A STAR ALLIANCE MEMBER

AIR NEW ZEALAND

Interim Financial Report 2024

Where we fly

CONTENTS

LETTER FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

Kia ora koutou katoa

Dame Therese Walsh
Chair

Greg Foran
Chief Executive Officer

The first half of the 2024 financial year reminds us all how unpredictable the aviation industry can be.

We are immensely proud of the Air New Zealand whānau and the work that has been undertaken, both to respond to near term challenges, but also to keep our eyes firmly on the future as we navigate the path ahead.

And there is a lot we can be proud of – in particular the very real progress that has been made to address customer concerns that arose on the back of the pandemic, to improve our service offering both in the air and on the ground, and to create an even better flying experience.

Our contact centre wait times and refund processing times have improved further in the first half, following additional investment to work through remaining backlogs. And while there is still room for improvement, we were recently recognised by Cirium as having the best on-time performance in Australia and New Zealand, and fifth best overall in Asia Pacific.

We have made a number of improvements to our onboard service, including enhanced food and beverage offerings and improved inflight entertainment options – and our customers have noticed, with customer satisfaction levels recently returning to pre-Covid levels.

On top of this we have made significant investments in digital technology and enhancements that provide our people and our

LETTER FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER (CONTINUED)

customers with greater autonomy and flexibility. These self-service enhancements saw almost 50,000 calls to the contact centre redirected, despite an increase in passenger numbers.

We have a pipeline of customer innovations and initiatives that will enhance the way we deliver a seamless travel experience for our customers, including the upcoming trial of free WiFi on our domestic jets, which will transform the way we travel here in Aotearoa New Zealand.

And in a small but important step, we announced the purchase of our first battery-powered all-electric aircraft, which is expected to join the fleet in 2026. Decarbonising aviation is challenging, and this purchase provides us the opportunity to advance our knowledge and better understand the transformation needed in the aviation system to enable broad sweeping adoption of electric or electric hybrid aircraft technology.

However, with significantly increased levels of international flying, both that of our own and our competitors, it certainly feels very different to this time last year when pent-up demand and industry-wide capacity constraints drove one of the strongest financial results in our history.

And while we knew that 2023 would not be the new normal, and that many parts of the global aviation eco-system would continue to struggle, new challenges have emerged this year.

Facing into challenges such as the Pratt & Whitney additional engine maintenance requirements has been difficult. It means that up to five of our newest and most efficient Airbus A321neo aircraft are out of service at any one time across the next 18 months at least. Likewise, the delay of our new 787 Dreamliners from Boeing, and the additional maintenance required on the existing 787 fleet means ongoing disruption to the network.

But these challenges have also brought out the best in our people, who once again have gone above and beyond to mitigate the impact of these disruptions and keep our customers moving. It has meant however, that productivity gains and efficiencies we anticipated at the beginning of the financial year will take longer to realise, as we carry extra costs to help mitigate unexpected disruptions in the supply chain.

Some of the challenges we face are significant, and many, like the Pratt & Whitney one, will be with us for more than just the current financial year.

We are also leaning into the reality of a worsening revenue and cost environment, which is expected to have a significant adverse impact on performance for the second half of the financial year.

BETA's ALIA CTOL aircraft
which has been selected as our first next generation aircraft

Earlier this week the airline provided a full year profit outlook for 2024, noting among other things, a deterioration in the forward bookings profile and temporary cost headwinds of around $35 million in the second half to alleviate operational pressures and customer impacts driven by the Pratt & Whitney maintenance requirements.

The business is pulling multiple levers to mitigate the impact of these headwinds, and this is a key focus for the team.

Despite these short-term challenges, the airline is in a fundamentally strong position. Our balance sheet is robust, and the Board is committed to the airline's Capital Management Framework as announced last August, including its ordinary dividend policy.

Financial results

Turning to the results, Air New Zealand has delivered a solid profit for the first six months of the financial year, with earnings before taxation of $185 million.

This represents a decline of 38 percent compared to the prior period, which benefited from significant pent-up demand in a capacity constrained environment.

Passenger revenue performed strongly, increasing 21 percent to $3.1 billion. This was largely due to a significant ramp-up of capacity across our international long-haul network. Demand was stable in most markets, but signs of softness in domestic corporate and Government demand was experienced from September.

Also included within passenger revenue this year is $45 million of Covid-related credit breakage for credits that were considered highly unlikely to be redeemed.

Operating costs, including fuel, grew 21 percent driven by increased long-haul flying and broad-based inflation. US dollar fuel prices declined 14 percent, however increased levels of flying and unfavourable foreign exchange movements saw overall fuel costs grow to $879 million for the first six months.

In addition, cost inflation challenged our productivity efforts, with approximately $100 million of additional non-fuel operating costs. This represents an uplift of around 5 percent for the half and is on top of an increase totalling 15 to 20 percent across the past four years.

Despite these cost headwinds, we have seen some benefits from the return to scale in parts of the cost base. Overall productivity remains below the levels achieved pre-Covid and is a key focus for the future.

