AIR NEW ZEALAND

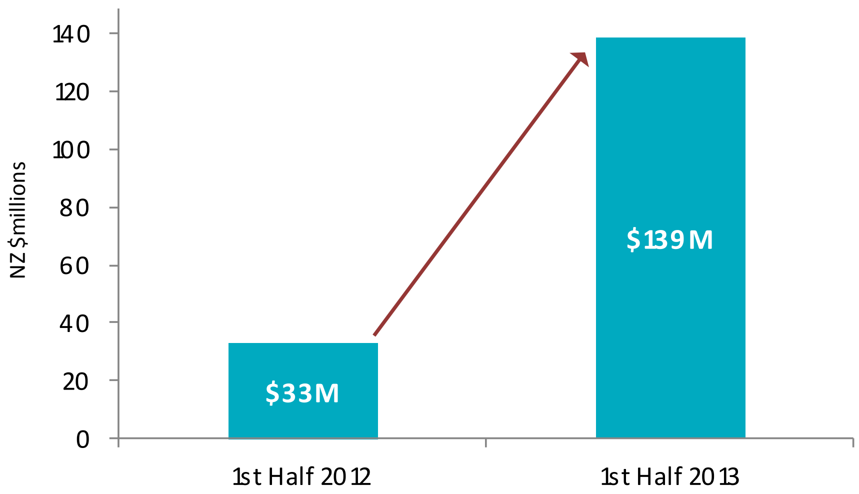
interim

financial results 2013

overview

- Normalised earnings* before taxation of **$139 million**
- Statutory net profit after taxation of **$100 million**
- Operating revenue **up 3.4%** to **$2.4 billion**
- Operating cash flow of **$343 million**
- Highest half year result in **5 years**

Normalised Earnings* before Taxation



* 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. Refer to supplementary slide 19 for a reconciliation to IFRS earnings.

