Stock exchange listings: New Zealand (NZX: AIR) / Australia (ASX: AIZ) / ADR (OTC: ANZLY)

MARKET ANNOUNCEMENT

27 May 2019

Air New Zealand 2019 Investor Day Materials and FY2019 Outlook

Air New Zealand is today holding its 2019 investor day for institutional shareholders in Auckland, beginning at 1:30pm NZST. The investor day event will be accessible live via webcast. For a link to the webcast, please click here.

Attached is the slide presentation that will be discussed during the event. Included in slide 15 of the presentation is an update to the airline's 2019 outlook.

Updated 2019 outlook:

Based on the current market environment and reflecting an additional ~$25 million headwind from increased jet fuel prices (assuming an average price for the second half of the year of US$78/bbl[1]), we are targeting 2019 earnings before taxation to exceed $340 million.

Prior 2019 outlook (last disclosed on 28 March 2019):

Based on the current market environment and expectations for the average jet fuel price in the second half of the year of US$75/bbl[1], we are targeting 2019 earnings before taxation to be in the range of $340 to $400 million.

[1] Prior outlook assumed an average Singapore jet fuel price for the full year of US$81/bbl; Current outlook now assumes an average Singapore jet fuel price of US$83/bbl for the 2019 financial year.

Please contact Head of Investor Relations, Leila Peters via email at leila.peters@airnz.co.nz or +64 9 336 2607 if you have any questions.

Ends.

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A STAR ALLIANCE MEMBER

AIR NEW ZEALAND

Investor Day 2019

27 May 2019

NZX: **AIR** | ASX: **AIZ** | US OTC: **ANZFY**

Forward-looking statements

This presentation contains forward-looking statements. Forward-looking statements often include words such as “anticipate”, “expect”, “intend”, “plan”, “believe”, “continue” or similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management's and directors’ current expectations and assumptions regarding Air New Zealand’s businesses and performance, the economy and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Air New Zealand’s actual results may vary materially from those expressed or implied in its forward-looking statements.

The Company, its directors, employees and/or shareholders shall have no liability whatsoever to any person for any loss arising from this presentation or any information supplied in connection with it. The Company is under no obligation to update this presentation or the information contained in it after it has been released.

Nothing in this presentation constitutes financial, legal, tax or other advice.

Today’s speakers

Christopher Luxon

Chief Executive Officer

Nick Judd

Chief Strategy, Networks & Alliances Officer

Carrie Hurihanganui

Chief Ground Operations Officer

Cam Wallace

Chief Revenue Officer

Jeff McDowall

Chief Financial Officer

Agenda

1:40pm – 3:00pm

Christopher Luxon
Chief Executive Officer

Nick Judd
Chief Strategy, Networks & Alliances Officer

Cam Wallace
Chief Revenue Officer

3:00pm – 3:15pm
Q&A session 1

3:15pm – 3:25pm
Break

3:25pm – 4:10pm

Carrie Hurihanganui
Chief Ground Operations Officer

Jeff McDowall
Chief Financial Officer

4:10pm – 4:30pm
Q&A session 2

4:30pm – 5:30pm
Refreshments

Business update

Christopher Luxon

Chief Executive Officer

Key messages you should take away from today

- We are resilient and adaptable, with the ability to respond quickly to changing macro conditions
- We have initiatives in place to drive sustainable cost improvement, earnings growth and improved ROIC in the lower demand environment
- We are committed to continued investment to support exceptional culture, to delivering a superior customer experience and to making strong commercial returns
- We are targeting strong free cash flow generation over the next three years

Who we are

Operational

—

79

years in operation

32

international destinations[1]

20

domestic destinations

Pacific Rim

Focused network driven by alliance relationships

~12,500

Air New Zealand employees based globally

Community

—

#1

corporate reputation in New Zealand for 5 consecutive years

#1

corporate reputation in Australia for 3 consecutive years

#1

New Zealand's most attractive employer

Winner

2019 Eco-Airline of the year

Financial

—

Baa2

investment grade credit rating from Moody's

13%

Annualised shareholder return over the past 10 years

16

Years of consecutive profitability[2]

14

years of consecutive dividend distributions

8%

Average dividend yield over the past 10 years

[1] Includes Seoul route which commences late November 2019.
[2] 2019 full year outlook as disclosed in the Business Review update on 28 March 2019.

