AIR NEW ZEALAND

2015 Annual Results

26 August 2015

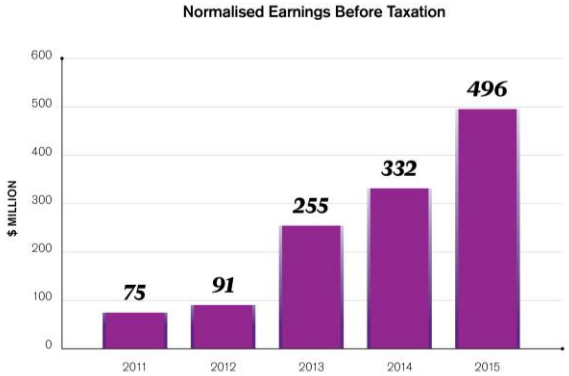
Christopher Luxon
CEO
Rob McDonald
CFO

A STAR ALLIANCE MEMBER ™

The year in review

Another year of earnings growth:

- Normalised earnings* before taxation ***$496 million,*** up 49.4%
- Statutory net profit after taxation ***$327 million,*** up 24.3%
- Very strong operating cash flow ***$1.1 billion,*** up 50.7%



Normalised earnings before Virgin and taxation ***$525m*** → Share of loss in Virgin ***($29m)*** → Normalised earnings before taxation ***$496m*** → Hedge timing ***($22m)*** → Taxation ***($147m)*** → Statutory net profit after taxation ***$327m***

* 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.

Key drivers in our record result

- Capacity and demand strong – ***ASKs and RPKs both up 6.6%***
- Operating revenue ***$4.9 billion, up 5.9%***
- Passenger revenue ***up 6.8%*** ahead of capacity growth
- Cargo revenue strong ***up 10.5%***
- Simplification of the business, accelerate growth and take advantage of economies of scale to drive out costs
- Lower fuel cost despite increased capacity due to lower fuel prices and increased fleet efficiencies