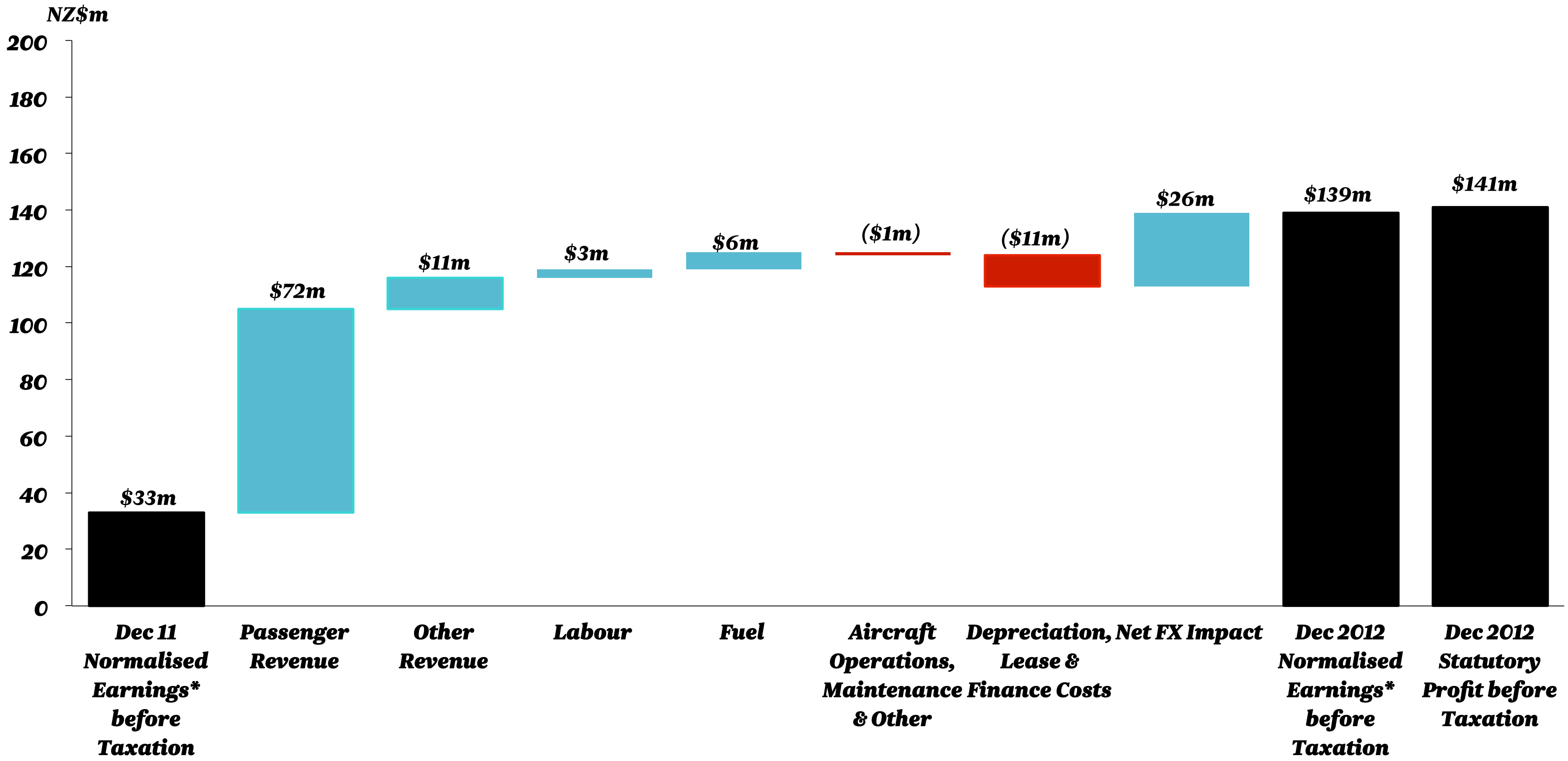
key drivers of result

- Operating revenue **up 3.4%** to **$2.4 billion**
- Capacity growth across network
- Improved International long haul yields
- Cost containment – unit cost **decreased by 4.7%**
- Profit improvement initiatives ahead of expectation

	dec 2012	dec 2011	movement*
Passengers carried ('000s)	6,792	6,754	0.6%
Available seat kilometres (ASKs)	17,092m	16,641m	2.7%
Revenue passenger kilometres (RPKs)	14,228m	13,785m	3.2%
Load factor	83.2%	82.8%	0.4 pts
Yield (cents per RPK)	13.6	13.5	0.3%

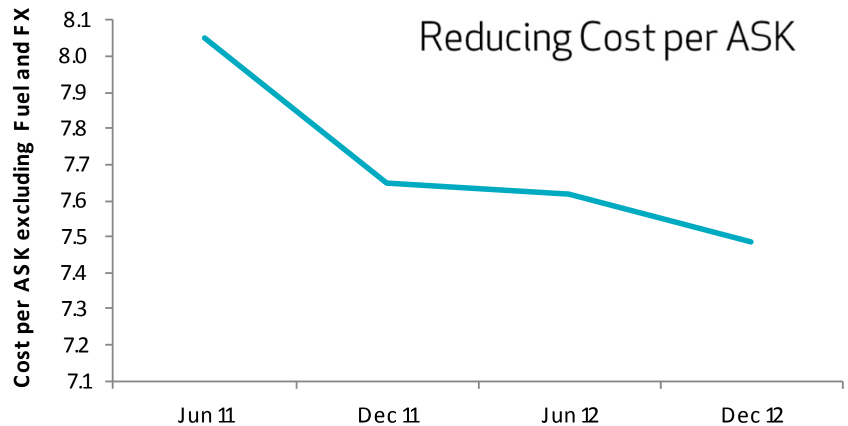
* Calculations based on numbers before rounding

changes in profitability



* Normalised earnings before taxation after excluding net gains and losses on derivatives that hedge exposures in other financial periods.

