

Annual Results 2011



Air New Zealand



STAR ALLIANCE

It's who we are.

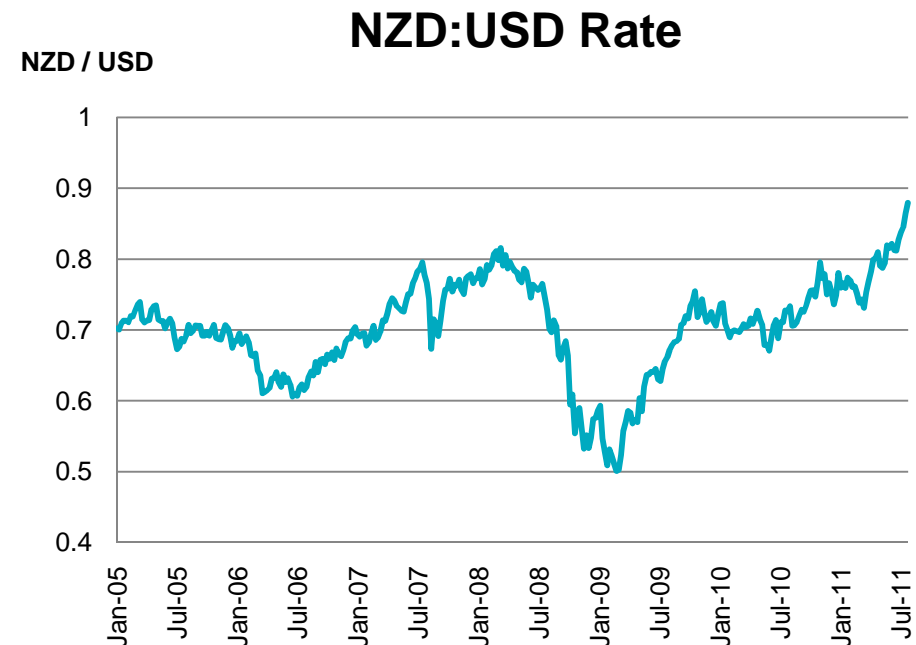
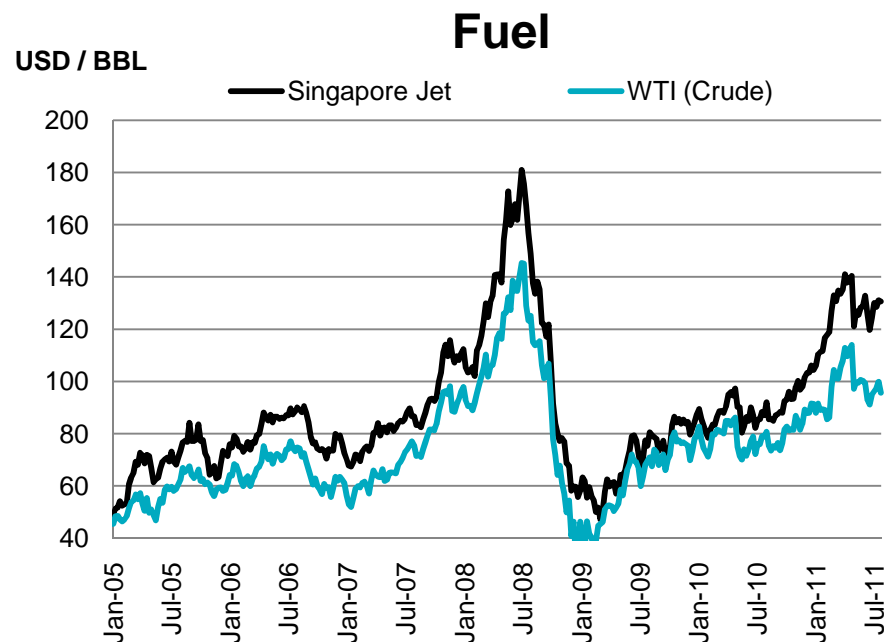
Highlights



