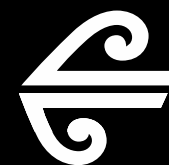

Air New Zealand

2012 Annual Results



Highlights

- Normalised earnings* before tax of \$91m, **up 21%**
- Net profit after tax of \$71m, **down 12%**
- Significantly stronger second half performance
- **Strong liquidity**; net cash position over \$1 billion
- Gearing improved to 46.1%
- **Final dividend** of 3.5 cents per share (unimputed)

* Normalised Earnings before Taxation after excluding the net impact of derivatives that hedge exposures in other financial periods. Refer to supplementary slide 16 for a reconciliation to IFRS earnings.

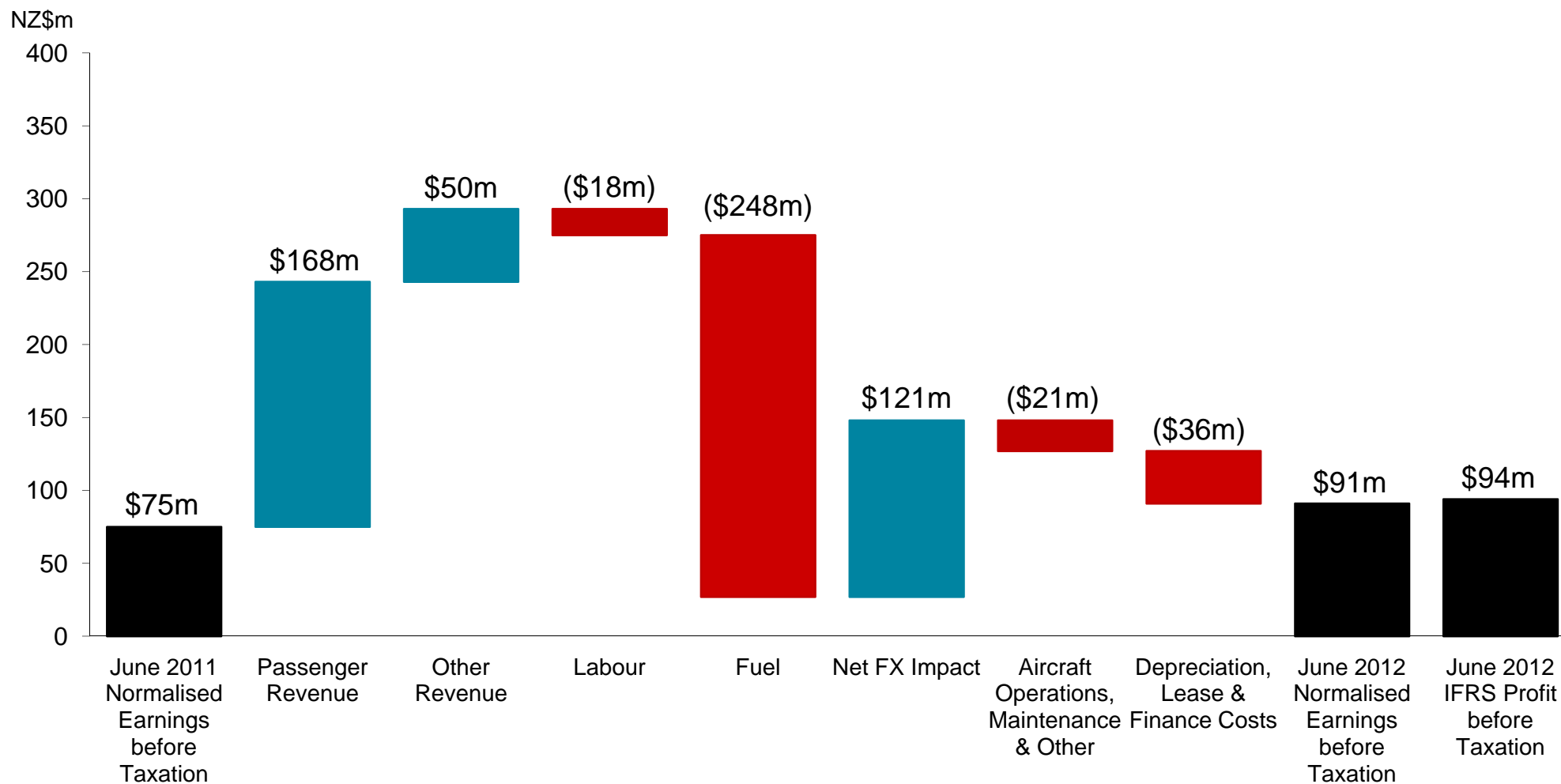


Key Drivers of Result

- Operating revenue up 3.3%
 - **Long haul:** Growth offset by weak Europe and Japan
 - **Tasman:** Growth from Seats to Suit and Virgin Alliance
 - **Domestic:** Capacity and yield increases partially offset by reduced business travel during RWC and General Election
 - **Cargo:** Increased capacity with B773 introduction
- Cost containment / reductions
- Profit improvement initiatives ahead of expectation



Changes in Profitability



Normalised Earnings before Taxation after excluding the net impact of derivatives that hedge exposures in other financial periods. Refer to supplementary slide 16 for a reconciliation to IFRS earnings.

Building on Domestic Strength



- Increased demand combined with strengthening yield
- Improving operating efficiencies with new aircraft
 - Larger A320s replacing B737s
- New fare structure and Grabaseat stimulating demand
- Independent review confirms New Zealand has better regional coverage and pricing than Australia, USA & Canada

Continuing Tasman & Pacific Island **Success**



- Seats to Suit and Virgin Alliance driving growth
- Seats to Suit success from offering value proposition across diverse market
