

Interim Results **2011**

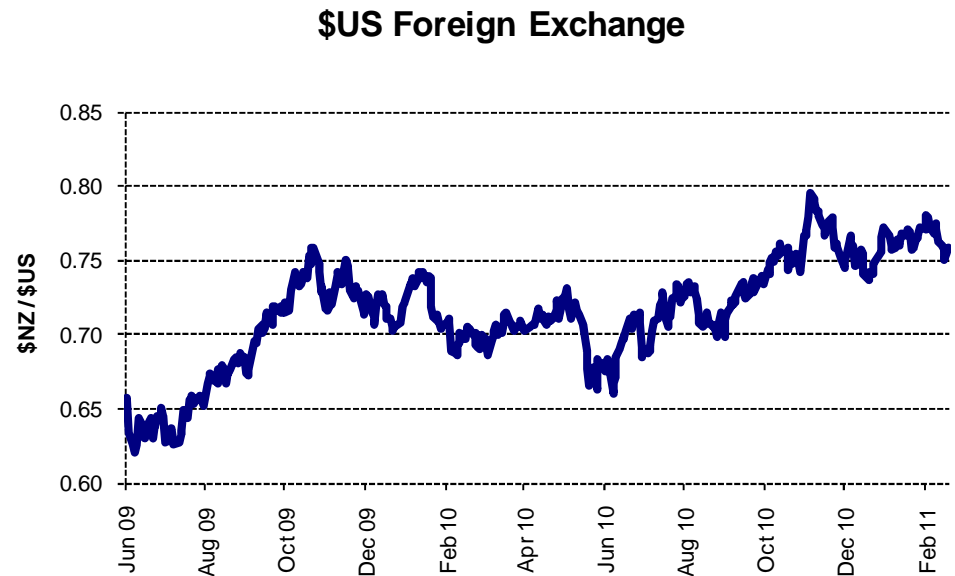
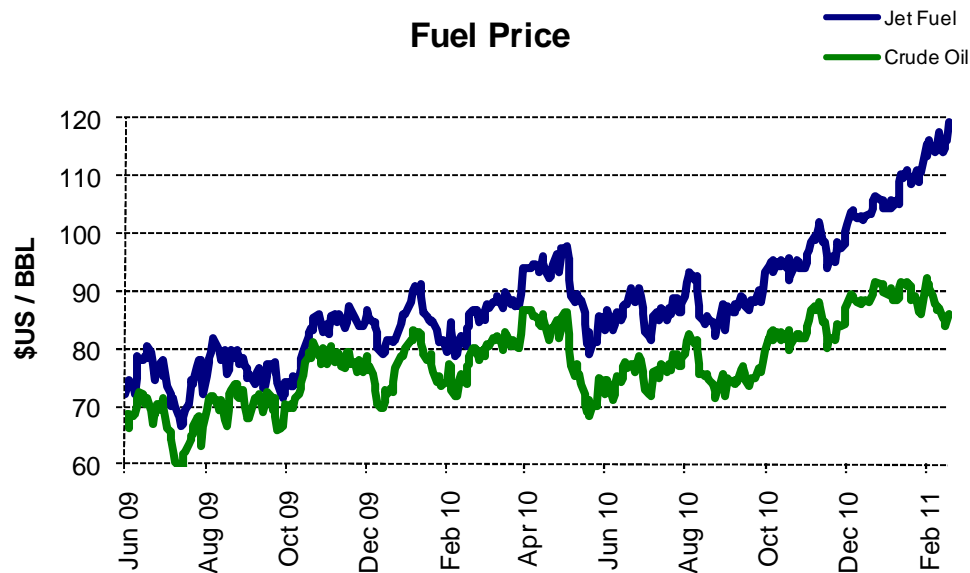
Highlights

- Normalised earnings \$112m*, up 17% (including \$18 million gain on equity swaps)
- Net cash position of \$940m
- Gearing improved by 4.5%, at 42.8%
- Credit Rating upgraded to Baa3, Investment Grade
- New Long Haul B777-300ER product a reality

