



Annual Results

2010

first in, best dressed



Highlights

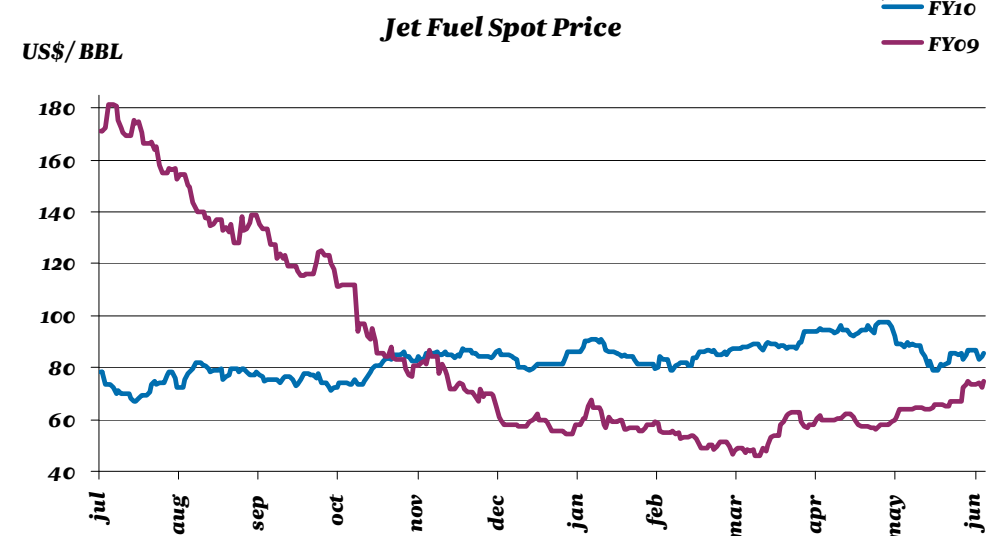
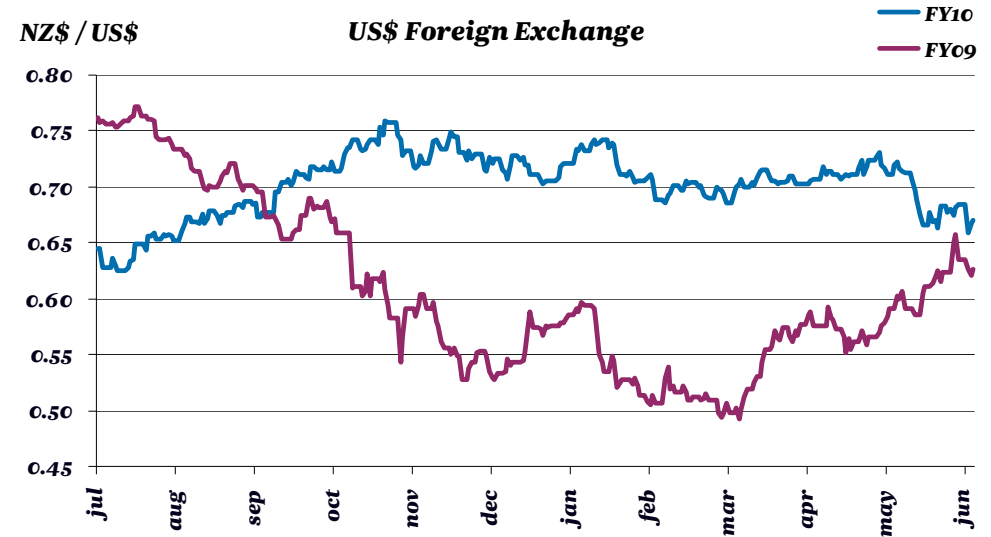


- Normalised earnings* \$137m
- Net cash position of \$1.1bn
- Operating cashflow up 33%
- Gearing at 47.3%
- Fully imputed final dividend of 4 cents per share
- Award winning product and service
- New initiatives announced across all markets