Capacity and Demand up 6.6%

Passenger numbers up 4.2%

Yield up 0.9%*

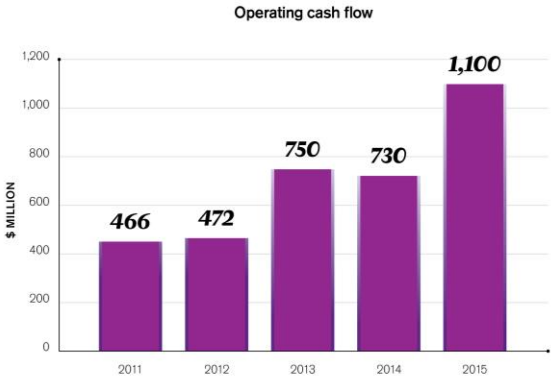
Passenger revenue up 6.8%

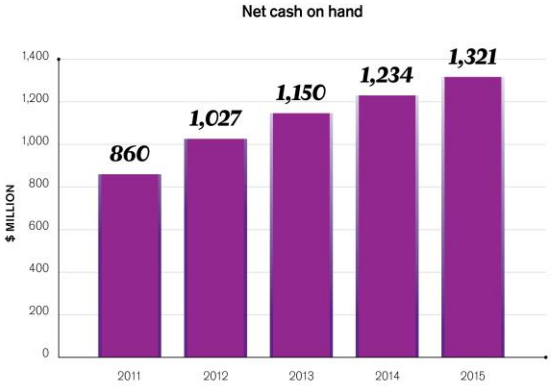
Cargo revenue up 10.5%

* Excluding the impact of foreign exchange

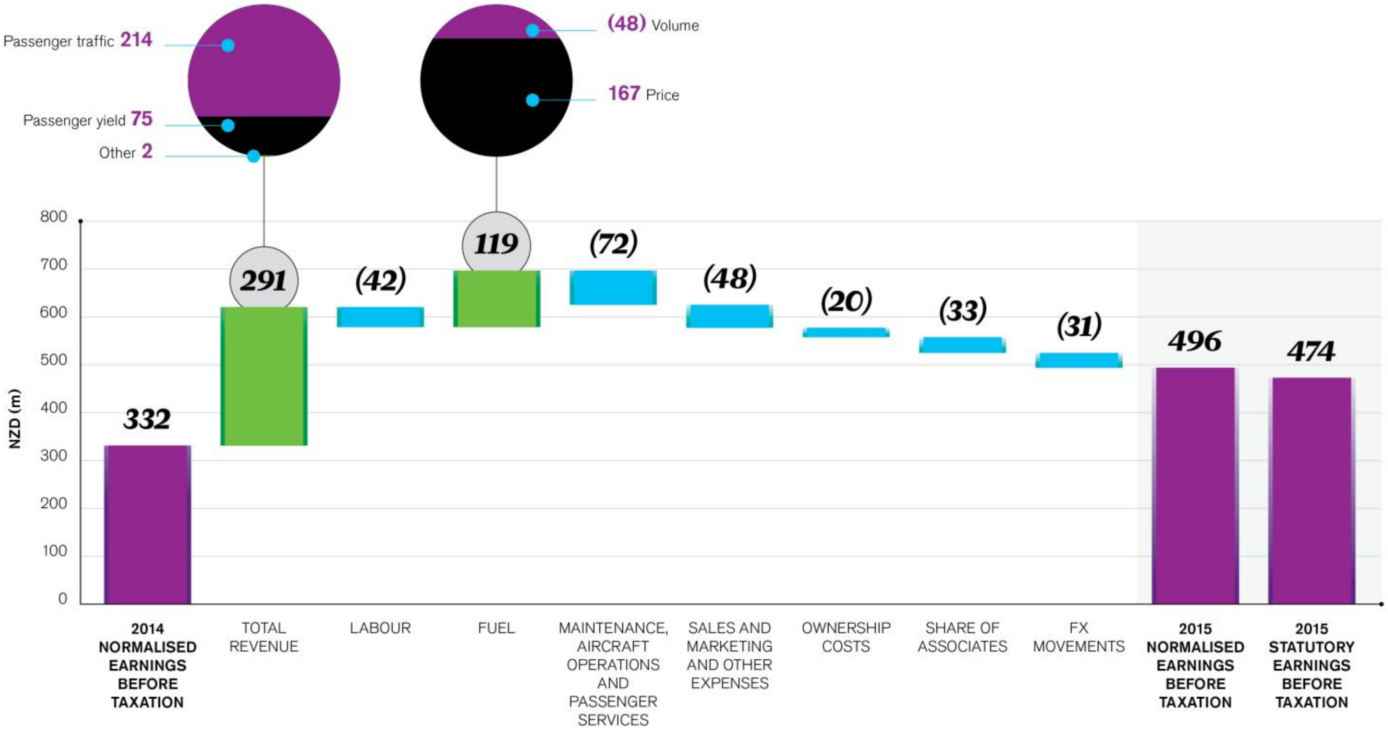
Record operating cash flow

- Operating Cash Flow ***$1.1 billion***, up ***$0.4 billion***
- Increase of ***50.7%***
- Strong cash flows allowed for the early repayment of borrowings
- Advance payments on aircraft of $162 million to take advantage of additional credits made available





Changes in profitability



Domestic

- Capacity growth ***3.8%***
- Replacement of B737-300 with larger A320 aircraft and additional ATR72s
- Strong performance on our domestic network with demand outstripping capacity – filling capacity and growing yields
- On time performance (OTP) was world class at ***90.0%*** for domestic jet and ***89.2%*** for regional turboprop aircraft for the 12 months to June 2015

	June 2015	June 2014	Movement*
Passengers carried ('000s)	9,246	8,920	3.7%
Available seat kilometres (ASKs, millions)	5,592	5,385	3.8%
Revenue passenger kilometres (RPKs, millions)	4,561	4,370	4.4%
Load factor	81.6%	81.1%	0.5 pts
Yield (cents per RPK)	28.6	27.9	2.5%**

* Calculation based on numbers before rounding
** Excluding the impact of foreign exchange, Domestic yield increased by 2.7%