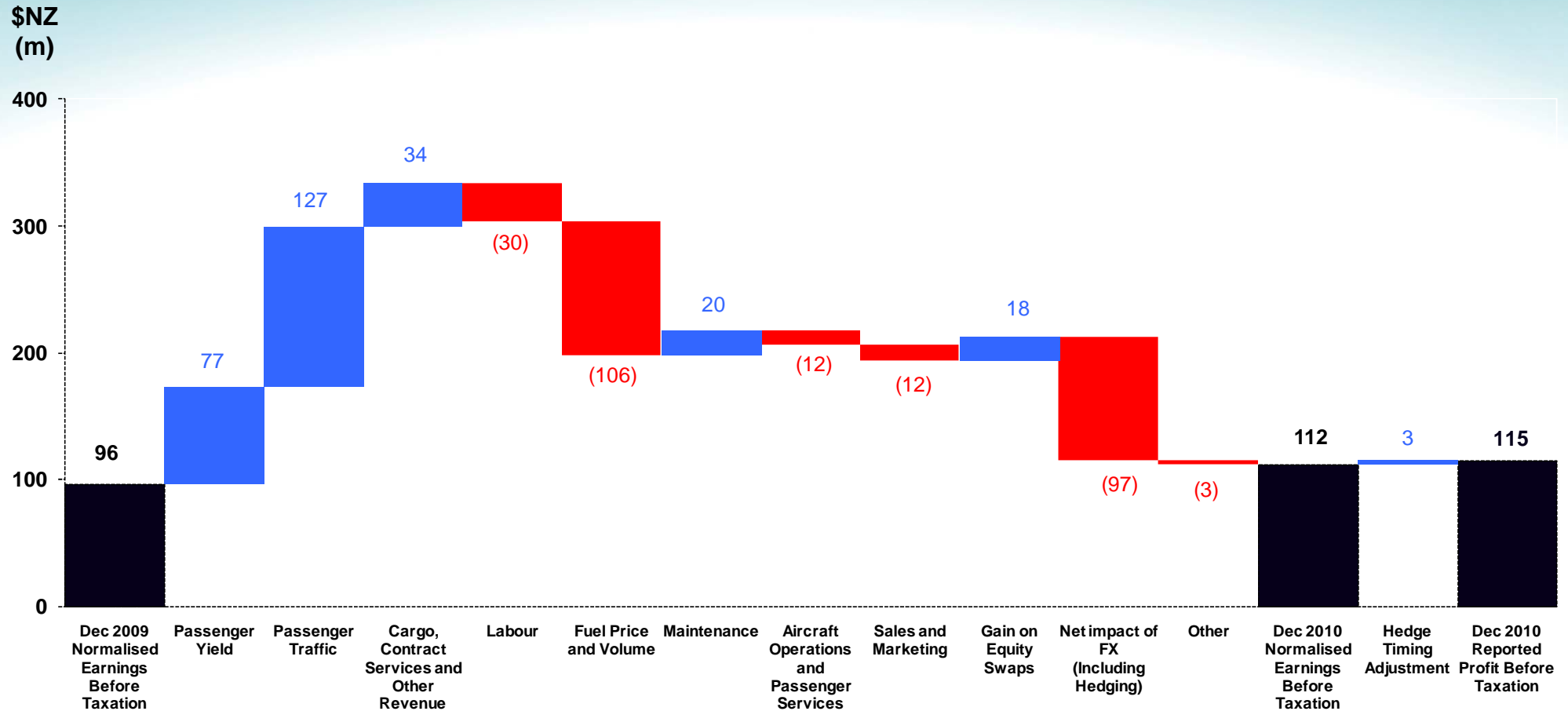
* Normalised earnings before taxation after excluding the net impact of derivatives that hedge exposures in other financial periods

