AIR NEW ZEALAND

ANNUAL SHAREHOLDER REVIEW

2014

A STAR ALLIANCE MEMBER

A PLATFORM FOR GROWTH

Air New Zealand's normalised earnings[1] before taxation for the 2014 financial year were $332 million – an increase of 30 percent on the previous year.

Statutory earnings before taxation were $357 million, an increase of 40 percent, while statutory profit after taxation was $262 million. Operating cash flow was again strong at $730 million.

This represents the third consecutive year of earnings growth, and is a result that we can all be proud of. Our employees, our customers and importantly, our shareholders can be confident that Air New Zealand continues to be a world leading airline both in terms of customer experience and financial performance.

We have made significant progress on our key strategic initiatives. With new aircraft offering better operating economics, an optimised network with the right alliance partners, disciplined cost management and a daily focus on improving the customer experience, we are well positioned to continue growing.

Normalised earnings before taxation up **30%**

Liquidity of **$1.23b**

Gearing of **42.9%**

Ordinary dividends for the year of **10** cents per share

Special dividend of **10** cents per share

The company's balance sheet is in excellent shape with gearing below our target range at 42.9% and strong liquidity at $1.23 billion. Our continuing fleet renewal programme means that capital expenditure will be elevated in the coming years. But with strong operating cash flows and favourable access to financial markets, together with our investment grade credit rating, liquidity is expected to remain robust.

The performance has been reflected in the share price increasing by 40 percent over the 12 months, seeing us outperform the NZX50 as well as the Asia Pacific regional and World airline indices.

With improved earnings and confidence in the medium term outlook, the Board has declared a fully imputed final dividend of 5.5 cents per share. This brings the total ordinary dividends declared for the year to 10 cents per share, an increase of 25% on last year.

In addition, the Board has declared a fully imputed special dividend of 10 cents per share following a review of the company's capital structure and consideration of the current and expected medium term liquidity and gearing.

In June we welcomed Linda Jenkinson to the Board. Linda is a world class Kiwi entrepreneur who has started several successful businesses, and is now best known as Chair of Les Concierges, the San Francisco based global travel company that she co-founded. We look forward to Linda's valuable contribution to the Board.

Dr Jim Fox will retire from the Board on 31 August, and I would like to acknowledge his significant contribution since being appointed in 2006. Jim's successful business career and strong commercial instincts have enabled him to provide unique perspectives during his time with us. Thank you Jim.

The coming year will see us significantly grow capacity as new aircraft arrive. As we continue to deliver on our strategic priorities, and based on our current expectations of market demand and fuel prices, we expect to improve on the 2014 result in the coming year. This outlook excludes equity earnings from the Virgin Australia shareholding.

Tony Carter
Chairman

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1. 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 annual financial statements and is subject to review by the Group's external auditors.

COVER IMAGE | NICHOLAS YOUNG – NICK YOUNG PHOTOS

EXCITING TIMES AHEAD

I am pleased to be able to report another strong result for Air New Zealand.

This is testament to the efforts of our team of Air New Zealanders at all levels of the organisation, who are demonstrating their passion and commitment to ensuring that the airline is performing better than ever before. I would also like to thank our customers and our shareholders, without whose support this result would not have been possible.

Our Operating revenue, capacity and yield all grew while unit costs remained stable.

Under our Go Beyond plan, which was unveiled almost two years ago, we identified the four pillars to drive Air New Zealand's future success: customers at the core, execute the plan, be fighting fit and have a winning team. I believe that it is important to constantly remind ourselves of what we're working towards, and planning how to get there.

Our success is underpinned by hard work and tough decisions undertaken in recent years. We have strong foundations in place and we are ready to keep driving forward and further improve our performance.

CHRISTOPHER LUXON | CHIEF EXECUTIVE OFFICER

A successful Air New Zealand is good for everyone.

It is a virtuous circle. As we grow our revenue and control costs, we generate strong financial results.

This leads to sustainable returns to shareholders and investment back in the business, creating a stronger Air New Zealand.

The year finished on a very exciting note as we took delivery of our first Boeing 787-9 Dreamliner aircraft, the first of its type in the world. This aircraft is without question a gamechanger.

