AIR NEW ZEALAND

2014
INTERIM FINANCIAL RESULTS

A STAR ALLIANCE MEMBER

STATEMENT OF FINANCIAL PERFORMANCE (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2013

	NOTES	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Operating Revenue				
Passenger revenue		**1,932**	1,930	3,765
Cargo		**148**	164	301
Contract services		**132**	149	310
Other revenue		**118**	125	239
	3	**2,330**	2,368	4,615
Operating Expenditure				
Labour		**(566)**	(530)	(1,068)
Fuel		**(572)**	(633)	(1,204)
Maintenance		**(135)**	(147)	(302)
Aircraft operations		**(216)**	(217)	(419)
Passenger services		**(109)**	(117)	(222)
Sales and marketing		**(142)**	(143)	(274)
Foreign exchange gains	2(e)	**32**	3	7
Other expenses		**(104)**	(120)	(236)
		(1,812)	(1,904)	(3,718)
Earnings Before Finance Costs, Depreciation, Amortisation, Rental Expenses and Taxation		**518**	464	897
Depreciation and amortisation		**(211)**	(203)	(411)
Rental and lease expenses		**(87)**	(91)	(177)
Earnings Before Finance Costs and Taxation		**220**	170	309
Finance income		**21**	19	37
Finance costs		**(44)**	(48)	(91)
Profit Before Taxation	4	**197**	141	255
Taxation expense		**(57)**	(41)	(74)
Net Profit Attributable to Shareholders of Parent Company		**140**	100	181
Per Share Information:				
Basic earnings per share (cents)		**12.8**	9.1	16.5
Diluted earnings per share (cents)		**12.7**	9.1	16.4
Interim and final dividend declared per share (cents)		**4.5**	3.0	8.0
Net tangible assets per share (cents)		**156**	151	157

	NOTE	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Supplementary Information				
Earnings before Taxation (per NZ IFRS above)		**197**	141	255
Reverse net (gains)/losses on derivatives that hedge exposures in other financial periods:				
Fuel derivatives		**(17)**	(2)	(2)
Foreign exchange derivatives		**-**	-	2
Normalised Earnings before Taxation	2(g)	**180**	139	255
Normalised Earnings after Taxation		**128**	99	181
Per Share Information:				
Basic normalised earnings per share (cents)		**11.6**	9.0	16.5

Normalised Earnings represents Earnings stated in compliance with NZ 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 matches derivative gains or losses with the underlying hedged transaction, and represents the underlying performance of the business for the relevant period.

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to the Statement of Review Engagement Standards RS-1, issued by the External Reporting Board. The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2013

	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Net Profit for the Period	**140**	100	181
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of investment in quoted equity instruments	**(60)**	10	(6)
Actuarial gains on defined benefit plans	**12**	1	13
Taxation on above reserve movements	**(3)**	-	(2)
Total items that will not be reclassified to profit or loss	**(51)**	11	5
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges	**31**	3	85
Transfers to net profit from cash flow hedge reserve	**(41)**	1	(5)
Transfers to asset carrying value from cash flow hedge reserve	**(27)**	-	(28)
Net translation loss on investment in foreign operations	**(4)**	(1)	(8)
Taxation on above reserve movements	**11**	(2)	(15)
Total items that may be reclassified subsequently to profit or loss	**(30)**	1	29
Total Other Comprehensive Income for the Period, Net of Taxation	**(81)**	12	34
Total Comprehensive Income for the Period, Attributable to Shareholders of the Parent Company	**59**	112	215

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STATEMENT OF CHANGES IN EQUITY (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2013