improved unit cost

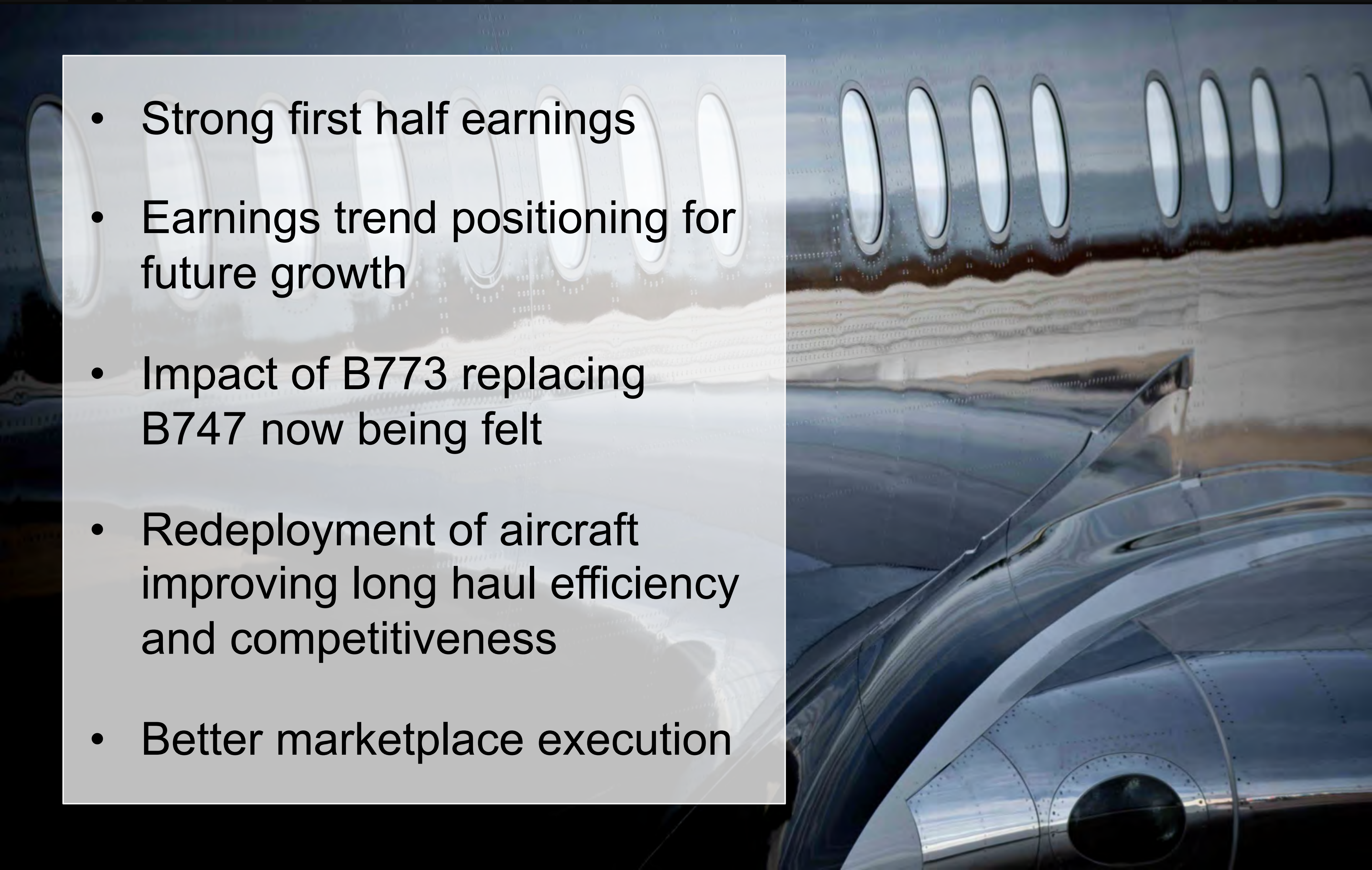


	dec 2012 (cents)	dec 2011 (cents)	% change
Cost per ASK (CASK)	11.17	11.72	4.7%
Exclude:			
Fuel	(3.72)	(3.80)	
FX hedges	0.03	(0.25)	
CASK (excl. Fuel and FX hedges)	7.48	7.67	2.5%