We are able to offer our customers an improved inflight experience while benefiting from 20% less fuel consumption than comparable aircraft. On the following pages we highlight what these improvements will mean for the airline and our customers.

The effort required to bring a new innovative aircraft such as this into service is significant, with the planning and preparation having started a decade ago. We are very pleased with the result and look forward to deploying the aircraft on regular services in the coming months.

Our regional Domestic network provides one of the best offerings in the world. Our modern turboprop fleet allows us to viably operate into smaller population centres, providing a link for those communities and a seamless experience for our customers who are connecting from larger hubs.

One of my priorities this year has been to proactively engage with our regional communities to better understand their needs, and importantly, how they perceive our service.

I have met with Mayors, Chambers of Commerce, Airport Management and local business leaders. Through this I have gained a much better understanding of what we are doing well, as well as what we can be improving on. We are demonstrating our commitment to the regions with four new ATR72-600 aircraft added to the fleet. On the jet routes, our new Airbus A320 aircraft continue to replace the older Boeing 737-300s. The A320s bring improvements to the customer experience and offer improved operating economics.

We recently announced our new Domestic pricing structure, with four options tailored to what customers value and offering increased flexibility. This was developed following focused feedback sessions with customers, and it is pleasing to see the positive reviews.

Our Tasman routes continue to perform well. While the lower Australian dollar has impacted revenue, we continue to see areas of growth and opportunity. Together with our alliance partner Virgin Australia we offer a deep network schedule and our Seats to Suit product ensures that we are well placed to serve all segments of this important market – from the early morning business traveller to leisure travellers flying during the day, we have a product that is in demand.

We recently announced an order for new generation Airbus A320 and A321 NEOs to replace our current Airbus aircraft on Tasman and Pacific Islands routes commencing in 2017. While the existing aircraft are still relatively young, we see real benefits from the improved operating economics that come with these new generation aircraft.

Customers are increasingly benefiting from being able to seamlessly connect from regional New Zealand to regional Australia and everywhere in between as a result of the Virgin Australia alliance.

Our long haul international network continues to go from strength to strength. After an extended period during which we have had limited growth, our new aircraft deliveries are allowing us to grow capacity in markets where we see strong demand. We are now beginning to see material benefits of the simplification and modernisation of our fleet. We have taken delivery of the first of two additional leased Boeing 777-300ERs. These aircraft are well suited to the missions we fly on our long haul network and will be fully utilised alongside our new Boeing 787-9 aircraft to achieve our growth aspirations in the coming years.

Our retiring Boeing 747-400 and Boeing 737-300 aircraft have truly been workhorses of the fleet. Air New Zealand has operated variants of the 747 for 33 years, and variants of the 737 family for 45 years.

Our alliances allow us to offer better customer journeys across large interconnected networks. Our membership of Star Alliance connects us with 26 partner airlines, while our key bilateral alliances with Virgin Australia and Cathay Pacific give us global connectivity through an extended network, flying our customers into some of the world's largest airline hubs.

Earlier this year we announced an alliance with Singapore Airlines, in which we would resume flying our aircraft on the Auckland-Singapore route. I am pleased to report that the alliance has now been given the required regulatory approvals, both in New Zealand and Singapore. We expect this alliance to boost capacity between New Zealand and Singapore by around 30 percent over time, and we look forward to being able to connect our customers to Singapore Airlines' extensive network throughout the world.

Our cargo business has performed well, and continues to offer an effective network which is a key enabler for New Zealand's exporters.

Our shareholding in Virgin Australia has now increased to 25.99 percent and I have recently accepted a seat on their Board. While Virgin Australia's progress has been impacted by capacity increases outstripping market demand in domestic Australia, they have been steadily gaining market share, particularly in the corporate market which is a key element of their Game Change strategy. I look forward to working with other members of the Virgin Australia Board to further enhance that great business.

The year ahead

We have a lot to be excited about, as more new aircraft arrive and we continually enhance the experience for our customers and improve our network offering.

We have a number of initiatives underway to further improve the customer experience including the refurbishment of our Boeing 777-200ER fleet, the move to new terminals and lounges in Los Angeles and London, as well as multiple lounge upgrades across the network.