Capital management and dividend

Our Capital Management Framework will drive financial resilience and flexibility for the airline. While our metrics are currently stronger than required by the target ranges, management continues to take decisive steps to move closer to the Framework targets.

Sarah
Ground Crew

Katie-Rose
Flight Attendant

LETTER FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER (CONTINUED)

As at 31 December 2023, liquidity was $2.1 billion and net debt to EBITDA was 0.6x. In November 2023, Moody's upgraded the airline's investment grade credit rating from Baa2 to Baa1, reflecting the strength of the airline's recovery and reaffirming Air New Zealand's position as one of the highest credit-rated airlines in the world. Maintaining our investment grade rating provides us with continued access to capital at competitive rates and provides flexibility and resiliency.

On the basis of our balance sheet strength and the result announced today, the Board is pleased to declare an unimputed ordinary interim dividend of 2.0 cents per share, which equates to a payout ratio of 41 percent. This aligns with the airline's policy to pay ordinary dividends equal to between 40 percent to 70 percent of underlying net profit after tax subject to the Board's discretion.

2H Trading update and Outlook

2H trading update

As noted in the airline's market update on 19 February 2024, a number of continuing economic and operational conditions have deteriorated and are now expected to have a significant adverse impact on performance in the second half. These include the impact of additional competition on forward revenue performance, ongoing weakness in domestic corporate and Government demand, temporary cost headwinds of $35 million in the second half to alleviate customer impacts and operational pressures, as well as ongoing cost inflation.

Outlook

In light of these conditions, the airline considers that performance for the second half of the 2024 financial year will be markedly lower than the first half.

In this context, and assuming an average jet fuel price of USD$105/bbl for the second half, the airline currently expects earnings before taxation for the 2024 financial year to be in the range of $200 million to $240 million. This range includes $20 million of currently assumed additional Covid-related credit breakage over the second half. Future redemptions of Covid-related credits remain uncertain and subject to further actions.

We would also like to thank our customers and our shareholders for your ongoing support of the airline. While the global aviation ecosystem is under immense pressure, Air New Zealand remains focused and is committed to delivering for our stakeholders.

Dame Therese Walsh
Chair

Greg Foran
Chief Executive Officer
22 February 2024

Jordan
Flight Attendant

FINANCIAL COMMENTARY

Air New Zealand has reported earnings before taxation of $185 million for the first six months of the 2024 financial year. Net profit after taxation was $129 million.

Revenue

Operating revenue for the period increased 13 percent to $3.5 billion due to a significant ramp-up of capacity flown on international long-haul routes compared to the prior comparative period. Total capacity (Available Seat Kilometres, ASK) increased 29 percent[1], reflecting the return of all Boeing 777-300ER aircraft to the network that were previously grounded due to Covid.

Passenger revenue grew to $3.1 billion as a result of the increased international flying. Demand (Revenue Passenger Kilometres, RPK) increased at a slower rate than capacity, resulting in a load factor of 81.6 percent, a decrease of 5.9 percentage points on the same period last year. Revenue per Available Seat Kilometre (RASK) decreased 15 percent excluding FX, as the significant increase in international long-haul capacity impacted load factors and yields.

International long-haul capacity increased substantially during the period driven by the return of previously grounded Boeing 777-300ER aircraft and the phased lifting of border restrictions in the prior comparative period. Demand on these routes grew at a slower rate than capacity, as pent-up demand and the constrained capacity environment experienced in the prior period was alleviated, resulting in a 7.8 percentage point decline in load factors to 80.1 percent. International long-haul RASK decreased by 14.1 percent excluding the impact of foreign exchange. Changes in foreign exchange provided a 0.7 percent improvement in RASK during the period.

International short-haul capacity increased by 17.5 percent, driven by more widebody flying to Australia. This additional capacity, alongside increased competition, meant that market capacity grew at a faster rate than demand. Load factors decreased 4.0 percentage points to 83.2 percent and RASK decreased 10.2 percent excluding the nominal impact of foreign exchange.

Domestic capacity decreased 0.8 percent in the period, as the schedule was impacted by the global Pratt & Whitney additional engine maintenance requirements, which resulted in several jet aircraft coming out of service for additional maintenance. Demand decreased by more than capacity following a marked slowdown in the Government and corporate customer segments around the time of the New Zealand general election. While load factors decreased 3.0 percentage points to 84.3 percent, Domestic RASK was up 4.1 percent due to strong leisure demand.