Our GoBeyond mission continues to guide our priorities for sustainable success

GO**BEYOND**

OUR
PURPOSE

Supercharge New Zealand's success socially, economically and environmentally

OUR
PROMISE

Connect New Zealanders with each other and New Zealand with the world, through a liberating travel experience

OUR
OBJECTIVE

Create a world class organisation by delivering cultural, customer and commercial excellence

We are constantly striving for a successful balance between our customers, our culture and our commercial performance

Despite network disruptions this year, our key customer metrics remain high, reflecting ongoing investment

World class
customer satisfaction

Record level

Overall customer satisfaction

(stable year on year)

Top-ranked for trust,
leadership & responsibility

#1

Corporate Reputation in New Zealand and Australia

(no change from 2018 rankings)

One of New Zealand's most
loved & trusted brands

6pt ⬆

Net promotor score

(improvement from 2016)

The power of our brand is embedded in our ~12,500 people and our continued investment in them

Learning & Development

Continuous learning

Investment in mobility tools

Diversity & Inclusion

Indigenous Growth Development Programme

New parental leave policy

Future of Work

Reskilling

Automation

We have the right business model and competitive advantages to sustain long-term commercial success...

Our brand and Kiwi service culture

- ✓ Record level of customer satisfaction
- ✓ #1 Corporate Reputation in New Zealand and Australia
- ✓ New Zealand's Most Attractive Employer

Customer loyalty, driven by strength of our domestic network and Airpoints™ programme

- ✓ 82% Domestic passenger market share
- ✓ Unmatched network and customer offering
- ✓ 3.2 million Airpoints™ members and growing

Our alliance-driven Pacific Rim network

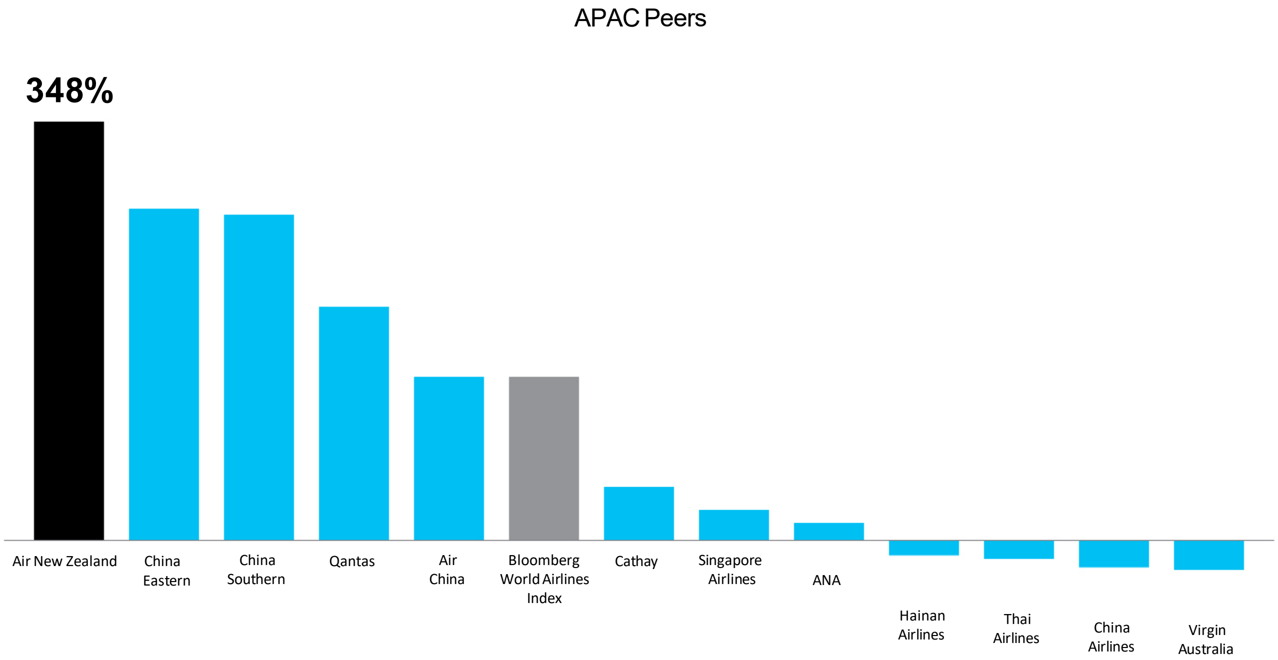
- ✓ Over 30 international destinations, focused on the Pacific Rim
- ✓ Deep revenue share partnerships de-risk international growth