Tasman & Pacific Islands

- Overall capacity growth of ***2.5%*** with Pacific Island routes growing ***7.5%***
- Increased utilisation of wide-body aircraft on Sydney, Brisbane, Melbourne, Perth, Nadi – including introduction of Premium Economy from October 2015
- Virgin Australia alliance continues to improve customer proposition and provides Air New Zealand with increased market share on the Tasman and reach into the Australia domestic markets
- International short-haul on time performance (OTP) ***84.0%*** for the 12 months to June 2015

	June 2015	June 2014	Movement*
Passengers carried ('000s)	3,388	3,277	3.4%
Available seat kilometres (ASKs, millions)	10,888	10,622	2.5%
Revenue passenger kilometres (RPKs, millions)	9,184	8,858	3.7%
Load factor	84.4%	83.4%	1.0 pts
Yield (cents per RPK)	11.9	11.7	1.5%**

* Calculation based on numbers before rounding
** Excluding the impact of foreign exchange, Tasman & Pacific Islands yield increased by 3.1%

International

- Significant growth on international routes with capacity up ***10.0% - H1 1.2%, H2 18.7%***
- Second half growth includes recommencement of operations to Singapore
- Increased capacity from additional North America and Japan services and deployment of B787-9 on Auckland to Shanghai
- International long-haul on time performance (OTP) ***79.5%*** for the 12 months to June 2015

	June 2015	June 2014	Movement*
Passengers carried ('000s)	1,663	1,522	9.3%
Available seat kilometres (ASKs, millions)	19,121	17,389	10.0%
Revenue passenger kilometres (RPKs, millions)	16,189	14,850	9.0%
Load factor	84.7%	85.4%	(0.7) pts
Yield (cents per RPK)	10.6	10.7	(1.3)%**

* Calculation based on numbers before rounding
** Excluding the impact of foreign exchange, International yield decreased by 0.8%

Cargo

- Strong volume and revenue growth
- Capacity increases and new routes allowed for increased volume
- Growth particularly strong on Pacific long-haul and into Asia and the introduction of Singapore route

