

# ANNUAL RESULTS

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2009

AIR NEW ZEALAND 





# HIGHLIGHTS



- Normalised earnings\* \$145m
- Net cash position of \$1.6bn
- Gearing improved 0.3 pts to 45.0%
- Effective capacity management
- Award-winning innovations
- Positive employee engagement
- Strong non-airline revenue growth

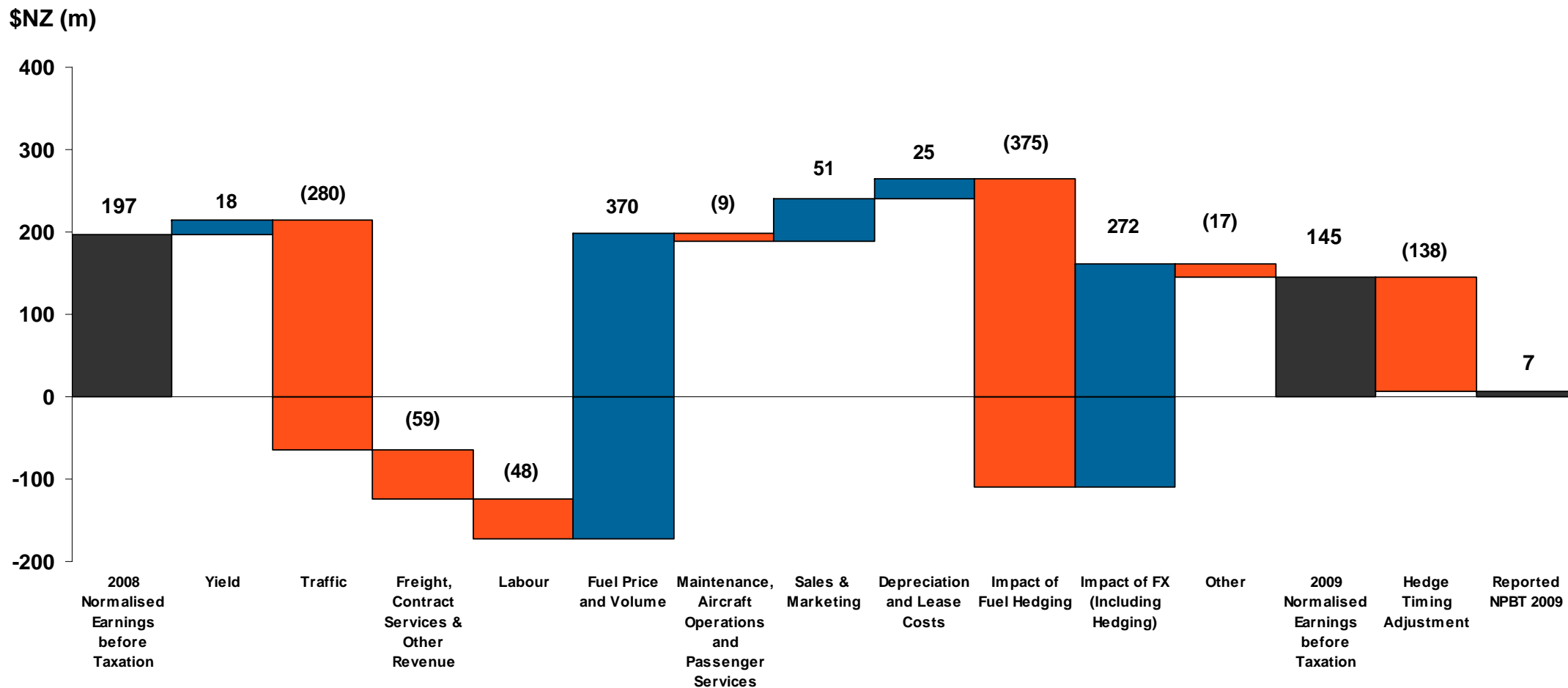
\* Normalised earnings before taxation after excluding the net impact of derivatives that hedge exposures in other financial periods



