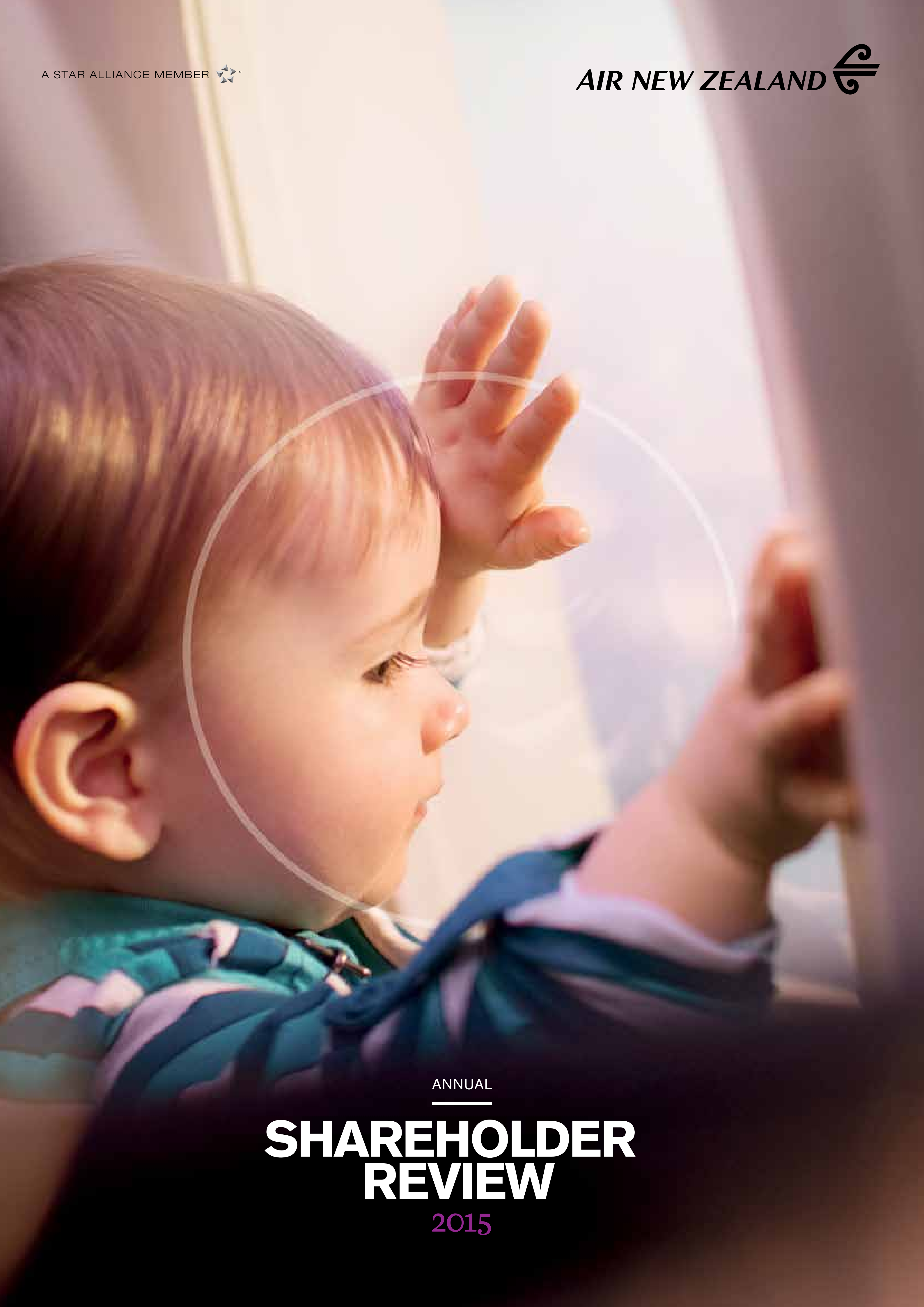
A STAR ALLIANCE MEMBER

AIR NEW ZEALAND



ANNUAL

SHAREHOLDER REVIEW

2015

A year of ***unprecendented growth***

- Air New Zealand's normalised earnings[1] before taxation for the 2015 financial year were $496 million, an increase of 49.4 percent on the prior year – a record result.

- Statutory earnings before taxation were $474 million, while statutory net profit after taxation was $327 million, an increase of 24.3 percent on the prior year.

- Operating cash flow was very strong at $1.1 billion.

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1. Refer to the Financial Summary on page 17 for details of normalised earnings.

As we celebrate Air New Zealand's 75th year of operations as the national carrier, we look forward to a future of continued growth.

The 2015 financial year has seen capacity growth supported by strong demand, cost efficiencies and lower fuel prices, resulting in a year of significant earnings growth.

Our strategic initiatives over the past three years have positioned us well to take advantage of market dynamics which have contributed to these results. Our investment in new efficient aircraft, the continued development of our alliance partner relationships, great customer service and a strong focus on cost management have enabled Air New Zealand to achieve revenue growth against a stable cost base.

As we celebrate Air New Zealand's 75th year of operations as the national carrier, we look forward to a future of continued growth.

We enter the 2016 financial year with new markets that will grow our international network, and we continue to work with our international alliance partners to expand our reach in the Pacific Rim and beyond.

Our strategic alliances continue to deliver capacity growth and operational benefits, including the recommencement of our route to Singapore in conjunction with Singapore Airlines. These partnerships are an important part of our strategy to expand our international network reach.

We have a quality product designed to suit customers in a variety of markets, with the frequency, service, reliability and reputation to respond to any international or domestic competition and are well placed to maintain our position in international and domestic markets.