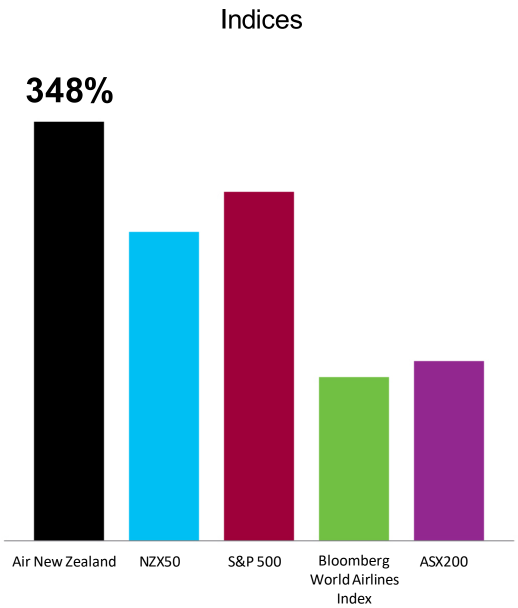
Our simplified and fuel efficient fleet, with the ideal cost structure for the New Zealand market

- ✓ Young and modern fleet driving strong cost efficiencies
- ✓ Targeting flat-to-improving CASK performance

…as demonstrated by our shareholder return performance over the past 10 years

10 year total shareholder return





Source: Bloomberg, period ended as at 10 May 2019.

We have faced some challenges this year which have impacted our financial and operational performance…

Rolls-Royce global engine issues impacted network and operating costs

↓

Impacted ~2,500 flights, ~150 cancellations*

Significant network disruption, driving additional costs to ensure operational resiliency for our customers

Moderation in demand growth to 3% to 5%

↓

Mid-year saw softening of demand growth in domestic leisure segment from high single digits to ~4%, along with slowing inbound tourism growth

* Network impacts for 2019 financial year through 20 May 2019.

…however, we are reaffirming our 2019 outlook from January, despite higher fuel prices

Prior outlook*

Based on the current market environment and expectations for the average jet fuel price in the second half of the year of **US$75/ bbl**[1], we are targeting 2019 earnings before taxation to be in the range of **$340 to $400 million.**

Updating our 2019 outlook

Based on the current market environment and reflecting an additional ~$25 million headwind from increased jet fuel prices (assuming an average price for the second half of the year of **US$78/bbl**[1]), we are targeting 2019 earnings before taxation **to exceed $340 million.**

* Prior outlook as disclosed most recently at the Company's Business Review update on 28 March 2019.

[1] Prior outlook assumed an average Singapore jet fuel price for the full year of US$81/bbl; Current outlook now assumes an average Singapore jet fuel price of US$83/bbl for the 2019 financial year.

We responded quickly to signs of a slowing growth environment…

Forward bookings reflect softer revenue growth to prior forecast. Market notification of earnings expectations and commencement of business review

Jan 2019

Announcement of business review including network growth revisions, fleet deferrals and cost reduction initiatives

Mar 2019

Commenced further cost transformation reviews across targeted operational and overhead departments

May – Jun 2019

…and took immediate and decisive action to adjust our business

Network

- Revised medium term growth to 3% to 5% (from 5% to 7%)
- Focused on optimising network to maximise and diversify revenue
- Stimulate new demand
- A moderate rate of growth expected on existing routes

Fleet

- Adjust aircraft deliveries to reflect slower growth environment
- Fleet deferrals of ~$750 million
- Smoother capex profile in 2020-2022 period