# MAIN DRIVERS

- Volatile foreign exchange rates and fuel prices
- Deterioration of demand for air travel
- Capacity reduction of 7.2% in response
- Increased competitor capacity on trans Tasman and trans Pacific

# KEY INFLUENCES ON PROFITABILITY





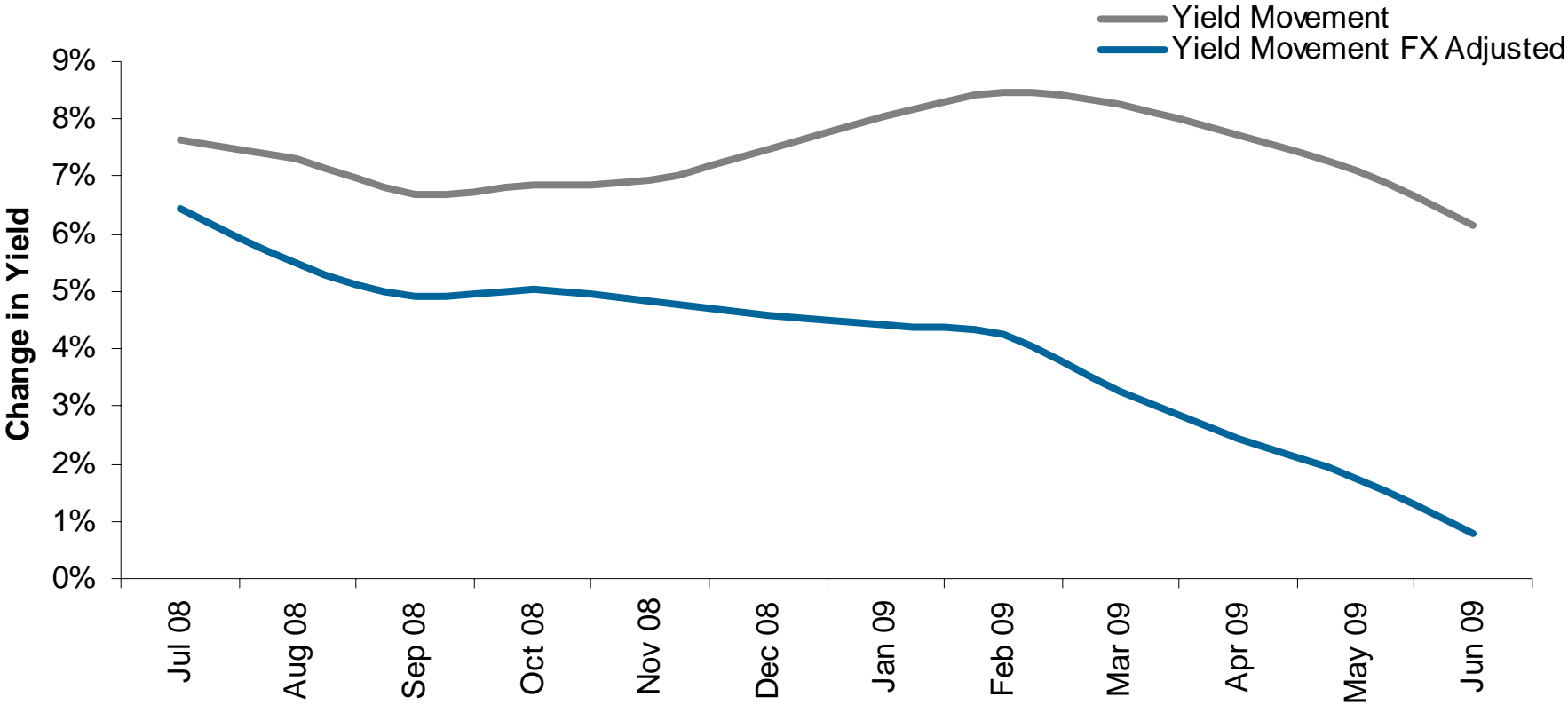
# COST INITIATIVES



- Reduced aircraft operations
- Fuel efficiency initiatives
- FTE reduced by 467\*
- Reduced hours working week offered
- Leave without pay initiative introduced
- Board, executive and management pay freeze
- Continuous cost management