Revenue up 10.5%*

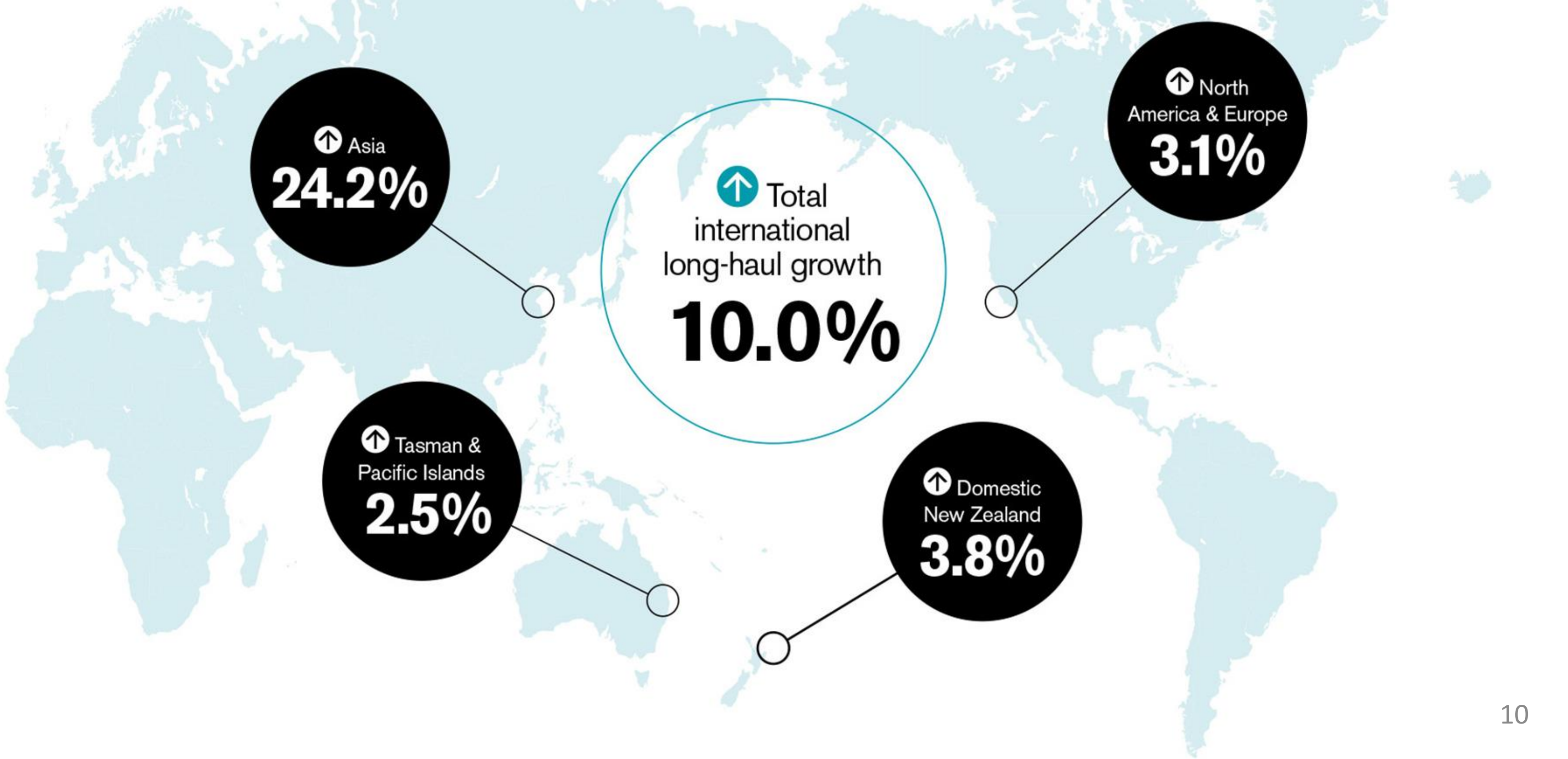
Volume up 11.2%

Yield down 0.7%*

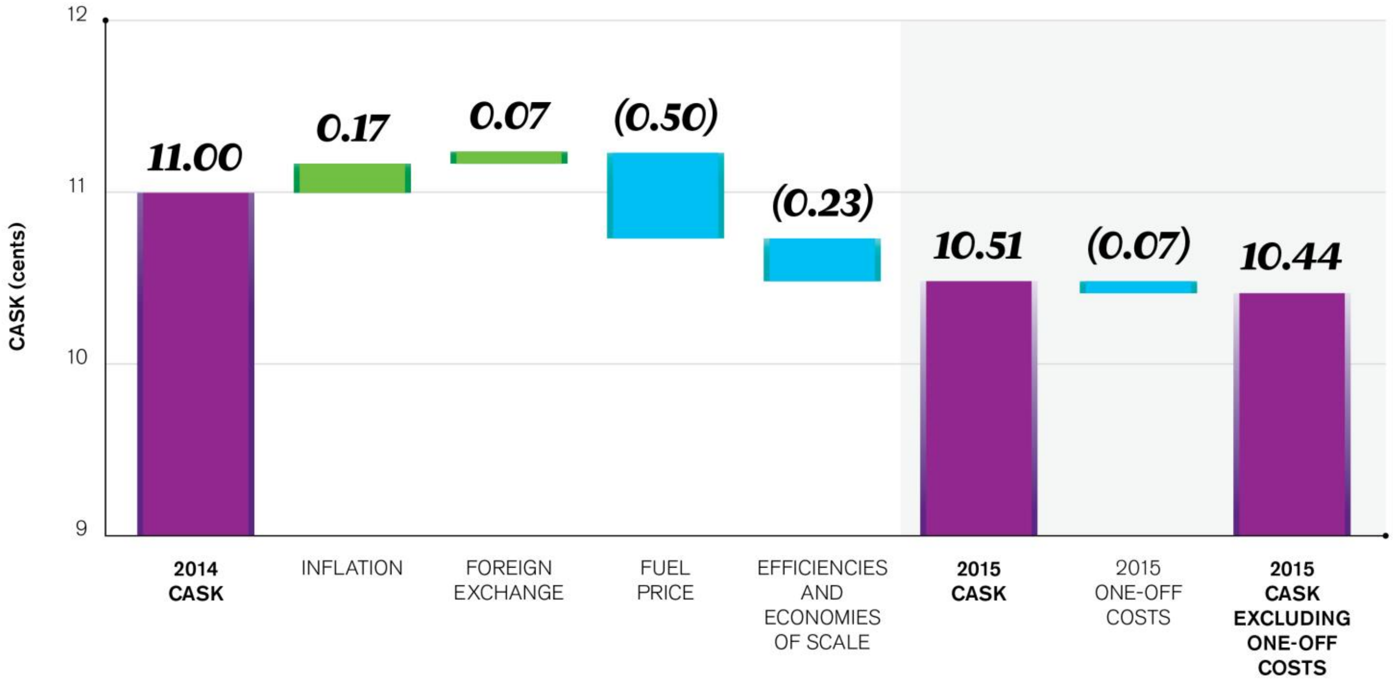
* Excluding the impact of foreign exchange, cargo revenue was up 8.4%, and yield was down 2.8%