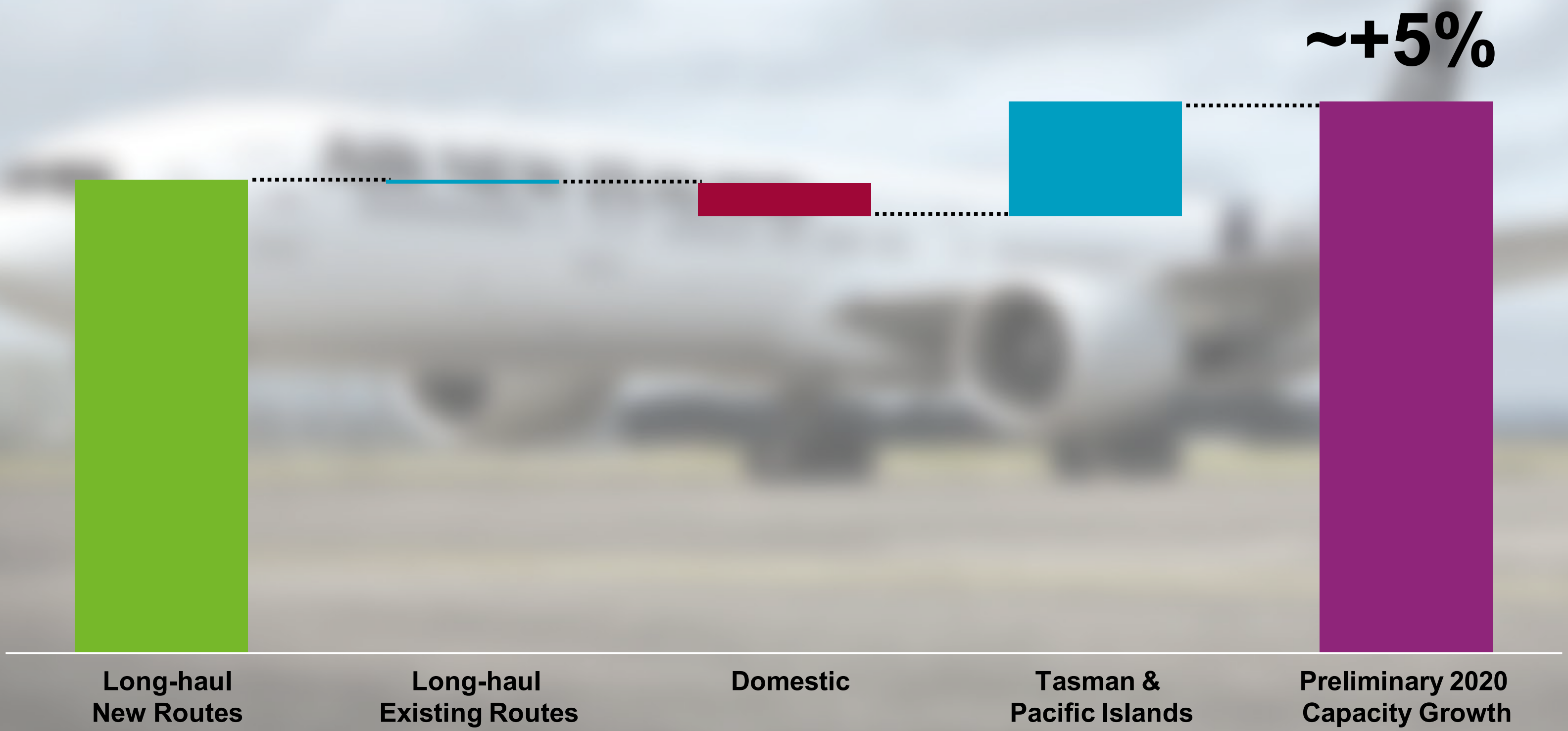
Cost

- Launch of a two-year cost reduction programme
- Expecting to achieve an additional ~$60 million in annualised savings over this period
- Focused on both operational and overhead costs

Customer

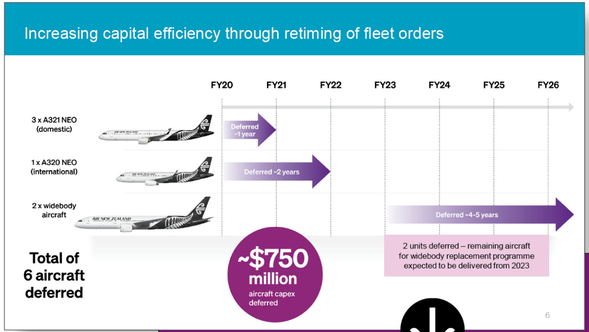
- Progressive roll-out of enhanced seats across multiple cabins
- New in-flight soft products including free Wi-Fi onboard enabled international flights
- Upgraded lounge facilities across the network

Focused network strategy is demonstrated by our preliminary 2020 capacity plan



Recent fleet deferral decisions support the 3% to 5% growth target…

Communicated as at 28 March:

