

INTERIM


AIR NEW ZEALAND 
CELEBRATING THE JOURNEY TOGETHER

75 YEARS

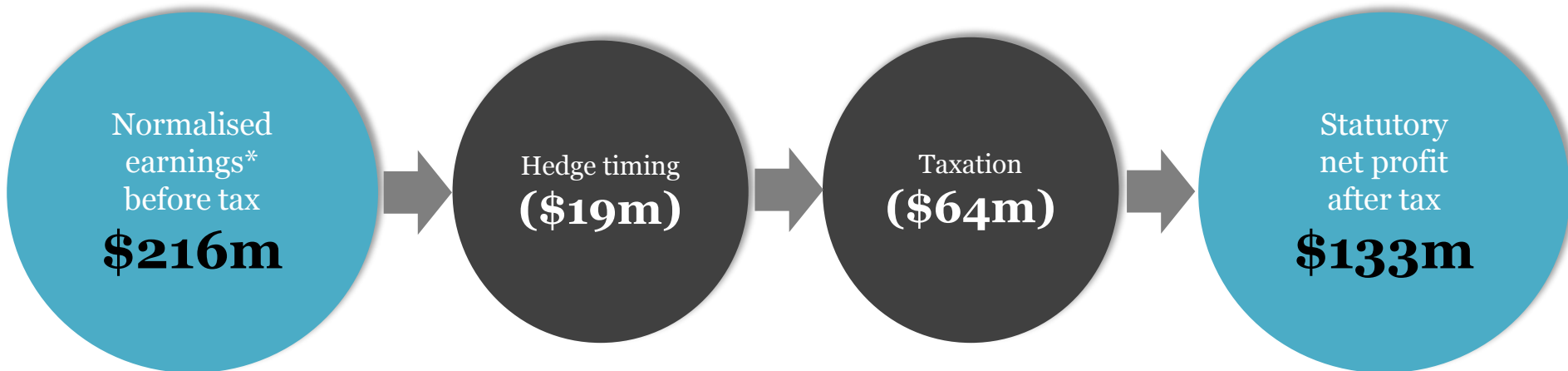
FINANCIAL RESULTS

2015



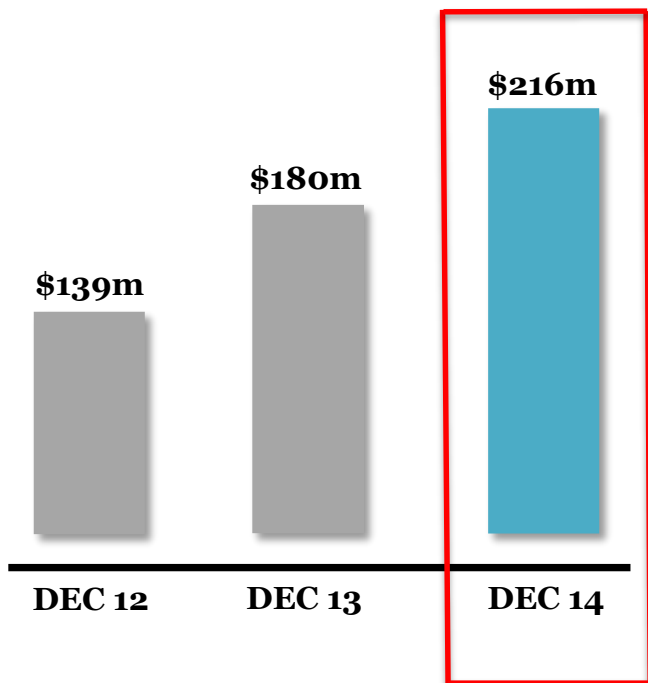
A STAR ALLIANCE MEMBER 

Another strong result



* 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. Refer to the supplementary slides for a reconciliation to IFRS earnings.