External Environment

- Sharp volatility in fuel price over the last three months
- NZ\$ stronger against the US\$
- Competition is intensifying

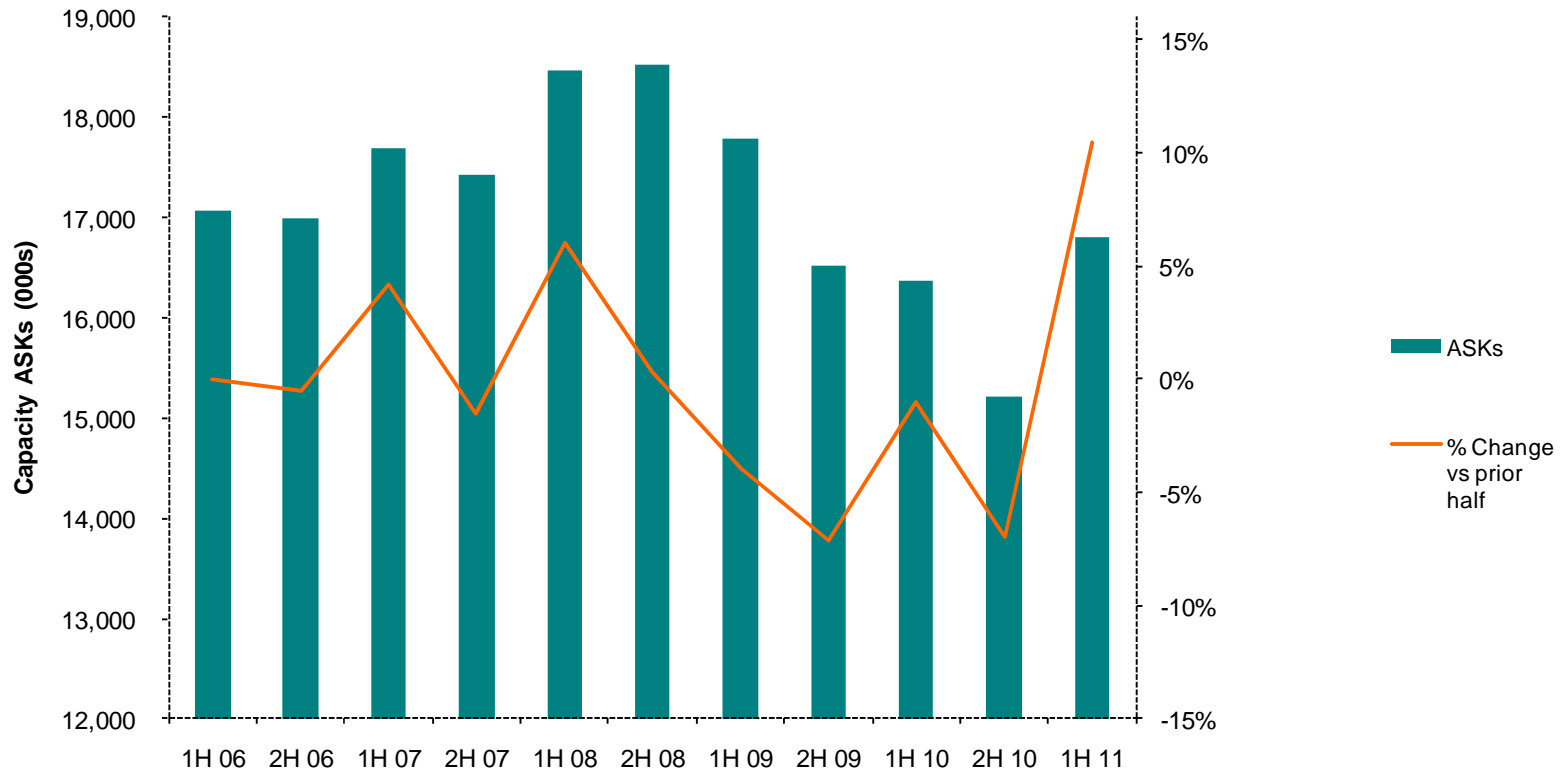


Key Influences on Profitability



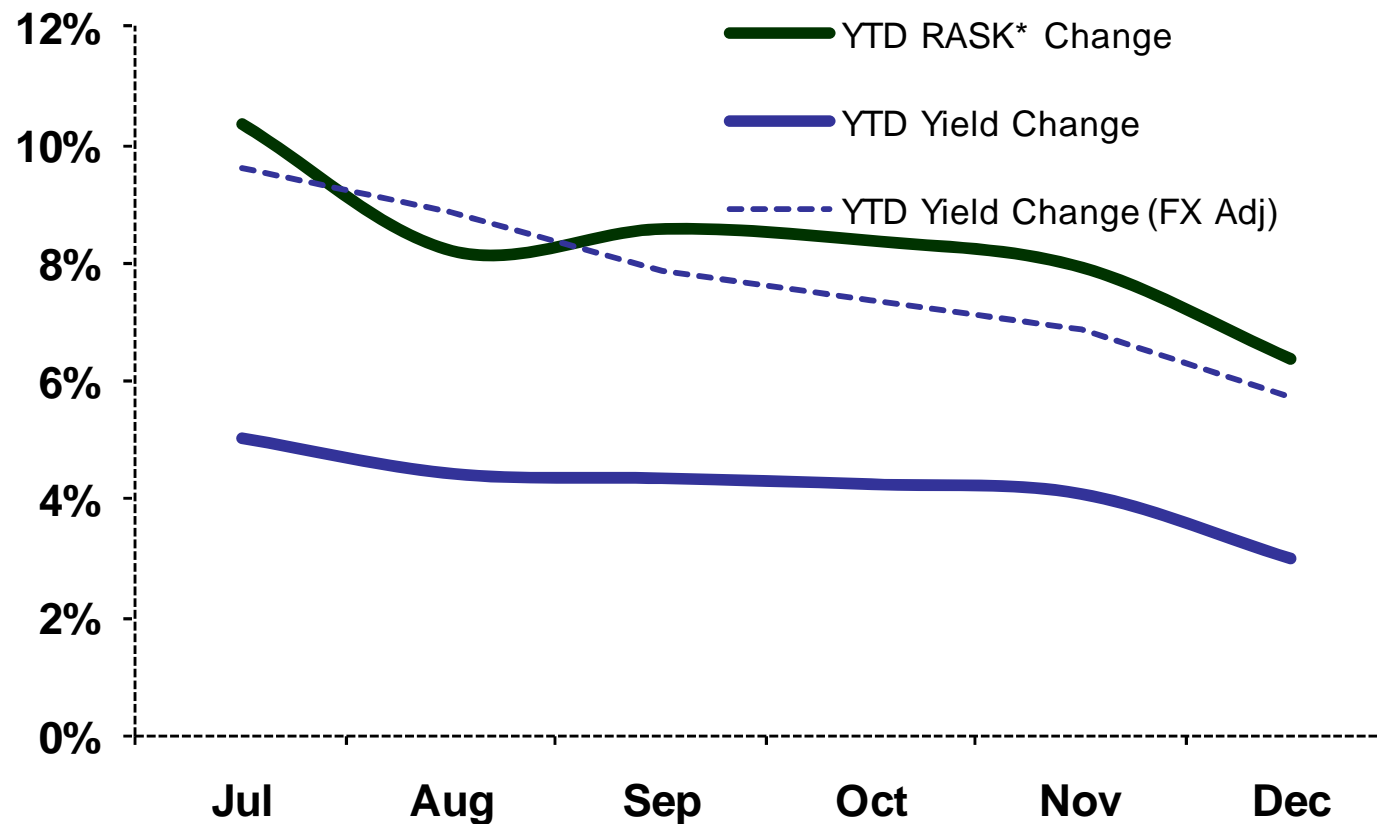