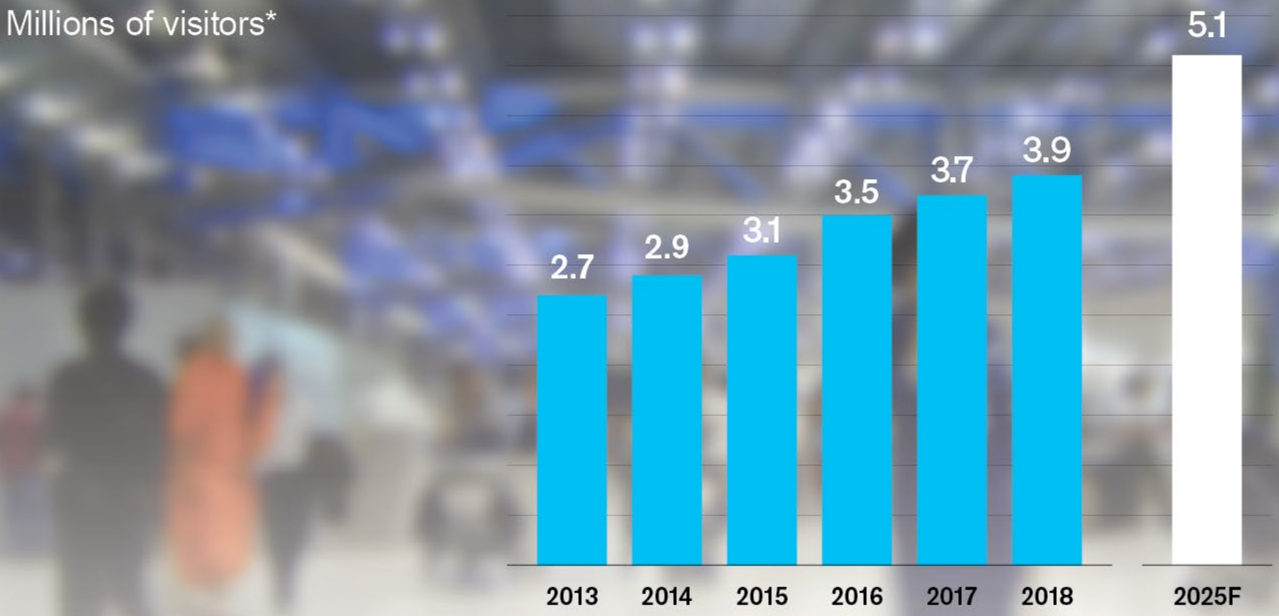


Revised aircraft delivery schedule:

		Number in existing fleet[1]	Number on order[1]	Delivery Dates (financial year) 2H 2019	2020	2021	2022
Owned fleet on order	**Airbus A320/A321 NEOs**	4	9[2]	1	1	3	4
	ATR72-600	22	7	1	5	1	-
Operating leased aircraft	**Boeing 787-9**	1	1	-	1	-	-
	Airbus A320/A321 NEOs	4	1	-	1	-	-

1 Delivery schedule as at 26 May 2019.
2 Does not reflect two additional A321 NEO aircraft on order for expected delivery in 2024.

…as do updated external forecasts reflecting a moderation of tourism growth rates…



~4% forecast annual visitor growth rate, down from ~5% last year

*** Stats New Zealand and Ministry of Business, Innovation and Employment.**
The forecast annual growth rate of 4% represents the forecast CAGR for international visitor arrivals to New Zealand in the period 2018 to 2025.

…however, we continue to maintain fleet flexibility that we can leverage should the demand environment change

Ability to flex down our fleet*

5 early termination options

FY20
one 777-300ER

FY21
two 777-300ERs**
two A320 domestics

41 unencumbered aircraft by 2020

Wide-body
four 777-200ERs

Narrow-body
12 A320/A321s

Turbo-prop
23 Q300s
two ATR72-600s

Ability to expand the fleet

- Purchase growth units
- Incremental operating leases
- Use purchase rights and options for growth units

* Does not include the widebody replacement programme aircraft or one for one replacement aircraft.
** One of these options is only available if unexercised in 2020.

Cost reduction programme targeting $60 million in annualised savings by the end of 2021

The cost reduction programme is focused on three key pillars:

1

Removal of inefficiencies associated with the Rolls-Royce engine issues

Savings expected to be achieved in 2020 & 2021

2

~5% reduction in overheads through reprioritisation, process efficiencies and automation

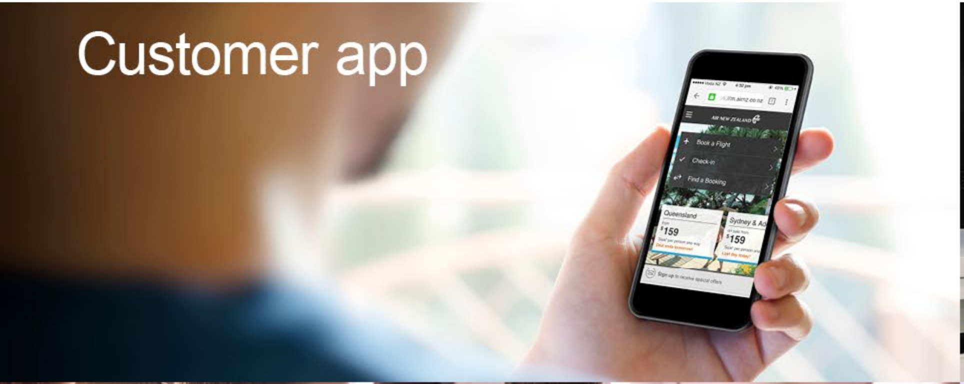
Savings expected to be achieved across 2020 & 2021

3

A targeted review of the operations cost base

Savings expected to be achieved across 2020 & 2021

We will continue to invest in the customer experience…



23

…as demonstrated today with our commitment to purchase 8 787-10 Dreamliners from 2023