Next year is the 75th anniversary of Air New Zealand and we intend to celebrate the airline's proud history. From its beginnings as Tasman Empire Airways Limited (TEAL) in 1940, the company has had its share of ups and downs but it is hugely satisfying that as we reach this significant milestone, the airline is in a stronger position than ever before.

We remain very focused on continuing to build on our earnings momentum of the last three years.

Nothing is taken for granted, and we will be relentless in pursuing opportunities to further improve this iconic company for our investors, our customers and our people.

We have an exciting year ahead.

C. M. Luxon

Christopher Luxon
Chief Executive Officer

Boeing 787-9 Dreamliner

IT'S A GAMECHANGER

Next generation **carbon fibre** composite construction enables improved weight savings and aerodynamics

10 aircraft to join the fleet by late 2017

3 international routes confirmed:
Auckland – Perth
Auckland – Shanghai
Auckland – Tokyo

20% improvement in fuel efficiency compared to similar sized aircraft

30% Larger windows reveal extraordinary views and bathe the cabin in natural light

Cabin altitude is the equivalent of **6,000ft** instead of 8,000ft and features higher humidity for a more refreshing and comfortable flight experience

14 Rows of Economy Skycouch™ seats
18 Business Premier seats
21 Premium Economy seats
302 Total seats on board the aircraft

GROWTH AND MARKET DEVELOPMENT

Air New Zealand is ready to move into a sustained period of growth.

As new aircraft are delivered, we expect to grow capacity by six percent in the coming financial year and to average approximately five percent over the next five years.

We are adding capacity into all of our key markets.

Domestically we are growing through the introduction of new Airbus A320s replacing Boeing 737-300s, and in regional New Zealand we have moved up to ATR72-600 aircraft on a number of routes.

On the Tasman and Pacific Islands network we are upgauging to larger aircraft on key routes and continuing our popular seasonal services to Bali and the Sunshine Coast. We have also expanded our network with the introduction of Christchurch-Perth services.

In our International long haul network we have increased capacity into Tokyo, Shanghai and our North American routes. The recently approved alliance with Singapore Airlines will see our Pacific Rim focus come to life as we establish a major foothold in South East Asia. The relationship with Singapore Airlines provides us with an outstanding network throughout that region and into India, South Africa and Europe.

Similar deep partnerships we have with Virgin Australia and Cathay Pacific allow us to leverage the combined strength of our sales and distribution capability, while improving the customer proposition. The structure of these revenue share alliances creates a network that has strength and sustainability and we will continue to identify strong local partners as we explore new markets. In contrast, we have exited markets where no clear competitive advantage exists.

As our Boeing 787-9 and upgraded Boeing 777-200ER aircraft begin flying, we will bring a superior product into our long haul international network. This will help to ensure that our five percent compounding capacity growth delivers strong yield and revenue growth and the famous Air New Zealand experience.

We are getting better at understanding our customer segments, having invested heavily in developing a sophisticated customer insights function.

As a result, we are able to develop sales and brand campaigns which are more targeted, improving the overall effectiveness of our activity.

We are also working more cohesively with our NZ Inc partners – from tourism organisations to travel agencies. We are far more coordinated in promoting Destination New Zealand for the benefit of everyone.

L > **STEPHEN JONES** | CHIEF STRATEGY, NETWORKS AND ALLIANCES OFFICER
R > **CAM WALLACE** | CHIEF SALES AND COMMERCIAL OFFICER

WE'RE SUPPORTING BRAND NEW ZEALAND

We recognise that the airline has a pivotal role to play in supercharging New Zealand's success – environmentally, socially and economically.

With an aim to become one of the world's most environmentally sustainable airlines we have worked hard to implement a wide range of initiatives across the business to achieve this.

This year we have welcomed the first of our new fuel efficient Boeing 787-9 aircraft to our fleet while continuing to heavily invest in new aircraft including orders for 13 new Airbus A320 NEOs and A321 NEOs (new engine option).

Alongside the fleet investments there are numerous other initiatives underway to make our airline more efficient and lower our environmental footprint.

These range from reducing weight on board aircraft to the adoption of continuous descent flight paths, greater use of ground power while at airport gates and installing New Zealand's largest single solar array at our Auckland Technical Operations base.