Capacity Growth

- Capacity increased, however remains below the peak of 2008



Revenue Management

- Yields impacted by stronger NZ dollar



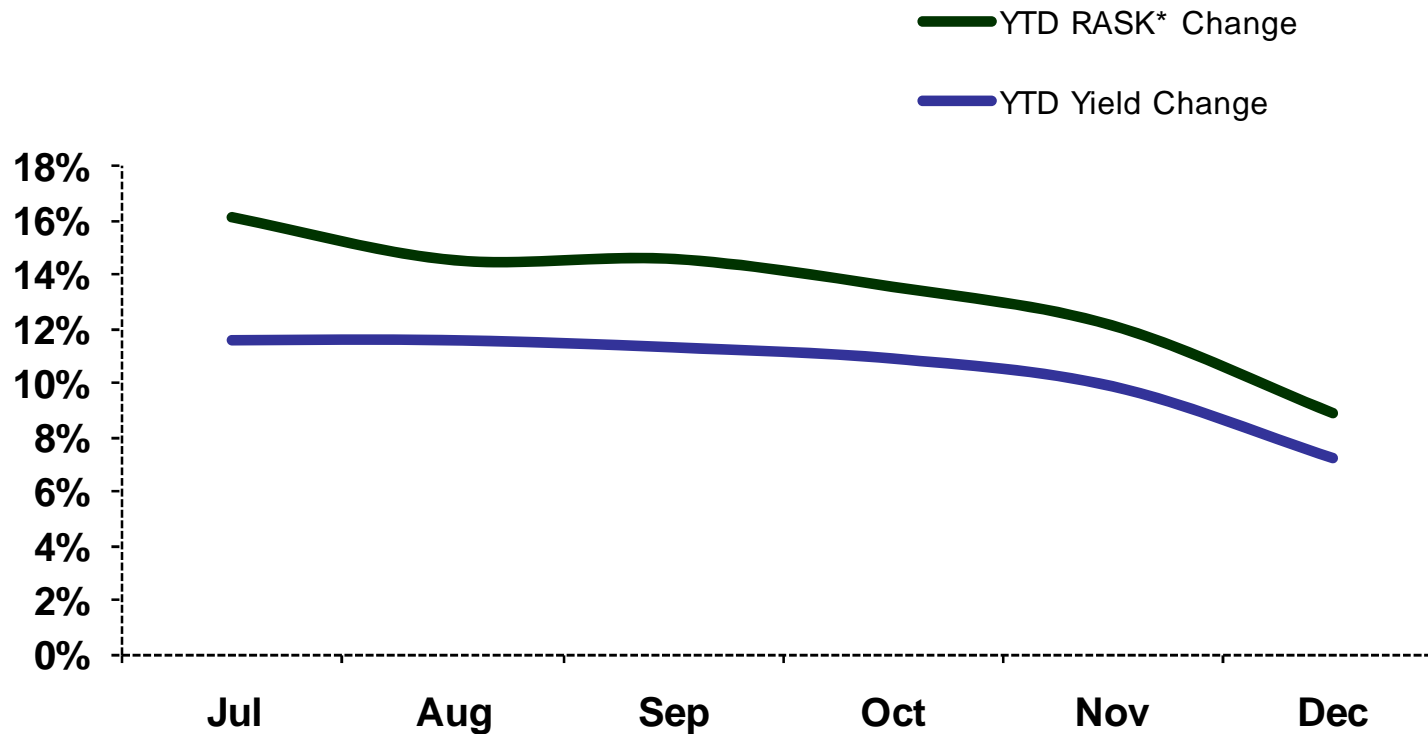
* Passenger Revenue per Available Seat Kilometre

Long Haul Performance

- Passenger demand up 3.6%
- Capacity up 2.1%
- Load factor improved 1.3 percentage points to 84.6%
- Yield up 7.2% (13.0% prior to foreign exchange)
- Recovery from impacts of global recession
- Capacity on Asian routes back after H1N1