Partnership with Boeing and GE provides many advantages

- Superior operating economics when compared to 777-200
- Able to perform a similar mission set to the current 777-200 fleet
- Highly fuel-efficient, saving ~190,000 tonnes of carbon per annum
- ~95% commonality of parts with 787-9 offers significant efficiencies
- Order flexibility for 787 aircraft type, size and timing
- Engine supplier diversity

Selected airframe: Boeing 787-10

Selected engine: GEnx-1B

What you will hear today

We have attractive opportunities to achieve medium-term network growth of 3% to 5%

We have numerous initiatives to drive strong revenue performance

We have multiple levers to drive continued operational efficiencies and productivity in the future

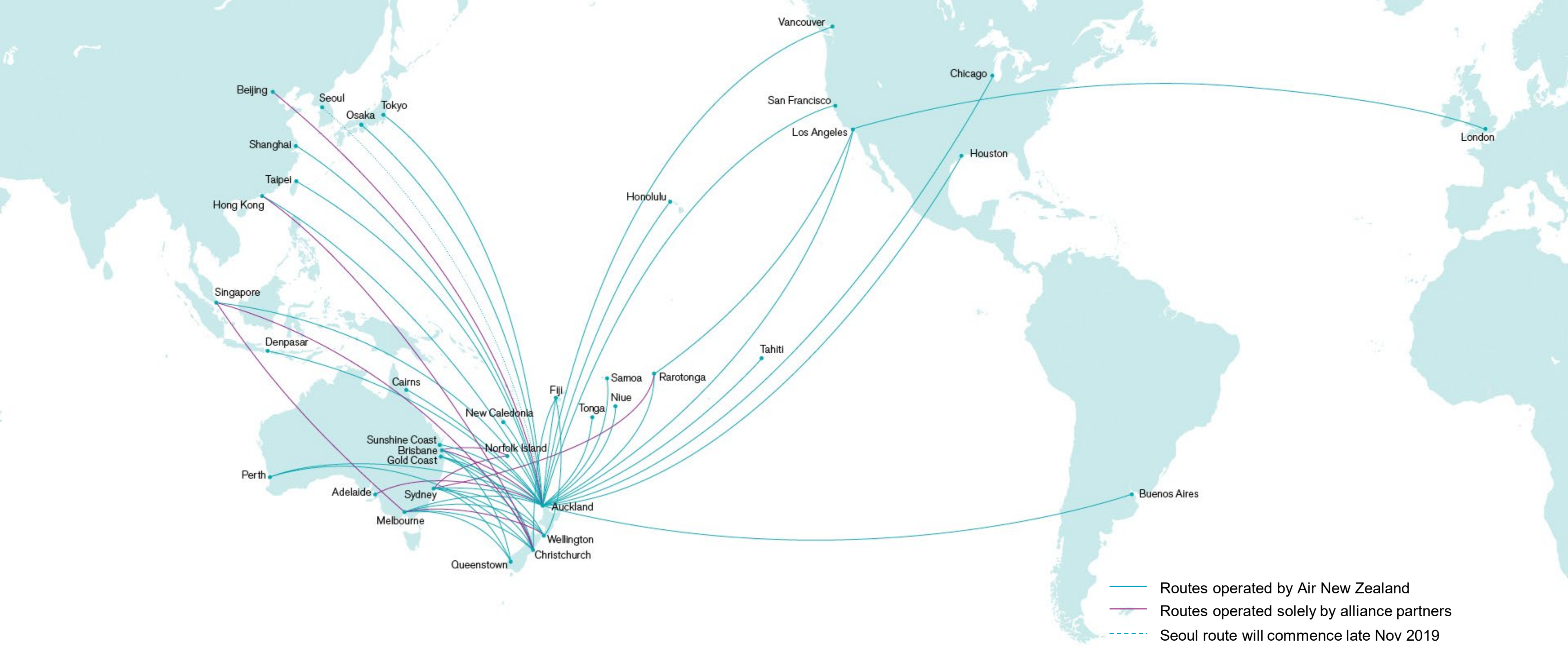
We are committed to disciplined capital deployment, with a focus on strong shareholder returns

Network opportunities

Nick Judd

Chief Strategy, Networks & Alliances Officer

We have a strong and diversified network with further opportunities for profitable growth



Competitors are finding the New Zealand market difficult

In the past 24 months, competitive capacity growth into New Zealand has substantially slowed

At the same time, jet fuel prices have increased by

~35%

Asia

- Hong Kong Airlines exit from AKL-HKG in May 2019
- Exit of AirAsia X from AKL-OOL
- China airlines exit AKL-SYD and CHC-MEL/SYD