First half normalised earnings before taxation



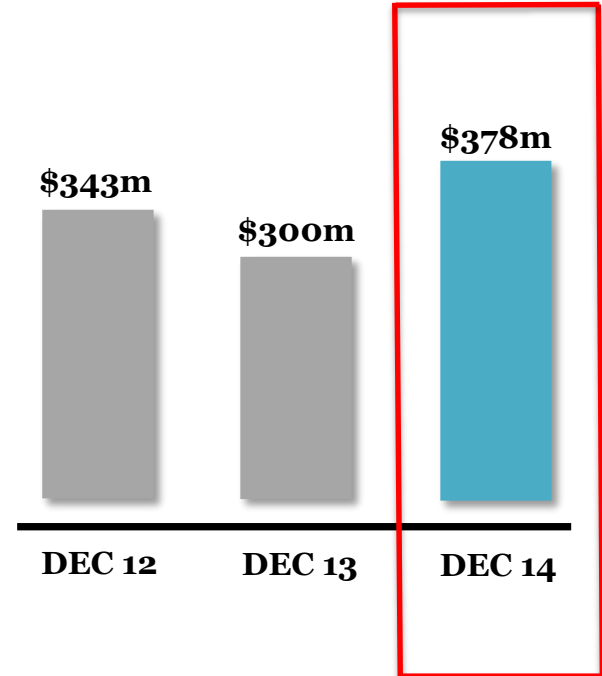
- > Result includes equity losses of **\$14 million** from the company's Virgin Australia shareholding



First half operating cash flow



- > Operating Cash Flow before tax payments up **\$113 million**
- > Increased tax payments of **\$35 million**
- > Underpins strong liquidity position