Long Haul Revenue Management

- Yields continue to outperform compared to last year



* Passenger Revenue per Available Seat Kilometre

Tasman & Pacific Island Performance

- Demand up 9.7%
- Capacity up 4.1%
- Load factor improved 4.3 percentage points to 84.6%
- Seats to Suit product began operating in November
- Bookings up 15%

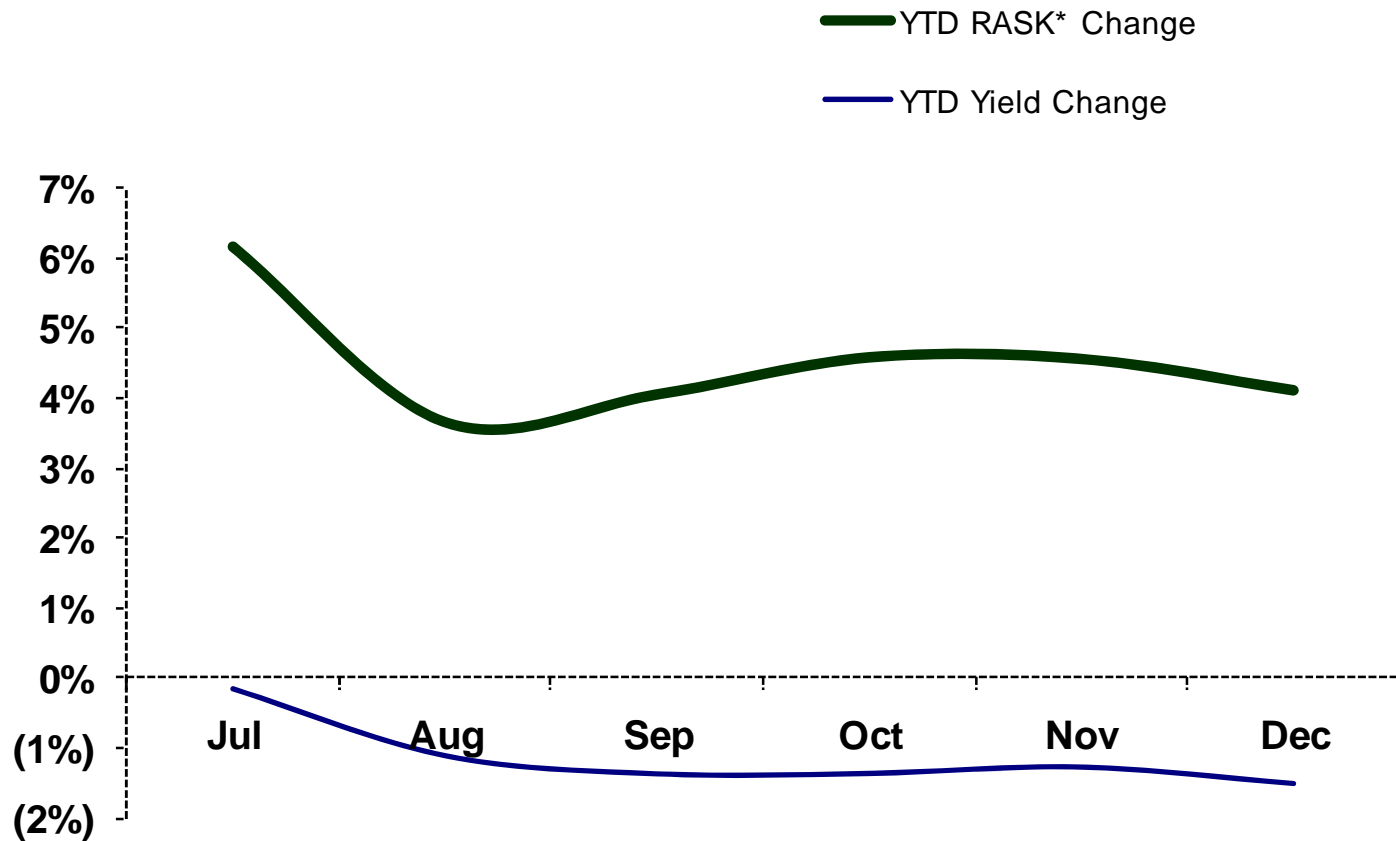
Domestic performance

- Demand up 9.3% on 2.7% increase in capacity
- Load factor improved 4.9 percentage points to 82.1%
- Changing competitive dynamics
- A320s on order in move to a single narrow body fleet
 - First A320 has arrived with onboard connectivity
- OTP strong at 83.0%* on time

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

Short Haul Revenue Management

- Reduced yield has stimulated demand



* Passenger Revenue per Available Seat Kilometre

Other Businesses

- Demand and yield recovery in cargo business
- Investment in Engineering facilities focused on improving productivity