\*excluding acquired businesses

# YEAR TO DATE YIELD MOVEMENTS





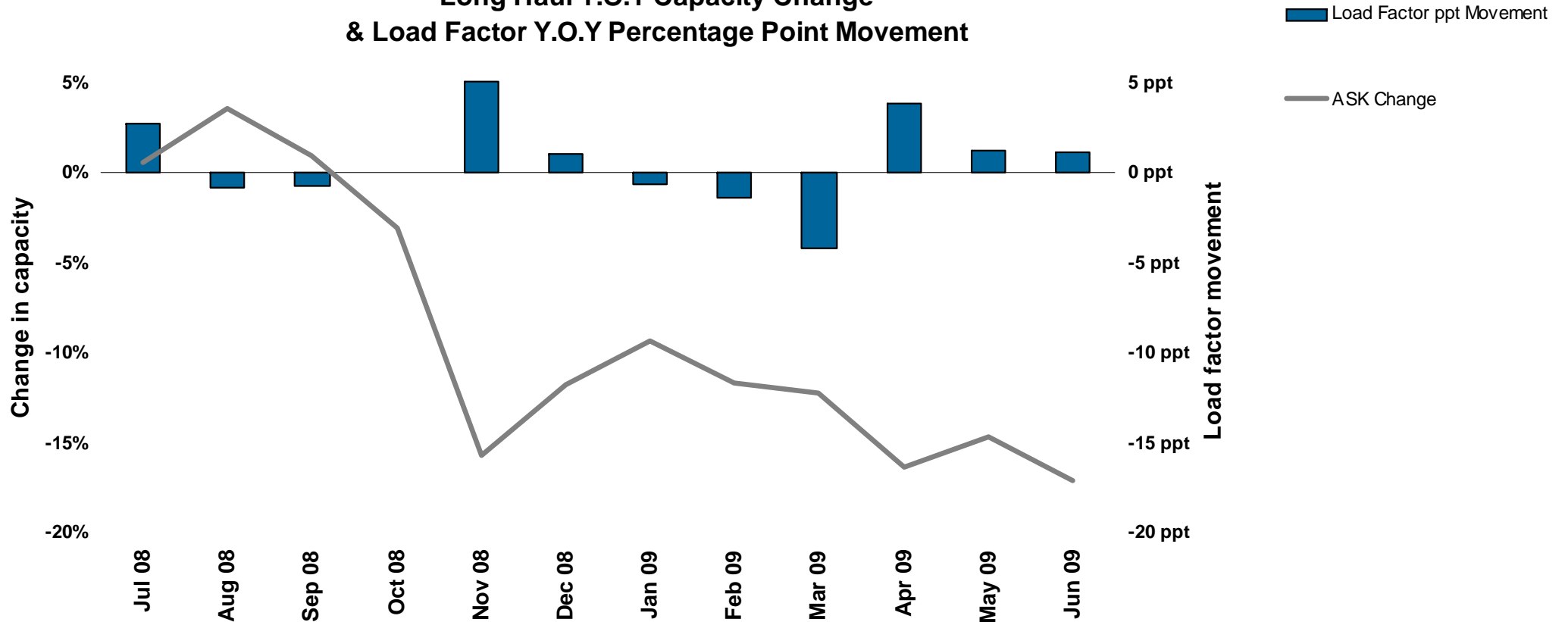
# LONG HAUL PERFORMANCE



- RPKs down 8.8%
- Capacity reduced by 9.4%
- Load factor up 0.6 percentage points to 81.6%
- Yield up 12.1%
- Weaker NZD increased revenues
- Influenza A (H1N1) impact
- Pacific Premium Economy expanded on the 777-200 fleet

# LONG HAUL CAPACITY MANAGEMENT

Long Haul Y.O.Y Capacity Change  
& Load Factor Y.O.Y Percentage Point Movement



- Capacity forecast for 2010 is 9% lower than 2009





# DOMESTIC PERFORMANCE



- Difficult economic conditions in regional New Zealand
- Decreased capacity by 4.1%
- Load factor up 0.4 of a percentage point
- RPKs down 3.7%
- Final two Q300 turbo props introduced to fleet
- Award-winning airport innovations
- Launched Masterton and Westport services
- Changing competitive dynamics



