

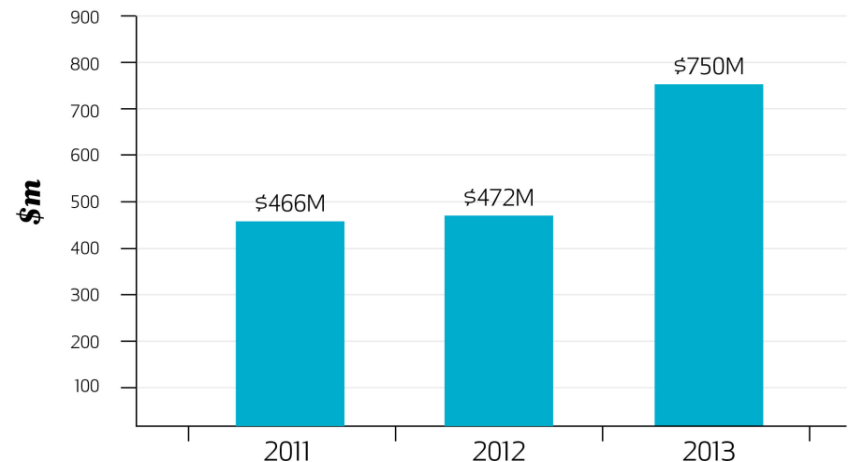
**Annual  
financial results  
2013**

# Overview



- Earnings before taxation of **\$256 million**
- Net profit after taxation of **\$182 million**
- Operating revenue **up 3.0%** to **\$4.6 billion**
- Operating cash flow of **\$750 million**
- Best full year result in **5 years**

## *operating cash flow*



# Key revenue drivers

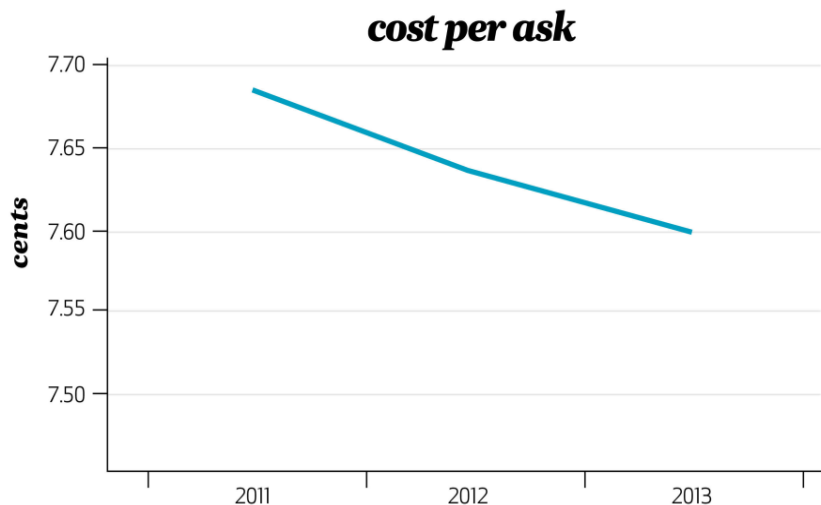


- Passenger revenue up 3.6% to \$3.8 billion
- Improved performance of International long haul network
- Growth in passenger demand and yield

	2013	2012	movement*
Passengers carried (000's)	13,411	13,122	2.2%
Available seat kilometres (ASKs)	33,167m	32,618m	1.7%
Revenue passenger kilometres (RPKs)	27,733m	27,013m	2.7%
Load factor	83.6%	82.8%	0.8 pts
Yield (cents per RPK)	13.6	13.5	0.9%