Our earnings growth is supported by very strong cash flow during the year and robust risk management has resulted in a balance sheet which is in very good shape. Gearing of 52.4 percent and liquidity of $1.3 billion means we are well positioned to take advantage of growth opportunities, to continue to improve our customer experience, to further develop our culture and people and to provide strong sustainable returns to our shareholders. The Board continues to focus on efficient capital management of the balance sheet.

Our performance has been recognised during the year by Moody's in the form of an upgrade to our credit rating from Baa3 to Baa2 (stable outlook), one of the highest ratings in the aviation sector.

We strive to ensure sustainable long term returns for shareholders in the form of share price growth and dividends. With a positive outlook for the year ahead and in the medium term, the Board has declared a fully imputed final ordinary dividend of 9.5 cents per share, bringing the 2015 full year ordinary dividend to 16.0 cents per share, an increase of 60 percent.

We look forward to an exciting year ahead with 11 percent 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.

Tony Carter — Chairman

Tony Carter — Chairman, Jan Dawson — Deputy Chairman

We can be very proud of the record 2015 result which has been achieved in our 75th year, thanks to the efforts of 11,000 Air New Zealanders.

Christopher Luxon – Chief Executive Officer

We've achieved significant growth resulting in revenue up 5.9 percent to $4.9 billion.

This result is due to some great commercial and operational initiatives to achieve growth in our short haul and long haul markets, increasing capacity (Available Seat Kilometres, ASKs) by 6.6 percent and welcoming more than 14 million customer journeys.

This significant capacity growth has contributed to passenger revenue growth of 6.8 percent to $4.1 billion. We have worked hard to simplify the business to drive out cost and this, combined with the benefit of lower fuel prices, has resulted in normalised earnings before taxation of $496 million, up 49.4 percent.

We have had an exciting year in 2015, and look forward to further growth in the year ahead. We are launching two new long haul routes to Houston and Buenos Aires which, combined with our valuable alliance partnerships, will drive international growth, and we continue to develop our Tasman, Pacific Islands and extensive domestic networks. We also continue to invest in our fleet of more efficient aircraft across our entire network and are committed to $2.6 billion fleet expenditure over the next four years.

We are moving into a new digital era

The rapidly changing world of digital technology and its impact on Air New Zealand is a key area of focus for us and how we best configure the airline to compete and succeed in this next phase of our exciting journey.

The changes in digital technology impact not only how we operate as a business, but also how we interact with our customers and how customers interact with us and book their travel.

Over the past 18 months we have placed significant attention on the areas of digital and innovation as we seek to position the airline for continued success. We now have a clear view on how we need to best align our capabilities to seize the opportunities ahead and to take another step toward being a truly great company.

We have undertaken considerable organisational change in this area and have redesigned our digital portfolio that will bring together all the skills, knowledge strategy and innovation we will need across every area of our business to deliver a true digital transformation for our customers, our sales channels and our own internal operations. This includes the creation of a focused digital team within our organisation and a newly created Executive role of Chief Digital Officer, whose appointment should be made later this year.

We aim to be a leading digital organisation in Australasia and to be one of the best digital airlines globally. Now more than ever we are focused on the use of innovation and technology to remove customer pain points and make the journey seamless. We are continuously looking to technology to interact with our customers, to leverage customer data for their benefit and to provide them with the best travel experience.

Air New Zealand's mobile app

2015 Skytrax World Airline Awards – *Best Airline Alliance Lounge*

2015 Skytrax World Airline Awards

World's Best Premium Economy Class

2015 Skytrax World Airline Awards

Best Premium Economy Class Airline Seat

2015 Skytrax World Airline Awards

Best Premium Economy Class On-board Catering

Continuously improving the customer experience

Our customers are the core of our business, and Air New Zealand is committed to improving their experience on the ground and in the air.

We continue to upgrade our fleet of aircraft and refurbish our existing fleet to ensure the best experience and comfort for all our customers. In recent years we have also upgraded and improved the Air New Zealand check in facilities at the Auckland domestic and international terminals, and other New Zealand regional airports, to provide a quicker and seamless check in experience.

Our airport lounges are a haven for our premium and Koru membership customers, and are a key driver of satisfaction in their travelling experience. We continue our programme of airport lounge refurbishment and development and are investing in the improvement of our customer experience in this area.

In 2015 we completed the Auckland regional lounge, and are thrilled with the redevelopment of our flagship international lounges in Sydney and Auckland – the latter of which will open in September 2015. In 2016 we continue this lounge redevelopment programme in Brisbane and a number of New Zealand regional airports.

The Air New Zealand managed Star Alliance lounge in Los Angeles, which opened in 2013 after an Air New Zealand managed design and refurbishment, was recently named **Best Airline Alliance Lounge** at the renowned 2015 Skytrax World Airline Awards.

Our focus on customer experience inflight was also recognised at the 2015 Skytrax World Airline Awards where Air New Zealand was awarded the **World's Best Premium Economy Class**, the **Best Premium Economy Class Airline Seat** and the **Best Premium Economy On-board Catering**, of which we are immensely proud.

In 2015 Air New Zealand won the **Airline of the Year award** for the second year in a row at the **www.airlineratings.com** airline awards.

Our people make the difference

We strive to attract the best people to be part of our winning team, and will continue to invest in our people and their development to drive performance, lift engagement and improve capability across the business.

In particular, we have spent a lot of time and energy over the past 18 months working with employees to increase their engagement and lift productivity. This includes the creation of High Performance Engagement, a collaborative way of working where the people closest to the issues we face are actively involved in developing solutions. A High Performance Engagement charter was developed to set out clear objectives for Air New Zealand, our employees and their representatives. It is a great opportunity for us all to get involved and be part of our collective future.