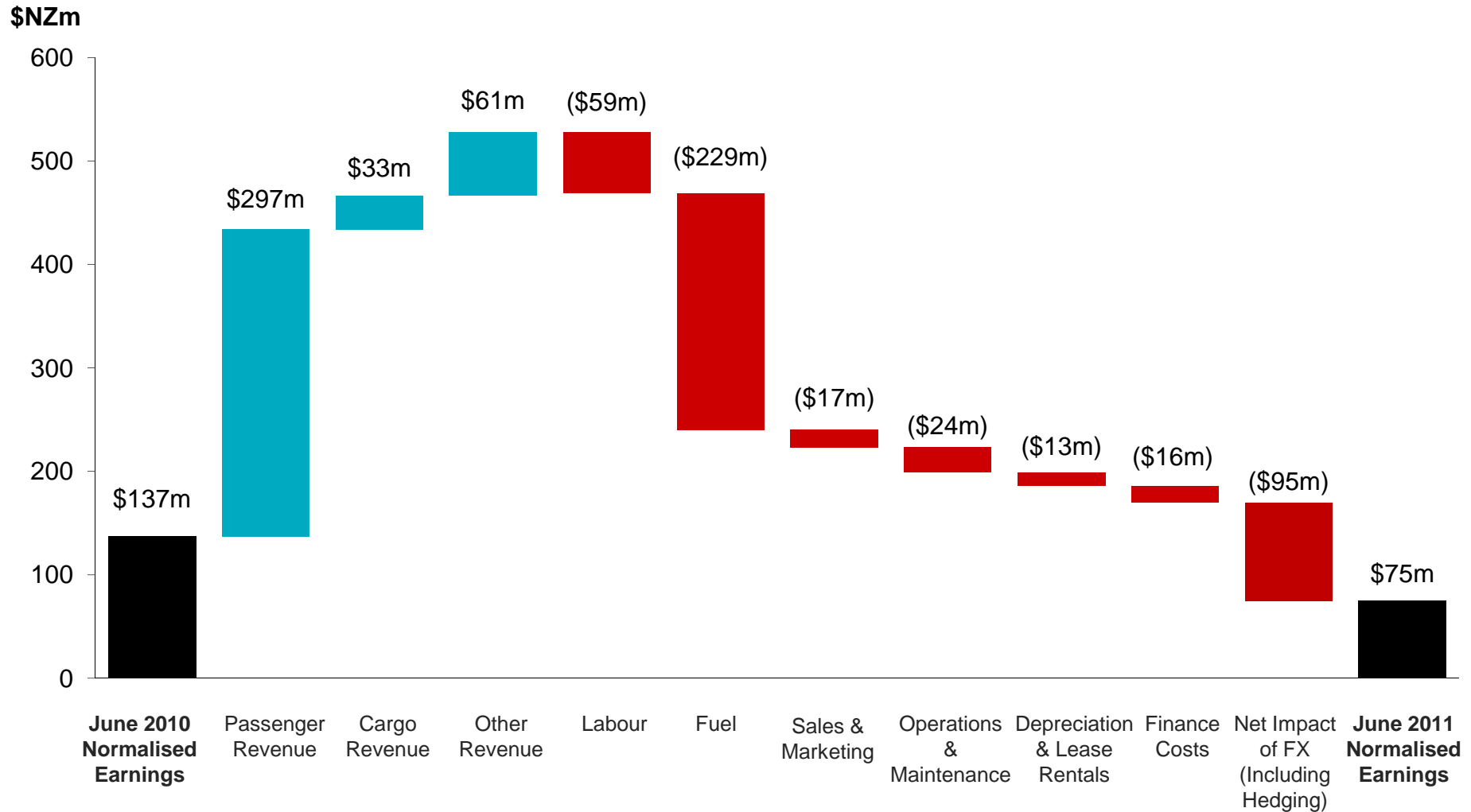
- Normalised earnings* \$75m
- Net cash position of \$860m
- Operating cash flow down 5%
- Gearing at 46.7%
- Final dividend 2.5 cents per share (unimputed)
- New A320 and B777-300ER aircraft
- Seats to Suit
- Virgin Alliance and shareholding

External Environment

- Stronger NZ dollar against US dollar
- Average fuel price in FY11 up 28% on FY10
- Refining margin up 134%