	NOTES	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Issued Capital				
Balance at the beginning of the period		**2,277**	2,282	2,282
Acquisition of treasury stock (share buyback)	2(d)	**-**	(11)	(11)
Shares issued		**1**	1	1
Equity-settled share-based payments		**2**	3	5
Balance at the end of the period		**2,280**	2,275	2,277
Cash Flow Hedge Reserve				
Balance at the beginning of the period		**123**	86	86
Changes in fair value of cash flow hedges		**31**	3	85
Transfers to net profit ("Fuel")		**(10)**	-	(2)
Transfers to net profit ("Foreign exchange gains")		**(31)**	1	(3)
Transfers to asset carrying value		**(27)**	-	(28)
Taxation on above reserve movements		**11**	(1)	(15)
Balance at the end of the period		**97**	89	123
Investment Revaluation Reserve				
Balance at the beginning of the period		**(47)**	(41)	(41)
Changes in fair value of investment in quoted equity instruments		**(60)**	10	(6)
Balance at the end of the period		**(107)**	(31)	(47)
Foreign Currency Translation Reserve				
Balance at the beginning of the period		**(17)**	(9)	(9)
Net translation loss on investment in foreign operations		**(4)**	(1)	(8)
Taxation on above reserve movements		**-**	(1)	-
Balance at the end of the period		**(21)**	(11)	(17)
Defined Benefit Actuarial Reserve				
Balance at the beginning of the period		**(13)**	(24)	(24)
Actuarial gains		**12**	1	13
Taxation on above reserve movements		**(3)**	-	(2)
Balance at the end of the period		**(4)**	(23)	(13)
Retained Deficit				
Balance at the beginning of the period		**(522)**	(632)	(632)
Net profit for the period		**140**	100	181
Dividends on Ordinary Shares	8	**(55)**	(39)	(71)
Balance at the end of the period		**(437)**	(571)	(522)
Total Equity Attributable to Shareholders of the Parent Company		**1,808**	1,728	1,801
Non-controlling Interests				
Balance at the beginning of the period		**-**	1	1
Disposed through business combinations		**-**	(1)	(1)
Total Equity Attributable to Non-controlling Interest		**-**	-	-
Total Equity at the End of the Period		**1,808**	1,728	1,801
Total Equity				
Balance at the beginning of the period		**1,801**	1,663	1,663
Net profit for the period		**140**	100	181
Total other comprehensive income for the period, net of taxation		**(81)**	12	34
Transactions with owners:				
Acquisition of treasury stock (share buyback)	2(d)	**-**	(11)	(11)
Shares issued		**1**	1	1
Equity-settled share-based payments		**2**	3	5
Dividends on Ordinary Shares	8	**(55)**	(39)	(71)
Disposed through business combinations		**-**	(1)	(1)
Transactions with owners		**(52)**	(47)	(77)
Balance at the End of the Period		**1,808**	1,728	1,801

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STATEMENT OF FINANCIAL POSITION (unaudited)

AS AT 31 DECEMBER 2013

	NOTES	31 DEC 2013 $M	31 DEC 2012 $M	30 JUN 2013 $M	30 JUN 2012 $M
Current Assets					
Bank and short term deposits		**1,128**	1,075	1,150	1,029
Trade and other receivables		**351**	346	350	374
Inventories		**182**	172	155	170
Derivative financial assets	4	**56**	15	98	40
Income taxation		**-**	-	-	20
Assets held for resale		**2**	5	7	9
Other assets		**41**	35	83	45
Total Current Assets		**1,760**	1,648	1,843	1,687
Non-Current Assets					
Trade and other receivables		**52**	48	49	48
Property, plant and equipment		**2,947**	3,007	2,933	3,090
Intangible assets		**76**	64	69	63
Investment in quoted equity instruments	2(c)	**355**	264	261	203
Investments in other entities	2(b)	**51**	61	47	61
Derivative financial assets	4	**-**	-	-	1
Other assets		**337**	327	394	292
Total Non-Current Assets		**3,818**	3,771	3,753	3,758
Total Assets		**5,578**	5,419	5,596	5,445
Current Liabilities					
Bank overdraft and short term borrowings		**-**	-	-	2
Trade and other payables		**400**	403	382	373
Revenue in advance		**883**	853	918	902
Interest-bearing liabilities		**179**	158	159	155
Derivative financial liabilities	4	**27**	27	13	14
Provisions		**29**	27	15	61
Income taxation		**34**	9	27	-
Other liabilities		**176**	189	200	194
Total Current Liabilities		**1,728**	1,666	1,714	1,701
Non-Current Liabilities					
Revenue in advance		**148**	140	140	135
Interest-bearing liabilities		**1,445**	1,452	1,470	1,537
Provisions		**151**	105	145	94
Other liabilities		**21**	23	21	25
Deferred taxation		**277**	305	305	290
Total Non-Current Liabilities		**2,042**	2,025	2,081	2,081
Total Liabilities		**3,770**	3,691	3,795	3,782
Net Assets		**1,808**	1,728	1,801	1,663
Equity					
Issued capital		**2,280**	2,275	2,277	2,282
Cash flow hedge reserve		**97**	89	123	86
Other reserves		**(569)**	(636)	(599)	(706)
Parent interests		**1,808**	1,728	1,801	1,662
Non-controlling interests		**-**	-	-	1
Total Equity		**1,808**	1,728	1,801	1,663

Tony Carter, CHAIRMAN
For and on behalf of the Board, 27 February 2014.

Roger France, DIRECTOR

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STATEMENT OF CASH FLOWS (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2013

