375)
Impact of FX: 272
Other: (17)
2009 Normalised Earnings before Taxation: 145
Hedge Timing Adjustment: (138)
Reported NPBT 2009: 7
COST INITIATIVES

• Reduced aircraft operations
• Fuel efficiency initiatives
• FTE reduced by 467*
• Reduced hours working week offered
• Leave without pay initiative introduced
• Board, executive and management pay freeze
• Continuous cost management

*excluding acquired businesses
YEAR TO DATE YIELD MOVEMENTS

Change in Yield

Yield Movement
Yield Movement FX Adjusted
LONG HAUL PERFORMANCE

- RPKs down 8.8%
- Capacity reduced by 9.4%
- Load factor up 0.6 percentage points to 81.6%
- Yield up 12.1%
- Weaker NZD increased revenues
- Influenza A (H1N1) impact
- Pacific Premium Economy expanded on the 777-200 fleet
• Capacity forecast for 2010 is 9% lower than 2009
DOMESTIC PERFORMANCE

- Difficult economic conditions in regional New Zealand
- Decreased capacity by 4.1%
- Load factor up 0.4 of a percentage point
- RPKs down 3.7%
- Final two Q300 turbo props introduced to fleet
- Award-winning airport innovations
- Launched Masterton and Westport services
- Changing competitive dynamics
TASMAN & PACIFIC ISLAND PERFORMANCE

• Reduced capacity by 3.9%
• Load factor down 2.4 percentage points
• RPKs down 6.8%
• IFE* upgrade programme completed
• Trans-Tasman services from Hamilton ceased and Dunedin reduced
• Rotorua/Sydney service announced

* Inflight entertainment
Capacity forecast for 2010 is 7% lower than 2009
STRATEGIC PRIORITIES

• Optimising network and refreshing product offering
• Aligning supply to demand
• Developing long haul product for B777-300ER
• Evaluating narrow body fleet replacement options
• Maintaining our environmental leadership position
• Further development of Airpoints programme
• Increase focus on new media within marketing
ENGINEERING

- Hangars remain full
- Gas Turbines profitable business
- Altitude Aerospace Interiors
- TAE, Masling and Tenix Aviation smoothly integrated
ENVIRONMENT

- Biofuels development focus continues
- Retrofitting winglets and zonal dryers
- Fuel efficient flight planning
- Environmental management system
FINANCIAL MANAGEMENT

- $1.6bn cash on balance sheet at year end
- Gearing 45.0%, 0.3 percentage point improvement
- Average fleet age of 7.4 years
- Moody’s rating – Ba1 stable
- Final dividend at 3.5 cents per share
1. Includes progress payments on aircraft and is net of sale and lease back agreements
2. Assumes NZD/USD = 0.65
3. Assumption of 6 month delay for 787-9 aircraft
4. Excludes capitalised maintenance of approximately $55m per annum and non aircraft capex
• Two B747 aircraft sold and leased back
• RFP for narrow body fleet replacement issued
• Seven ATR72-500s to be purchased on expiry of lease
• First 777-300ERs begin arriving in November 2010
• Fleet flexibility maintained

• Assumes 6 month delay on Boeing 787-9 aircraft
FUEL HEDGING*

• The first half of FY10 is 80% hedged. The average ceiling price of the Singapore Jet hedge is US$70.78 per barrel. The average ceiling price of the WTI crude oil hedge is US$65.08 per barrel.

• The second half of FY10 is 54% hedged with the average ceiling at US$73.16 per barrel of WTI crude oil

* Fuel hedge position as at 21 August 2009. Refer to separate fuel hedge disclosure.
CURRENCY HEDGING

- 2010 US dollar operating cash flow exposure is approx. 88% hedged at an average NZ$/US$ rate of 0.69
- US$322m of future capex commitments are hedged at NZ$/US$ rate of 0.73 (spot)
OUTLOOK

- While demand is stabilising, yields remain under significant pressure, fuel prices have resumed an upward trend and we are unlikely to achieve the same level of net hedging gains.
- The same agility displayed in the 2009 financial year will be imperative throughout the next year.
SUPPLEMENTARY INFORMATION