Key Influences on Profitability



Long Haul Performance

- Passenger demand* increased 1.2%
- Capacity increased 0.3%
- Load factor up 0.8 percentage points to 83.9%
- Yield improved 4.3% (excluding FX impact, 9.2%)
- Christchurch and Japan earthquakes

Tasman & Pacific Island Performance

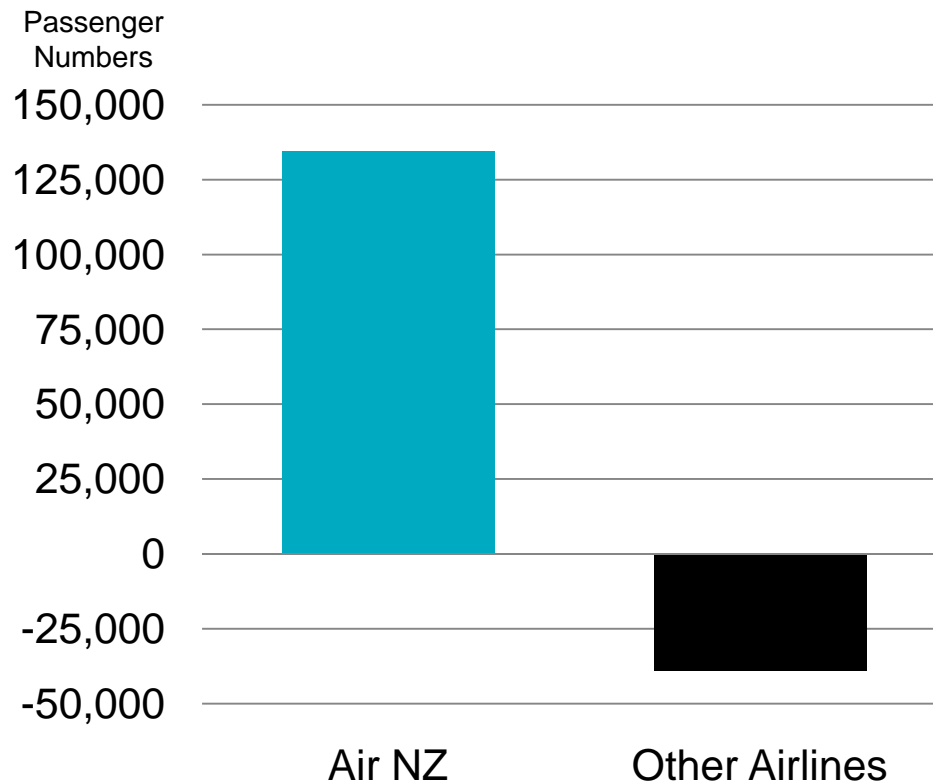


- Passenger demand up 10.2%
- Capacity increased by 6.4%
- Load factor up 2.9 percentage points to 83.3%
- Virgin Blue trans-Tasman alliance a reality
- Seats to Suit a success

Seats to Suit a Success



Tasman Passenger Growth* Year on Year November 2010 - May 2011



- Yield dilution less than expected
- Delivered more capacity at minimal costs
- Load factors increased despite capacity increase
- Strong share shift evidenced

* Source: Statistics New Zealand. Excludes June 2011 due to the abnormal effect of the Chilean volcano ash cloud.

Domestic Performance

- Passenger demand increased by 7.7%
- Capacity increased by 3.8%
- Load factor up 3.0 percentage points to 82.0%
- Within 10 minute OTP performance of 82%*
- Ash cloud
- New A320s for Domestic
- Exit of Pacific Blue

*Air New Zealand adheres to a more disciplined 10 min standard than the rest of the market

Impact of Christchurch / Japan Earthquakes



- Combined impact of earthquakes approximately \$70m
- Combination of reduced demand for travel plus cost of additional capacity into Christchurch and compassionate fares
- Domestic market largely recovered
- Prolonged recovery for trans-Tasman
- Japan demand recovering – upgauging services to B772 in November

Other Business Areas



- Cargo
 - Cargo revenue increased 9%
 - Increased capacity with B773 aircraft
 - Continued growth in North American southbound routes
 - Asia and Tasman performing well
 - Domestic growth in both volume and capacity with A320 introduction
- Engineering
 - Increased revenue from third party work
 - Hangar Three extension complete
 - Altitude wins second major Boeing Business Jet contract