	NOTES	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Cash Flows from Operating Activities				
Receipts from customers		**2,317**	2,357	4,654
Interest received		**19**	16	35
Payments to suppliers and employees		**(1,935)**	(1,992)	(3,838)
Income tax paid		**(68)**	-	(28)
Interest paid		**(44)**	(44)	(84)
		289	337	739
Rollover of foreign exchange contracts*		**11**	6	11
Net Cash Flow from Operating Activities		**300**	343	750
Cash Flows from Investing Activities				
Disposal of property, plant and equipment and intangibles		**15**	6	9
Acquisition of property, plant and equipment and intangibles		**(252)**	(171)	(382)
Acquisition of quoted equity instruments	2(c)	**(112)**	(33)	(46)
Distribution from associates		**-**	-	15
Rollover of foreign exchange contracts*		**(27)**	-	(28)
Other assets		**-**	-	(44)
Interest-bearing assets		**59**	4	(4)
Net Cash Flow from Investing Activities		**(317)**	(194)	(480)
Cash Flows from Financing Activities				
Shares issued		**1**	1	1
Interest-bearing liabilities drawdowns		**125**	43	114
Acquisition of treasury stock (share buyback)	2(d)	**-**	(11)	(11)
Interest-bearing liabilities payments		**(76)**	(75)	(149)
Rollover of foreign exchange contracts*		**1**	(20)	(30)
Dividend on Ordinary Shares	8	**(56)**	(39)	(72)
Net Cash Flow from Financing Activities		**(5)**	(101)	(147)
(Decrease)/Increase in Cash and Cash Equivalents		**(22)**	48	123
Cash and cash equivalents at the beginning of the period		**1,150**	1,027	1,027
Cash and Cash Equivalents at the End of the Period		**1,128**	1,075	1,150
Reconciliation of Net Profit Attributable to Shareholders to Net Cash Flows from Operating Activities:				
Net profit attributable to shareholders		**140**	100	181
Plus/(less) non-cash items:				
Depreciation and amortisation		**211**	203	411
Loss on disposal of property, plant and equipment and intangibles		**1**	5	7
Impairment on property, plant and equipment, intangibles and assets held for resale		**-**	1	7
Share of profit of joint ventures and associates		**(6)**	(2)	(5)
Unrealised (gains)/losses on fuel derivatives	4	**(17)**	2	2
Foreign exchange gains		**(3)**	-	(1)
(Gain)/loss on equity derivative (excluding foreign exchange)	4	**(5)**	(2)	3
Other non-cash items		**4**	6	13
		325	313	618
Net working capital movements:				
Assets		**(15)**	26	31
Revenue in advance		**(27)**	(44)	21
Deferred foreign exchange losses		**11**	6	11
Liabilities		**6**	42	69
		(25)	30	132
Net Cash Flow from Operating Activities		**300**	343	750

*Relates to gains/losses on rollover of foreign exchange contracts that hedge exposures in other financial periods.

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to the Statement of Review Engagement Standards RS-1, issued by the External Reporting Board. The accompanying notes form part of these financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

1. FINANCIAL STATEMENTS

The condensed Group interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2013.

The accounting policies used in the preparation of the interim financial statements are consistent with those used as at 30 June 2013 and 31 December 2012 except as detailed in Note 9.

These interim financial statements have not been audited. The interim financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting and have been the subject of review by the auditors, pursuant to the Statement of Review Engagement Standards RS-1, issued by the External Reporting Board.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current period.

2. GENERAL DISCLOSURES

(a) Total operating revenue (including finance income) is $2,351 million (31 December 2012: $2,387 million; 30 June 2013: $4,652 million).

(b) The Group's investment in associates relates to a 49% interest in Christchurch Engine Centre (CEC). The investment in joint ventures relates to a 50% interest in Pacific Leisure Group Limited and 51% interest in ANZGT Field Services LLC.

(c) In October 2013, the Group exercised an equity derivative to acquire a further 3% interest in Virgin Australia Holdings Limited (Virgin Australia). The cost of the acquisition (which was recognised within "Other assets" as at 30 June 2013) was A$37 million or 48 cents per share. In November and December 2013 the Group sub-underwrote a Virgin Australia rights issue together with the other major shareholders, Singapore Airlines and Etihad Airways. Under the rights issue and sub-underwrite the Group paid an additional A$101 million or 38 cents per share increasing the ownership interest to 24.46% (31 December 2012 and 30 June 2013: 19.99%).

The investment in Virgin Australia was not equity accounted during the period as the directors considered that the Group did not have the ability to exercise significant influence over Virgin Australia due to the composition of other shareholders and a lack of representation on the Board.

(d) On 28 September 2012 the Group announced an on-market share buyback programme with the intention to acquire up to 3% of its Ordinary Shares during the 12 month period to 27 September 2013. During the six months ended 31 December 2012 and the twelve months ended 30 June 2013, the Group acquired treasury stock of 8,767,702 shares for $11 million. On 27 September 2013, the Group announced that it was renewing the on-market share buyback programme. Under the programme Air New Zealand will purchase up to 3% or $45 million of its shares (whichever is lower) over the 12 month period to 27 September 2014. No shares were acquired during the six months to 31 December 2013.

(e) Foreign currency transactions are converted into New Zealand dollars using exchange rates approximating those at transaction date. "Foreign exchange gains" as disclosed separately in the Statement of Financial Performance comprise realised gains/(losses) from operating hedge derivatives, the translation of monetary assets and liabilities denominated in foreign currencies and ineffective and non-hedge accounted foreign currency derivatives.

(f) Disclosures in respect of the fair value estimation of assets and liabilities measured at fair value after initial recognition are included in the Statement of Accounting Policies under "Fair value estimation" in the Annual Financial Statements for the year ended 30 June 2013. Disclosures regarding the level of the fair value hierarchy within which those fair value measurements are categorised are contained in the same document.