financial management

- Net cash on hand **$1.1 billion**
- Gearing improved by **4.3 percentage points** to **41.8%**
- Fully imputed interim dividend of **3 cps**, a **50% increase**
- Average fleet age of **9 years**
- Moody's investment rating **Baa3**
- Share buyback programme –
  8.8 million shares purchased so far

earnings momentum



- Strong first half earnings
- Earnings trend positioning for future growth
- Impact of B773 replacing B747 now being felt
- Redeployment of aircraft improving long haul efficiency and competitiveness
- Better marketplace execution

domestic

- Increased demand
- Slower than expected economic growth
- Improving operating efficiencies
- Acceleration of A320 deliveries
- New ATR72-600s boosting capacity
- Competitive fare structure

	dec 2012	dec 2011	movement*
Passengers carried ('000s)	4,350	4,351	-
Available seat kilometres (ASKs)	2,586m	2,545m	1.6%
Revenue passenger kilometres (RPKs)	2,097m	2,062m	1.7%
Load factor	81.1%	81.0%	0.1 pts
Yield (cents per RPK)	27.8	29.0	(4.3%)

* Calculations based on numbers before rounding

tasman & pacific islands

- Virgin Alliance provides customers with a comprehensive Australasian network and seamless travel
- Seats to Suit and Virgin Alliance driving growth
- Capacity increases to Perth and Hawaii
- Seasonal services to Bali and Sunshine Coast well received and will continue

	dec 2012	dec 2011	movement*
Passengers carried ('000s)	1,658	1,625	2.0%
Available seat kilometres (ASKs)	5,400m	5,074m	6.4%
Revenue passenger kilometres (RPKs)	4,496m	4,306m	4.4%
Load factor	83.3%	84.9%	(1.6 pts)
Yield (cents per RPK)	12.2	12.0	1.3%

* Calculations based on numbers before rounding

international

- Positive profit contribution for the first time since GFC
- Improving fleet efficiencies including cargo capacity
- Refocused on improving execution, particularly in Asia/Japan
- Planned exit of Hong Kong-London route, commencement of Cathay Pacific alliance
- Redeployment of capacity to strong demand markets
- Passenger revenue up **6.8%**

	dec 2012	dec 2011	movement*
Passengers carried ('000s)	785	779	0.8%
Available seat kilometres (ASKs)	9,106m	9,022m	0.9%
Revenue passenger kilometres (RPKs)	7,635m	7,416m	3.0%
Load factor	83.8%	82.2%	1.6 pts
Yield (cents per RPK)	10.5	10.1	3.8%

- Cargo revenue **up 9%**

* Calculations based on numbers before rounding

profit improvement update

	goal	on target	progress
Overhead Costs	$60m	✓	COMPLETE
Ancillary Revenue	$40m	✓	Seat select, OneUp, OneSmart
Network	$60m	✓	Cathay Pacific alliance, suspended Hong Kong-London, Auckland-Beijing routes
Fleet	$35m	✓	Improving fleet efficiencies from Boeing 777-300ER, Airbus A320 aircraft (A320 deliveries accelerated)
Supply Chain & Other Direct Costs	$55m	✓	Ongoing initiatives
total	**$250m**		

loyalty

- Invest in capability to drive Loyalty revenue
- Membership grown to 1.4 million members
- Non-air revenue now exceeds air revenue
- Will continue to launch value add products such as OneSmart

alliances

- Has performed well in first full year of operation
- Improved compatibility & functionality with new SabreSonic reservations system

- A platform to retain or replace connecting traffic once we exit HKG-LHR
- Opportunity to grow HKG as a second point of entry into Mainland China