- Financial overview
- Normalised Earnings
- Group operating statistics
- Long haul operating statistics
- Short haul operating statistics
- New aircraft arrivals
- Current operating fleet
## FINANCIAL OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th>June 2009</th>
<th>June 2008</th>
<th>Dollar movement</th>
<th>Percentage movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>$4,609m</td>
<td>$4,667m</td>
<td>$(58)m</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Normalised earnings*</td>
<td>$145m</td>
<td>$197m</td>
<td>$(52)m</td>
<td>(26.4%)</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>$21m</td>
<td>$218m</td>
<td>$(197)m</td>
<td>(90.4%)</td>
</tr>
<tr>
<td>Adjusted operating cash flow</td>
<td>$355m</td>
<td>$662m</td>
<td>$(307)m</td>
<td>(46.4%)</td>
</tr>
<tr>
<td>Net cash</td>
<td>$1,573m</td>
<td>$1,289m</td>
<td>$284m</td>
<td>22.0%</td>
</tr>
<tr>
<td>Gearing</td>
<td>45.0%</td>
<td>45.3%</td>
<td>N/A</td>
<td>0.3 pts</td>
</tr>
<tr>
<td>Annual dividend</td>
<td>6.5 cps</td>
<td>8.5 cps</td>
<td>(2.0)cps</td>
<td>(23.5%)</td>
</tr>
</tbody>
</table>

* Normalised earnings before taxation after excluding the net impact of derivatives that hedge exposures in other financial periods
### NORMALISED EARNINGS

<table>
<thead>
<tr>
<th>Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:</th>
<th>June 2009</th>
<th>June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before Taxation</td>
<td>$7m</td>
<td>$304m</td>
</tr>
<tr>
<td>Fuel derivatives</td>
<td>$130m</td>
<td>$(129)m</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>$9m</td>
<td>$20m</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>$(1)m</td>
<td>$2m</td>
</tr>
<tr>
<td>Normalised Earnings before Taxation</td>
<td>$145m</td>
<td>$197m</td>
</tr>
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## GROUP OPERATING STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>June 2009</th>
<th>June 2008</th>
<th>Movement*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>12.4m</td>
<td>13.2m</td>
<td>(6.1%)</td>
</tr>
<tr>
<td>Available seat kilometres (ASKs)</td>
<td>34,316m</td>
<td>36,991m</td>
<td>(7.2%)</td>
</tr>
<tr>
<td>Load factor</td>
<td>79.0%</td>
<td>79.3%</td>
<td>(0.3)pts</td>
</tr>
<tr>
<td>Yield (cents per RPK)</td>
<td>13.8</td>
<td>13.0</td>
<td>6.2%</td>
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</table>

* Calculations based on numbers before rounding
### LONG HAUL OPERATING STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>June 2009</th>
<th>June 2008</th>
<th>Movement*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>1.8m</td>
<td>2.0m</td>
<td>(9.8%)</td>
</tr>
<tr>
<td>ASKs</td>
<td>20,150m</td>
<td>22,243m</td>
<td>(9.4%)</td>
</tr>
<tr>
<td>RPKs</td>
<td>16,432m</td>
<td>18,015m</td>
<td>(8.8%)</td>
</tr>
<tr>
<td>Load factor</td>
<td>81.6%</td>
<td>81.0%</td>
<td>0.6 pts</td>
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* Calculations based on numbers before rounding
## SHORT HAUL OPERATING STATISTICS

<table>
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<th>June 2009</th>
<th>June 2008</th>
<th>Movement*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>10.6m</td>
<td>11.2m</td>
<td>(5.5%)</td>
</tr>
<tr>
<td>ASKs</td>
<td>14,166m</td>
<td>14,748m</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>RPKs</td>
<td>10,680m</td>
<td>11,334m</td>
<td>(5.8%)</td>
</tr>
<tr>
<td>Load factor</td>
<td>75.4%</td>
<td>76.9%</td>
<td>(1.5) pts</td>
</tr>
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</table>

* Calculations based on numbers before rounding
NEW AIRCRAFT ARRIVALS

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777-300ER</td>
<td>-</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Boeing 787-9 *</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

* Assumed 6 month delay on Boeing 787-9 aircraft
## CURRENT OPERATING FLEET

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>June 2007</th>
<th>2008 movement</th>
<th>June 2008</th>
<th>2009 movement</th>
<th>June 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 747-400</td>
<td>8</td>
<td>-</td>
<td>8</td>
<td>(1)</td>
<td>7</td>
</tr>
<tr>
<td>Boeing 777-200ER</td>
<td>8</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Boeing 767-300ER</td>
<td>6</td>
<td>(1)</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Airbus A320-200</td>
<td>12</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Boeing 737-300</td>
<td>14</td>
<td>2</td>
<td>16</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>ATR 72-500</td>
<td>11</td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>Saab 340A</td>
<td>3</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bombardier Q300</td>
<td>16</td>
<td>5</td>
<td>21</td>
<td>2</td>
<td>23</td>
</tr>
<tr>
<td>Beech 1900D</td>
<td>17</td>
<td>-</td>
<td>17</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total operating fleet</strong></td>
<td><strong>95</strong></td>
<td><strong>3</strong></td>
<td><strong>98</strong></td>
<td><strong>2</strong></td>
<td><strong>100</strong></td>
</tr>
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