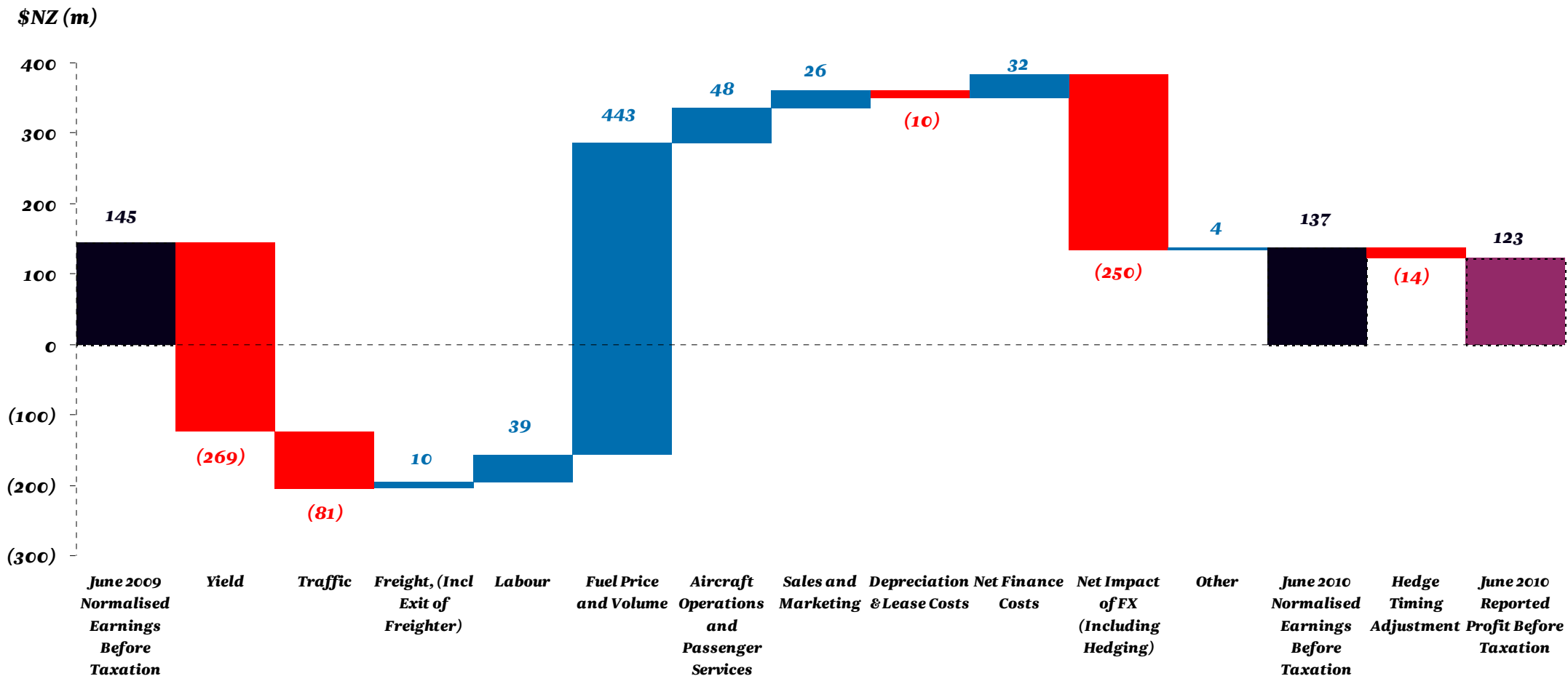
Operating environment



- Improving demand environment emerging
- Yield decline arrested, growth apparent in last quarter
- Stronger NZ dollar
- Lower overall jet fuel price YOY. Price in 2010 year trending upwards