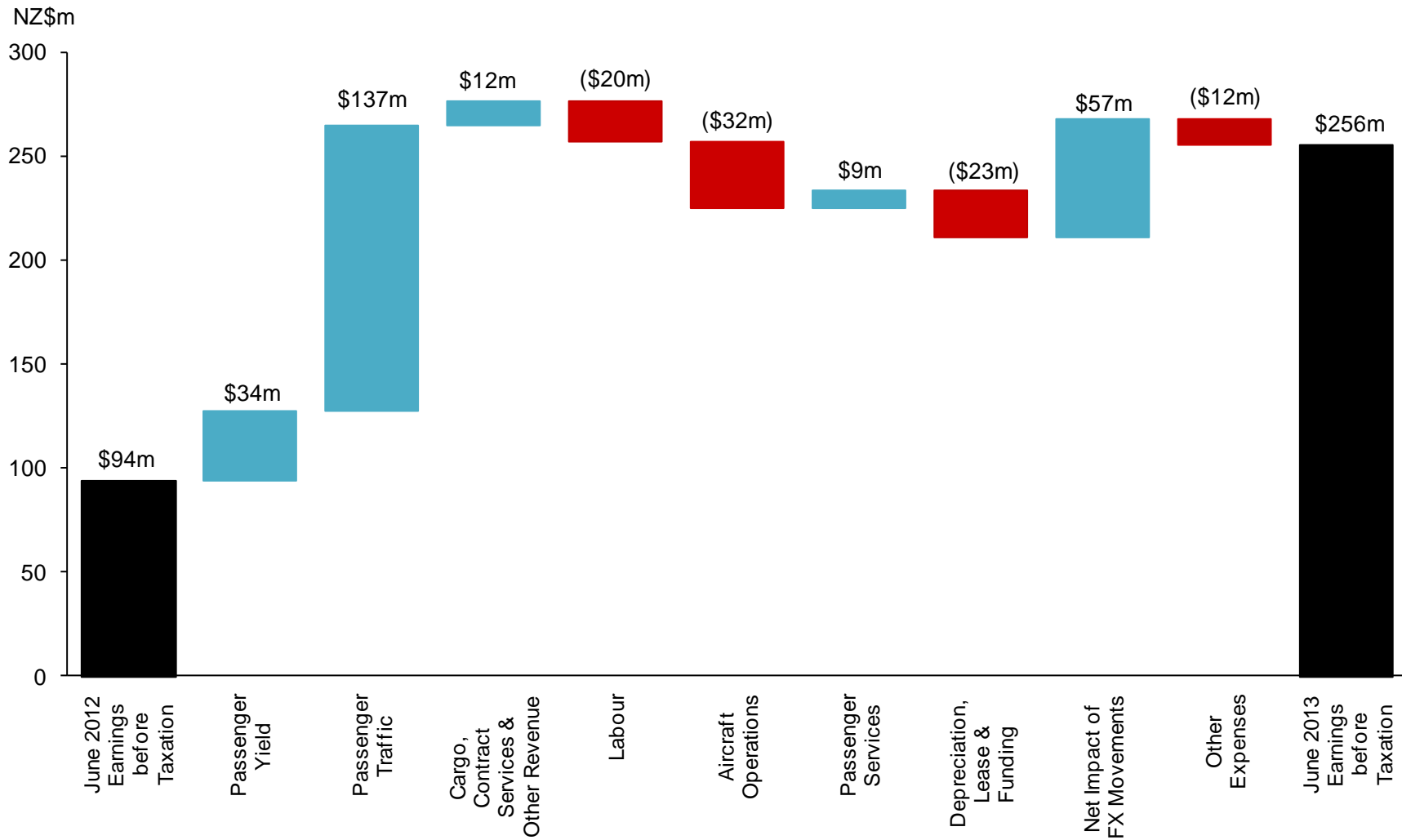
\* Calculations based on numbers before rounding

# Cost containment



	2013 (cents)	2012 (cents)
<b>Cost per ASK (CASK)</b>	<b>11.22</b>	<b>11.57</b>
Exclude:		
Fuel	(3.63)	(3.77)
Hedge timing and equity derivatives	0.01	(0.16)
<b>CASK (excl. fuel, hedge timing and equity derivatives)</b>	<b>7.60</b>	<b>7.64</b>

# Changes in profitability



# Domestic



- New Airbus A320s reducing cost base and increasing capacity
- New ATR72-600s growing turboprop capacity
- Competitive fares to stimulate demand
- Continuing market growth