Derivative financial instruments and investments in quoted equity instruments are measured at fair value within the Statement of Financial Position. Interest-bearing liabilities are recognised initially at fair value and subsequently measured at amortised cost. The fair value of interest-bearing liabilities as at 31 December 2013 is $1,565 million (31 December 2012: $1,583 million; 30 June 2013 $1,560 million). All borrowings are secured over aircraft or aircraft related assets and are subject to floating interest rates. Finance lease liabilities are secured over aircraft and are subject to both fixed and floating interest rates. Fixed interest rates ranged from 0.8% to 4.1% in the six months to 31 December 2013 (six months to 31 December 2012: 0.8% to 4.2%; 12 months to 30 June 2013: 0.8% to 4.1%). Unsecured bonds have an interest rate of 6.9% payable semi-annually.

(g) Normalised earnings, disclosed as supplementary information at the foot of the Statement of Financial Performance, shows earnings after excluding movements on derivatives that hedge exposures in other financial periods. The adjustments match derivative gains or losses with the underlying hedged transaction. Such movements comprise the time value on open derivatives and amounts required to be recognised as ineffective for accounting purposes (refer Note 4). The amounts recognised in the Statement of Financial Performance in relation to (gains)/losses on derivatives which hedge exposures in other financial periods are $17 million of gains for fuel derivatives (31 December 2012: gains of $2 million; 30 June 2013: gains of $2 million) and nil on foreign exchange derivatives (31 December 2012: nil; 30 June 2013: losses of $2 million).

(h) On 25 November 2013 the Crown completed the sale of 221,336,465 Ordinary Shares reducing the shareholding from 73 percent to 53 percent of the issued capital.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

3. SEGMENTAL INFORMATION

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group's financial result.

Geographical

An analysis of operating revenue by geographical region of original sale is provided below.

	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Analysis of revenue by geographical region of original sale			
New Zealand	**1,397**	1,395	2,659
Australia and Pacific Islands	**359**	369	711
United Kingdom and Europe	**128**	155	306
Asia	**159**	190	366
North America	**287**	259	573
Total Operating Revenue	**2,330**	2,368	4,615

The principal non-current asset of the Group is the aircraft fleet which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The earnings impact of derivative financial instruments is summarised as follows:

	6 MONTHS TO 31 DEC 2013 $M	6 MONTHS TO 31 DEC 2012 $M	12 MONTHS TO 30 JUN 2013 $M
Gain/(loss) recognised in the Statement of Financial Performance:			
Accounting ineffectiveness on cash flow hedges	**19**	-	(7)
Non-hedge accounted derivatives*	**(36)**	(35)	(12)
Components of derivatives excluded from hedge designations	**(9)**	(15)	(22)
Transfers to net profit from cash flow hedge reserve	**41**	(1)	5
	15	(51)	(36)

*Largely offset by foreign exchange gains/losses on Unites States denominated interest-bearing liabilities and aircraft lease return provisions within "Foreign exchange gains."

Accounting ineffectiveness on cash flow hedges

NZ IAS 39: Financial Instruments: Recognition and Measurement requires hedge effectiveness to be determined for accounting purposes within strict parameters. Each derivative transaction used to hedge identified risks must be documented and proven to be effective in offsetting changes in the value of the underlying risk within a range of 80% - 125%. This measure of effectiveness may result in economically appropriate hedging transactions being deemed ineffective for accounting purposes. In particular, the use of crude oil derivatives as a proxy for jet fuel, and the high volatility of fuel markets may cause cash flow hedges in respect of fuel derivatives to fail the accounting hedge effectiveness test.

Risk management practices are determined on an economic basis, rather than being designed to achieve a particular accounting outcome. Consequently, it is expected that this will result in some transactions failing the accounting hedge effectiveness criteria from time to time and ineffectiveness being recorded through earnings in periods other than when the hedged item occurs, causing some volatility through earnings.

Non-hedge accounted derivatives

Where changes in the fair value of a derivative provide a natural offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. Foreign currency gains or losses on lease return provisions and non-hedge accounted United States Dollar denominated interest-bearing liabilities are recognised in the Statement of Financial Performance within "Foreign exchange gains".
Marked to market gains or losses on non-hedge accounted foreign currency derivatives provide a natural offset to these foreign exchange movements, and are also recognised within "Foreign exchange gains". In addition, short-dated fuel derivatives are not hedge accounted and are marked to market within "Fuel".

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

During the year to 30 June 2013, Air New Zealand entered into an equity derivative representing an additional interest of 3% of shares in Virgin Australia Holdings Limited (Virgin Australia). The derivative was a share forward transaction which carried no voting rights. The derivative was exercised during the six months to 31 December 2013 with a gain of $5 million (31 December 2012: nil; 30 June 2013: loss of $5 million) being recognised in "Other expenses" and a loss of $2 million in "Foreign exchange gains" (31 December 2012 and 30 June 2013: nil) in the Statement of Financial Performance.