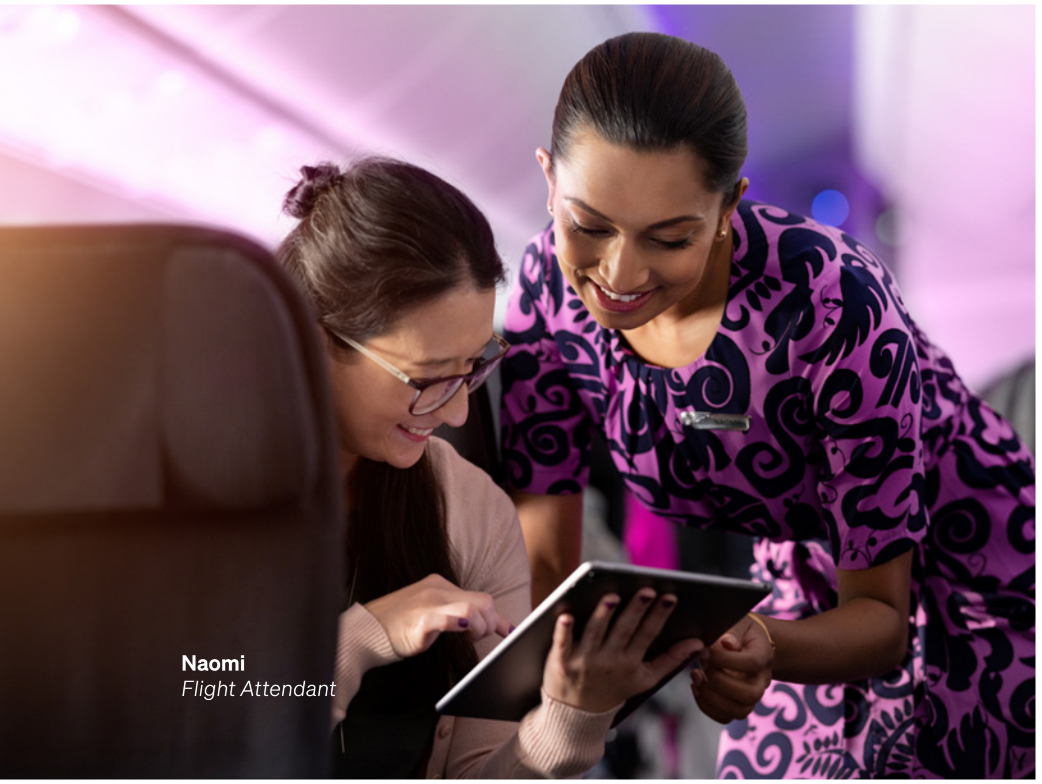
Cargo revenue was $243 million, a decrease of 36 percent. This was driven by the cessation of the New Zealand Government cargo subsidy scheme in March 2023, as well as the increase of capacity into New Zealand as international carriers recommenced flying. Foreign exchange had a nominal impact.

Contract services and other revenue was $174 million, an increase of 5.5 percent, due to increased passenger activity including ancillary and charter services, partially offset by reduced third-party maintenance resulting from the closure of the Gas Turbines business. Foreign exchange had a nominal impact at the end of September.

1. The prior comparative period included both passenger and cargo-only flying. For the six months to 31 December 2023, there was no cargo-only flying.

Neia & Romain
Ground crew

FINANCIAL COMMENTARY (CONTINUED)



Naomi
Flight Attendant

Earnings before taxation of

$185 million

Net profit after taxation of

$129 million

Operating revenue of

$3.5 billion

Expenses

Operating expenditure increased to $2.9 billion in the period, reflecting increased flying activity. Costs increased across all areas as the airline further restored its international network. Reported costs per ASK (CASK) improved 6.1 percent however, largely as a result of lower fuel prices compared to the prior comparative period and the change in mix of flying, with a high proportion of lower CASK long-haul flying compared to the prior comparative period. This was partially offset by broad based inflation, which led to a $100 million increase in non-fuel operating costs compared to the prior six month period. Underlying CASK, which excludes the impact of fuel price, foreign exchange and third-party maintenance, improved by 1.2 percent.

Labour costs were $801 million, increasing by 17 percent from the prior period. Full-Time Equivalent labour (FTE) increased 14 percent to approximately 11,650.

The increase in FTE was driven primarily by the need for increased levels of operational staff to support greater international long-haul flying. In addition to this, we have invested in higher levels of resource to manage operational and supply chain disruptions that the Group is currently facing into. Wage inflation of around 4 percent also contributed to higher labour costs in the first half.

Fuel costs were $879 million, increasing 17 percent on the prior comparative period primarily due to a 32 percent or $238 million increase in fuel consumption from greater flying activity. A weaker New Zealand dollar also contributed $12 million to the overall increase. These increases were partially offset by a 14 percent decrease in the underlying US dollar Singapore Jet fuel price, which alongside adverse hedging movements and domestic carbon offsets, contributed to a $125 million reduction in cost relative to the prior period.

Aircraft operations, passenger services and maintenance costs were up $187 million or 28 percent driven primarily by increased flying on international long-haul routes and inflationary pricing impacts. This was partially offset by reduced third-party maintenance activity following the wind-down and closure of the Gas Turbines operation.

Sales, marketing and other expenses were $387 million, up 25 percent due to additional market development and brand activity, and increased international flying.

Dividend record date	Ex-dividend date	Dividend payment date
8 March 2024	7 March 2024	21 March 2024

Ownership costs were $383 million, comparable to the previous period. Lower net finance costs arose due to higher average cash levels. This was offset in part by higher depreciation costs associated with new aircraft deliveries and capitalised engine maintenance activity.

There was an unfavourable movement in foreign exchange hedging resulting in a net $9 million negative impact on the Group result for the period.

Share of Earnings of Associates

Share of earnings of associates were $20 million, up $2 million due to an increase in earnings from the Christchurch Engine Centre.