 - Third party Engineering revenue continues to develop
- Developed new loyalty relationships
 - Suite of financial partners fully developed
 - Flybuys retail relationship launched

Cost Efficiency

- Continuous cost management
- New B777-300 and A320 aircraft will deliver improved operating efficiencies
- CASK excluding fuel, foreign exchange hedges and gain on equity swaps improved by 0.7%

	Interim 2011	Interim 2010
Cost per ASK (CASK)	10.91	10.12
Exclude:		
Fuel	(3.16)	(2.79)
FX hedges	(0.43)	0.15
Gain on equity swaps	0.11	
CASK (excluding fuel, FX hedges and gain on equity swaps)	7.43	7.48

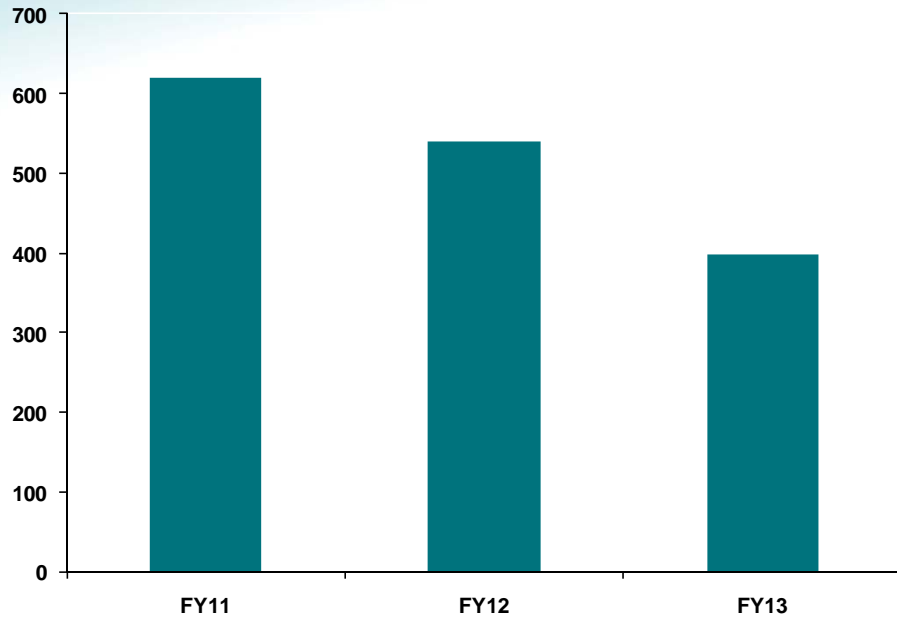
Strategic Priorities

- Implementation of Virgin Alliance
- Leverage and develop international partnership opportunities
 - Star Alliance, Virgin Atlantic, Etihad
- Manage fleet replacement programmes
- Ensure success of Rugby Festival opportunity
 - Operationally perform and maximise commercial benefit
- Environmental leadership