Air New Zealand exercised a derivative over a 1.5% interest in Virgin Australia during the period ended 31 December 2012. Derivative gains of $2 million were recognised in respect of these derivatives during the period ended 31 December 2012 and 30 June 2013. The gain/(loss) in respect of the equity derivative was included in the "Non-hedge accounted derivatives" in the table and in "Other expenses" in the Statement of Financial Performance.

Components of derivatives excluded from hedge designations

Some components of hedge accounted derivatives are excluded from the designated risk. Cash flow hedges in respect of fuel derivatives only include the intrinsic value of the fuel options with all other components of the option value (mainly time value) being marked to market within "Fuel". Similarly, forward points (the differential in interest rates between currencies) are excluded from the hedge designation in respect of foreign currency derivatives which hedge account forecast foreign currency operating revenue and expenditure transactions. These components are not hedge accounted and, accordingly, marked to market within "Finance costs" in the Statement of Financial Performance.

5. CAPITAL COMMITMENTS

	31 DEC 2013 $M	31 DEC 2012 $M	30 JUN 2013 $M
Aircraft and engines	**1,821**	2,142	2,080
Other assets	**3**	17	12
	1,824	2,159	2,092

Commitments shown are for those asset purchases committed and contracted for and are converted at the period end exchange rate.

Significant movements (excluding progress payments and foreign exchange movements) in capital commitments since 30 June 2013 include the delivery of two A320 domestic aircraft, one ATR72-600 aircraft and three simulators.

In September 2013 the Group committed to acquire an additional ATR72-600 aircraft by converting an existing option into a firm delivery. The aircraft will be delivered in June 2015.

6. OPERATING LEASE COMMITMENTS

	31 DEC 2013 $M	31 DEC 2012 $M	30 JUN 2013 $M
Aircraft Leases Payable			
Not later than 1 year	**149**	128	135
Later than 1 year and not later than 5 years	**516**	566	586
Later than 5 years	**80**	166	123
	745	860	844
Property Leases Payable			
Not later than 1 year	**35**	37	35
Later than 1 year and not later than 5 years	**107**	112	105
Later than 5 years	**82**	98	93
	224	247	233

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

7. CONTINGENT LIABILITIES

All significant legal disputes involving probable loss that can be reliably estimated have been provided for in the financial statements. There are no contingent liabilities for which it is practicable to estimate the financial effect.

Air New Zealand is defending two class actions in the United States. One makes allegations of anti-competitive conduct against many airlines in relation to pricing in the air cargo business. A second alleges that Air New Zealand together with other airlines acted anti-competitively in respect of fares and surcharges on trans-Pacific routes.

The allegations of anti-competitive conduct in the air cargo business in Hong Kong and Singapore are the subject of proceedings by the Australian Competition and Consumer Commission. A defended hearing in the Federal Court concluded in May 2013 and a decision is awaited.

In the event that the Court determined that Air New Zealand had breached competition laws, the Company would have potential liability for damages or (in Australia) pecuniary penalties. No other significant contingent liability claims are outstanding at balance date.

Outstanding letters of credit and performance bonds total $50 million (31 December 2012: $50 million; 30 June 2013: $51 million).

The Group has a partnership agreement with Pratt and Whitney in which it holds a 49% interest in the Christchurch Engine Centre (CEC). By the nature of the agreement, joint and several liability exists between the two parties. Total liabilities of the CEC are $60 million (31 December 2012: $19 million; 30 June 2013: $47 million).

8. DIVIDENDS

On 26 February 2014, the Board of Directors declared an interim dividend of 4.5 cents per Ordinary Share, payable on 21 March 2014 to registered shareholders at 14 March 2014. The total dividend payable will be $49 million. Imputation credits will be attached and supplementary dividends paid to non-resident shareholders. The dividend has not been recognised in the December 2013 interim financial statements.

A final dividend in respect of the 2013 financial year of 5.0 cents per Ordinary Share was paid on 23 September 2013. Imputation credits were attached and supplementary dividends paid to non-resident shareholders.

The dividend reinvestment plan is currently suspended.

9. CHANGES IN ACCOUNTING POLICIES

Except as noted below, the accounting policies used in the preparation of the interim financial statements are consistent with those used as at 30 June 2013 and 31 December 2012.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

a) NZ IFRS 10 - Consolidated Financial Statements

b) NZ IFRS 11 - Joint Arrangements

c) NZ IFRS 12 - Disclosure of Interests in Other Entities

d) NZ IFRS 13 - Fair Value Measurement

e) NZ IAS 19 (2011) - Employee Benefits

f) NZ IAS 28 (2011) - Investments in Associates

g) NZ IAS 34 - Interim Financial Reporting

Comparative information has been restated to reflect these new and amended standards. The nature and effect of these changes are explained below:

(a) NZ IFRS 10 - Consolidated Financial Statements

Upon adoption of NZ IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently consolidates its investees. NZ IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard, which was adopted with effect from 1 July 2013, has not had any impact on the consolidated financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)
AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

9. CHANGES IN ACCOUNTING POLICIES (continued)

(b) NZ IFRS 11 - Joint Arrangements

Upon adoption of NZ IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. NZ IFRS 11 focuses on the rights and obligations of joint arrangements as opposed to the legal form, and requires the equity method of accounting for joint ventures.