Key revenue metrics



Passenger
revenue up
5.1%*



Yield
up
3.8%*

Capacity
up
1.7%

Load
factor
83.9%

Cargo
revenue up
6.8%*

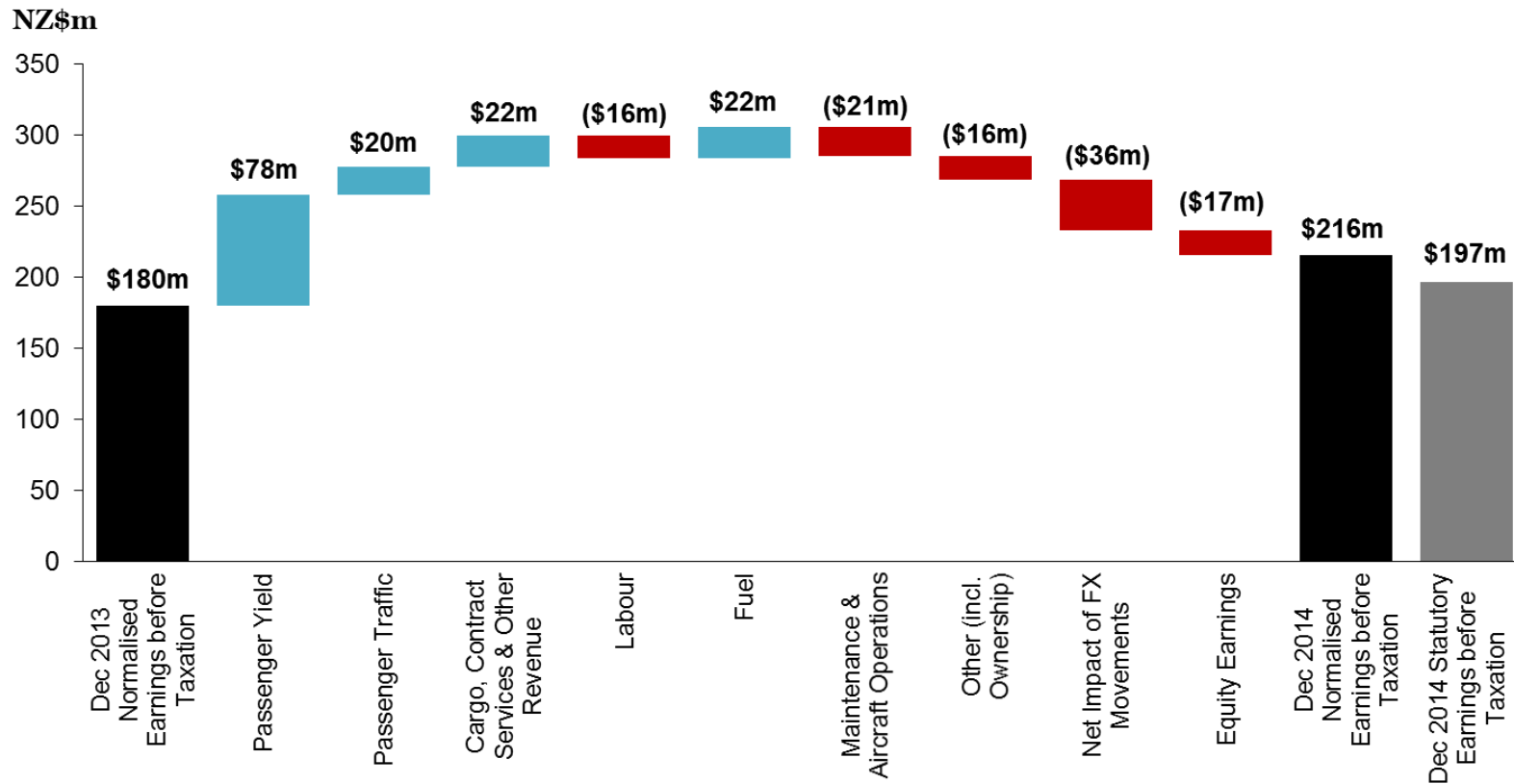


Cargo
capacity
up
3.0%



* Prior to the impact of foreign exchange

Changes in profitability



Cost per ASK



	Dec 2014 (cents)	Dec 2013 (cents)
Cost per ASK*	10.76	10.84
<i>Exclude</i>		
Fuel	(3.22)	(3.49)
Foreign exchange gains	0.07	0.19
CASK (excl. fuel and foreign exchange gains)	7.61	7.54

> Impacted by growth in higher unit cost short sectors versus longer sectors

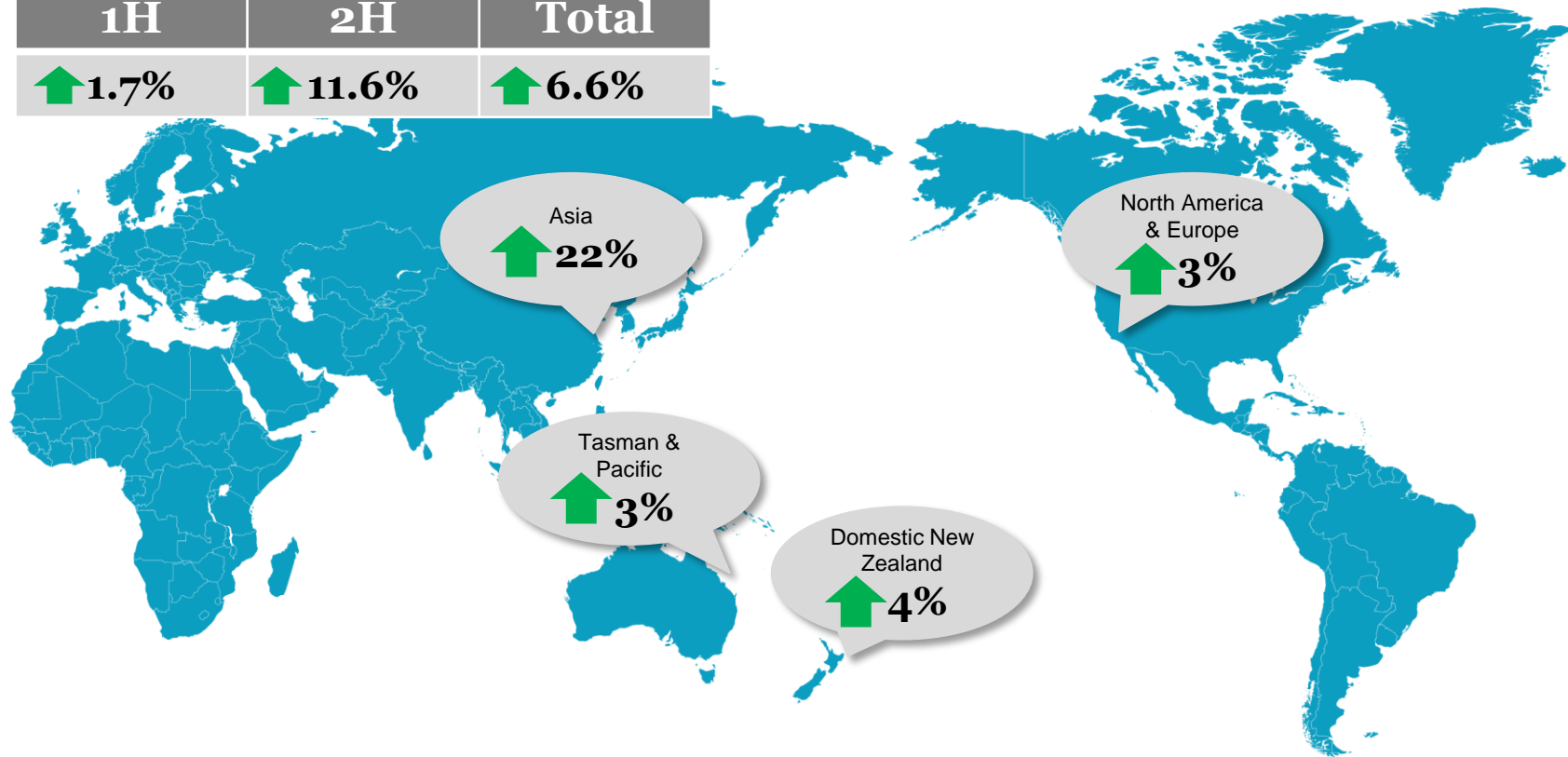
* Includes normalised earnings adjustments