	2013	2012	movement*
Passengers carried ('000s)	8,694	8,500	2.3%
Available seat kilometres (ASKs)	5,108m	4,969m	2.8%
Revenue passenger kilometres (RPKs)	4,218m	4,050m	4.2%
Load factor	82.6%	81.5%	1.1 pts
Yield (cents per RPK)	27.2	28.7	(5.3%)

\* Calculations based on numbers before rounding

# Tasman & Pacific Islands



- Increased capacity deployed on Perth and Honolulu routes
- Seasonal services to Bali and Sunshine Coast proving successful
- Virgin Australia alliance offers a comprehensive Australasian network to customers, and has driven continued revenue growth

	2013	2012	movement*
Passengers carried ('000s)	3,181	3,073	3.5%
Available seat kilometres (ASKs)	10,277m	9,694m	6.0%
Revenue passenger kilometres (RPKs)	8,579m	8,164m	5.1%
Load factor	83.5%	84.2%	(0.7) pts
Yield (cents per RPK)	12.0	11.8	1.9%

\* Calculations based on numbers before rounding

# International



- Network rationalisation
  - Hong Kong-London route suspended in March
  - Shanghai services now daily following Beijing suspension
- Commenced new alliance with Cathay Pacific

	2013	2012	movement*
Passengers carried ('000s)	1,536	1,549	(0.9%)
Available seat kilometres (ASKs)	17,781m	17,956m	(1.0%)
Revenue passenger kilometres (RPKs)	14,936m	14,799m	0.9%
Load factor	84.0%	82.4%	1.6 pts
Yield (cents per RPK)	10.6	10.2	4.3%

\* Calculations based on numbers before rounding



# Cargo



- Revenue continues to grow
- Volume up 2.0% combined with yield growth of 0.7%
- Leveraging additional cargo capability of Boeing 777-300ER
- Adapting to changes in International long haul network
- Excellent performance given challenging global cargo market



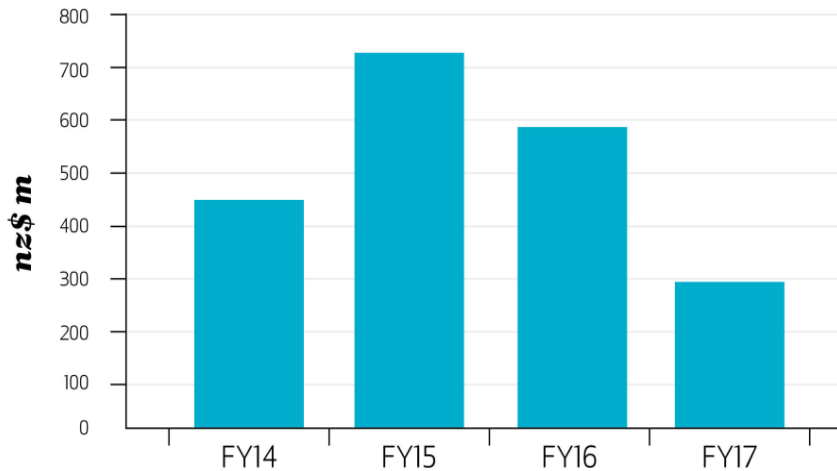
# Financial management



- Net cash on hand **\$1.15 billion**, an **increase of 12%** on the previous year
- Gearing improved by **7 percentage points** to **39.1%**
- Fully imputed final dividend of **5.0 cps**
- Average fleet age of **9 years**
- Moody's investment rating **Baa3**, outlook upgraded to stable



# Aircraft capital commitments



- Investment of \$1.8 billion in aircraft over the next 3 years
- Includes progress payments on aircraft
- Assumes NZD/USD = 0.8000
- Excludes capitalised maintenance of approximately \$53m p.a. and non-aircraft capital commitments

Aircraft delivery schedule	FY14	FY15	FY16	FY17
Boeing 787-9	-	3	3	2
Airbus A320	4	3	2	-
ATR72-600	1	2	1	-
Boeing 777-300ER (subject to operating lease arrangements)	1	1	-	-