The Group has re-evaluated its involvement in the 51% investment in ANZGT Field Services LLC and has reclassified it from a subsidiary to a joint venture with effect from 1 July 2013.

In the Statement of Financial Position, the previously consolidated property, plant and equipment, share capital and minority interests are replaced by an equity accounted investment of $1 million. The standard has not had any net impact on the Statement of Financial Performance. The quantitative impact of adopting NZ IFRS 11 is set out in the tables.

(c) NZ IFRS 12 - Disclosure of Interests in Other Entities

NZ IFRS 12 sets out disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and consolidated structured entities. The standard has not had any impact on the consolidated financial statements, but will require additional disclosures relating to the primary statements of joint ventures or associates and a reconciliation from that information to the carrying amount of the Groups' investment in those entities in the annual financial statements.

(d) NZ IFRS 13 - Fair Value Measurement

NZ IFRS 13 replaces the fair value measurement guidance contained in individual NZ IFRSs with a single source of guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements. The standard, which was adopted with effect from 1 July 2013, has had no financial impact on the financial statements other than additional disclosure.

(e) NZ IAS 19 (2011) - Employee Benefits

Following the adoption of the amendments to NZ IAS 19 Employee Benefits, the Group has changed its accounting policy with respect to both the recognition of actuarial gains and losses and also the basis for determining the income or expense related to its post-employment defined benefit plans.

The amendments remove the use of the corridor method previously permitted for recognising actuarial gains and losses. Under NZ IAS 19 (2011), actuarial gains and losses will be recognised immediately as a remeasurement through other comprehensive income. In the Statement of Financial Position, previously unrecognised actuarial losses of $23 million at 31 December 2012 and $13 million as at 30 June 2013 are now recognised within a Defined Benefit Actuarial Reserve (within equity), which results in the conversion of the previously recognised net defined benefit asset into a net defined benefit obligation of $18 million as at 31 December 2012 and 30 June 2012 and $4 million as at 30 June 2013. These balances include the Group's obligation to pay employer contribution withholding tax on future contributions. Deferred tax adjustments were recognised in respect of the defined benefit actuarial reserve.

There is no overall net impact on the Statement of Financial Performance for the six months to 31 December 2012 and $1 million net decrease for the year to 30 June 2013. The changes include:

i) actuarial gains or losses are no longer recognised in the Statement of Financial Performance (that is, those which fell outside the corridor); and

ii) administration costs are now recognised as they are incurred with no allowance for future costs.

The quantitative impact of adopting NZ IAS 19 (2011) is set out in the tables.

(f) NZ IAS 28 (2011) - Investments in Associates

NZ IAS 28 (2011) clarifies that an investment in an associate or joint venture that meets the criteria to be classified as held for sale is within the scope of NZ IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. The amendments, which were adopted with effect from 1 July 2013, have not had any impact on the consolidated financial statements.

(g) NZ IAS 34 - Interim Financial Reporting

As a result of the Annual Improvement Cycle approved in June 2012, NZ IAS 34 requires disclosure of the fair value of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. Such disclosure is not required where the carrying amount is a reasonable approximation of fair value. Accordingly, the fair value of interest-bearing liabilities together with the assumptions underlying this valuation is now contained within Note 2 General Disclosures within these financial statements. The amendments, which become effective for annual reporting periods commencing on or after 1 January 2013, have had no financial impact on the financial statements other than additional disclosure.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)
AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

9. CHANGES IN ACCOUNTING POLICIES (continued)

Summary of quantitative impacts

The following tables summarise the impacts of the above changes on the Group's previously reported financial performance, other comprehensive income, financial position and cash flows. The impacts relate to the changes related to joint arrangements (see (b)) and the changes related to defined benefit pension plans (see (e)). Only the line items that have changed are shown in the tables below.

		IMPACT OF CHANGES IN ACCOUNTING POLICIES		
	AS PREVIOUSLY REPORTED $M	JOINT ARRANGEMENTS (see (b)) $M	DEFINED BENEFIT PLANS (see (e)) $M	AS RESTATED $M
STATEMENT OF FINANCIAL PERFORMANCE FOR THE SIX MONTHS TO 31 DECEMBER 2012				
Contract services	150	(1)	-	149
Operating revenue	**2,369**	**(1)**	**-**	**2,368**
Labour	(531)	1	-	(530)
Operating expenditure	**(1,905)**	**1**	**-**	**(1,904)**
Net Profit Attributable to Shareholders of Parent Company	**100**	**-**	**-**	**100**
STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS TO 31 DECEMBER 2012				
Net profit for the period	**100**	**-**	**-**	**100**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Actuarial gains on defined benefit plans	-	-	1	1
Total items that will not be reclassified to profit or loss	**10**	**-**	**1**	**11**
Total Other Comprehensive Income for the Period, Net of Taxation	**11**	**-**	**1**	**12**
Total Comprehensive Income for the Period, Attributable to Shareholders of the Parent Company	**111**	**-**	**1**	**112**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