These initiatives have contributed to positive employee engagement, placing us in the top quartile of companies in Australasia as demonstrated by our 2015 employee engagement survey – something we are very proud of. There is still work to be done as we embed High Performance Engagement as part of our daily culture, and we look forward to seeing increased engagement across all areas of the business.

In the last year we have also established a Company Performance Bonus to allow all Air New Zealanders to benefit if we deliver superior commercial results for our shareholders.

Air New Zealand is proud to be awarded Company of the Year and was named as a finalist in Excellence in Governance at the 2014 Deloitte Top 200 Awards. Our Chairman Tony Carter was also named Chairperson of the Year at these awards.

Looking ahead

After celebrating our 75th year as New Zealand's national carrier, we are now looking at "Where to next" and are excited about our future.

As we look forward to 2016 we look to an even bigger year of growth. Our domestic capacity and global reach is increasing, we have a continuously improving fleet of aircraft, demand for a world class travel experience is rising and current low fuel prices all give rise to the opportunity to provide our customers with the best possible travel experience and provide our investors with sustainable quality returns.

C m Luxon

Christopher Luxon – Chief Executive Officer

Capacity and Growth – *International*

The 2015 result has in part been due to our increased international network both with our own fleet and due to our extensive network of code share and revenue share alliance partners.

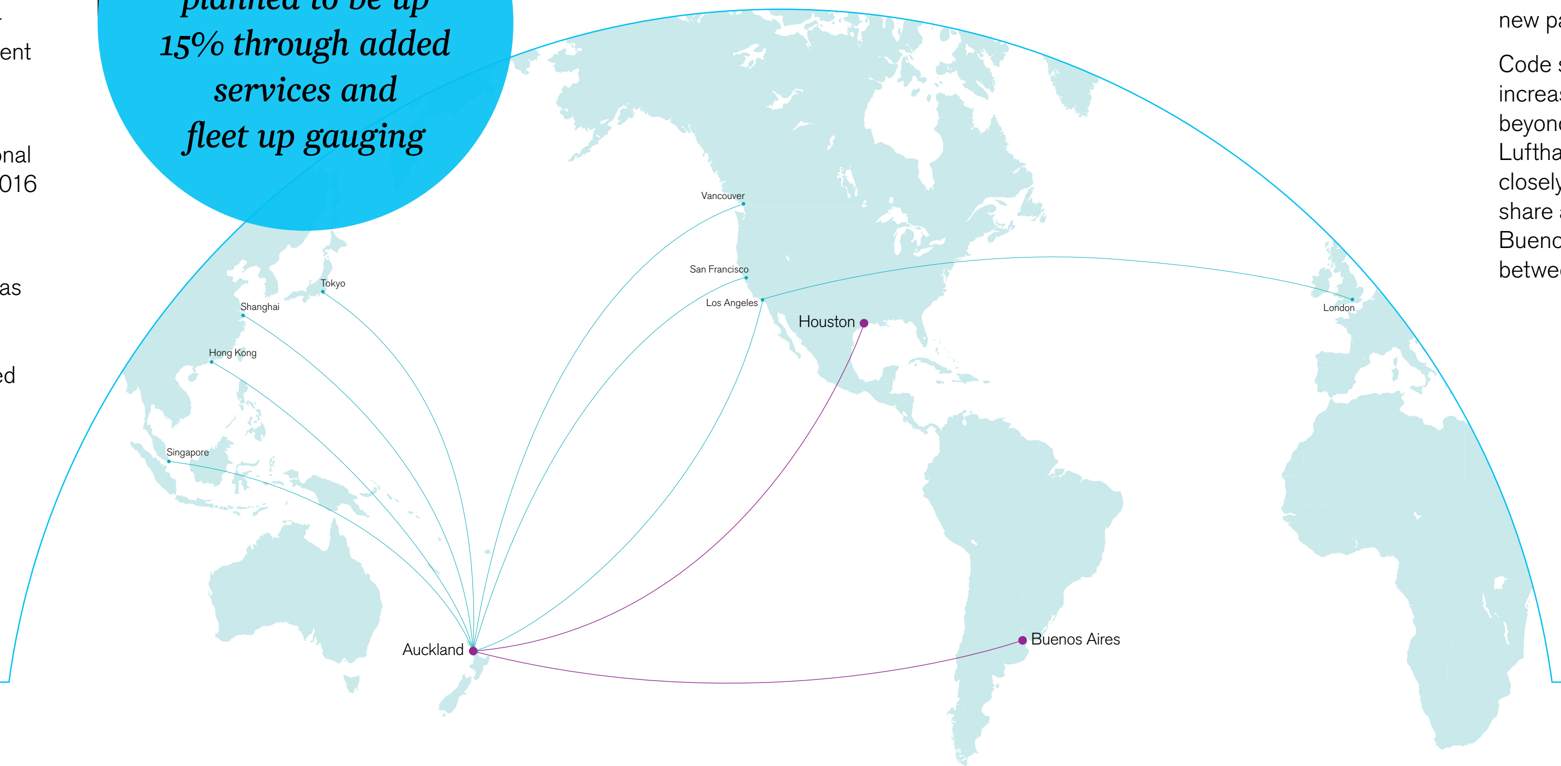
Our capacity grew 10.0 percent across our international long haul network in 2015 compared with the prior year, and specifically we saw international capacity growth of 18.7 percent in the second half of the 2015 financial year.

In particular, we saw growth in Asia from the recommencement of flights to Singapore with our new alliance with Singapore Airlines, the deployment of our new Boeing 787-9 fleet on Shanghai and Tokyo and increased services to Los Angeles.