We remain committed to reducing waste across the business wherever possible, we currently recycle onboard our domestic jet services and we are looking to extend this to include our regional fleet. In the second half of the financial year we also celebrated the diversion of 50 percent of ground waste from landfills – our highest rate ever.

To further cement our commitment to sustainable development we have established an external advisory group to help steer and inform our sustainability strategy.

This approach has been used by some of the world's leading businesses in sustainability strategy and has proven effective in establishing and delivering initiatives that create transformative change beyond standard practice.

Our partnerships continue to go from strength to strength. In the 2014 financial year we extended our agreement with the Department of Conservation (DOC) out to 2017 and added a commitment to support research monitoring programmes in New Zealand's marine reserves. Air New Zealand has continued to support biodiversity projects along the Great Walks and has played a part in transporting more than 900 endangered native animals around the country. As a result of our marketing support, DOC have seen a 19 percent increase in visitor numbers to the Great Walks.

Through our partnership with Antarctica New Zealand we have supported science research projects on the ice. We have also helped raise awareness of the significance of Antarctica and the importance of the work that New Zealand scientists are doing there.

< SUPPORTING THE DEPARTMENT OF CONSERVATION'S MONITORING OF NEW ZEALAND'S MARINE RESERVES

PARTNERING ANTARCTICA NEW ZEALAND'S CLIMATE SCIENCE PROJECTS ON THE ICE >

< AIR NEW ZEALAND HAS THE COUNTRY'S LARGEST SINGLE SOLAR ARRAY LOCATED AT OUR AUCKLAND TECHNICAL OPERATIONS BASE

OUR CUSTOMERS

Enhancing the customer experience and listening to the voice of the millions of people who fly with Air New Zealand each year is a cornerstone of the airline's ongoing success.

As an airline we are committed to being customer-centric and enhancing the customer experience is a key priority.

In the past 12 months we have heavily invested in driving the customer experience to new heights.

In July we became the first airline in the region to allow customers travelling on international and domestic jet services to use their portable electronic devices gate-to-gate. Pending regulatory approval we will look to expand this popular offering to our regional turboprop fleets in the not too distant future.

We have introduced a new mobile app which allows customers to check in online, as well as receive real time updates on flight status.

The redesign of the international check-in area at Auckland International Airport has been another milestone with kiosks expanded to include check-in for all international flights as well as the introduction of Chinese and Japanese language solutions.

We are continuing our lounge upgrade programme, with the new Los Angeles Star Alliance lounge due to open to our customers in the coming months. We are also refurbishing a number of our existing lounges throughout the network.

We have also upgraded our inflight entertainment systems and improved the quality of our food and beverage offerings.

Moving forward our customer experience will remain a core pillar of our growth strategy as we continue to significantly invest in the onboard and ground experience, and in the very latest technologies and innovations to engage with our customers unlike ever before.

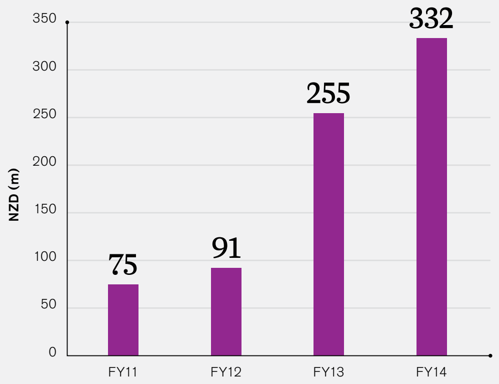
FINANCIAL COMMENTARY

Air New Zealand's normalised earnings[1] before taxation for the 2014 financial year were $332 million, an increase of 30 percent on the previous year. Statutory earnings before taxation were $357 million, an increase of 40 percent, while statutory net profit after taxation was $262 million.

Dividend Record Date
12 September 2014

Dividend Payment Date
22 September 2014

NORMALISED EARNINGS BEFORE TAXATION



The result was driven by strong growth in passenger revenue, with improved yields and increased traffic across the network. Operating cash flow was strong at $730 million, reflecting the high quality of earnings.