9. CHANGES IN ACCOUNTING POLICIES (continued)

IMPACT OF CHANGES IN ACCOUNTING POLICIES

	AS PREVIOUSLY REPORTED $M	JOINT ARRANGEMENTS (see (b)) $M	DEFINED BENEFIT PLANS (see (e)) $M	AS RESTATED $M
STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS TO 31 DECEMBER 2012				
Defined Benefit Actuarial Reserve				
Balance at the beginning of the period	-	-	(24)	(24)
Actuarial gains	-	-	1	1
Balance at the end of the period	-	-	(23)	(23)
Total Equity attributable to Shareholders of the Parent Company	**1,751**	**-**	**(23)**	**1,728**
Non-controlling Interests				
Balance at the beginning of the period	2	(1)	-	1
Total Equity attributable to Non-controlling Interest	1	(1)	-	-
Total Equity at the End of the Period	**1,752**	**(1)**	**(23)**	**1,728**
Total Equity				
Balance at the beginning of the period	1,688	(1)	(24)	1,663
Total other comprehensive income for the period, net of taxation	11	-	1	12
Balance at the End of the Period	**1,752**	**(1)**	**(23)**	**1,728**
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012				
Other assets	46	-	(11)	35
Total Current Assets	**1,659**	**-**	**(11)**	**1,648**
Property, plant and equipment	3,009	(2)	-	3,007
Investments in other entities	60	1	-	61
Total Non-Current Assets	**3,772**	**(1)**	**-**	**3,771**
Total Assets	**5,431**	**(1)**	**(11)**	**5,419**
Other liabilities	171	-	18	189
Total Current Liabilities	**1,648**	**-**	**18**	**1,666**
Deferred taxation	311	-	(6)	305
Total Non-Current Liabilities	**2,031**	**-**	**(6)**	**2,025**
Total Liabilities	**3,679**	**-**	**12**	**3,691**
Net Assets	**1,752**	**(1)**	**(23)**	**1,728**
Other reserves	(613)	-	(23)	(636)
Parent interests	**1,751**	**-**	**(23)**	**1,728**
Non-controlling interests	1	(1)	-	-
Total Equity	**1,752**	**(1)**	**(23)**	**1,728**
STATEMENT OF CASH FLOWS FOR THE SIX MONTHS TO 31 DECEMBER 2012				
Cash flows from Operating Activities				
Receipts from customers	2,358	(1)	-	2,357
Payments to suppliers and employees	(1,993)	1	-	(1,992)

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

9. CHANGES IN ACCOUNTING POLICIES (continued)

IMPACT OF CHANGES IN ACCOUNTING POLICIES

	AS PREVIOUSLY REPORTED $M	JOINT ARRANGEMENTS (see (b)) $M	DEFINED BENEFIT PLANS (see (e)) $M	AS RESTATED $M
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR TO 30 JUNE 2013				
Contract services	313	(3)	-	310
Operating revenue	**4,618**	**(3)**	**-**	**4,615**
Labour	(1,069)	2	(1)	(1,068)
Maintenance	(303)	1	-	(302)
Operating expenditure	**(3,720)**	**3**	**(1)**	**(3,718)**
Net Profit Attributable to Shareholders of Parent Company	**182**	**-**	**(1)**	**181**
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 30 JUNE 2013				
Net profit for the period	**182**	**-**	**(1)**	**181**
Actuarial gains on defined benefit plans	-	-	13	13
Taxation on above reserve movements	-	-	(2)	(2)
Total items that will not be reclassified to profit or loss	**(6)**	**-**	**11**	**5**
Total Other Comprehensive Income for the Period, Net of Taxation	**23**	**-**	**11**	**34**
Total Comprehensive Income for the Period, Attributable to Shareholders of the Parent Company	**205**	**-**	**10**	**215**
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR TO 30 JUNE 2013				
Defined Benefit Actuarial Reserve				
Balance at the beginning of the period	-	-	(24)	(24)
Actuarial gains	-	-	13	13
Taxation on above reserve movements	-	-	(2)	(2)
Balance at the end of the period	-	-	(13)	(13)
Retained Deficit				
Net profit for the period	182	-	(1)	181
Balance at the end of the period	(521)	-	(1)	(522)
Total Equity attributable to Shareholders of the Parent Company	**1,815**	**-**	**(14)**	**1,801**
Non-controlling Interests				
Balance at the beginning of the period	2	(1)	-	1
Total Equity attributable to Non-controlling Interest	1	(1)	-	-
Total Equity at the End of the Period	**1,816**	**(1)**	**(14)**	**1,801**
Total Equity				
Balance at the beginning of the period	1,688	(1)	(24)	1,663
Net profit for the period	182	-	(1)	181
Total other comprehensive income for the period, net of taxation	23	-	11	34
Balance at the End of the Period	**1,816**	**(1)**	**(14)**	**1,801**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (continued) (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2013