There is further expansion to come with international long-haul ASK growth of 15 percent planned in 2016 through a mixture of new services and additional capacity on existing routes.

Our international long haul network to the Americas is a huge focus for us, and we eagerly await the inaugural operations to Houston and Buenos Aires, both of which will be operated by refurbished Boeing 777-200 aircraft from December 2015.

2016 International long-haul ASK growth planned to be up 15% through added services and fleet up gauging



Houston represents a fantastic opportunity to connect New Zealand with the centre of North America both as a destination in itself and a hub to the south, the mid-west and the east coast of North America. Buenos Aires is our first connection into South America and we are excited about the opportunities it brings. Advance sales on both these routes are progressing very well and we are excited about adding these two new destinations to our network.

In 2016 we will also see a full year impact of the services added in 2015 to Singapore and Los Angeles and we have announced a seasonal increase to daily services to Vancouver over peak Northern Winter.

Our international capacity will benefit with a further three new Boeing 787-9 Dreamliner aircraft coming on board in the first quarter of the 2016 financial year and we conclude the refurbishment of our existing Boeing 777-200 fleet.

Partnerships with our alliance network allow us to efficiently add capacity and experience growth in international long haul destinations. Revenue share alliances enable us to increase our connectivity throughout Asia, including Singapore Airlines to Singapore, Cathay Pacific to Hong Kong and servicing Shanghai and Beijing with Air China, subject to regulatory approval. These alliances allow for the creation of a global network between partners providing sales and distribution benefits. We will continue to work with existing and potential new partners to expand current and new markets.

Code shares with other airlines also allow us to increase our reach across the Pacific Rim and beyond including United Airlines, Air Canada, ANA, Lufthansa and Air India. We look forward to working closely with Aerolineas Argentinas with our code share agreement on the new route from Auckland to Buenos Aires and growing travel, trade and tourism between Australasia and South America.

Capacity and Growth – *Tasman and Pacific Islands*

The Tasman and Pacific Islands are a key part of our network, together accounting for over 30 percent of our total capacity.

These routes experienced increased capacity of 2.5 percent in the 2015 financial year, benefiting from additional new Boeing 787s to Sydney and Perth, additional capacity across the Tasman from Queenstown and Christchurch, and between New Zealand and popular Pacific holiday destinations Fiji and Samoa.

Continued development of this network will lead to further anticipated growth of 4 percent in the 2016 financial year including an increase in capacity on Perth from mid-December and seasonal services to the Sunshine Coast. In March 2016 we will also start the retirement of our Boeing 767 fleet replacing these with the new wide body Boeing 787-9.

The use of our wide body fleet on the Tasman provides for additional capacity while giving our customers greater choice and flexible fare options in Economy as well as Business Premier, and from October 2015 our popular Premium Economy seat option.

Our investment in, and revenue share alliance with, Virgin Australia also contributes to significant capacity and reach into Australia and beyond through the airline's domestic network. The combination of Air New Zealand and Virgin Australia's capacity provides for a superior network schedule on the Tasman.

We are also investing in the customer service proposition across the Tasman with the refurbishment of the Sydney international airport lounge completed in 2015 and the Brisbane international airport lounge scheduled for its refurbishment in 2016.

Capacity and Growth – *Domestic*

Air New Zealand remains committed to its strong domestic jet and regional turboprop network. We will continue to expand capacity and improve the service quality on these networks.

In September 2015 we will farewell the last two Boeing 737-300s as we replace this fleet with Airbus A320s.

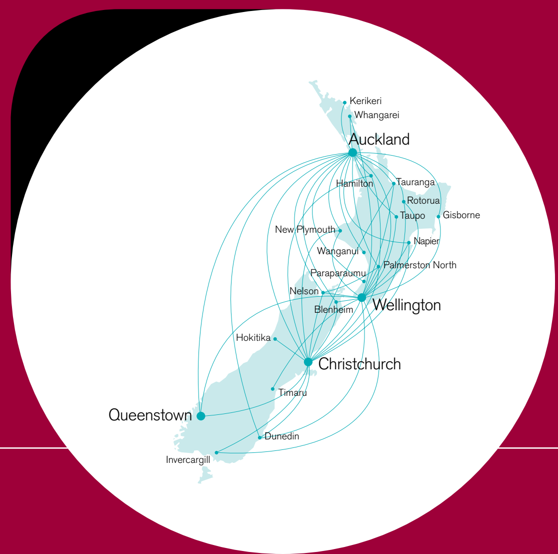
Our regional turboprop network and service offering is one of the most extensive in the world. We continue to invest in the quality and efficiency of our turboprop fleet and we will be welcoming an additional eight ATR72-600s over the next two years, as we replace the older Beech 1900D aircraft with larger, more comfortable, and fuel efficient ATR and Q300 aircraft.

In the 2015 financial year, we increased the capacity on our domestic network by 3.8 percent through increased frequency and up gauging of aircraft particularly to the Airbus A320 on routes between Auckland and Christchurch, Wellington and Queenstown.

In 2016 we expect to add a further 8 percent capacity to our domestic and regional network including a further 11 percent additional capacity on Auckland to Christchurch, 24 percent additional capacity on Auckland to Queenstown, and 5 percent into regional New Zealand.

We are extremely proud of our domestic network providing connectivity between main cities and regional links to grow communities, business and tourism. We operate these networks with unparalleled frequency supported by a reliable and cost effective fleet of modern aircraft. Air New Zealand supports its customers with a rewarding frequent flyer programme and operates lounges for our premium passengers in all main cities and the majority of our regional centres. We are currently undertaking a refurbishment programme of many of these lounges over the next two to three years.