- Virgin Alliance provides customers with a comprehensive Australasian network and seamless travel
- Capacity increases to Perth and Hawaii
- Seasonal service to Bali well received

Long Haul Re-Engineering Underway



- Revenue **up 2%**; yield **up 4%** (7.5% adjusted for FX)
- Refocused sales and marketing strategy
- Redeployment of capacity improving efficiencies
- Exit Beijing to focus on Shanghai. Daily by early 2013
- B773 aircraft replaced B747s, improving fuel efficiency 19% on a payload adjusted basis
- B773 have **40% more cargo capacity** than B747s – network wide cargo revenue **up 7.2%**

Profit Improvement Initiatives **Increase** to \$250m

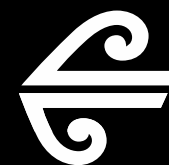


	Total	By
Overhead Costs	\$60m	FY13
Ancillary Revenue	\$40m	FY14
Network	\$60m	FY14
Fleet	\$35m	FY15
Supply Chain & Other Direct Costs	\$55m	FY15
TOTAL	\$250m	

Loyalty and Ancillary Revenue



- Focus on ancillary revenue
- **Skycouch** proving popular
- **OneUp** upgrade product successfully launched July
- Airpoints membership up 19% in the year to 1.2 million; 43% higher than 3 years ago
- Strong launch of **OneSmart** card product – the Ultimate Travel Companion
- Continuing to develop new opportunities



Investment in Virgin Australia

- Equity investment increased from 14.99% to 19.99%
- Total investment carried at \$220m*
- Investment not equity accounted
- Value of investment represents 24 cents of value per Air NZ share**

*as at 30 June 2012

**as at 28 August 2012

Financial Management



- Net cash **improved 19%** to over \$1 billion
- Gearing improved 0.6 percentage points to 46.1%
- Average fleet age of 8.6 years
- Moody's rating held at Baa3
- \$150m bond issue fully subscribed
- **Final dividend** of 3.5 cents per share (unimputed)