9. CHANGES IN ACCOUNTING POLICIES (continued)

IMPACT OF CHANGES IN ACCOUNTING POLICIES

	AS PREVIOUSLY REPORTED $M	JOINT ARRANGEMENTS (see (b)) $M	DEFINED BENEFIT PLANS (see (e)) $M	AS RESTATED $M
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013				
Other assets	98	-	(15)	83
Total Current Assets	**1,858**	**-**	**(15)**	**1,843**
Property, plant and equipment	2,935	(2)	-	2,933
Investments in other entities	46	1	-	47
Total Non-Current Assets	**3,754**	**(1)**	**-**	**3,753**
Total Assets	**5,612**	**(1)**	**(15)**	**5,596**
Other liabilities	196	-	4	200
Total Current Liabilities	**1,710**	**-**	**4**	**1,714**
Deferred taxation	310	-	(5)	305
Total Non-Current Liabilities	**2,086**	**-**	**(5)**	**2,081**
Total Liabilities	**3,796**	**-**	**(1)**	**3,795**
Net Assets	**1,816**	**(1)**	**(14)**	**1,801**
Other reserves	(585)	-	(14)	(599)
Parent interests	**1,815**	**-**	**(14)**	**1,801**
Non-controlling interests	1	(1)	-	-
Total Equity	**1,816**	**(1)**	**(14)**	**1,801**
STATEMENT OF CASH FLOWS FOR THE YEAR TO 30 JUNE 2013				
Cash Flows from Operating Activities				
Receipts from customers	4,657	(3)	-	4,654
Payments to suppliers and employees	(3,841)	3	-	(3,838)
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012				
Other assets	58	-	(13)	45
Total Current Assets	**1,700**	**-**	**(13)**	**1,687**
Property, plant and equipment	3,092	(2)	-	3,090
Investments in other entities	60	1	-	61
Total Non-Current Assets	**3,759**	**(1)**	**-**	**3,758**
Total Assets	**5,459**	**(1)**	**(13)**	**5,445**
Other liabilities	176	-	18	194
Total Current Liabilities	**1,683**	**-**	**18**	**1,701**
Deferred taxation	297	-	(7)	290
Total Non-Current Liabilities	**2,088**	**-**	**(7)**	**2,081**
Total Liabilities	**3,771**	**-**	**11**	**3,782**
Net Assets	**1,688**	**(1)**	**(24)**	**1,663**
Other reserves	(682)	-	(24)	(706)
Parent interests	**1,686**	**-**	**(24)**	**1,662**
Non-controlling interests	2	(1)	-	1
Total Equity	**1,688**	**(1)**	**(24)**	**1,663**

REVIEW REPORT

Deloitte.

TO THE SHAREHOLDERS OF AIR NEW ZEALAND LIMITED

We have reviewed the condensed Group interim financial statements on pages 1 to 14. The condensed Group interim financial statements provide information about the past financial performance of Air New Zealand Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2013. This information is stated in accordance with the accounting policies set out on page 6.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the condensed Group interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of operations and cash flows for the six months ended on that date.

Independent Reviewer's Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Andrew Dick of Deloitte to carry out the annual audit of the Group.

We are responsible for reviewing the condensed Group interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed Group interim financial statements do not give a true and fair view of the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed Group interim financial statements of the Group for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board. These standards require that we plan and perform the review to obtain moderate assurance as to whether the condensed Group interim financial statements are free from material misstatement.

In addition to this review and the audit of the Group annual financial statements, we have performed other engagements in the areas of taxation and other assurance services which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Group.

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed Group interim financial statements on pages 1 to 14 do not give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

Our review was completed on 27 February 2014 and our review opinion is expressed as at that date.

Andrew Dick

Deloitte
On behalf of the Auditor-General
Auckland, New Zealand

This review report relates to the unaudited condensed Group interim financial statements of Air New Zealand Limited for the six months ended 31 December 2013 included on Air New Zealand Limited's website. The Board of Directors is responsible for the maintenance and integrity of Air New Zealand Limited's website. We have not been engaged to report on the integrity of Air New Zealand Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed Group interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed Group interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed Group interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed Group interim financial statements and related review report dated 27 February 2014 to confirm the information included in the unaudited condensed Group interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAREHOLDER ENQUIRIES

Shareholder Communication

Air New Zealand's investor website **www.airnzinvestor.co.nz** provides shareholders with information on monthly operating statistics, financial results, stock exchange releases, corporate governance, annual meetings, investor presentations, important dates and contact details. Shareholders can also view webcasts of key events from this site.

Shareholders who would like to receive electronic news updates can register online at **www.airnzinvestor.co.nz** or email Investor Relations directly on **investor@airnz.co.nz**.

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AIR NEW ZEALAND

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