Our modern efficient fleet of aircraft on our domestic and regional network allows us to offer competitive pricing through our four tier flexible fares and our grabaseat offering. In 2015 we offered more than 1.8 million domestic and regional fares for less than $100 and will continue with our competitive pricing in 2016.



Focus on *Sustainability*

For the past 75 years Air New Zealand has been part of the fabric of New Zealand society. To ensure we are a strong, vibrant business for at least another 75 years it is critical we commit to a purpose that is bigger than just our airline – to supercharge New Zealand's success economically, socially and environmentally.

Sustainability Advisory Panel

In the past year we have established and been guided by a new Sustainability Advisory Panel. This panel has played a key role in framing our overall sustainability strategy and related goals and has helped to assess and establish the materiality of the sustainability challenges we face.

Our Sustainability Advisory Panel comprises six international and New Zealand-based external members who were selected based on the range of skills and expertise we considered necessary to shape and inform our sustainability programme. Air New Zealand's Chief Executive Officer and Chief Flight Operations and Safety Officer also sit on the Sustainability Advisory Panel.

We are also a partner of Forum for the Future, giving us access to international tools, resources and sustainability expertise, as well as critique on the progress we are making in our sustainability programme.

Our People

Creating a winning team is a core part of our Go Beyond strategy and we aim to drive a high performance culture, to attract, retain and develop great people and to leverage the power of one Air New Zealand team working together for the benefit of our people, our customers and our shareholders. We are committed to equal employment opportunities and improving workplace diversity, including a target for female representation on the Senior Leadership Team.

Safety is a core value at Air New Zealand and we are committed to implementing best in class employee safety and wellbeing practices, and will embed an enhanced People Safety programme in the coming year.

Our Communities

Throughout our history we have supported a number of national charities and causes. While we recognise that our charity contribution is important, in the coming year we will also work on projects where Air New Zealand can have an even greater impact on the communities in which we operate.

We continue to play a role in providing disaster relief, particularly to Pacific Island neighbours that often suffer as a result of cyclones and other major events.

Noise monitoring is undertaken via airports across New Zealand and internationally, and noise control forms part of Air New Zealand's Environmental Management System. We are committed to zero noise breaches at airports we fly.

Carbon

We continue to implement a range of initiatives to better manage greenhouse gas emissions, through ongoing fleet modernisation and operational efficiency programmes. We are committed to the IATA target of 1.5 percent average annual fuel efficiency improvements through until 2020, and are on track to achieve this.

In the coming year we will also begin the transition of our light vehicle fleet of cars and vans to electric vehicles, and have installed several new charge points across our New Zealand sites.

Our recycling rate at ground sites across New Zealand has increased to 65 percent in the past year and a focus for the coming year is to significantly improve our in-flight recycling programme across our domestic fleet.

Nature and Science

Visitors to New Zealand come here to experience our natural environment, and as such it is important we play our part to help ensure our country lives up to their expectations. We make a significant contribution to conservation through our partnership with the Department of Conservation, which is helping to bring birdsong back to our Great Walks, sees endangered species transported around New Zealand and enables monitoring of our marine reserves – while our marketing channels help bring to life the story of New Zealand's natural heritage.

We continue to have a strong partnership with Antarctica New Zealand and the New Zealand Antarctic Research Institute supporting the work of New Zealand scientists undertaking climate science on the ice.

Tourism

Economically, Air New Zealand is a big contributor to tourism. Tourism is New Zealand's second largest export sector generating almost $10 billion in export earnings, with international visitor arrivals increasing 7 percent to the year ended June 2015 to reach around 3 million arrivals. Around one third of visitors to our country arrive on Air New Zealand.

Generating demand for travel to New Zealand is integral to all our marketing, from our inflight safety videos to our retail advertising campaigns. Effective industry partnerships have had a significant impact on tourism growth. In May 2015 we signed an extension of our partnership with Tourism New Zealand seeing us invest over $10 million in cooperative offshore marketing.

Trade and Enterprise

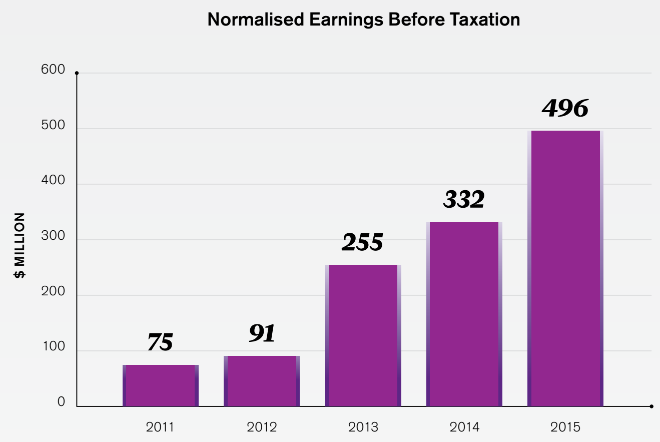
We recognise that for New Zealand businesses to succeed, global connectivity is critical. In the past year we've announced two new long-haul routes to Buenos Aires and Houston, both of which will help to drive economic advancement for New Zealand through tourism and trade to those regions.

We showcase the best of New Zealand wine and food. New Zealand wine (except Champagne) is served exclusively on-board our aircraft and in our Air New Zealand lounges.

Our increased focus on sustainability over the past year has seen us build more substantial sustainability criteria into our procurement processes, and in the coming year we will release an enhanced Supplier Code of Conduct.

Financial Commentary

Air New Zealand's normalised earnings[1] before taxation for the 2015 financial year were $496 million, an increase of 49.4 percent on the previous year. This result includes equity accounted losses of $29 million from the company's 25.9 percent shareholding in Virgin Australia.