North America

Air Canada introducing seasonal service YVR-AKL from Dec 2019

Pacific Islands

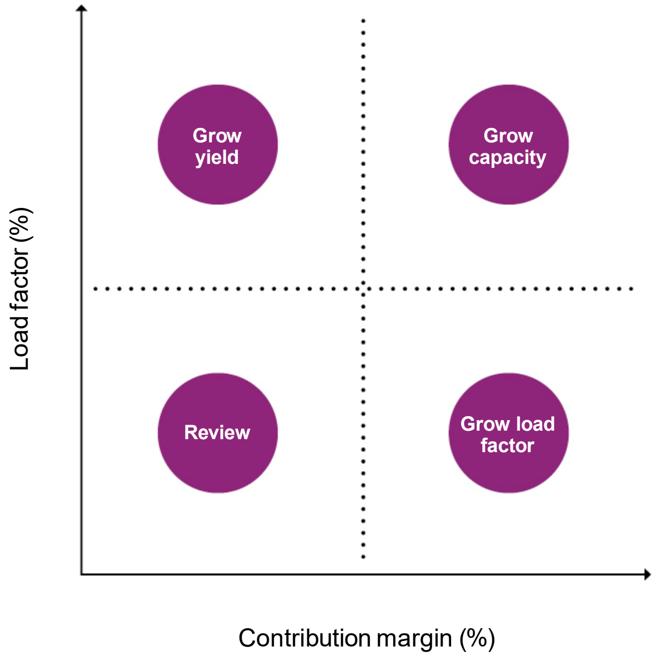
Emirates reduced services to Bali by ~15% less than six months after moving to daily services

Tasman

Virgin Australia reduced AKL-SYD, CHC-SYD and BNE-WEL capacity

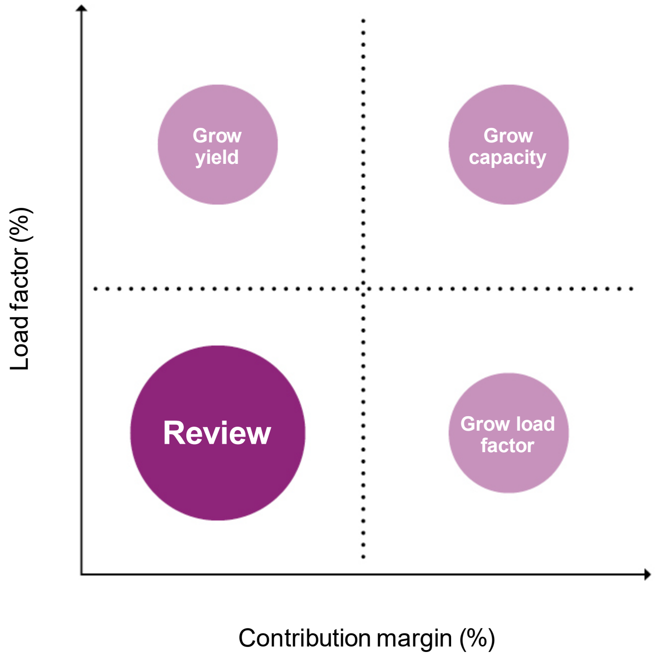
Continuously focused on route performance and ensuring that our fleet is utilised in the best way possible

- All routes evaluated against their strategic objectives and profitability targets on a quarterly basis



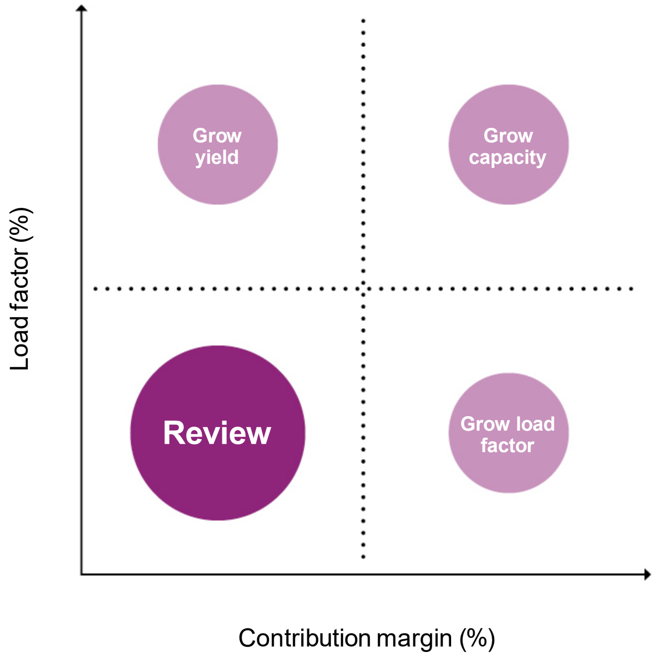
Continuously focused on route performance and ensuring that our fleet is utilised in the best way possible