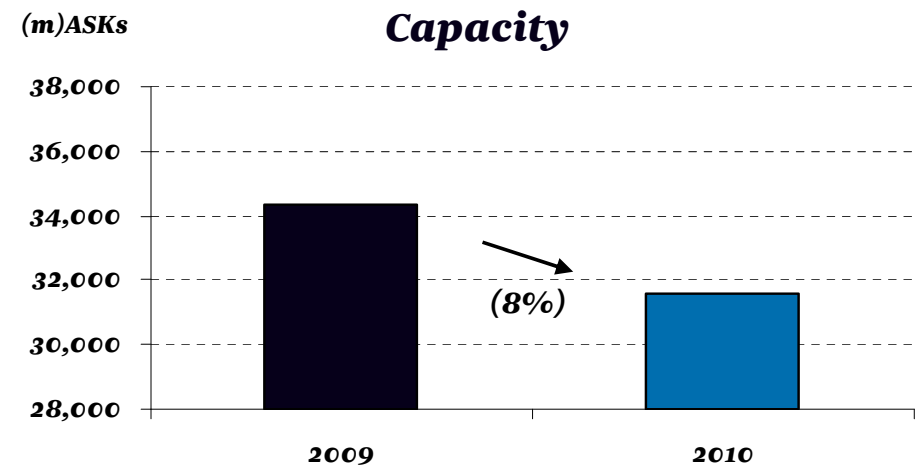
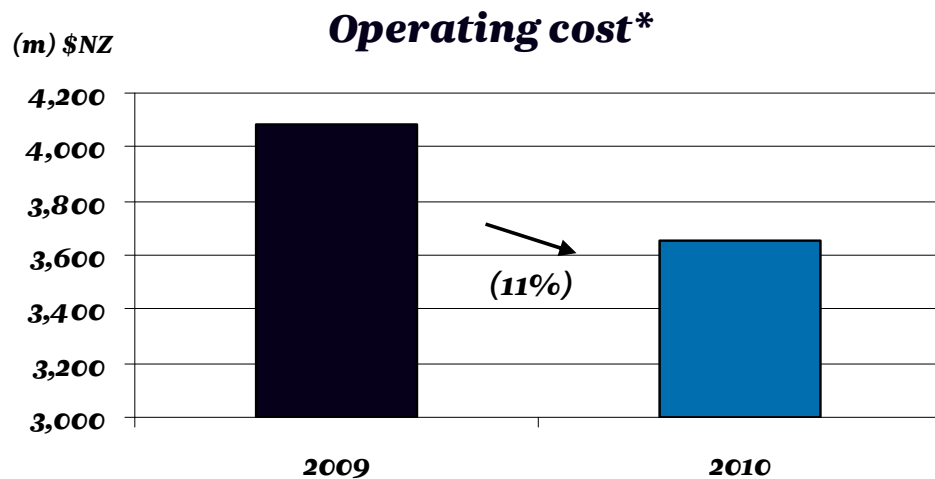
Key influences on profitability