2015 final ordinary dividend
9.5 cents per share

Dividend Record date
11 September 2015

Dividend Payment date
21 September 2015

Statutory net profit before taxation was $474 million, an increase of 32.4 percent on the prior year, while statutory net profit after taxation was $327 million, an increase of 24.3 percent on the prior year.

This strong result was driven by additional capacity matched by increased demand, lower fuel prices and successful initiatives to drive cost out of the business. Operating cash flow was very strong at $1.1 billion, an increase of 50.7 percent on the prior year, reflecting the benefits of growth.

Revenue

Operating revenue increased by $273 million to $4.9 billion, an increase of 5.9 percent on the prior year. Excluding the negative impact of foreign exchange movements, operating revenue increased 6.3 percent on the previous year.

Passenger revenue increased by $262 million to $4.1 billion, an increase of 6.8 percent compared with the previous year. This result was mostly due to additional capacity (Available Seat Kilometres) of 6.6 percent and supported by strong demand with load factors stable at 84.1 percent. The New Zealand Dollar's strength against the airline's major revenue currencies reduced passenger revenue by $27 million compared with the previous year. Excluding the impact of foreign exchange, passenger revenue increased by 7.5 percent.

Yields on international long haul routes decreased by 1.3 percent, while capacity increased 10.0 percent due to the recommencement of the Singapore route and additional flying to North America and Japan. Demand (Revenue Passenger Kilometres) on international long haul routes increased 9.0 percent, while load factor decreased marginally by 0.7 percentage points to 84.7 percent.

Tasman and Pacific Islands' capacity increased by 2.5 percent with increased capacity to Fiji, Bali and Hawaii and increased wide-body capacity on the Tasman and additional services to Queenstown. Demand grew by 3.7 percent, surpassing capacity growth and increasing load factor by 1.0 percentage points to 84.4 percent. Yield on Tasman and Pacific Islands also increased by 1.5 percent. Excluding the impact of foreign exchange, yield on Tasman and Pacific Islands increased 3.1 percent.

Domestic capacity grew by 3.8 percent during the year, as larger Airbus A320 aircraft and additional ATR72-600 turboprops joined the fleet, and additional services were added to Christchurch, Wellington and Queenstown routes. Demand was up 4.4 percent, also outstripping capacity growth, increasing average load factors by 0.5 percentage points to 81.6 percent. Yield on Domestic routes was up by 2.5 percent for the period.

Cargo revenue was $317 million, an increase of $30 million or 10.5 percent. Excluding the impact of foreign exchange, Cargo revenue was up $24 million or 8.4 percent on the previous year. This was driven by an 11.2 percent increase in volume, partially offset by a 2.8 percent decrease in yield.

Contract Services revenue was impacted by the sale of subsidiaries, resulting in contract services revenue decreasing $19 million or 6.9 percent to $258 million. Other revenue remained consistent with prior year at $237 million. Excluding the impact of disposals, contract services revenue increased $6 million and other revenue increased $2 million on the prior year.

Expenses

Operating expenditure increased by $115 million, a 3.2 percent increase on the prior year. Excluding foreign exchange related movements and net gains on non-hedge accounted and ineffective derivatives, operating expenditure increased 1.2 percent on a 6.6 percent increase in capacity. Cost per ASK reduced by 0.49 cents to 10.51 cents, which delivered savings of $174 million, reflecting improved efficiencies, economies of scale and reduced fuel price offset by inflation and foreign exchange.

Labour costs were $1.2 billion for the year, an increase of $42 million or 3.6 percent. This reflects increased capacity, general rate increases and performance payments of $17 million as we introduce a new Company Performance Bonus recorded in the 2015 financial year along with a 75th anniversary bonus relating to the prior year and paid in the current financial year. This is partially offset by improved productivity, reduced redundancy and labour costs relating to subsidiaries which were sold during the year.

Headcount decreased by 350 full time equivalent (FTE) during the year to 10,196 FTE employees as at 30 June 2015 as a result of the sale of subsidiaries, Altitude, Safe Air and TAE. Excluding these divestments FTE increased 1.1 percent on prior year.

Fuel costs decreased by $31 million during the period to $1.1 billion, with the accounting impact of non-hedge accounted derivatives that hedge exposures in other financial periods increasing fuel costs by $43 million. Excluding this impact, fuel costs decreased $74 million driven by a combination of fuel price decreases of $167 million partially offset by the negative impact of foreign exchange of $45 million and increased volumes of $48 million, net of benefits of fleet efficiencies. Air New Zealand's fuel hedging programme resulted in losses totalling $123 million compared to gains of $16 million in the previous corresponding period.

Aircraft maintenance and overhaul costs were $320 million, an increase of 12.3 percent for the year. This reflects the increased fleet size together with increase in engine maintenance provisioning on the A320 fleet, offset by reduced costs due to the sale of subsidiaries.

Aircraft operations costs were $466 million for the year, an increase of 9.9 percent. This was driven by an increase in air navigation and landing charges arising from increased capacity and price increases, primarily at Christchurch Airport.

Passenger services expenses were $220 million, an increase of $8 million or 3.8 percent on the prior period, compared with international (Long-haul, Tasman and Pacific) passenger number growth of 5.3 percent, which is the main driver of passenger services expenses.

Sales and marketing costs increased by $23 million or 8.2 percent to $303 million, as a result of marketing development of new routes, in particular Houston and Buenos Aires, and increased spend on our brand and Airpoints loyalty programme.

Other expenses increased by $30 million or 13.5 percent to $252 million, primarily due to the impairment of the gas turbine business, higher information technology costs and a gain on the Virgin equity derivative recognised in the prior year.