FY15 capacity increased 6.6%

1st half = 1.7%, 2nd half = 11.6%



Reduction in CASK delivers $174m of value

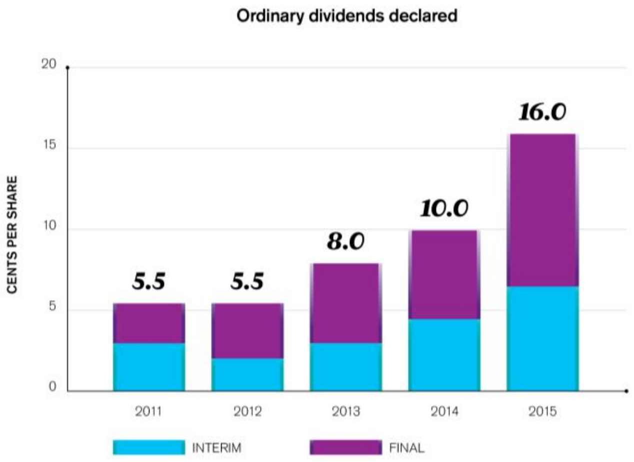


Virgin Australia investment

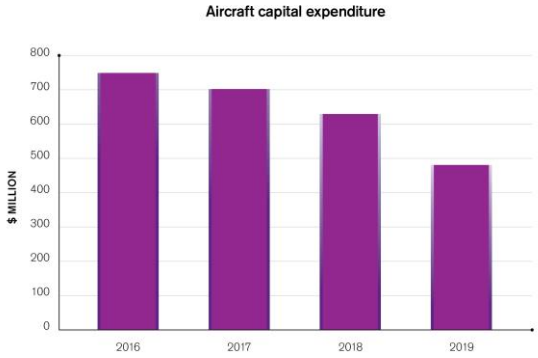
- Improved result in 2015
- Impact on Air NZ results is equity accounted loss of NZ$29 million
- Strong improvement and turnaround in performance of Domestic and Tiger
- Domestic network seeing positive yield growth, a market leader in On Time Performance and achieving record customer satisfaction
- Cost savings programme tracking ahead of plan to reach A$1.2 billion cost savings by 2017
- Based on current market conditions, Virgin Australia expects to return to profitability for 2016

Financial management

- Net cash on hand of ***$1.3 billion,*** up 7.1%
- Gearing moved up to ***52.4%,*** up from ***42.9%*** in prior year – due to additional debt and FX offset by profitability
- Fully imputed final ordinary dividend of ***9.5*** cents per share, an increase of ***72.7%*** on prior year's ordinary final dividend
- 2015 full year ordinary dividend of ***16.0*** cents per share, an increase of ***60.0%*** on prior year's ordinary dividends
- Upgrade to our Moody's credit rating from Baa3 to ***Baa2*** (stable outlook), one of the highest ratings in the aviation sector