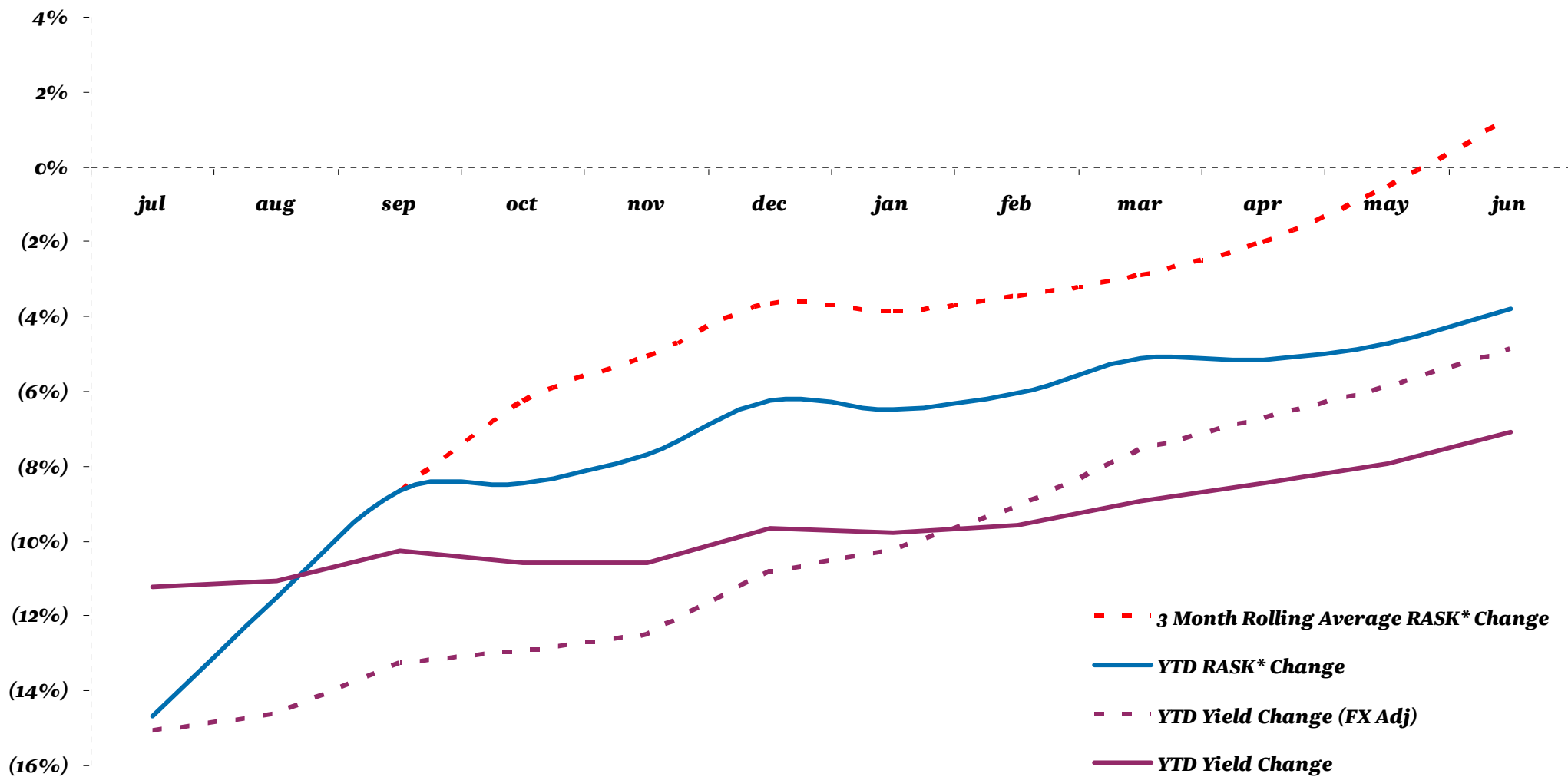
Efficiency gains



- Operating cost* improved 11%
- Cost per ASK down 3%*
- Employees reduced by 612 or 6% since 2008
- Improved profit margins while reducing scale