Depreciation costs decreased by $34 million or 7.8 percent to $402 million, due to the exit of various aircraft and a revision of New Zealand Dollar residual values, partially offset by new aircraft deliveries. Conversely, rental and lease expenses increased by $37 million, primarily due to two new leased B777-300 aircraft.

Net finance costs increased by $6 million due to the cost of increased debt relating to new aircraft, partially offset by additional interest earned on higher cash balances.

Foreign Exchange Impact

The impact of foreign exchange rate changes resulted in a net negative foreign exchange movement of $69 million on the revenue and cost bases, offset by a positive movement from the hedging programme. Overall, currency movements had a $31 million negative impact on the Group result year on year.

Share of Earnings of Associates

Air New Zealand's investment in Virgin Australia of 25.9 percent was recognised as an associate from 4 July 2014. 2015 was the first year Air New Zealand recognised its share of Virgin Australia's profit through equity accounting, and this was a $29 million loss for 2015 financial year. This was partially offset by $7 million from the share of earnings in the Christchurch Engine Centre.

Cash and Financial Position

Net cash at year end was $1.3 billion, an increase of $87 million on the previous year.

The Group's operating cash flows of $1.1 billion, an increase of $370 million or 50.7 percent on prior year, were driven by strong earnings and favourable movements in working capital with growth in capacity increasing revenue in advance.

This strong cash flow allowed for the early repayment of $108 million of borrowings. Furthermore, in addition to contracted pre-delivery payments, an additional $162 million of advance payments were made during the year in respect of a Boeing 787-9 delivery in July and a spare engine delivery in August to take advantage of additional credits made available.

Net gearing, including capitalised operating leases, increased 9.5 percentage points to 52.4 percent. This increase was due to increased debt on new aircraft, shareholder distributions and weakening of the NZD versus USD increasing the capitalised operating lease balance.

A 2015 final ordinary dividend has been declared of 9.5 cents per share, an increase of 72.7 percent on prior year final ordinary dividends. This brings the full year 2015 ordinary dividends to 16.0 cents per share, an increase of 60.0 percent on prior year ordinary dividends.

1. Refer to the Financial Summary on page 17 for details of normalised earnings.

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 2014 normalised earnings before taxation	**$332m**	
Passenger yield	$75m	- Overall yield increase in a growth environment. - Long-haul yields slightly weaker by 1.3 percent (0.8 percent FX adjusted). - Short-haul yields improved 2.2 percent (3.1 percent FX adjusted).
Passenger traffic	$214m	- Passenger load factor for the Group remained at 84.1 percent combined with significant capacity growth. - Capacity increased by 6.6 percent from growth accross the network due to the re-introduction of the Singapore route, increased North American flying, replacement of Domestic Boeing 737 with larger A320's and turboprop upgauges. - Passenger demand increased 6.6 percent, driven by a 9.0 percent growth in International, 3.7 percent on the Tasman and Pacific Islands and 4.4 percent Domestically.
Cargo revenue	$24m	- An 11.2 percent increase in volumes of $22 million reflecting capacity growth along with a load factor improvement, offset by a small 2.8 percent yield decline required to stimulate demand.
Contract services and other revenue	-$22m	- Decrease in third party engineering work due to the divestment of subsidiaries.
Labour	-$42m	- Increased activity (net of improved productivity), general rate increases and new Company Performance Bonus offset by reduced redundancy costs and disposal of subsidiaries.
Fuel	$119m	- The average US$ into plane cost decreased 14.0 percent compared to last year. Consumption increased due to an increase in capacity of 6.6 percent offset by improved fleet efficiencies.
Maintenance	-$25m	- Fleet growth combined with additional engine costs, offset by reduced costs due to the sale of subsidiaries.
Aircraft operations and passenger services	-$47m	- Landing and air navigation price increases and the impact of the 6.6 percent increase in capacity.
Sales and marketing	-$20m	- Market development for new routes and the additional investment in brand and Airpoints loyalty programme.
Depreciation, lease and funding costs	-$20m	- Delivery of additional operating leased aircraft and the cost of increased funding offset by a reduction in depreciation costs reflecting disposal of exiting fleets.
Net impact of foreign exchange movements	-$31m	- The net impact of currency movements on revenue and costs, including higher foreign exchange hedging gains.
Share of earnings from associates	-$33m	- Share of losses from Virgin Australia ($29 million), and slightly lower earnings from other associates this year.
Other	-$28m	- Impairment of Gas Turbines business and higher technology costs from increased capability, along with a gain on the Virgin equity derivative in the prior year.
June 2015 normalised earnings before taxation	**$496m**	
	-$22m	- Net impact of derivatives that hedge exposures in other financial periods
June 2015 earnings before taxation	**$474m**	

Financial Summary

Financial Performance

	12 MONTHS TO 30 JUNE 2015 $M	12 MONTHS TO 30 JUNE 2014 $M
Operating Revenue		
Passenger revenue	4,113	3,851
Cargo	317	287
Contract services and other revenue	495	514
	4,925	4,652
Operating Expenditure		
Labour	(1,193)	(1,151)
Fuel	(1,089)	(1,120)
Maintenance	(320)	(285)
Aircraft operations	(466)	(424)
Passenger services	(220)	(212)
Sales and marketing	(303)	(280)
Foreign exchange gains	79	45
Other expenses	(252)	(222)
	(3,764)	(3,649)
Operating Earnings (excluding items below)	1,161	1,003
Depreciation and amortisation	(402)	(436)
Rental and lease expenses	(211)	(174)
Earnings Before Finance Costs, Associates and Taxation	548	393
Net Finance costs	(52)	(46)
Earnings Before Associates and Taxation	496	347
Share of earnings of associates (net of taxation)	(22)	11
Earnings Before Taxation	474	358
Taxation expense	(147)	(95)
Net Profit Attributable to Shareholders of Parent Company	327	263
Interim and final dividends declared per share (cents)	16.0	10.0
Special dividend declared per share (cents)	-	10.0
Net tangible assets per share (cents)	166	160
Supplementary Information		
Earnings before Taxation (per NZ IFRS above)	474	358
Reverse net movements on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	20	(23)
Foreign exchange derivatives	2	(3)
Normalised Earnings before Taxation	496	332
Normalised Earnings after Taxation	343	244

Earnings include the Group's share of equity losses from the investment in Virgin Australia Holdings Limited of $29 million.