Full year FY15 capacity (ASKs) increasing 6.6%



1H	2H	Total
↑ 1.7%	↑ 11.6%	↑ 6.6%



Domestic



- > Capacity growth driven by replacement of B737-300 with larger A320 aircraft and additional ATR72s
- > Final B737 scheduled to exit fleet in third quarter of 2015

	Dec 2014	Dec 2013	movement*
Passengers carried ('000s)	4,562	4,465	2.2%
Available seat kilometres (ASKs)	2,778m	2,692m	3.2%
Revenue passenger kilometres (RPKs)	2,241m	2,180m	2.8%
Load factor	80.7%	81.0%	(0.3 pts)
Yield (cents per RPK)	28.7	27.6	3.9%**

* Calculation based on numbers before rounding

** Excluding the impact of foreign exchange, Domestic yield increased by 4.3%

Tasman & Pacific Islands



- > B787-9 now flying Auckland-Perth route
- > Virgin Australia alliance continues to improve customer proposition
- > Strong capacity growth on Pacific Island routes

	Dec 2014	Dec 2013	movement*
Passengers carried ('000s)	1,718	1,698	1.2%
Available seat kilometres (ASKs)	5,624m	5,527m	1.7%
Revenue passenger kilometres (RPKs)	4,681m	4,604m	1.7%
Load factor	83.2%	83.3%	(0.1 pts)
Yield (cents per RPK)	11.9	11.8	0.9%**

* Calculation based on numbers before rounding

** Excluding the impact of foreign exchange, Tasman & Pacific Islands yield increased by 3.4%

International



- > Significant capacity increases in Asia, particularly Japan
- > B787-9 performance exceeding expectations – now into Shanghai, Tokyo and Perth

	Dec 2014	Dec 2013	movement*
Passengers carried ('000s)	764	764	0.1%
Available seat kilometres (ASKs)	8,758m	8,659m	1.2%
Revenue passenger kilometres (RPKs)	7,477m	7,442m	0.5%
Load factor	85.4%	86.0%	(0.6 pts)
Yield (cents per RPK)	10.6	10.6	0.3%**