Revenue management

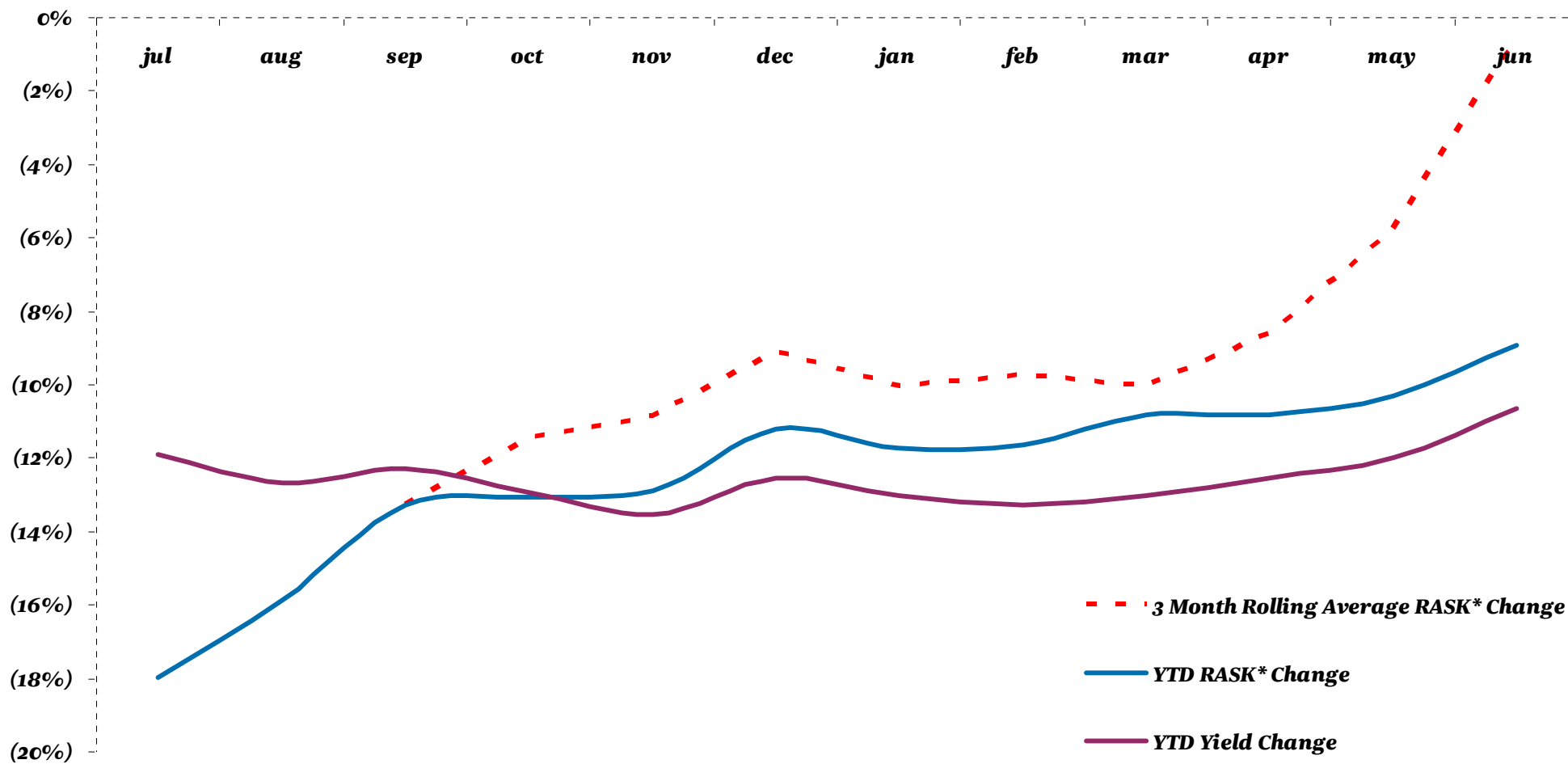


Long haul performance



- Passenger demand* down 6.8%
- Capacity reduced by 8.5%
- Load factor up 1.5 percentage points to 83.1%
- Yield down 10.7%
- Challenging market conditions
- Icelandic volcano and H1N1 flu impacts minimised
- Signs of demand growth