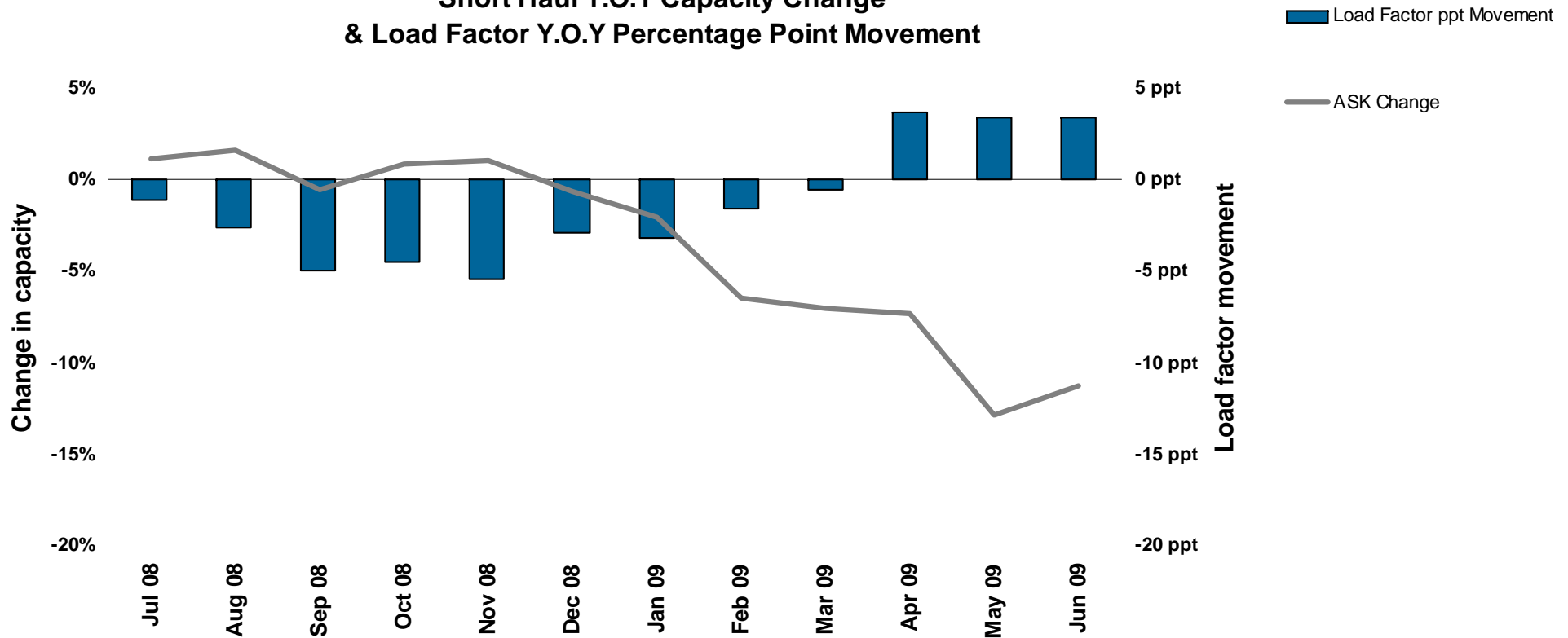
# TASMAN & PACIFIC ISLAND PERFORMANCE

- Reduced capacity by 3.9%
- Load factor down 2.4 percentage points
- RPKs down 6.8%
- IFE\* upgrade programme completed
- Trans-Tasman services from Hamilton ceased and Dunedin reduced
- Rotorua/Sydney service announced

\* Inflight entertainment

# SHORT HAUL CAPACITY MANAGEMENT

Short Haul Y.O.Y Capacity Change  
& Load Factor Y.O.Y Percentage Point Movement



- Capacity forecast for 2010 is 7% lower than 2009



# STRATEGIC PRIORITIES

- Optimising network and refreshing product offering
- Aligning supply to demand
- Developing long haul product for B777-300ER
- Evaluating narrow body fleet replacement options
- Maintaining our environmental leadership position
- Further development of Airpoints programme
- Increase focus on new media within marketing