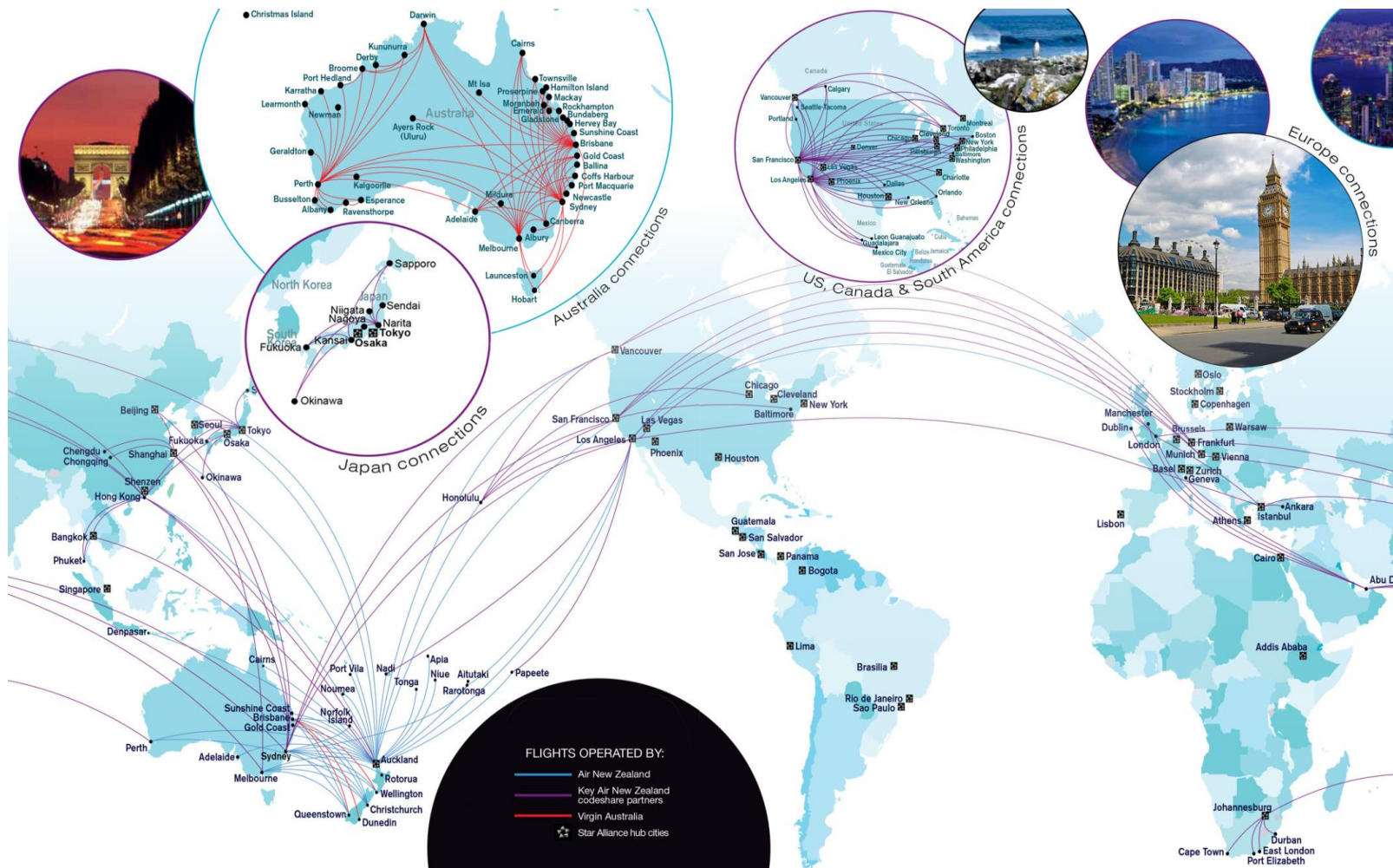
# Loyalty



- Airpoints membership **up 17%** to **1.4 million** members
- Increased engagement with **20% more** customers now earning
- OneSmart activations **up 45%**
- Airpoints partner revenues **up 11%**



# Right network, right partners



# Investment in Virgin Australia



An efficient, cost effective way to gain exposure to the domestic Australian market.