Cost Efficiency



- Set-back in second half as capacity quickly reduced
- Utilisation reduction from Christchurch earthquake
- Impact of B747 exit costs and inefficiencies of under utilised fleet

	2011 (cents)	2010 (cents)
Cost per ASK (CASK)	11.34	10.53
<i>Exclude:</i>		
Fuel	(3.33)	(2.95)
FX hedges	(0.36)	0.04
CASK (excluding fuel and FX hedges)	7.65	7.62

Financial Management

- \$860m cash on balance sheet at year end
- Gearing 46.7%, a 0.6 percentage point improvement
- Average fleet age of 8.6 years
- Moody's rating Baa3
- Final dividend 2.5 cents per share (unimputed)

Airpoints Programme



- Success of programme measured by engagement
- 16% growth in membership base in FY11
- On average, at least one Airpoints member in every NZ household
- More than 20% of members earned Airpoints through Fly Buys partnership
- Planning new functionality
 - Purchase Airpoints to top up

Potential Bond Offer



Air New Zealand is considering making an offer of bonds to the public.

Issuer	Air New Zealand Limited
Securities	Unsecured, unsubordinated, fixed rate debt obligations
Interest Rate	Determined by Air New Zealand Limited in consultation with the Joint Lead Managers and announced on or before the Opening Date
Offer Amount	Up to \$150 million
Use of Proceeds	General business purposes
Maturity	15 November 2016
Expected Open of Offer	5 September 2011*

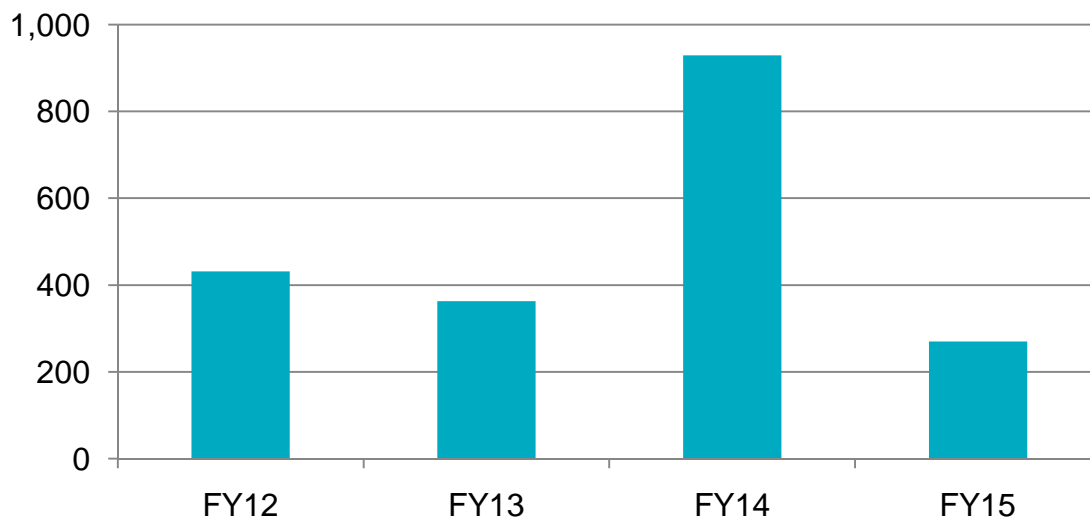
No money is currently being sought and no applications will be accepted or money received unless the applicant has received a Simplified Disclosure Prospectus.

Aircraft Capital Commitments



Aircraft Capital Commitments

\$NZm



1. Includes progress payments on aircraft.
2. Assumes NZD/USD = 0.83
3. Excludes capitalised maintenance of approximately \$45m per annum and non aircraft capital commitments.