Key Strategic Priorities

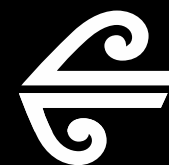


- Continued development and investment in strong Domestic network
- Develop Virgin Australia Partnership
- Re-engineer International network performance
- Maximise growth opportunities from partnerships
- Develop loyalty business opportunities
- Improve efficiency and effectiveness of cost base

Earnings Momentum



- Stronger second half earnings
- Earnings trend positioning for future growth
- Leaving currency losses behind
- Full impact of B773 replacing B747 to be felt
- Redeployment of aircraft improving long haul efficiency and competitiveness
- Expect to more than double normalised earnings in FY13



Supplementary Information

- Financial overview
- Normalised earnings
- Cost efficiency
- Aircraft capital commitments
- Current hedge positions
- Labour efficiency
- Key external inputs
- Group operating statistics
- Current operating fleet

Financial Overview



	June 2012	June 2011	Dollar movement	Percentage movement
Operating revenue	\$4,483m	\$4,341m	\$142m	3.3%
Normalised earnings*	\$91m	\$75m	\$16m	21.3%
Net profit after tax	\$71m	\$81m	(\$10m)	(12.3%)
Operating cash flow	\$455m	\$446m	\$9m	2.0%
Net cash position	\$1,027m	\$860m	\$167m	19.4%
Gearing	46.1%	46.7%	N/A	0.6 pts
Annual dividend	5.5 cps	5.5 cps	-	-

* Normalised Earnings before taxation after excluding the net impact of derivatives that hedge exposures in other financial periods. Refer to supplementary slide 16 for a reconciliation to IFRS earnings.

Normalised Earnings*



	June 2012	June 2011
Earnings before Taxation (per NZ IFRS)	\$94m	\$73m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	(\$11m)	\$7m
Foreign exchange derivatives	\$8m	(\$5m)
Normalised Earnings* before Taxation	\$91m	\$75m

* Normalised Earnings represents Earnings stated in compliance with New Zealand IFRS after excluding net gains and losses on derivatives that hedge exposures in other financial periods. Normalised Earnings is a non-IFRS financial performance measure that aligns the timing of recognition of derivative gains or losses with the underlying hedged transaction. The measure is subject to review by the Group's external auditors.

Cost efficiency

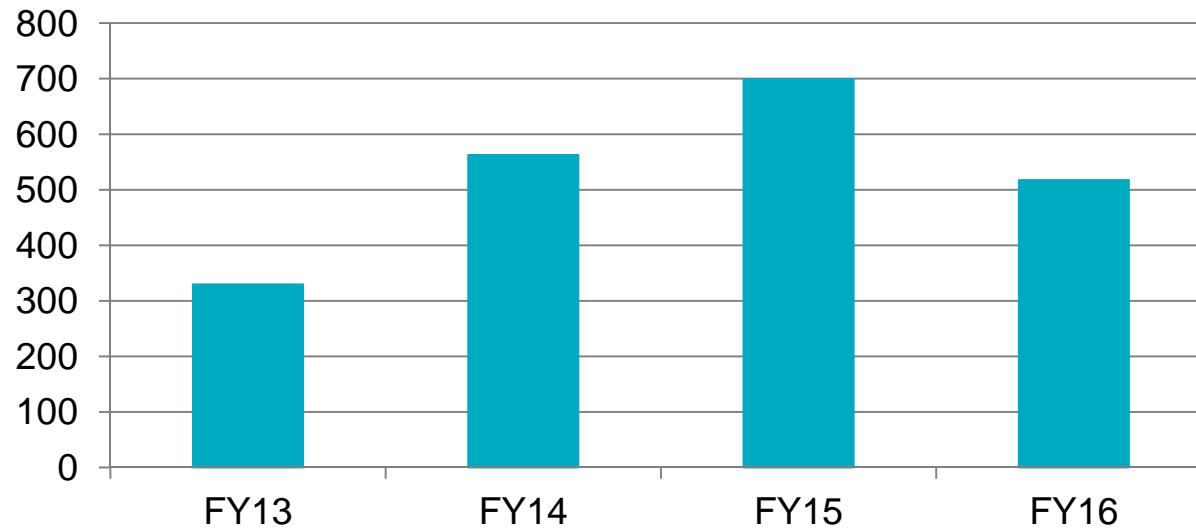


	2012 (cents)	2011 (cents)
Cost per ASK (CASK)	11.57	11.34
<i>Exclude:</i>		
Fuel	(3.77)	(3.33)
FX hedges	(0.19)	(0.36)
CASK (excl. Fuel and FX hedges)	7.61	7.65