# ENGINEERING

- Hangars remain full
- Gas Turbines profitable business
- Altitude Aerospace Interiors
- TAE, Masling and Tenix Aviation smoothly integrated



# ENVIRONMENT

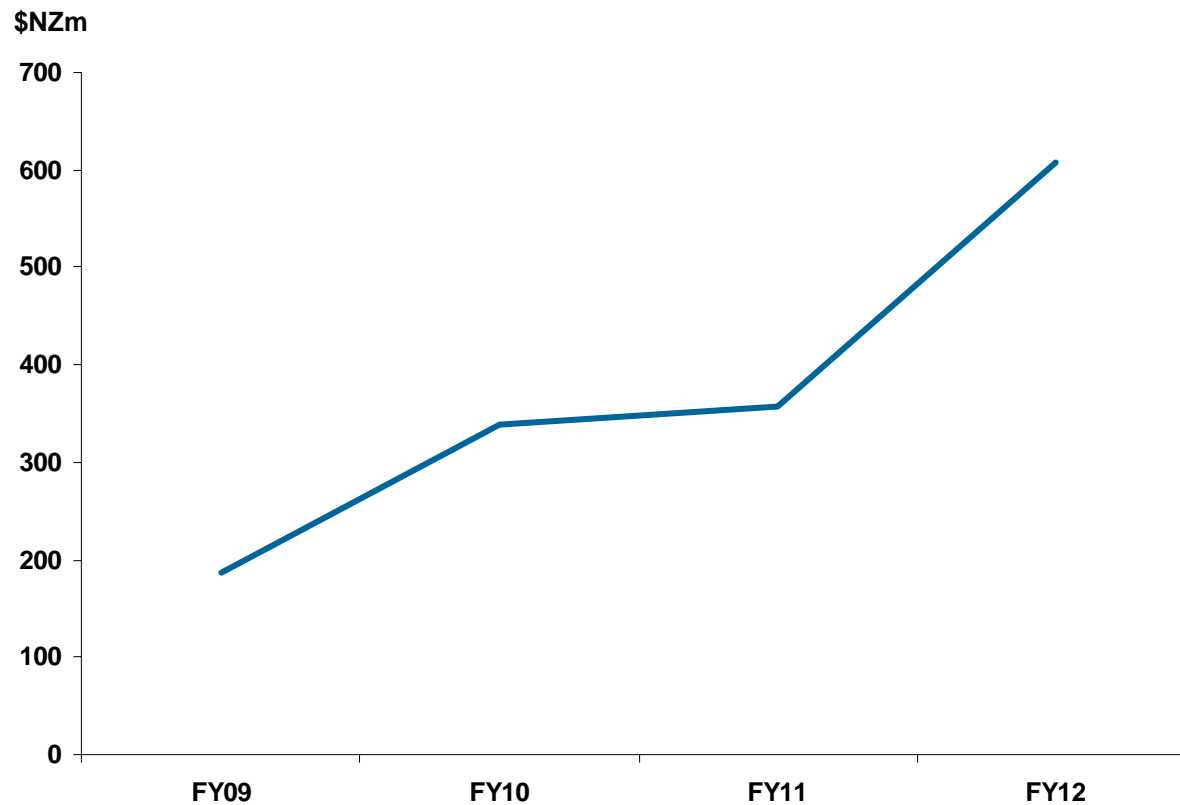
- Biofuels development focus continues
- Retrofitting winglets and zonal dryers
- Fuel efficient flight planning
- Environmental management system



# FINANCIAL MANAGEMENT

- \$1.6bn cash on balance sheet at year end
- Gearing 45.0%, 0.3 percentage point improvement
- Average fleet age of 7.4 years
- Moody's rating – Ba1 stable
- Final dividend at 3.5 cents per share