Aircraft capital expenditure

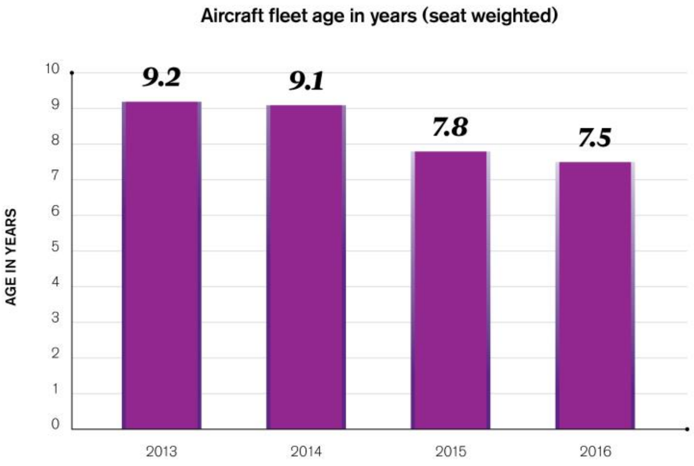


- Investment of ***$2.6 billion*** in aircraft and associated assets over the next 4 years
- Includes progress payments on aircraft
- Assumes NZD/USD = 0.66
- Excludes capitalised maintenance of approximately $79 million p.a. and non-aircraft capital commitments

Aircraft deliveries	2016	2017	2018	2019
Boeing 787-9	3	3	2	1
Airbus A320	3	-	-	-
ATR 72-600	6	2	-	-
Airbus A320/A321 NEO – Owned*	-	-	3	5
Airbus A320/A321 NEO – Leased	-	-	3	2

* Excludes orders of up to five A320/A321 NEOs with purchase substitution rights

Fleet update



Projected aircraft in service	2016	2017	2018	2019
Boeing 777-300ER	7	7	7	7
Boeing 777-200ER	8	8	8	8
Boeing 787-9	6	9	11	12
Boeing 767-300ER	4	2	-	-
Airbus A320	29	29	24	16
Airbus A320/A321 NEO*	-	-	6	13
ATR 72-600	12	14	14	14
ATR 72-500	11	11	11	11
Bombardier Q300	23	23	23	23
Beech 1900D	3	-	-	-

* Excludes orders of up to five A320/A321 NEOs with purchase substitution rights

Strategic Update

Value creation through growth

OUR STRATEGIC PRIORITIES

Realign our business for growth

MARKETS	**Grow** and develop markets **Grow** contribution from alliance partners
EFFICIENCY	**Grow, simplify** and **modernize** our fleet **Simplify** our business to drive down cost
CUSTOMER	**Grow** a consistent and personalised customer experience
PEOPLE	**Grow** high performance culture and capability
TECHNOLOGY	**Unleash** digital transformation

2014 2015

Grow and develop our markets

- Grow total capacity 11% in FY16 – 8% growth in domestic and 15% international
- Entry into South America
- Grow North America
- Expanding presence in Australia and Asia
- New routes to Buenos Aires and Houston
  - Both routes operating on our refurbished Boeing 777-200 aircraft
  - Advance sales on both routes have been going well
- Increasing network reach through alliance partners
- Continually investigating new markets

Efficiency

- Invest in modern, fuel efficient aircraft – seat weighted average fleet age down to 7.5 years in 2016
- Reduce number of fleet types:
  - Boeing 747s exited, last two Boeing 737s leave the fleet in Sept 2015, commenced exit of Beech 1900, Boeing 767s exit from March 2016
  - All A320 narrow-body fleet, five Boeing 787-9 delivered
- Leverage growth to achieve economies of scale
- Simplify the business to improve operational efficiencies
- Targeting further reduction in nominal CASK (excluding fuel price)
- Focus on the core with sale of non-core businesses – Altitude, Safe Air, TAE

Grow a consistent and personalised customer experience

- Invest for world class customer experience:
  - Configure our inflight product to what customers value
  - Upgrade our airport lounges – a four year lounge programme of around $100 million of which we are a quarter of the way through
  - Improved seamless check-in facilities
- All contributing to an award winning airline – Skytrax and airlineratings.com
- Dedicated customer innovation function
- Deliver our customers a consistent personalised experience across the entire journey
- Increasing Airpoints loyalty membership up 17% to 1.9 million members