REVENUE

Operating revenue increased by $48 million to $4.7 billion. Excluding the negative impact of foreign exchange movements, operating revenue increased by $148 million or 3.2 percent on the previous year.

Passenger revenue increased by $86 million or 2.3 percent compared to the previous year. This result was mostly due to stronger yields, increased capacity (available seat kilometres) of 0.7 percent and an improvement in load factors, up 0.5 percentage points to 84.1 percent. The New Zealand dollar's strength against major trading currencies during the period reduced passenger revenue by $86 million. Excluding the impact of foreign exchange, passenger revenue increased by 4.6 percent or $172 million.

Yields on international long haul routes increased by 0.9 percent on a capacity reduction of 2.2 percent, reflecting exits from poorer performing routes such as Hong Kong-London and Auckland-Osaka. Demand (revenue passenger kilometres) on international long haul routes was down 0.6 percent, while load factor improved by 1.4 percentage points to 85.4 percent.

Tasman and Pacific Islands saw capacity increase by 3.4 percent due to up-gauges to larger Boeing 777-200ER aircraft on the Auckland-Perth and Auckland-Honolulu routes. Demand grew by 3.3 percent, while load factor was flat at 83.4 percent.

Yield on Tasman and Pacific Islands decreased by 2.6 percent due to the relative strength of the New Zealand dollar against the Australian dollar.

Domestic capacity grew by 5.4 percent during the year, as larger Airbus A320 aircraft replaced the retiring Boeing 737-300s and additional ATR72-600 turboprops joined the fleet. Demand was up 3.6 percent, while load factor fell to 81.1 percent. Yield on Domestic routes grew by 2.8 percent for the period.

Cargo revenue was $287 million, a decrease of $14 million or 4.7 percent. Excluding the impact of foreign exchange, Cargo revenue was down $9 million or 3.0 percent on the previous year. The result was driven by yield declines of 5.3 percent offset by a 2.3 percent growth in volume (revenue tonne kilometres).

Contract Services revenue was $277 million, a decrease of $33 million or 10.6 percent on the previous year. This result was driven by a reduction in third party engineering activity which was offset by cost savings. Other revenue increased $9 million to $248 million, a 3.8 percent increase on the previous year.

EXPENSES

Operating expenditure decreased by $68 million, a 1.8 percent improvement on the previous year. Excluding foreign exchange related movements and net gains on non-hedge accounted and ineffective derivatives, operating expenditure increased 0.8 percent on a 0.7 percent increase in capacity. Unit costs remained stable after excluding fuel costs, foreign exchange derivatives and transitional labour costs.

Labour costs were $1,151 million for the year, an increase of $83 million or 7.8 percent. This was due to a combination of rate increases, redundancy costs incurred during the year of $25 million relating to cabin crew and wide body heavy maintenance, as well as pilot and cabin crew transition costs of $20 million as the Group introduces new fleet types.

Headcount increased by 210 during the year to 10,546 full time equivalent employees.

Fuel costs decreased by $83 million for the period, driven by a combination of lower fuel prices and favourable hedging gains, partially offset by increased volumes as activity increased 0.7 percent. The average US dollar into plane cost excluding hedge timing was 4.5 percent less than the previous year. Air New Zealand's fuel hedging programme resulted in gains totalling $16 million compared to losses of $21 million in the previous year.

Aircraft maintenance and overhaul costs were $285 million, down $17 million or 5.6 percent for the year. This reflects reduced material costs on third party maintenance work.

Aircraft operations costs were $424 million for the year, up $5 million or 1.2 percent on a 0.7 percent increase in capacity, including a favourable foreign exchange impact of $9 million. This was driven by increased capacity along with higher landing charges at New Zealand airports and air navigation price increases.

Passenger services expenses were $212 million, a decrease of $10 million or 4.5 percent on the prior period, due to lower ground handling charges resulting from a change in supplier, and a range of business transformation initiatives generating savings in inflight expenses combined with foreign exchange benefits.

Sales and marketing costs increased by $6 million for the year, as we invested in market development to drive revenue growth.

Fleet replacement programmes resulted in increased depreciation and reduced lease costs as owned aircraft replaced operating leased aircraft. The residual values of exiting fleets were reassessed, resulting in increased depreciation.