Cash and Financial Position

Cash on hand at 31 December 2023 was $1.7 billion, a decrease of $557 million on 30 June 2023. This decrease reflects the payment of a special dividend in September 2023, debt and lease repayments and asset purchases offset by operating cashflows.

Cashflow and Debt

Operating cash flows represented a net inflow of $411 million, reflecting positive cash earnings. Net debt to EBITDA[2] increased to 0.6 times. While this is outside the target range of 1.5 times to 2.5 times, Management and the Board have a number of tools that will be utilised in the coming period to prudently transition the metrics into the target range.

Distributions

On the basis of the airline's balance sheet strength and result for the half, the Board is pleased to declare an unimputed ordinary interim dividend of 2.0 cents per share in-line with the airline's policy to pay ordinary dividends equal to between 40 percent to 70 percent of underlying net profit after tax, subject to the Board's discretion.

Passenger revenue of

$3.1 billion

Liquidity at

$2.1 billion

Unimputed ordinary interim dividend of

2.0 cps

2. EBITDA refers to earnings before interest, taxation, depreciation and amortisation.

CHANGE IN EARNINGS

The key changes in earnings, after isolating the impact of foreign exchange movements, are set out in the table below*:

December 2022 earnings before taxation	$299m	
Passenger capacity	$752m	- Capacity increased by 42 percent (excluding cargo-only flights) due to the ramp-up of the international network and return of all widebody aircraft from storage following the removal of Covid-19 travel restrictions. Including cargo-only flights capacity increased by 29 percent. - Domestic capacity decreased by 1 percent due to the impact of the global Pratt and Whitney engine issue on the A321neo fleet. - International short-haul capacity increased by 18 percent following the restart of routes and greater widebody flying across the Tasman as aircraft were returned from storage. - International long-haul capacity increased 81 percent as isolation requirements were removed and capacity was returned to the network through higher aircraft utilisation and the return of aircraft from storage.
Passenger RASK	-$283m	- Overall Group Revenue per Available Seat Kilometre (RASK) decreased by 15.0 percent excluding FX. Loads decreased by 5.9 percentage points to 81.6 percent. - Domestic RASK increased by 4.1 percent excluding FX with load factor decreasing 3.0 percentage points to 84.3 percent. Strong leisure demand was partially offset by lower Government and corporate travel around the New Zealand Government election. - International short-haul RASK decreased by 10.2 percent excluding FX with load factor decreasing 4.0 percentage points to 83.2 percent. Fares moderated following a period of strong pent-up demand in the prior year along with a return of airline capacity to the market. - International long-haul RASK decreased by 14.1 percent excluding FX with load factors decreasing 7.8 percentage points to 80.1 percent. During the period there was an increase in market capacity.
Passenger Covid Credits	$45m	- A breakage allowance was recognised in the current period for Covid travel credits for which it is considered the likelihood of those credits being utilised is remote.
Cargo revenue	-$138m	- Cargo subsidies provided under the New Zealand Government Maintaining International Air Connectivity (MIAC) scheme reduced by $83 million as borders reopened and passenger demand recovered. Yield declined due to an increase in market capacity which was partially offset by the airline increasing capacity as there were a greater number of flights following a recovery in passenger demand.
Contract services and other revenue	$7m	- Recovery of ancillary revenue following an increase in customer activity and higher charter revenue. This was partially offset by the closure of the Gas Turbines operation.
Labour	-$114m	- Higher labour costs due to an increase in operating activity as demand returned after Covid restrictions were lifted and wage inflation.
Fuel	-$113m	- The average fuel price net of hedging decreased compared to the comparative period resulting in a reduction in costs of $125 million. MOPS price decreased by 14 percent. Consumption increased by 32 percent ($238 million) compared to an increase in capacity of 29 percent.
Aircraft operations, passenger services and maintenance costs	-$183m	- Higher costs related to an increase in flying activity and cost inflation offset by reduced customer maintenance activity following the wind down and closure of the Gas Turbines operation.
Sales and marketing and other expenses	-$77m	- Higher sales and marketing costs associated with market development and brand spend, as well as increases associated with higher customer activity.
Ownership costs	-$3m	- Higher depreciation due to aircraft purchases and capitalised engine maintenance activity offset by a decrease in net finance costs on higher average cash holdings.
Net impact of foreign exchange movements	-$9m	- Reduction in hedging gains due to market movements.
Share of earnings of associates	$2m	- Increase in earnings from the Christchurch Engine Centre.
December 2023 earnings before taxation	$185m	

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

STATEMENT OF FINANCIAL PERFORMANCE (UNAUDITED)