Aircraft Capital Commitments



NZ\$ m



1. Includes progress payments on aircraft.
2. Assumes NZD/USD = 0.81
3. Excludes capitalised maintenance of approximately \$60m per annum and non aircraft capital commitments.

Aircraft delivery schedule	FY13	FY14	FY15	FY16
Boeing 787-9	-	1	2	3
Airbus A320	1	3	4	-
ATR72-600	3	1	2	1

Current Hedge Positions



Fuel

- The first half of FY13 is 76% hedged
- The second half of FY13 is 13% hedged

		Volume bbls	Ceiling USD	Floor USD
FY13 H1	Brent Calls	562,500	\$113.00	-
	WTI Collars	170,000	\$106.40	\$82.26
	WTI Calls*	2,132,500	\$103.50	-
FY13 H2	WTI Calls	450,000	\$98.93	-

* Includes impact of WTI Call spreads

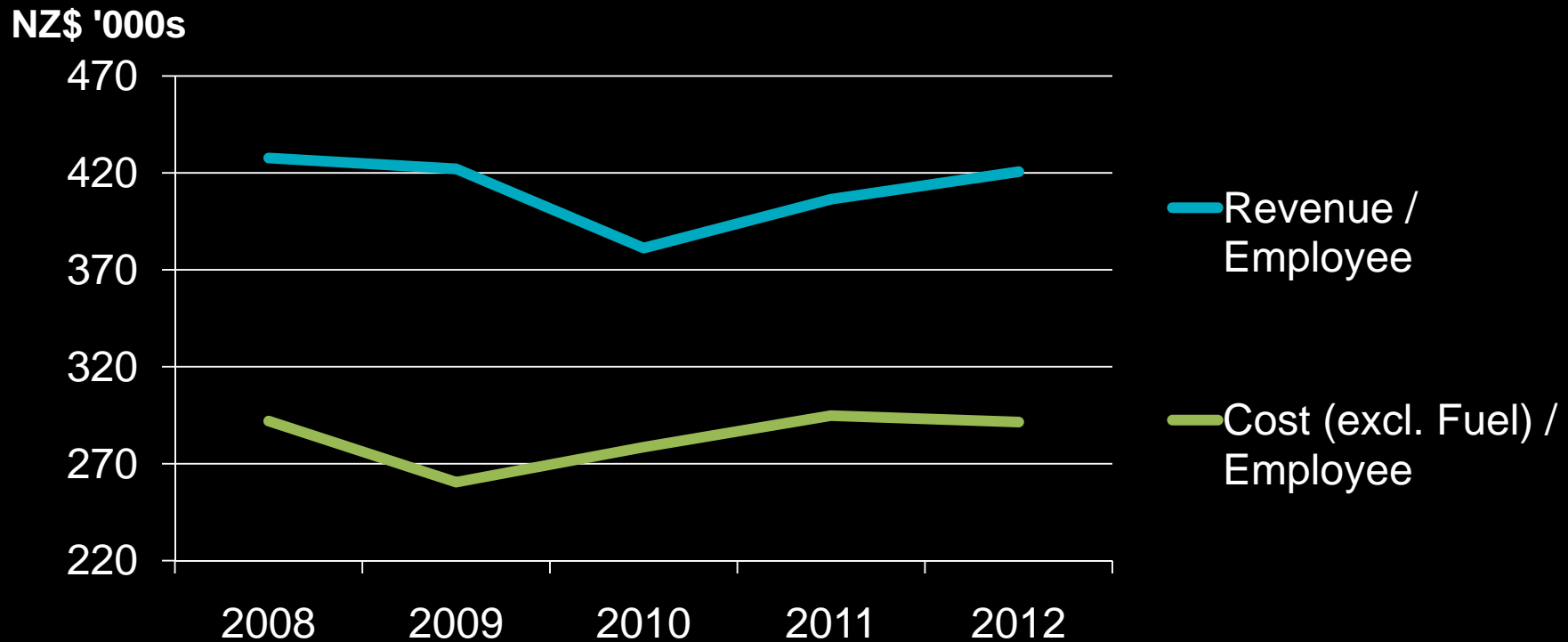
Foreign Exchange

- The FY13 US dollar operating cash flow exposure is approx. 79% hedged at an average NZD/USD rate of 0.7945

Labour Efficiency



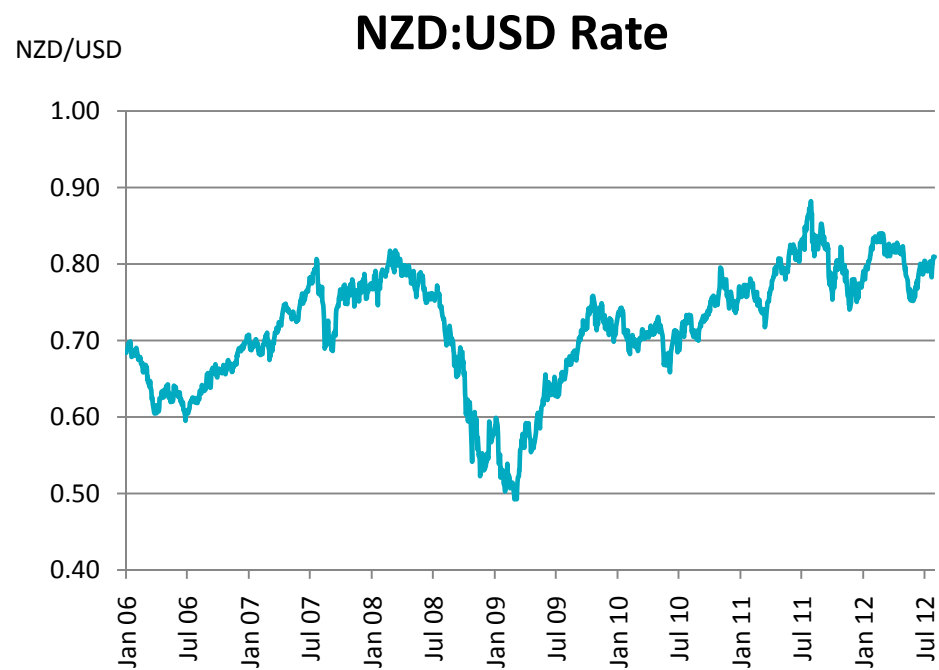
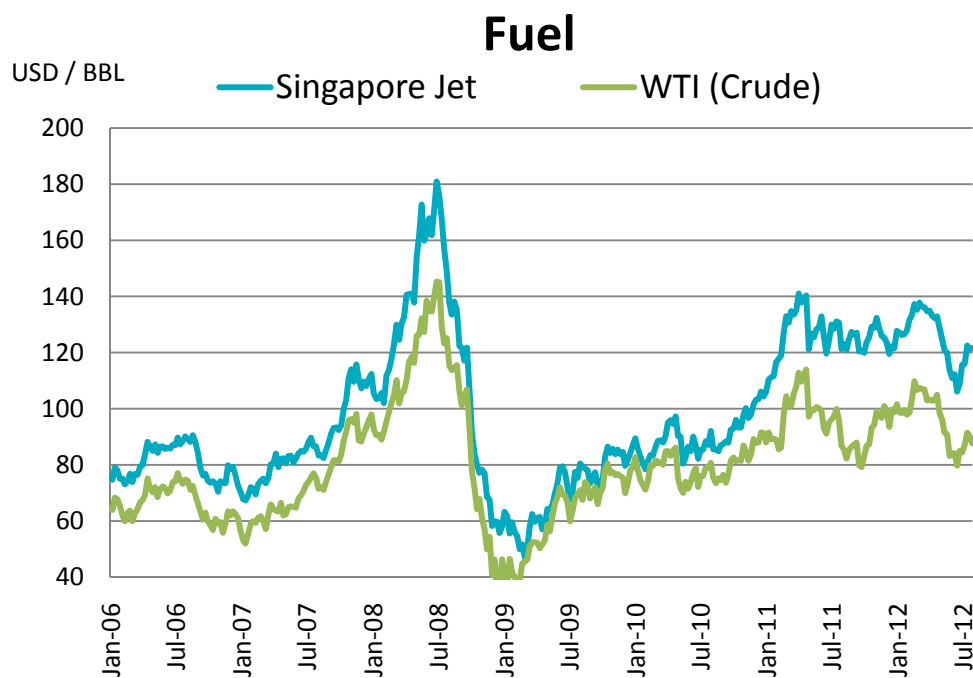
- Cost review initiatives beginning to take effect