- Equity investment increased to **22.99%**
- Investment not equity accounted
- Total investment carried at **\$300 million**
- Value of investment represents **27.4 cents** of value per Air NZ share

# Key strategic priorities



- Deliver an improved customer experience
- Grow developing markets while improving execution in existing markets
- Maximise growth opportunities from partnerships
- Successful implementation of fleet renewal programme
- Continuous improvement and simplification of cost base
- Drive a high performance culture



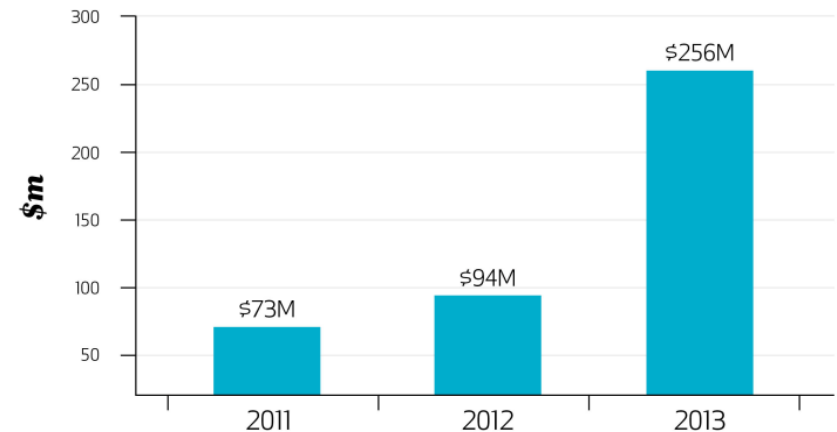
# Earnings momentum



- Sustained earnings growth in line with expectations
- Improving fleet efficiencies
- Network rationalisation
- Profit improvement programme delivering



*earnings before taxation*







- We are focused on further improving on this result in the 2014 financial year
- Based on our forecast of market demand and fuel prices at current levels, early results and forward bookings are encouraging

# Supplementary slides



- Financial overview
- Fuel hedging
- Foreign exchange hedging
- Normalised earnings

# Financial overview



	2013	2012	Dollar movement	Percentage movement
Operating revenue	\$4,618m	\$4,483m	\$135m	3%
Earnings before tax	\$256m	\$94m	\$162m	172%
Net profit after tax	\$182m	\$71m	\$111m	156%
Operating cash flow	\$750m	\$472m	\$278m	59%
Net cash position	\$1,150m	\$1,027m	\$123m	12%
Gearing	39.1%	46.1%	n/a	7.0 pts
Annual dividend*	8.0 cps	5.5 cps	2.5 cps	45%

\*Current year dividend fully imputed

# Fuel hedging



- The first half of FY14 is 76% hedged
- The second half of FY14 is 32% hedged

		Volume (bbls)	Ceiling (USD)	Floor (USD)
FY14 H1	Brent swaps	607,500	108.08	
	Brent collars	2,155,000	104.30	95.02
FY14 H2	Brent swaps	12,500	105.00	
	Brent collars	930,000	103.00	93.48
	WTI collars	200,000	98.22	89.31

# Foreign exchange hedging



- The FY14 US dollar operating cash flow exposure is approximately **81% hedged** at an average NZD/USD rate of **0.8234**

# Normalised earnings



	2013	2012
Earnings before taxation (per NZ IFRS)	\$256m	\$94m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	(\$2m)	(\$11m)
Foreign exchange derivatives	\$2m	\$8m
<b>Normalised earnings* before taxation</b>	<b>\$256m</b>	<b>\$91m</b>

\*Normalised earnings represents earnings stated in compliance with NZ IFRS (Statutory Earnings) 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. Normalised earnings is reported within the Group's annual financial statements and is subject to review by the Group's external auditors. Statutory Earnings is similar to Normalised Earnings in both the 2013 and 2012 financial years and accordingly this has been used in the current year financial commentary.