Grow high performance culture and capability

- Attract the best people to be part of our winning team
- Strong brand and corporate reputation
- Investment in our people’s development to drive performance, lift engagement and improve capability across the business
- Top quartile of companies in Australasia for employee engagement*
- Development of High Performance Engagement Charter with our employee representatives
- Establishment of a Company Performance Bonus to share the rewards with our employees in periods of outstanding financial success

* as demonstrated by our 2015 employee engagement survey through Aon Hewitt

Unleash digital transformation

- Aim to create a leading digital organisation in Australasia and to be one of the best digital airlines globally
- A new Chief Digital Officer executive role and function has been created
- Objective to unleash digital transformation for our customers, sales channels and internal operations
- Invested in data analytics including joint venture with global loyalty analytics company, Aimia
- Our capital spend on technology has increased 50% in the last 3 years

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FY2016 Outlook

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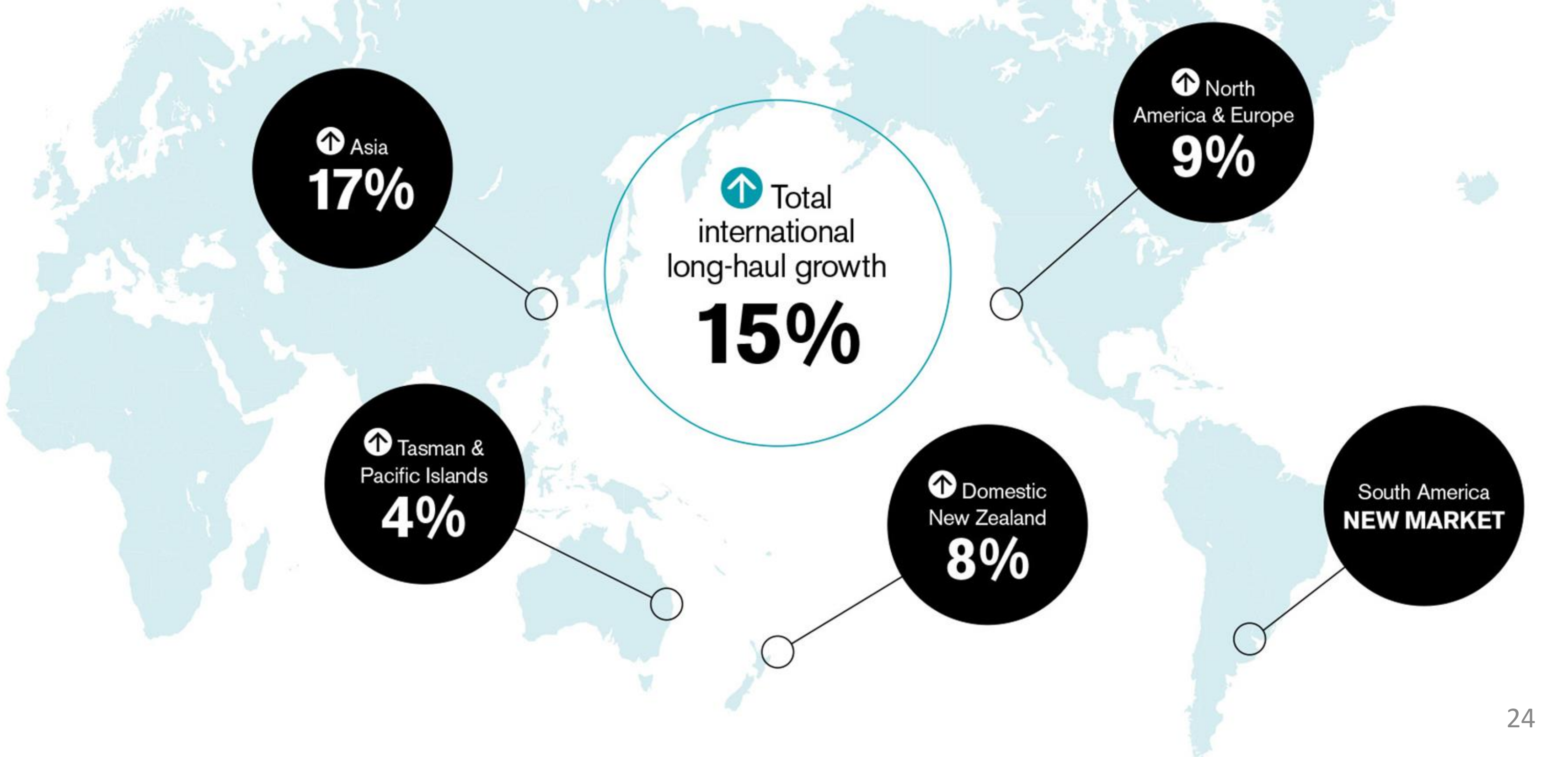
FY16 capacity increasing 11%