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

*The next two Airbus A320s are subject to operating lease arrangements

Changes to Hedging Policy



- Fuel and FX hedging aligned; “same speed of adjustment”
 - 12 month declining wedge
 - Target 80% hedged for next six months
 - Increase in fuel hedge timeline
 - Reduction in FX hedge timeline
- Cease capital expenditure hedging
- Fuel hedge to be a mix of WTI and Brent priced crude
- “Unruly markets” minimum

Current Fuel Hedge Position*



- Hedging policy modified due to current market volatility
- Decision remains under review
- Current position has FY12 first half 89% hedged

	Volume bbls	Ceiling USD	Floor USD
WTI collars	3.3m	\$100.84	\$88.45

- The second half of FY12 is 30% hedged

	Volume bbls	Ceiling USD	Floor USD
WTI collars	1.1m	\$104.71	\$95.08

- 750,000 barrels of defensive puts bought at US\$80 for FY12

Currency Hedging

- 2012 US dollar operating cash flow exposure is approximately 84% hedged at an average NZ\$/US\$ rate of 0.75
- US\$145m of future capital commitments are hedged at NZ\$/US\$ rate of 0.73 (spot)



CRAZY ABOUT RUGBY

- Following events surrounding Christchurch and the shift of events towards Auckland, the revenue impact is now expected to be around \$30m.
- Will see activity to stimulate travel and address directional flow

Strategic Priorities

- Long haul review
- Virgin Alliance – reinforcing key customer value propositions
- Maximising loyalty programme opportunities
- Operational productivity and efficiency
- Managing fleet replacement programmes
- Manage capacity against short haul demand momentum
- Maintaining our environmental leadership position

Outlook

- Turbulence and turmoil in international financial markets is concerning.
- Seeing good performance in the short haul environment
- Expect better performance in long haul business in FY12
- Accordingly we see an improved result in FY12, contingent on fuel price levels and global economic conditions.

Supplementary Information



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

Financial Overview



	June 2011	June 2010	Dollar movement	Percentage movement
Operating revenue	\$4,341m	\$4,046m	\$295m	7.3%
Normalised earnings*	\$75m	\$137m	(\$62m)	(45.3%)
Net profit after tax	\$81m	\$82m	(\$1m)	(1.2%)
Operating cash flow	\$446m	\$471m	(\$25m)	(5.3%)
Net cash	\$860m	\$1,067m	(\$207m)	(19.4%)
Gearing	46.7%	47.3%	N/A	0.6 pts
Annual dividend	5.5cps	7.0cps	(1.5cps)	(21.4%)

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

Normalised Earnings



	June 2011	June 2010
Earnings before Taxation	\$73m	\$123m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	\$7m	\$8m
Foreign exchange derivatives	(\$5m)	\$6m
Normalised Earnings before Taxation	\$75m	\$137m

Group Operating Statistics



	June 2011	June 2010	Movement*
Passengers carried	13.1m	12.3m	6.3%
Available seat kilometres (ASKs)	32,353m	31,578m	2.5%
Revenue passenger kilometres (RPKs)	26,996m	25,829m	4.5%
Load factor	83.4%	81.8%	1.6 pts
Yield (cents per RPK)	13.1	12.8	2.0%

Long Haul Operating Statistics



	June 2011	June 2010	Movement*
Passengers carried	1.7m	1.7m	0.2%
ASKs	18,487m	18,430m	0.3%
RPKs	15,506m	15,320m	1.2%
Load factor	83.9%	83.1%	0.8 pts
Yield (cents per RPK)	9.8	9.4	4.3%

Short Haul Operating Statistics



	June 2011	June 2010	Movement*
Passengers carried	11.4m	10.7m	7.3%
ASKs	13,866m	13,147m	5.5%
RPKs	11,490m	10,509m	9.3%
Load factor	82.9%	79.9%	3.0 pts
Yield (cents per RPK)	17.4	17.7	(1.7%)

Current Operating Fleet



Aircraft Type	June 2009	2010 movement	June 2010	2011 movement	June 2011
Boeing 747-400	7	-	7	(2)	5
Boeing 777-300ER	-	-	-	3	3
Boeing 777-200ER	8	-	8	-	8
Boeing 767-300ER	5	-	5	-	5
Airbus A320-200	12	-	12	2	14
Boeing 737-300	16	(1)	15	-	15
ATR 72-500	11	-	11	-	11
Bombardier Q300	23	-	23	-	23
Beech 1900D	18	-	18	-	18
Total operating fleet	100	(1)	99	3	102



Questions?

Air New Zealand Annual Results
2011



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