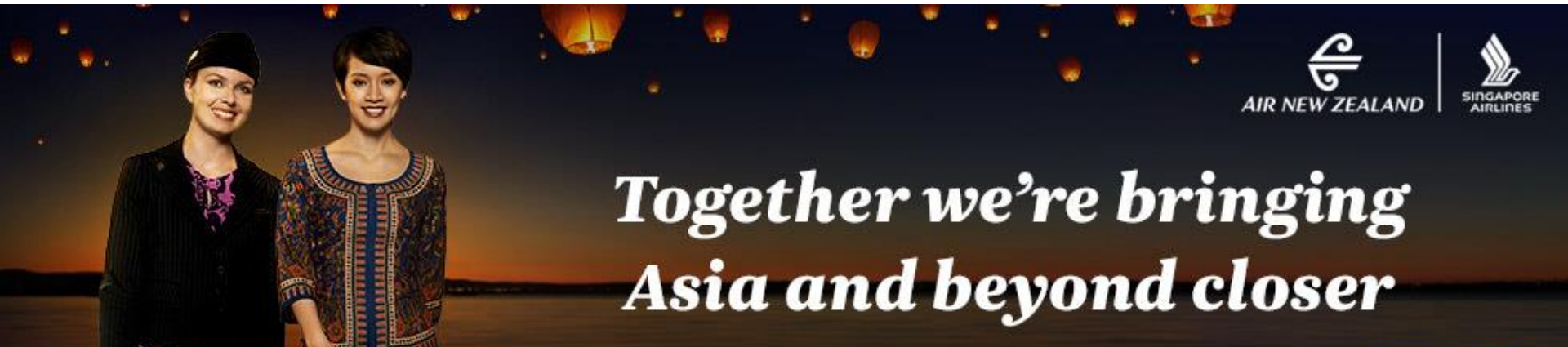
* Calculation based on numbers before rounding

** Excluding the impact of foreign exchange, International yield increased by 2.8%

Singapore Airlines alliance



- > Air New Zealand recommenced flying Auckland-Singapore route last month
- > Captures connecting traffic beyond Singapore
- > Refurbished Boeing 777-200 aircraft offering great customer product

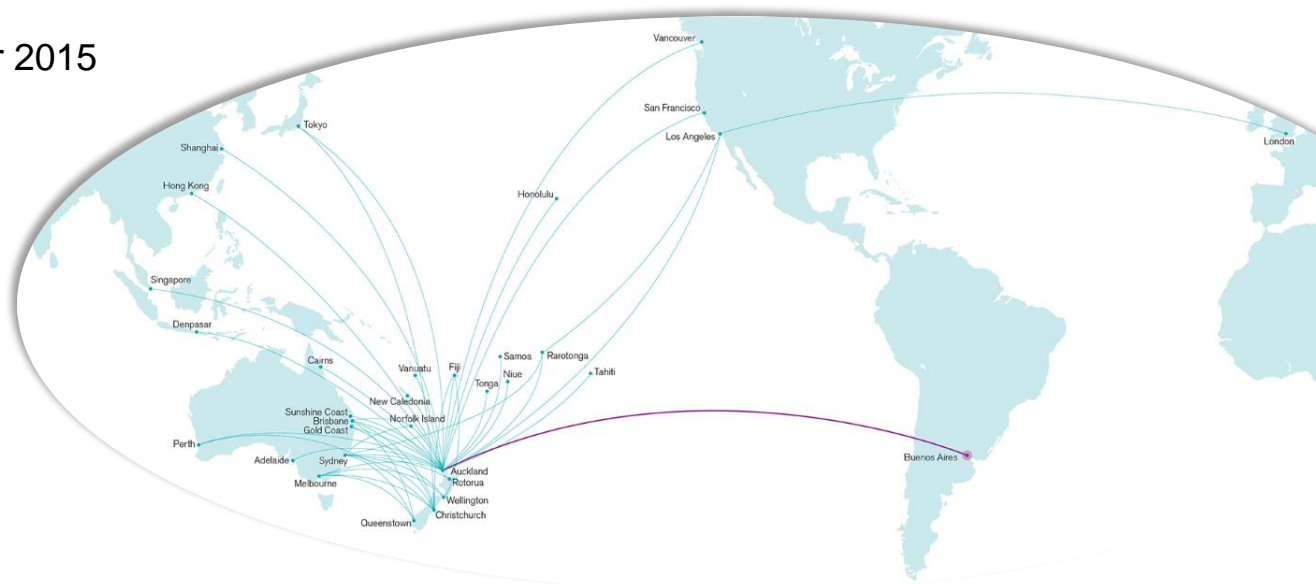


*Together we're bringing
Asia and beyond closer*

New Buenos Aires route



- > First scheduled direct Air New Zealand service to South America
- > Consistent with Pacific Rim growth strategy
- > Code share agreement* with Aerolineas Argentinas
- > Flights commence December 2015