For the six months to 31 December 2023

	NOTES	6 MONTHS TO 31 DEC 2023 $M	6 MONTHS TO 31 DEC 2022 $M
Operating Revenue			
Passenger revenue	1	**3,057**	2,535
Cargo	2(b)	**243**	378
Contract services		**58**	65
Other revenue		**116**	100
	3	**3,474**	3,078
Operating Expenditure			
Labour		**(801)**	(687)
Fuel		**(879)**	(754)
Maintenance		**(255)**	(187)
Aircraft operations		**(403)**	(340)
Passenger services		**(206)**	(150)
Sales and marketing		**(160)**	(133)
Foreign exchange gains		**5**	14
Other expenses		**(227)**	(177)
		(2,926)	(2,414)
Operating Earnings (excluding items below)		**548**	664
Depreciation and amortisation		**(369)**	(355)
Earnings Before Net Finance Costs, Associates and Taxation		**179**	309
Finance income		**83**	46
Finance costs		**(97)**	(74)
Share of earnings of associates (net of taxation)	2(a)	**20**	18
Earnings Before Taxation		**185**	299
Taxation expense		**(56)**	(86)
Net Profit Attributable to Shareholders of Parent Company		**129**	213
Per Share Information:			
Basic and diluted earnings per share (cents)		**3.8**	6.3
Interim dividend declared per share (cents)		**2.0**	-

These condensed financial statements have not been audited. They have been the subject of review by the auditor pursuant to NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity, issued by the External Reporting Board. The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months to 31 December 2023

	6 MONTHS TO 31 DEC 2023 $M	6 MONTHS TO 31 DEC 2022 $M
Net Profit for the Period	**129**	213
Other Comprehensive Income/(Loss):		
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit plans	**(2)**	3
Taxation on above reserve movements	**-**	(1)
Total items that will not be reclassified to profit or loss	**(2)**	2
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of cash flow hedges	**28**	(13)
Transfers to net profit from cash flow hedge reserve	**(20)**	(20)
Net translation loss on investment in foreign operations	**(1)**	-
Changes in cost of hedging reserve	**3**	(14)
Taxation on above reserve movements	**(4)**	12
Total items that may be reclassified subsequently to profit or loss	**6**	(35)
Total Other Comprehensive Income/(Loss) for the Period, Net of Taxation	**4**	(33)
Total Comprehensive Income for the Period, Attributable to Shareholders of the Parent Company	**133**	180

These condensed financial statements have not been audited. They have been the subject of review by the auditor pursuant to NZ SRE 2410 (Revised), issued by the External Reporting Board. The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months to 31 December 2023

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2023		**3,377**	**(59)**	**(9)**	**(1,230)**	**2,079**
Net profit for the period		**-**	**-**	**-**	**129**	**129**
Other comprehensive income for the period		**-**	**8**	**(2)**	**(2)**	**4**
Total Comprehensive Income for the Period		**-**	**8**	**(2)**	**127**	**133**
Transactions with Owners:						
Equity-settled share-based payments (net of taxation)		**4**	**-**	**-**	**-**	**4**
Equity settlements of staff share award obligations	2(g)	**(5)**	**-**	**-**	**-**	**(5)**
Dividends on Ordinary Shares	6	**-**	**-**	**-**	**(202)**	**(202)**
Total Transactions with Owners		**(1)**	**-**	**-**	**(202)**	**(203)**
Balance as at 31 December 2023	2(h)	**3,376**	**(51)**	**(11)**	**(1,305)**	**2,009**

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2022		3,373	(42)	(10)	(1,644)	1,677
Net profit for the period		-	-	-	213	213
Other comprehensive loss for the period		-	(34)	(1)	2	(33)
Total Comprehensive Income for the Period		-	(34)	(1)	215	180
Transactions with Owners:						
Equity-settled share-based payments (net of taxation)		3	-	-	-	3
Equity settlements of staff share award obligations	2(g)	(2)	-	-	-	(2)
Total Transactions with Owners		1	-	-	-	1
Balance as at 31 December 2022		3,374	(76)	(11)	(1,429)	1,858

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STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 December 2023

	NOTES	31 DEC 2023 $M	30 JUN 2023 $M
Current Assets			
Bank and short term deposits		**1,670**	2,227
Trade and other receivables		**473**	496
Inventories		**123**	119
Derivative financial assets		**51**	90
Intangible assets		**38**	35
Income taxation		**2**	2
Other assets	2(c)	**295**	300
Total Current Assets		**2,652**	3,269
Non-Current Assets			
Trade and other receivables		**24**	23
Property, plant and equipment		**3,523**	3,261
Right of use assets		**1,604**	1,687
Intangible assets		**188**	172
Investments in other entities	2(a)	**186**	190
Derivative financial assets		**107**	122
Deferred taxation	2(d)	**-**	8
Other assets	2(c)	**469**	463
Total Non-Current Assets		**6,101**	5,926
Total Assets		**8,753**	9,195
Current Liabilities			
Trade and other payables		**881**	780
Revenue in advance		**1,755**	2,050
Interest-bearing liabilities	2(e)	**179**	193
Lease liabilities		**346**	352
Derivative financial liabilities		**124**	76
Provisions		**30**	65
Income taxation		**7**	7
Other liabilities		**261**	313
Total Current Liabilities		**3,583**	3,836
Non-Current Liabilities			
Revenue in advance	1	**280**	185
Interest-bearing liabilities	2(e)	**1,372**	1,485
Lease liabilities		**1,150**	1,305
Derivative financial liabilities		**120**	137
Provisions		**159**	133
Other liabilities		**35**	35
Deferred taxation		**45**	-
Total Non-Current Liabilities		**3,161**	3,280
Total Liabilities		**6,744**	7,116
Net Assets		**2,009**	2,079
Equity			
Share capital		**3,376**	3,377
Reserves	2(h)	**(1,367)**	(1,298)
Total Equity		**2,009**	2,079