Long haul revenue management



Domestic performance



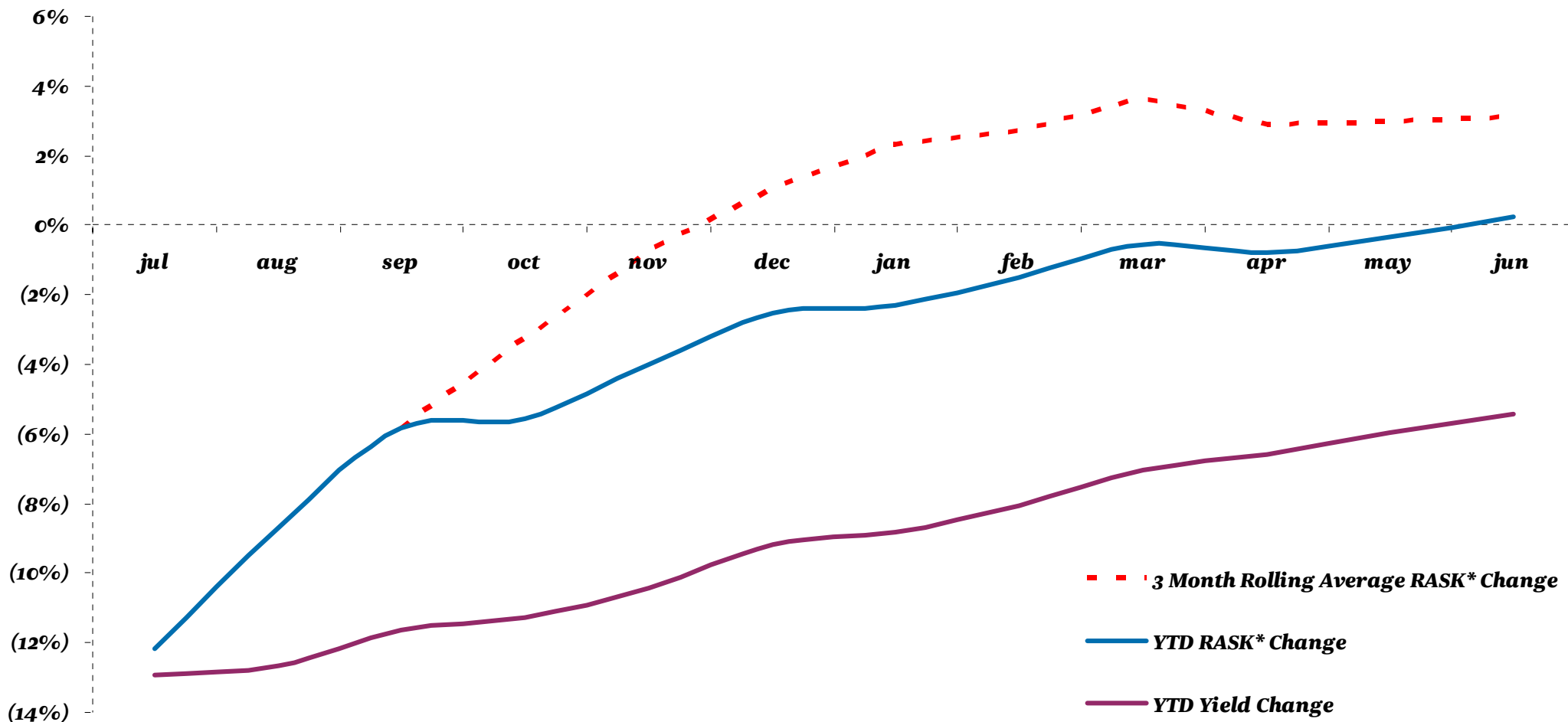
- Passenger demand increased by 4.1%
- Capacity reduced by 1.2%
- Load factor up 4.0 percentage points to 79.0%
- Regional airfares down 5.8%
- 10 minute OTP performance of 87%*
- Queenstown and Wanaka capacity added
- Jet capacity to progressively increase from September
- Grabaseat continues to lead low fare market

Tasman & Pacific Island performance



- Passenger demand down 4.5%
- Capacity reduced by 10.2%
- Load factor up 4.8 percentage points to 80.4%
- Virgin Blue trans-Tasman alliance proposal
- New Tasman and Pacific Islands product on sale
- New check-in kiosks for trans-Tasman passengers
- Tasman OTP performance of 88%

Short haul revenue management



Implementing new initiatives



- World-first long haul product
- Tasman and Pacific Island product choices
- Common narrowbody A320 fleet
- Loyalty programme developments
- Starfish regional discount card



seats for introverts



and extroverts



Trans – Tasman alliance proposal



- Revenue allocation agreement and code share
- Improved Australian distribution and product offering
- Lounge access and frequent flyers
- Accelerated market growth and tourism promotion
- Regulatory decision expected before the end of the year