# AIRCRAFT CAPEX COMMITMENTS

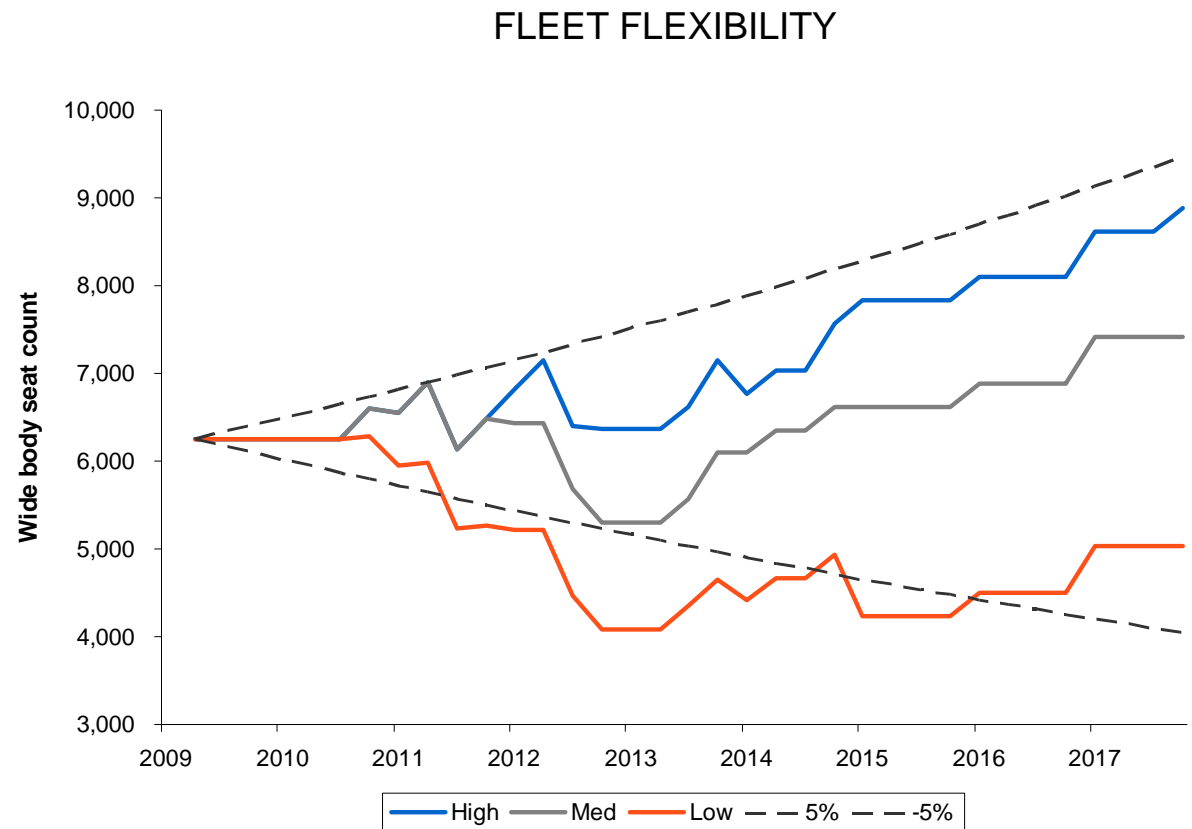


1. Includes progress payments on aircraft and is net of sale and lease back agreements
2. Assumes NZD/USD = 0.65
3. Assumption of 6 month delay for 787-9 aircraft
4. Excludes capitalised maintenance of approximately \$55m per annum and non aircraft capex



# FLEET FLEXIBILITY

- Two B747 aircraft sold and leased back
- RFP for narrow body fleet replacement issued
- Seven ATR72-500s to be purchased on expiry of lease
- First 777-300ERs begin arriving in November 2010
- Fleet flexibility maintained



- Assumes 6 month delay on Boeing 787-9 aircraft



## FUEL HEDGING\*

- The first half of FY10 is 80% hedged. The average ceiling price of the Singapore Jet hedge is US\$70.78 per barrel. The average ceiling price of the WTI crude oil hedge is US\$65.08 per barrel.
- The second half of FY10 is 54% hedged with the average ceiling at US\$73.16 per barrel of WTI crude oil

\* Fuel hedge position as at 21 August 2009. Refer to separate fuel hedge disclosure.