Dame Therese Walsh
CHAIR

Alison Gerry
DIRECTOR

For and on behalf of the Board, 22 February 2024

These condensed financial statements have not been audited. They have been the subject of review by the auditor pursuant to NZ SRE 2410 (Revised), issued by the External Reporting Board. The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months to 31 December 2023

	NOTES	6 MONTHS TO 31 DEC 2023 $M	6 MONTHS TO 31 DEC 2022 $M
Cash Flows from Operating Activities			
Receipts from customers		**3,295**	3,235
Payments to suppliers and employees		**(2,876)**	(2,228)
Interest paid		**(93)**	(66)
Interest received		**85**	31
Net Cash Flow from Operating Activities		**411**	972
Cash Flows used in Investing Activities			
Disposal of property, plant and equipment, intangibles and assets held for resale		**2**	21
Distribution from associates		**12**	16
Acquisition of property, plant and equipment, right of use assets and intangibles		**(458)**	(287)
Interest-bearing asset receipts		**(6)**	(67)
Net Cash Flow used in Investing Activities		**(450)**	(317)
Cash Flows used in Financing Activities			
Interest-bearing liabilities drawdowns	2(e)	**-**	100
Lease liabilities drawdowns		**-**	95
Equity settlements of staff share awards	2(g)	**(5)**	(2)
Interest-bearing liabilities payments		**(102)**	(149)
Lease liabilities payments		**(202)**	(157)
Redemption of redeemable shares	2(f)	**-**	(200)
Rollover of foreign exchange contracts*		**-**	25
Dividends on Ordinary Shares	6	**(209)**	-
Net Cash Flow used in Financing Activities		**(518)**	(288)
(Decrease)/Increase in Cash and Cash Equivalents		**(557)**	367
Cash and cash equivalents at the beginning of the period		**2,227**	1,793
Cash and Cash Equivalents at the End of the Period		**1,670**	2,160
Reconciliation of Net Profit Attributable to Shareholders to Net Cash Flows from Operating Activities:			
Net profit attributable to shareholders		**129**	213
Plus/(less) non-cash items:			
Depreciation and amortisation		**369**	355
Loss on disposal of property, plant and equipment, right of use assets and assets held for sale		**4**	4
Impairment reversal on property, plant and equipment and assets held for sale		**-**	(13)
Impairment expense on investments in other entities		**4**	-
Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities		**-**	12
Share of earnings of associates	2(a)	**(20)**	(18)
Movements on fuel derivatives		**6**	(17)
Foreign exchange losses		**20**	32
Other non-cash items		**4**	5
		516	573
Net working capital movements:			
Assets		**11**	(75)
Revenue in advance		**(200)**	206
Liabilities		**84**	268
		(105)	399
Net Cash Flow from Operating Activities		**411**	972

*Relates to gains/losses on rollover of foreign exchange contracts that hedge exposures in other financial periods.

These condensed financial statements have not been audited. They have been the subject of review by the auditor pursuant to NZ SRE 2410 (Revised), issued by the External Reporting Board. The accompanying notes form part of these financial statements.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at and for the six months to 31 December 2023

1. FINANCIAL STATEMENTS

The condensed consolidated interim financial statements ("financial statements") presented are for the parent company Air New Zealand Limited ("Air New Zealand' or 'the Company") and its subsidiaries (together referred to as "the Group"), and the Group's interest in joint ventures and associates.

Air New Zealand is a profit-oriented entity that is domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Air New Zealand's primary business is the transportation of passengers and cargo on scheduled airline services.

Basis of Preparation

Air New Zealand prepares its financial statements in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as it applies to the interim period. NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate to profit-oriented entities.

These financial statements have not been audited. The financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting and have been the subject of review by the auditor, pursuant to NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity, issued by the External Reporting Board.

The financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2023.

Material accounting policy information

The accounting policies and computation methods used in the preparation of the financial statements are consistent with those used as at 30 June 2023 and 31 December 2022 except as outlined below.

On 1 July 2023, the Group adopted amendments to NZ IAS 1 that requires disclosure of 'material accounting policy information' instead of 'significant accounting policies'. The Group's significant accounting policies were disclosed within the Group's annual financial statements for the year ended 30 June 2023. The adoption of the amendments did not have any impact on the Group's interim financial statements. The Group's annual financial statements for the year ended 30 June 2024 will present only those policies which the Group considers material.

The External Reporting Board ("XRB") of New Zealand issued three Climate Standards that set requirements for: Climate-related Disclosures (Aotearoa New Zealand Climate Standard 1 (NZ CS 1)); First-time adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and General Requirements for climate-related Disclosures (NZ CS 3). The Climate Standards are effective from 1 January 2023, with mandatory assurance required on the Greenhouse Gas emissions included in the Climate Statements for the 2025 Group Annual Report. The Group will adopt the Climate Standards for the year ended 30 June 2024 and may apply adoption provisions permitted under the standards. For the 2023 financial year voluntary Climate-related Disclosures were prepared that followed the principles outlined in the international Task Force on Climate-related Financial Disclosures ("TCFD"). The Group is building upon the TCFD disclosures to ensure compliance with the new Climate Standards in the 2024 financial year.