Other business areas



- Cargo
 - Cargo volumes increasing
 - Demand is promising particularly in China and Australia
- Engineering
 - Third party volume growth
 - Well prepared for new aircraft arrivals
 - Altitude wins first Boeing Business Jet contract

Financial management



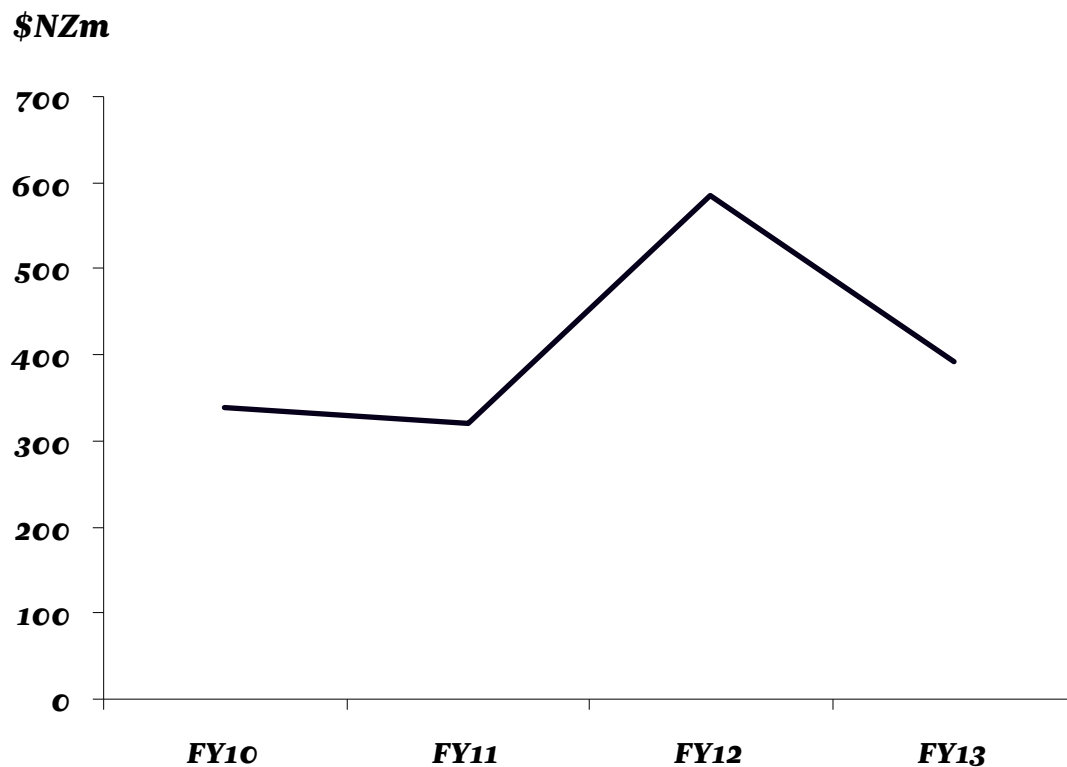
- \$1.1bn cash on balance sheet at year end
- Gearing 47.3%, 2.3 percentage point increase
- Average fleet age of 8.3 years
- Moody's rating – Ba1 stable
- Fully imputed final dividend of 4 cents per share

Airpoints programme



- Expanded range of credit card partners
- Fly Buys partnership announced last week
- Increases customers' ability to earn
- Now leverage these expanded partnerships

Aircraft capital commitments



Aircraft delivery schedule	FY11	FY12	FY13	FY14	FY15
Boeing 777-300ER	3*	2	-	-	-
Airbus A320	2*	2*	1	3	4
Boeing 787-9	-	-	-	5	-

1. Assumes NZD/USD = 0.70

2. Includes progress payments on aircraft and is net of sale and leaseback agreements

3. Excludes capitalised maintenance of approximately \$50m per annum and non aircraft capex

*The second and third Boeing 777-300ER aircraft and the first four Airbus A320 aircraft are subject to operating lease arrangements