# CURRENCY HEDGING

- 2010 US dollar operating cash flow exposure is approx. 88% hedged at an average NZ\$/US\$ rate of 0.69
- US\$322m of future capex commitments are hedged at NZ\$/US\$ rate of 0.73 (spot)



# OUTLOOK

- While demand is stabilising, yields remain under significant pressure, fuel prices have resumed an upward trend and we are unlikely to achieve the same level of net hedging gains
- The same agility displayed in the 2009 financial year will be imperative throughout the next year



# SUPPLEMENTARY INFORMATION

- Financial overview
- Normalised Earnings
- Group operating statistics
- Long haul operating statistics
- Short haul operating statistics
- New aircraft arrivals
- Current operating fleet

# FINANCIAL OVERVIEW

	June 2009	June 2008	Dollar movement	Percentage movement
Operating revenue	\$4,609m	\$4,667m	\$(58)m	(1.2%)
Normalised earnings*	\$145m	\$197m	\$(52)m	(26.4%)
Net profit after tax	\$21m	\$218m	\$(197)m	(90.4%)
Adjusted operating cash flow	\$355m	\$662m	\$(307)m	(46.4%)
Net cash	\$1,573m	\$1,289m	\$284m	22.0%
Gearing	45.0%	45.3%	N/A	0.3 pts
Annual dividend	6.5 cps	8.5 cps	(2.0)cps	(23.5%)

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

# NORMALISED EARNINGS

	June 2009	June 2008
Earnings before Taxation	\$7m	\$304m
Reverse net (gains) / losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	\$130m	\$(129)m
Foreign exchange derivatives	\$9m	\$20m
Interest rate derivatives	\$(1)m	\$2m
Normalised Earnings before Taxation	\$145m	\$197m

# GROUP OPERATING STATISTICS

	June 2009	June 2008	Movement*
Passengers carried	12.4m	13.2m	(6.1%)
Available seat kilometres (ASKs)	34,316m	36,991m	(7.2%)
Load factor	79.0%	79.3%	(0.3)pts
Yield (cents per RPK)	13.8	13.0	6.2%

\* Calculations based on numbers before rounding



# LONG HAUL OPERATING STATISTICS

	June 2009	June 2008	Movement*
Passengers carried	1.8m	2.0m	(9.8%)
ASKs	20,150m	22,243m	(9.4%)
RPKs	16,432m	18,015m	(8.8%)
Load factor	81.6%	81.0%	0.6 pts

\* Calculations based on numbers before rounding

# SHORT HAUL OPERATING STATISTICS

	June 2009	June 2008	Movement*
Passengers carried	10.6m	11.2m	(5.5%)
ASKs	14,166m	14,748m	(3.9%)
RPKs	10,680m	11,334m	(5.8%)
Load factor	75.4%	76.9%	(1.5) pts

\* Calculations based on numbers before rounding

# NEW AIRCRAFT ARRIVALS

Aircraft Type	FY10	FY11	FY12	FY13	FY14
Boeing 777-300ER	-	3	2	-	-
Boeing 787-9 *	-	-	-	-	4

\* Assumed 6 month delay on Boeing 787-9 aircraft

# CURRENT OPERATING FLEET

Aircraft Type	June 2007	2008 movement	June 2008	2009 movement	June 2009
Boeing 747-400	8	-	8	(1)	7
Boeing 777-200ER	8	-	8	-	8
Boeing 767-300ER	6	(1)	5	-	5
Airbus A320-200	12	-	12	-	12
Boeing 737-300	14	2	16	-	16
ATR 72-500	11	-	11	-	11
Saab 340A	3	(3)	-	-	-
Bombardier Q300	16	5	21	2	23
Beech 1900D	17	-	17	1	18
<b>Total operating fleet</b>	<b>95</b>	<b>3</b>	<b>98</b>	<b>2</b>	<b>100</b>