Use of accounting estimates and judgements

The Group applied a critical accounting estimate to the following area within the interim financial statements:

Revenue in advance

Due to flight cancellations, travel disruptions and domestic flexibility policies arising during the Covid-19 pandemic, the Group issued travel credits which can be used to book future customer travel. As at 30 June 2023 the Group did not recognise any breakage within revenue as it was considered there was insufficient certainty as to the future customer redemption profile. Since this time additional information has been gathered and redemption levels across several customer segments have normalised which has enabled the Group to identify a portion of credits for which the likelihood of those credits being utilised is considered remote. These credits have an expiry date of 31 January 2026. A breakage allowance of $45 million was recognised in the Statement of Financial Performance within "Passenger revenue" for the six months ended 31 December 2023.

2. GENERAL DISCLOSURES

Group composition

(a) The Group has a 49% interest in the Christchurch Engine Centre ("CEC") and a 21% interest in Drylandcarbon One Partnership LLC which are recognised as investments in associates. The Group's share of equity accounted earnings from the CEC was $20 million (31 December 2022: $18 million).

Government grants

(b) The Group was awarded grants to supply international airfreight services by the New Zealand Government through the Ministry of Transport as part of its efforts to ensure the supply of critical imports and maintain economic benefits of high value New Zealand exports during the Covid-19 pandemic. The arrangements were for a period from 30 April 2020 through to 31 March 2023. The awards were negotiated on an arm's length basis using standard commercial terms. The amount recognised within "Cargo revenue" in the Statement of Financial Performance for the six months ended 31 December 2022 was $83 million. No amounts were recognised during the six months ended 31 December 2023. All conditions attached to the grants were satisfied at the date of recognition.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at and for the six months to 31 December 2023

2. GENERAL DISCLOSURES (CONTINUED)

Interest-bearing assets

(c) "Other assets" include interest-bearing assets of $737 million (30 June 2023: $732 million). Interest-bearing assets are measured at amortised cost, using the effective interest method, less any impairment. The fair value of interest-bearing assets as at 31 December 2023 was $745 million (30 June 2023: $729 million). Interest-bearing assets are subject to fixed and floating interest rates. Fixed interest rates in the six months to 31 December 2023 ranged from 3.1% per annum to 6.3% per annum (six months to 31 December 2022: 0.6% per annum to 4.6% per annum).

Deferred taxation

(d) The Group recognised a deferred tax asset of $8 million as at 30 June 2023. Cash flow projections used to model the Group's anticipated recovery timeframe were used to inform judgement around the recognition and recoverability of the net deferred tax asset relating to income tax losses.

Interest-bearing liabilities

(e) Interest-bearing liabilities of $1,551 million (30 June 2023: $1,678 million) are recognised initially at fair value and subsequently measured at amortised cost, with the changes in market interest rates on certain interest-bearing liabilities measured at fair value. The fair value at 31 December 2023 was $1,603 million (30 June 2023: $1,721 million).

Interest-bearing liabilities include unsecured bonds of $104 million (30 June 2023: $102 million), secured borrowings of $866 million which are secured over aircraft assets (30 June 2023: $998 million) and unsecured Australian Medium Term Notes of $581 million (30 June 2023: $578 million). Secured borrowings are subject to both fixed and floating interest rates. Fixed interest rates on secured borrowings were 1.0% per annum in the six months to 31 December 2023 (six months to 31 December 2022: 1.0% per annum). Australian Medium Term Notes have a fixed coupon between 5.7% and 6.5% per annum payable semi-annually.

On 27 October 2022, the Group issued $100 million of unsecured, unsubordinated fixed rate bonds with a maturity date of 27 April 2028 and an interest rate of 6.61% per annum payable semi-annually. The Group repaid $50 million of five year unsecured unsubordinated fixed rate bonds at the maturity date of 28 October 2022. The bonds had a fixed interest rate of 4.25% per annum which was payable semi-annually.

On 30 March 2022 an unsecured committed revolving standby loan facility (CSF2 Loan Facility) was entered into with the New Zealand Government for up to $400 million for a period through to 30 January 2026 for the purpose of providing additional liquidity, if required, as the airline recovered from the effects of the pandemic. No amounts have been drawn under the facility.

Redeemable shares

(f) On 28 November 2022 the Group redeemed $200 million of redeemable shares issued to the New Zealand Government. No amounts remain on issue and no further issues can be made under the subscription agreement.

Share capital

(g) During the six months ended 31 December 2023 the Group funded the on-market purchase of 6,831,839 shares for $5 million (31 December 2022: 2,016,383 shares for $2 million). The shares were used to settle obligations under staff share award and long-term incentive schemes. The total cost of the purchase including transaction costs has been deducted from "Share capital".