*Subject to regulatory approval

Cargo



Revenue
up
6.8%*

Volume
up
7.6%

Yield
down
0.8%

- > Virtual global network providing innovative solutions for New Zealand's exporters and importers

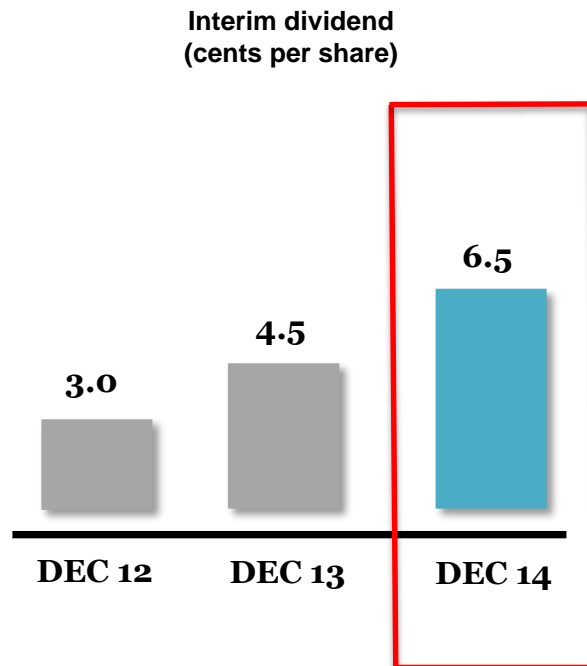
* Excluding the impact of foreign exchange



Financial management



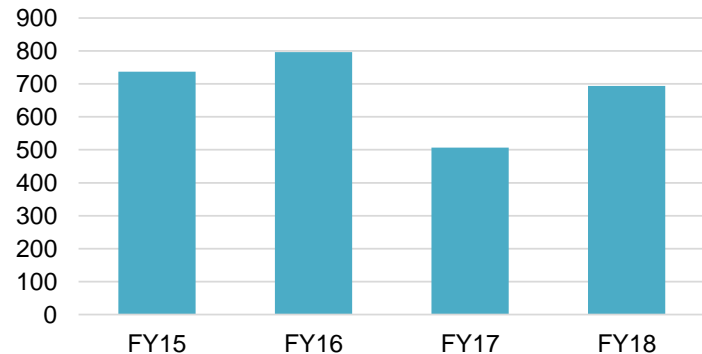
- > Net cash on hand of **\$1.27 billion**
- > Gearing moved up to **51.6%**
- > Fully imputed interim dividend of **6.5 cents** per share, an increase of **44%** on the previous corresponding period
- > Moody's **Baa3** investment grade rating



Aircraft capital expenditure



\$NZm



- > Investment of **\$3.0 billion** in aircraft and associated assets over the next 6 years
- > Includes progress payments on aircraft
- > Assumes NZD/USD = 0.7500
- > Excludes capitalised maintenance of approximately \$65m p.a. and non-aircraft capital commitments

Aircraft deliveries	FY15	FY16	FY17	FY18	FY19	FY20
Boeing 787-9	2	3	2	3	1	-
Airbus A320	4	2	-	-	-	-
ATR72-600	3	5	1	-	-	-
Airbus A320/A321 NEO*	-	-	-	3	6	4
Boeing 777-300**	1	-	-	-	-	-

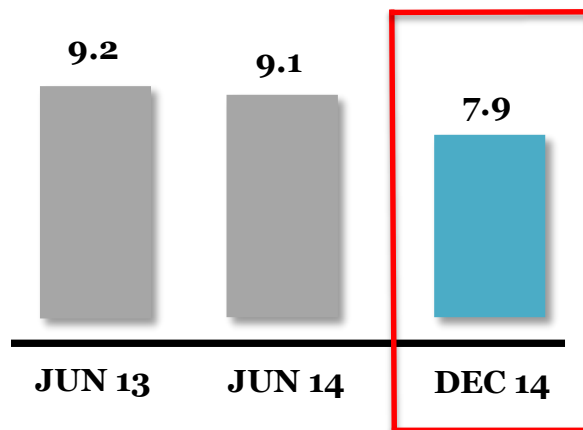
* Committed orders

** Aircraft on operating lease

Fleet update



Average fleet age in years
(seat weighted)