- An effective partner connecting us to domestic Japan

investment in virgin australia

- Expands our economic footprint into domestic Australia
- Cost effective entry, not capital intensive
- Equity investment maintained at **19.99%**
- Total investment carried at **$264 million**
- Value of investment represents **24 cents** of value per Air NZ share
- Virgin delivering on their strategy

ceo transition

- Seamless CEO transition
- New senior leadership team in place from 1 January
- New functional organisation structure with centralised sales and operations functions
- New Go Beyond strategy puts growth at the heart of the business

go beyond

outlook

"Based on our current forecast of market demand and fuel prices at current levels, we expect normalised earnings before taxation for the second half of the 2013 financial year will comfortably exceed the corresponding period"

supplementary slides

financial overview

	dec 2012	dec 2011	dollar movement	percentage movement
Operating revenue	$2,369m	$2,291m	$78m	3.4%
Normalised earnings* before taxation	$139m	$33m	$106m	321.2%
Statutory net profit after taxation	$100m	$38m	$62m	163.2%
Operating cash flow	$343m	$146m	$197m	134.9%
Net cash position^	$1,075m	$1,027m	$48m	4.7%
Gearing^	41.8%	46.1%	N/A	4.3 pts
Interim dividend **	3 cps	2 cps	1 cps	50%

* Normalised earnings before taxation represents Earnings stated in compliance with NZ IFRS after excluding net gains and losses on derivatives that hedge exposures in other financial periods. Refer to supplementary slide 19 for a reconciliation to IFRS earnings

^ Comparative is for 30 June 2012

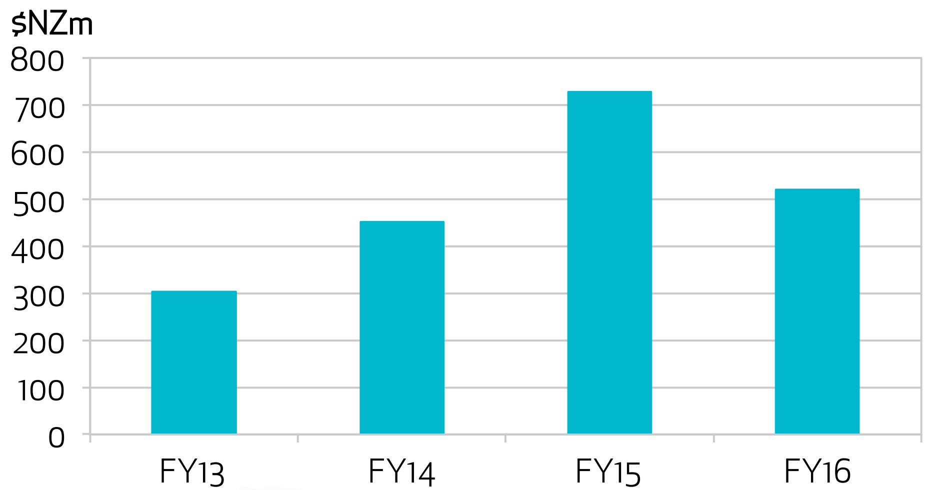
** Current period dividend fully imputed

normalised earnings

	dec 2012	dec 2011
Earnings before Taxation (per NZ IFRS)	**$141m**	**$54m**
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	($2m)	($27m)
Foreign exchange derivatives	-	$6m
Normalised Earnings* before Taxation	**$139m**	**$33m**

* 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. Normalised earnings is reported within the Group's interim financial statements and is subject to review by the Group's external auditors.

aircraft capital commitments



1. Includes progress payments on aircraft.
2. Assumes NZD/USD = 0.83
3. Excludes capitalised maintenance of approximately $57m per annum and non-aircraft capital commitments.

aircraft delivery schedule	***fy13 h2***	***fy14***	***fy15***	***fy16***
Boeing 787-9	-	-	3	3
Airbus A320	1	4	3	-
ATR 72-600	1	1	2	1
Boeing 777-300ER (operating lease)	-	1	1	-

fuel & currency hedging

Fuel*

- The second half of FY13 is 63% hedged
- The first half of FY14 is 12% hedged

Currency

- The second half of FY13 US dollar operating cash flow exposure is approximately 89% hedged at an average $NZ/$US rate of 0.8078
- The FY14 operating cash flow exposure is 50% hedged at an average $NZ/$US rate of 0.8259

* Fuel hedge position as at 18 February 2013