Net finance costs decreased by $8 million on the previous period, benefiting from increased cash holdings and improved interest rates.

FOREIGN EXCHANGE IMPACT

The impact of a stronger New Zealand dollar relative to Air New Zealand's major trading currencies resulted in a net negative foreign exchange movement of $57 million on the revenue and cost bases, offset by a positive movement from the hedging programme. Overall, currency movements had a $21 million negative impact on the Group result.

CASH AND FINANCIAL POSITION

Net cash at year end was $1.23 billion, an increase of $84 million on the previous year.

The Group had strong operating cash flows of $730 million, which was an increase of $71 million, excluding increased tax payments for the year.

Net gearing, including capitalised operating leases, increased 3.6 percentage points to 42.9 percent.

1. 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 annual financial statements and is subject to review by the Group's external auditors.

CHANGE IN PROFITABILITY

The key changes in profitability, after isolating the impact of foreign exchange movements and derivatives that hedge exposures in other financial periods, are set out in the table below*:

June 2013 normalised earnings before taxation	**$255m**	
Passenger yield	$106m	> Strong yield growth across the network > Long haul yields improved by 0.9 percent (3.5 percent FX adjusted) > Short haul yields improved 0.3 percent (2.3 percent FX adjusted)
Passenger traffic	$66m	> Passenger load factor for the Group improved 0.5 percentage points to 84.1 percent > Capacity increased by 0.7 percent from growth in short haul (due to introduction of Airbus A320 and ATR72-600 aircraft on domestic routes and up-gauge of aircraft on Tasman and Pacific Islands) offset by long haul due to withdrawals from Hong Kong-London and Auckland-Osaka routes > Passenger demand increased 1.2 percent, driven by strong demand in Domestic (up 3.6 percent) and Tasman and Pacific Islands (up 3.3 percent) offset by a reduction in long haul following network optimisation (down 0.6 percent)
Cargo, contract services and other revenue	-$24m	> Decrease in third party engineering work and cargo. Cargo yields declined 5.3 percent offset by a 2.3 percent increase in volume
Labour	-$88m	> Rate increases, redundancy costs ($25 million) and additional pilot and cabin crew transition costs to introduce new fleet types ($20 million)
Fuel	$53m	> The average US$ into plane cost decreased 4.5 percent compared to last year. Consumption increased due to an increase in capacity of 0.7% offset by improving fleet efficiencies
Maintenance	$15m	> Reduction in third party engineering work (offsetting reduced revenue)
Aircraft operations	-$14m	> Landing and air navigation price increases
Depreciation, lease and funding costs	-$19m	> Depreciation costs increased reflecting new aircraft (including the impact of investment in Airbus A320 domestic and ATR72-600 aircraft) and the reassessment of residual values on exiting fleets
Net impact of foreign exchange movements	-$21m	> The impact of currency movements on revenue and costs, including higher foreign exchange hedging gains
Other	$3m	> Legal cost recovery on Australian cargo class action, gains on Virgin equity derivative, prior period Commerce Commission settlement and legal costs offset by higher sales and marketing costs
June 2014 normalised earnings before taxation	**$332m**	
	$25m	> Net impact of derivatives that hedge exposures in other financial periods
June 2014 earnings before taxation	**$357m**	

* The numbers referred to in the Financial Commentary on the previous page have not isolated the impact of foreign exchange.

FINANCIAL SUMMARY

FINANCIAL PERFORMANCE

	12 MONTHS TO 30 JUNE 2014 $M	12 MONTHS TO 30 JUNE 2013 $M
Operating Revenue		
Passenger revenue	3,851	3,765
Cargo	287	301
Contract services and other revenue	525	549
	4,663	4,615
Operating Expenditure		
Labour	(1,151)	(1,068)
Fuel	(1,121)	(1,204)
Maintenance	(285)	(302)
Aircraft operations	(424)	(419)
Passenger services	(212)	(222)
Sales and marketing	(280)	(274)
Foreign exchange gains	45	7
Other expenses	(222)	(236)
	(3,650)	(3,718)
Earnings Before Finance Costs, Depreciation, Amortisation, Rental Expenses and Taxation	1,013	897
Depreciation and amortisation	(436)	(411)
Rental and lease expenses	(174)	(177)
Earnings Before Finance Costs and Taxation	403	309
Net Finance costs	(46)	(54)
Profit Before Taxation	357	255
Taxation expense	(95)	(74)
Net Profit Attributable to Shareholders of Parent Company	262	181
Interim and final dividends declared per share (cents)	10.0	8.0
Special dividend declared per share (cents)	10.0	-
Net tangible assets per share (cents)	161	157
Supplementary Information		
Earnings before Taxation (per NZ IFRS above)	357	255
Reverse net (gains)/losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	(22)	(2)
Foreign exchange derivatives	(3)	2
Normalised Earnings before Taxation	332	255
Normalised Earnings after Taxation	244	181