Fuel hedging*



- The first half of FY11 is 89% hedged

	Volume bbls	Ceiling \$us	Floor \$us
Singapore Jet collars	1.6m	\$90.70	\$80.11
WTI collars	1.7m	\$81.32	\$70.98

- The second half of FY11 is 48% hedged

	Volume bbls	Ceiling \$us	Floor \$us
WTI collars	1.7m	\$80.23	\$70.69

Currency hedging



- 2011 US dollar operating cash flow exposure is approx. 88% hedged at an average NZ\$/US\$ rate of 0.65
- US\$373m of future capex commitments are hedged at NZ\$/US\$ rate of 0.73 (spot)

Strategic priorities



- Increasing capacity as growth returns
- Promotion and delivery of new long haul product
- Managing fleet replacement programmes
- Maintaining our environmental leadership position
- Implementing alliance upon regulatory approval
- Increasing customer engagement

Outlook



- The airline industry is showing signs of recovery with both demand and yields continuing to improve.
- The airline is planning to increase capacity in 2011 across the network, particularly on domestic and trans-Tasman services
- Earnings can be significantly impacted by changes in economic conditions or input costs, such as fuel price.
- In recent years, Air New Zealand has demonstrated its ability to adapt to changing conditions and remain profitable in a tough economic environment.
- We are optimistic that operating earnings will continue to improve through the 2011 financial year.

Supplementary information



- Financial overview
- Normalised earnings
- Group operating statistics
- Long haul operating statistics
- Short haul operating statistics
- Current operating fleet

Financial overview



	2010	2009	Dollar movement	Percentage movement
Operating revenue	\$4,046m	\$4,609m	\$(563)m	(12%)
Normalised earnings*	\$137m	\$145m	\$(8)m	(6%)
Net profit after tax	\$82m	\$21m	\$61m	290%
Adjusted operating cash flow	\$471m	\$355m	\$116m	33%
Net cash	\$1,067m	\$1,573m	\$(506)m	(32%)
Gearing	47.3%	45.0%	N/A	(2.3 pts)
Annual dividend	7.0 cps	6.5 cps	0.5 cps	7.7%

Normalised earnings



	2010	2009
Earnings before Taxation	\$123m	\$7m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	\$8m	\$130m
Foreign exchange derivatives	\$6m	\$9m
Interest rate derivatives	-	\$(1)m
Normalised Earnings before Taxation	\$137m	\$145m

Group operating statistics



	2010	2009	Movement*
Passengers carried	12.3m	12.4m	(0.4%)
Available seat kilometres (ASKs)	31,578m	34,316m	(8.0%)
Revenue passenger kilometres (RPKs)	25,829m	27,112m	(4.7%)
Load factor	81.8%	79.0%	2.8 pts
Yield (cents per RPK)	12.8	13.8	(7.1%)

Long haul operating statistics



	2010	2009	Movement*
Passengers carried	1.7m	1.8m	(6.9%)
ASKs	18,430m	20,150m	(8.5%)
RPKs	15,320m	16,432m	(6.8%)
Load factor	83.1%	81.6%	1.5 pts
Yield (cents per RPK)	9.4	10.6	(10.7%)

Short haul operating statistics



	2010	2009	Movement*
Passengers carried	10.7m	10.6m	0.7%
ASKs	13,147m	14,166m	(7.2%)
RPKs	10,509m	10,680m	(1.6%)
Load factor	79.9%	75.4%	4.5 pts
Yield (cents per RPK)	17.7	18.7	(5.4%)

Current operating fleet



Aircraft Type	June 2008	2009 movement	June 2009	2010 movement	June 2010
Boeing 747-400	8	(1)	7	-	7
Boeing 777-200ER	8	-	8	-	8
Boeing 767-300ER	5	-	5	-	5
Airbus A320-200	12	-	12	-	12
Boeing 737-300	16	-	16	(1)	15
ATR 72-500	11	-	11	-	11
Bombardier Q300	21	2	23	-	23
Beech 1900D	17	1	18	-	18
Total operating fleet	98	2	100	(1)	99



Questions