1st half = 16%, 2nd half = 5%



Jet fuel and currency

Jet Fuel

- Average jet fuel price per barrel, including hedging, was ***down 14%*** (in USD) in FY15.
- Based on US$60 Singapore jet fuel price, the impact of the reduction in jet fuel prices on FY16 compared to FY15 is ***$293 million.*** This price impact is improved by a decrease in hedge losses of ***$70 million,*** giving a net improvement of ***$363 million***.
- 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.

Currency

- Currency hedging in FY16 is ***92%*** hedged USD/NZD exposure at ***0.777***.
- At current rates, the negative impact of changes in foreign currency rates on 2016 versus 2015 would be around $80 million, including current hedges.
- Current hedges in place for FY16 are forecast to deliver $115 million benefit.

Outlook – FY2016

- We look forward to an exciting year ahead with 11% planned capacity growth including two new international destinations and substantial domestic growth
- Given the current known operating environment, along with our increased capacity and improved operating efficiencies, we expect to achieve significant earnings growth in the coming year
- This guidance excludes equity earnings from our investment in Virgin Australia

Thank you

Supplementary slides

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Financial overview

	June 2015 $M	June 2014 $M	Movement $M	Movement %
Operating revenue	4,925	4,652	273	5.9%
Normalised earnings before taxation	496	332	164	49.4%
Statutory earnings before taxation	474	358	116	32.4%
Statutory net profit after taxation	327	263	64	24.3%
Operating cash flow	1,100	730	370	50.7%
Net cash position	1,321	1,234	87	7.1%
Gearing	52.4%	42.9%	n/a	(9.5 pts)
Final ordinary dividend*	9.5 cps	5.5 cps	4.0 cps	72.7%
Full year ordinary dividend*	16.0 cps	10.0 cps	6.0 cps	60.0%

* Dividends are fully imputed

Normalised earnings reconciliation

	June 2015 $M	June 2014 $M
Earnings before taxation (per NZ IFRS)	474	358
Reverse movement on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	20	(23)
Foreign exchange derivatives	2	(3)
Normalised earnings* before taxation	496	332
Virgin Australia equity accounted losses	29	-
Normalised earnings* before Virgin Australia equity accounted losses and taxation	525	332

*Normalised earnings represents Earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding net movements 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.

Group performance metrics

Group	June 2015	June 2014	Movement*
Passengers carried ('000s)	14,297	13,719	4.2%
Available seat kilometres (ASKs, millions)	35,601	33,396	6.6%
Revenue passenger kilometres (RPKs, millions)	29,934	28,078	6.6%
Load factor	84.1%	84.1%	-
Yield (cents per RPK)	13.7	13.7	0.2%**

* Calculation based on numbers before rounding.
** Excluding the impact of foreign exchange, yield increased by 0.9%.

Fuel hedging *

		Volume (bbls)	Ceiling (USD)	Floor (USD)
FY16 H1	WTI swaps	25,000	94.74	-
	Brent collars	2,062,500	67.26	53.95
	WTI collars	512,500	82.52	75.22
FY16 H2	Brent collars	675,000	62.22	48.96

* Fuel hedging as at 14 August 2015