Financial Management

- \$940m cash, down \$127m on June 2010
 - Capital investments
 - Operating cashflow up 27%
- Gearing 42.8%, an improvement of 4.5% since June 2010
- Average fleet age of 8.4 years
- Interim dividend of 3.0 cents per share

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	-

- Assumes NZD/USD = 0.75
- Includes progress payments on aircraft and is net of sale and leaseback agreements
- Excludes capitalised maintenance of approximately \$55m per annum and non aircraft capex

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

Fuel Hedging

- The second half of FY11 is 93% hedged

	Volume bbls	Ceiling \$US	Floor \$US
Singapore Jet collars	1.2m	\$95.46	\$85.94
WTI collars	2.1m	\$83.28	\$73.95

- The first half of FY12 is 42% hedged

	Volume bbls	Ceiling \$US	Floor \$US
WTI collars	1.6m	\$90.32	\$80.52

* Fuel hedge position as at 16 February 2011

Currency Hedging

- Operating cash flow exposure for the second half of FY11 is 83% hedged at an average NZ\$/US\$ rate of 0.70
 - Based on 75 cent exchange rate the hedge losses for the second half of FY11 will be \$38m in addition to the \$75m losses realised in the first half
- The FY12 operating cash flow exposure is 62% hedged at an average NZ\$/US\$ rate of 0.73
- US\$186m of future capex commitments are hedged at NZ\$/US\$ rate of 0.73 spot

Christchurch Earthquake

- Immediate focus on supporting those impacted by the earthquake
- No material damage to our owned facilities in Christchurch
- No assessment has been made of the commercial impact

Outlook

- Implemented new initiatives across the business setting a strong platform for the long term future
- Fuel price volatility remains a significant risk to the year end result
- A key management focus will be assisting with the recovery from the devastating Christchurch earthquake, and working with tourism partners to mitigate the economic effects

Supplementary Information

Financial Overview

	Interim 2011	Interim 2010	Movement	Movement
Operating revenue	\$2,236m	\$2,054m	\$182m	9%
Normalised earnings*	\$112m	\$96m	\$16m	17%
Net profit after tax	\$98m	\$56m	\$42m	75%
Adjusted operating cash flow	\$210m	\$165m	\$45m	27%
Net cash	\$940m	\$1,095m	\$(155)m	(14%)
Gearing	42.8%	46.0%		3.2 pts
Interim Dividend	3.0 cps	3.0 cps	-	-

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

Normalised Earnings

	Interim 2011	Interim 2010
Earnings before Taxation	\$115m	\$84m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	\$(2)m	\$1m
Foreign exchange derivatives	\$(1)m	\$11m
Normalised Earnings before Taxation	\$112m	\$96m

Group Operating Statistics

	Interim 2011	Interim 2010	Movement*
Passengers carried	6.8m	6.3m	7.8%
Available seat kilometres (ASKs)	16,804m	16,359m	2.7%
Revenue passenger kilometres (RPKs)	14,149m	13,343m	6.0%
Load factor	84.2%	81.6%	2.6 pts
Yield (cents per RPK)	13.0%	12.6%	3.0%

* Calculations based on numbers before rounding

Long Haul Operating Statistics

	Interim 2011	Interim 2010	Movement*
Passengers carried	0.88m	0.85m	2.9%
ASKs	9,674m	9,478m	2.1%
RPKs	8,182m	7,895m	3.6%
Load factor	84.6%	83.3%	1.3 pts
Yield (cents per RPK)	9.7	9.1	7.2%

* Calculations based on numbers before rounding

Short Haul Operating Statistics

	Interim 2011	Interim 2010	Movement*
Passengers carried	5.9m	5.5m	8.6%
ASKs	7,130m	6,881m	3.6%
RPKs	5,967m	5,448m	9.5%
Load factor	83.7%	79.2%	4.5 pts
Yield (cents per RPK)	17.4	17.6	(1.5%)

* Calculations based on numbers before rounding

Questions