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

Cash Flows

	12 MONTHS TO 30 JUNE 2015 $M	12 MONTHS TO 30 JUNE 2014 $M
Cash inflows from operating activities	5,066	4,737
Cash outflows from operating activities	(3,966)	(4,007)
Net cash flow from operating activities	1,100	730
Net cash flow from investing activities	(1,066)	(727)
Net cash flow from financing activities	53	81
Increase in cash and cash equivalents	87	84
Cash and cash equivalents at the beginning of the year	1,234	1,150
Cash and Cash Equivalents at the End of the Year	1,321	1,234

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

Financial Summary (continued)

Financial Position

AS AT	30 JUNE 2015 $M	30 JUNE 2014 $M
Bank and short term deposits	1,321	1,234
Trade and other receivables	369	349
Inventories	120	169
Derivative financial assets	103	30
Other assets	69	45
Total Current Assets	1,982	1,827
Trade and other receivables	51	55
Property, plant and equipment	4,061	3,279
Intangible assets	102	86
Investment in quoted equity instruments	-	422
Investments in other entities	425	48
Derivative financial assets	3	-
Other assets	151	133
Total Non-Current Assets	4,793	4,023
Total Assets	6,775	5,850
Trade and other payables	448	398
Revenue in advance	1,055	930
Interest-bearing liabilities	253	190
Derivative financial liabilities	40	57
Provisions	54	31
Income taxation	20	52
Other liabilities	258	214
Total Current Liabilities	2,128	1,872
Revenue in advance	150	148
Interest-bearing liabilities	2,069	1,543
Derivative financial liabilities	1	1
Provisions	217	165
Other liabilities	17	20
Deferred taxation	228	229
Total Non-Current Liabilities	2,682	2,106
Total Liabilities	4,810	3,978
Net Assets	1,965	1,872
Share capital	2,286	2,282
Reserves	(321)	(410)
Total Equity	1,965	1,872

The summary financial information has been derived from, and should be read in conjunction with, the audited Air New Zealand Group Annual Financial Statements (the 'Annual Financial Statements'). The Annual Financial Statements, dated 26 August 2015, 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

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Website: www.linkmarketservices.com
New Zealand **Phone:** (64 9) 375 5998
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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

Normalised earnings before taxation
$496m

Operating cash flow
$1.1b

Capacity
up 6.6%

Demand
up 6.6%

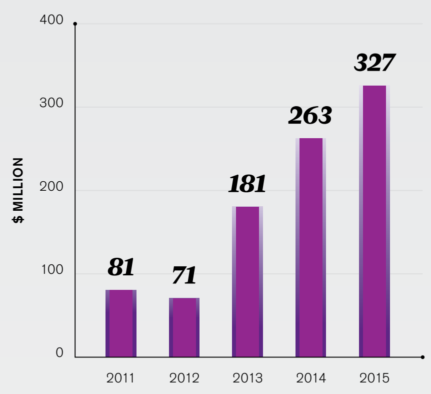
Net profit after taxation
$327m

Gearing
52.4%

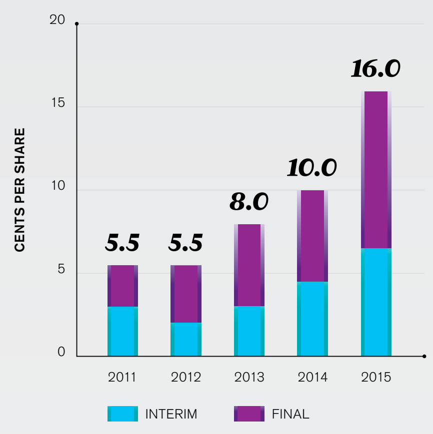
Load factor
84.1%

Yield
up 0.9%
(Adjusted for FX)

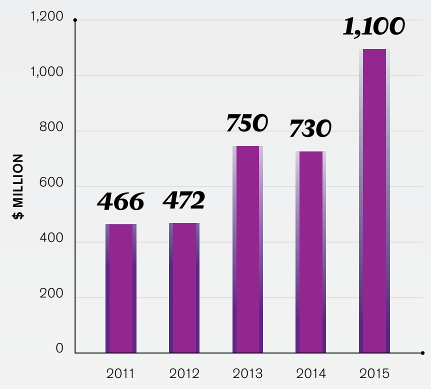
Net profit after taxation



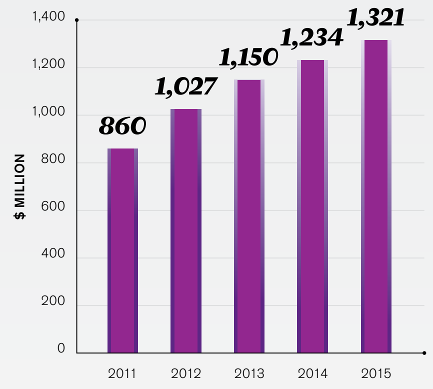
Ordinary dividends declared



Operating cash flow



Net cash on hand

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