Hedge reserves

(h) As at 31 December 2023, $40 million of losses (30 June 2023: $46 million of losses) were held in the cash flow hedge reserve and $11 million of losses (30 June 2023: $13 million of losses) in the costs of hedging reserve. These reserves are combined within the Statement of Changes in Equity as "Hedge reserves".

3. SEGMENTAL INFORMATION

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group's financial result.

Geographical

An analysis of revenue by geographical region of original sale is provided below.

	6 MONTHS TO 31 DEC 2023 $M	6 MONTHS TO 31 DEC 2022 $M
Analysis of revenue by geographical region of original sale		
New Zealand	**2,165**	2,019
Australia and Pacific Islands	**396**	412
Asia, United Kingdom and Europe	**454**	288
Americas	**459**	359
Total Operating Revenue	**3,474**	3,078

The principal non-current asset of the Group is the aircraft fleet, which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 December 2023

4. COMMITMENTS

Capital commitments

	31 DEC 2023 $M	30 JUN 2023 $M
Aircraft and engines	**2,539**	2,855
Other assets	**135**	147
	2,674	3,002

Capital commitments include eight Boeing 787 aircraft (contractual delivery from 2025 to 2028 financial years), three Airbus A321neo aircraft (delivery from the 2024 to 2027 financial years) and two ATR aircraft (delivery in the 2025 financial year).

Lease commitments

	31 DEC 2023 $M	30 JUN 2023 $M
Aircraft	**211**	181
	211	181

Lease commitments include one Boeing 773 aircraft (delivery in second half of the 2024 financial year) and two Airbus A321neos (delivery in the 2025 financial year). The agreement to lease the Boeing 773 aircraft was signed on 15 February 2024 and is reflected in the above table.

5. CONTINGENT LIABILITIES

All significant legal disputes involving probable loss that can be reliably estimated have been provided for in the financial statements.

No other significant contingent liability claims are outstanding at balance date.

Outstanding letters of credit and financial guarantees total $29 million (30 June 2023: $20 million).

The Group has a partnership agreement with Pratt and Whitney in which it holds a 49% interest in the CEC. By the nature of the agreement, joint and several liability exists between the two parties. Total liabilities of the CEC as at 31 December 2023 were $106 million (30 June 2023: $215 million).

6. DIVIDENDS

On 22 February 2024, the Board of Directors declared an interim dividend of 2.0 cents per Ordinary Share payable on 21 March 2024 to registered shareholders at 8 March 2024. The total dividend payable will be $67 million. No imputation credits will be attached and supplementary dividends will not be paid to non-resident shareholders. The dividend has not been recognised in the December 2023 financial statements.

A special dividend in respect of the 2023 financial year of 6.0 cents per Ordinary Share was paid on 21 September 2023. Imputation credits were attached and supplementary dividends paid to non-resident shareholders.

The dividend reinvestment plan is currently suspended.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF AIR NEW ZEALAND LIMITED

Deloitte.

For the six months ended 31 December 2023

The Auditor-General is the auditor of Air New Zealand Limited ('the Company') and its subsidiaries ('the Group'). The Auditor-General has appointed me, Melissa Collier, using the staff and resources of Deloitte Limited, to carry out the review of the condensed consolidated interim financial statements ('interim financial statements') of the Group on his behalf.

CONCLUSION

We have reviewed the interim financial statements of the Group on pages 13 to 20, which comprise the Statement of Financial Position as at 31 December 2023, and the Statement of Financial Performance, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months ended on that date, and condensed notes to the interim financial statements, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and cash flows for the six months ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting.*

BASIS FOR CONCLUSION

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Statements section of our report.

We are independent of the Group in accordance with the Auditor-General's ethical requirements relating to the audit of the annual financial statements, which incorporate the independence requirements issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to this review and the audit of the Group's annual financial statements, we have carried out assurance services relating to greenhouse gas emissions inventory, passenger facility charges and compliance with student fee protection rules. In addition we provide non-assurance services to the Corporate Taxpayers Group of which Air New Zealand is a member, along with a number of other organisations. Principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. These engagements and trading activities have not impaired our independence as auditor of the Group.

Other than these engagements and trading activities, we have no relationship with, or interests in, the Group.

DIRECTORS' RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible, on behalf of the Group, for the preparation and fair presentation of these interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible for the publication of the interim financial statements, whether in printed or electronic form.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting.*

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

M Collier

Melissa Collier
Partner

for Deloitte Limited
On behalf of the Auditor-General

22 February 2024
Auckland, New Zealand

Sarah
Ground Crew

SHAREHOLDER ENQUIRIES

Shareholder Communication

Air New Zealand's investor website **airnzinvestor.co.nz** provides shareholders with information on monthly operating statistics, financial results, stock exchange releases, corporate governance, annual meetings, investor presentations, important dates and contact details. Shareholders can also view webcasts of key events from this site.

Shareholders who would like to receive electronic news updates can register online at: **airnzinvestor.co.nz** or email Investor Relations directly on: **investor@airnz.co.nz**

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AIR NEW ZEALAND

A STAR ALLIANCE MEMBER