<u>Projected jets in service</u>	FY15	FY16	FY17	FY18	FY19	FY20
Boeing 777-300ER	7	7	7	7	7	7
Boeing 777-200ER	8	8	8	8	8	8
Boeing 787-9	3	6	8	11	12	12
Boeing 767-300	5	4	2	-	-	-
Airbus A320	26	28	28	22	15	15
Airbus A320/A321NEO*	-	-	-	6	13	13
Boeing 737-300	2	-	-	-	-	-

* Reflects timing of aircraft expected to be sourced through operating leases that may substitute current purchase commitments

Jet fuel



- > Price drop largely the result of structural changes to global jet fuel market.
- > Average jet fuel price per barrel **down 13%** (in USD terms) for 1H15, partially offset by hedge losses of **\$26 million**.
- > Benefits from lower jet fuel price will accrue more in 2H15, albeit some of this will be offset by weaker NZD.
- > Hedging programme gives us time to adjust
 - Typically around 75% hedged for next 6 months
 - 2H15 is **62% hedged**

Jet fuel price benefits going forward



- > Based on current jet fuel prices the impact of the reduction in jet fuel prices on the 2H15 compared to the 1H15 is **\$148 million**. This price impact is offset by an increase in hedge losses of **\$66 million** giving a net improvement of **\$82 million***.
- > Based on current jet fuel prices the impact of the reduction in jet fuel prices on FY16 compared to FY15 is **\$151 million**. This price impact is improved by a decrease in hedge losses of **\$98 million**, giving a net improvement of **\$249 million***.
- > Jet fuel cost will also be affected by the impact of changes in foreign currency rates to the extent that these are not hedged, and changes in the volume of fuel purchased.
- > The above numbers assume Singapore Jet Fuel being at **US\$76**.

* The above analysis does not include the impact of any changes to the competitive environment that may be brought about by lower fuel prices.

Currency



- > 2H15 is **94% hedged** at **0.8452**
- > 1H16 is **80% hedged** at **0.8175**



Outlook



- > In November we stated that should the then current level of jet fuel price persist, there would be a significant additional improvement in earnings in the second half of the financial year.
- > Fuel prices are lower than in November and the sales momentum has been maintained, further strengthening the company's earnings outlook for the current year and beyond.





Supplementary slides

Financial overview



	Dec 2014	Dec 2013	\$ movement	% movement
Operating revenue	\$2,403m	\$2,324m	\$79m	3%
Normalised earnings before taxation	\$216m	\$180m	\$36m	20%
Statutory earnings before taxation	\$197m	\$198m	(\$1m)	(1%)
Statutory net profit after taxation	\$133m	\$141m	(\$8m)	(6%)
Operating cash flow	\$378m	\$300m	\$78m	26%
Net cash position*	\$1,265m	\$1,234m	\$31m	3%
Gearing*	51.6%	42.9%	n/a	(8.7 pts)
Interim dividend**	6.5 cps	4.5 cps	2.0 cps	44%

* Comparative is for 30 June 2014

** Fully imputed

Fuel hedging*



		Volume (bbls)	Ceiling (USD)	Floor (USD)	Strike price (USD)
FY15 H2	WTI swaps	175,000	94.74		
	Brent collars	1,675,000	106.02	97.60	
	WTI collars	537,500	88.38	80.60	
	Bought Brent puts	612,500			89.29
FY16 H1	WTI swaps	25,000	94.74		
	Brent collars	162,500	102.33	95.71	
	WTI collars	512,500	82.52	75.22	

* Fuel hedge position as at 13 February 2015

Normalised earnings reconciliation



	Dec 2014	Dec 2013
Earnings before taxation (per NZ IFRS)	\$197m	\$198m
<i>Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:</i>		
Fuel derivatives	\$17m	(\$18m)
Foreign exchange derivatives	\$2m	n/a
Normalised earnings* before taxation	\$216m	\$180m
Virgin Australia equity losses	\$14m	n/a
Normalised earnings* before Virgin Australia equity losses and taxation	\$230m	\$180m

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