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.

CASH FLOWS

	12 MONTHS TO 30 JUNE 2014 $M	12 MONTHS TO 30 JUNE 2013 $M
Cash inflows from operating activities	4,737	4,700
Cash outflows from operating activities	(4,007)	(3,950)
Net cash flow from operating activities	730	750
Net cash flow from investing activities	(727)	(480)
Net cash flow from financing activities	81	(147)
Increase in cash and cash equivalents	84	123
Cash and cash equivalents at the beginning of the year	1,150	1,027
Cash and Cash Equivalents at the End of the Year	1,234	1,150

FINANCIAL SUMMARY (CONTINUED)

FINANCIAL POSITION

AS AT	30 JUNE 2014 $M	30 JUNE 2013 $M
Bank and short term deposits	1,234	1,150
Trade and other receivables	349	350
Inventories	169	155
Derivative financial assets	30	98
Other assets	45	90
Total Current Assets	1,827	1,843
Trade and other receivables	55	49
Property, plant and equipment	2,994	2,933
Intangible assets	79	69
Investment in quoted equity instruments	422	261
Investments in other entities	48	47
Other assets	425	394
Total Non-Current Assets	4,023	3,753
Total Assets	5,850	5,596
Trade and other payables	398	382
Revenue in advance	930	918
Interest-bearing liabilities	190	159
Derivative financial liabilities	57	13
Provisions	31	15
Income taxation	52	27
Other liabilities	214	200
Total Current Liabilities	1,872	1,714
Revenue in advance	148	140
Interest-bearing liabilities	1,543	1,470
Derivative financial liabilities	1	-
Provisions	165	145
Other liabilities	20	21
Deferred taxation	229	305
Total Non-Current Liabilities	2,106	2,081
Total Liabilities	3,978	3,795
Net Assets	1,872	1,801
Issued capital	2,282	2,277
Reserves	(410)	(476)
Total Equity	1,872	1,801

The summary financial information has been derived from, and should be read in conjunction with, the Air New Zealand Group Annual Financial Statements (the 'Annual Financial Statements'). The Annual Financial Statements, dated 27 August 2014, are available at: www.airnzinvestor.com. The summary financial information cannot be expected to provide as complete an understanding as provided by the Annual Financial Statements. The accounting policies used in these financial statements are attached in the notes to the Annual Financial Statements.

SHARE REGISTRAR

LINK MARKET SERVICES LIMITED

Level 7, Zurich House
21 Queen Street, Auckland 1010,
New Zealand

PO Box 91976, Auckland 1142, New Zealand

Email: enquiries@linkmarketservices.com

Website: www.linkmarketservices.com

New Zealand Phone: (64 9) 375 5998

New Zealand Fax: (64 9) 375 5990

Australia Phone: (61) 1300 554 474

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements are available by visiting our website www.airnzinvestor.com OR you may elect to have a copy sent to you by contacting Investor Relations.

ELECTRONIC SHAREHOLDER COMMUNICATION

If you would like to receive all investor communications electronically, including interim and annual shareholder reviews, please visit the Link Market Services website **www.linkmarketservices.com** or contact them directly (details to the left).

INVESTOR RELATIONS OFFICE

Private Bag 92007, Auckland 1142,
New Zealand

Phone: 0800 22 22 18 **(New Zealand)**

Phone: (64 9) 336 2287 **(Overseas)**

Fax: (64 9) 336 2664

Email: investor@airnz.co.nz

Website: www.airnzinvestor.com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