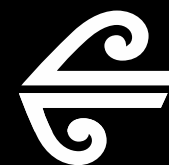




Key External Inputs

- NZ dollar remained strong against trading currencies
- Fuel prices remain escalated





Group Operating Statistics

	June 2012	June 2011	Movement*
Passengers carried ('000s)	13,122	13,103	0.1%
Available seat kilometres (ASKs)	32,618m	32,353m	0.8%
Revenue passenger kilometres (RPKs)	27,013m	26,996m	0.1%
Load factor	82.8%	83.4%	(0.6 pts)
Yield (cents per RPK)	13.5	13.1	3.0%

* Calculations based on numbers before rounding

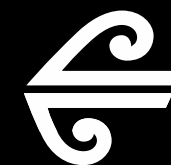
Domestic Performance



	June 2012	June 2011	Movement*
Passengers carried ('000s)	8,500	8,530	(0.3%)
Available seat kilometres (ASKs)	4,969m	4,904m	1.3%
Revenue passenger kilometres (RPKs)	4,050m	4,021m	0.7%
Load factor	81.5%	82.0%	(0.5 pts)
Yield (cents per RPK)	28.7	28.1	2.0%

* Calculations based on numbers before rounding

Tasman & Pacific Island Performance



	June 2012	June 2011	Movement*
Passengers carried ('000s)	3,020	2,919	3.5%
Available seat kilometres (ASKs)	9,278m	8,962m	3.5%
Revenue passenger kilometres (RPKs)	7,795m	7,470m	4.4%
Load factor	84.0%	83.3%	0.7 pts
Yield (cents per RPK)	11.8	11.6	1.6%

* Calculations based on numbers before rounding

Long Haul Performance



	June 2012	June 2011	Movement*
Passengers carried ('000s)	1,602	1,654	(3.2%)
Available seat kilometres (ASKs)	18,371m	18,487m	(0.6%)
Revenue passenger kilometres (RPKs)	15,168m	15,506m	(2.2%)
Load factor	82.6%	83.9%	(1.3 pts)
Yield (cents per RPK)	10.2	9.8	4.0%

* Calculations based on numbers before rounding

Current Operating Fleet



Aircraft Type	June 2011	2012 Movement	June 2012
Boeing 747-400	5	(3)	2
Boeing 777-300ER	3	2	5
Boeing 777-200ER	8	-	8
Boeing 767-300ER	5	-	5
Airbus A320-200	14	3	17
Boeing 737-300	15	(2)	13
ATR 72-500	11	-	11
Bombardier Q300	23	-	23
Beech 1900D	18	-	18
Total operating fleet	102	-	102