- All routes evaluated against their strategic objectives and profitability targets on a quarterly basis
  - Action plans created for routes in the 'review' quadrant
  - Decisive action taken where necessary



Continuously focused on route performance and ensuring that our fleet is utilised in the best way possible

- All routes evaluated against their strategic objectives and profitability targets on a quarterly basis
  - Action plans created for routes in the 'review' quadrant
  - Decisive action taken where necessary
- Routes need to stand on their own merit and make sense relative to other routes in the network

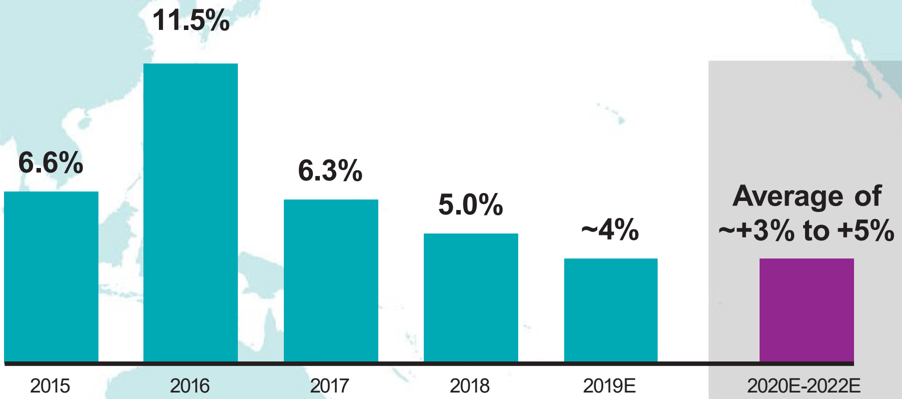


Case Study: Re-timing of our Hong Kong flight

- Previously operated AKL-HKG as an overnight flight
- This left one widebody aircraft on the ground for ~11 hours before the next scheduled departure
- By re-timing this flight, ground time reduces to ~2 hours which enables us to:
  - Free up one widebody aircraft for additional flying or for use as an operational spare
  - Achieve greater crew efficiencies
  - Serve local traffic with no material impact on connectivity or target traffic flows

Moderate network growth over the medium-term will be driven by three principles

Group capacity growth (Historical and current targets)



1. Attractive new markets
2. Upgauge aircraft
3. Maintain or constrain existing routes

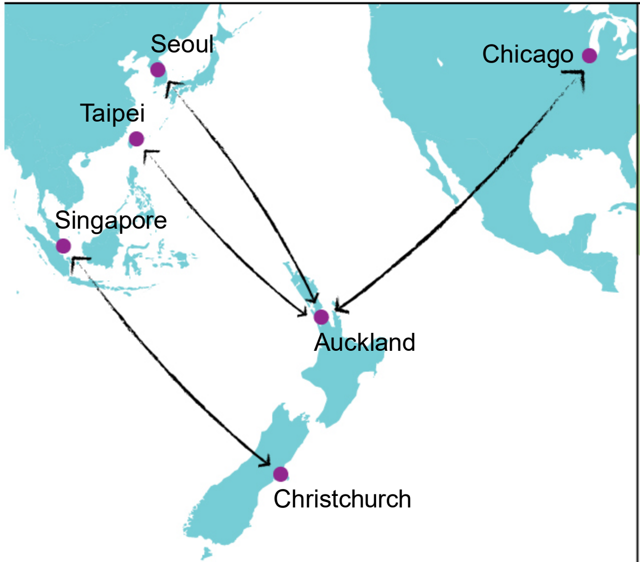
Growth will be focused on stimulating demand from new markets

1 **Attractive new markets**

2 Upgauge aircraft

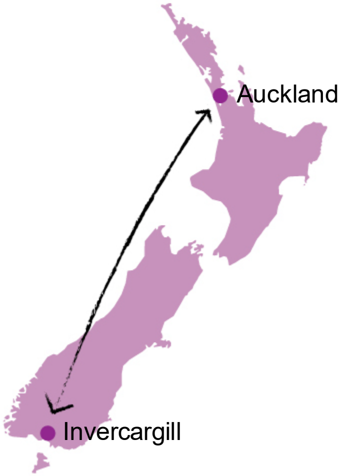
3 Greater flexibility

Long-haul



Tasman

Domestic



Case study: Diversifying demand in Asia by expanding into Seoul

1. **Attractive new markets**
2. Upgauge aircraft
3. Maintain or constrain existing routes

Why Seoul?

- ✓ Inbound leisure demand is strong, with Seoul being New Zealand's third largest Asian market
- ✓ Currently ~40,000 Koreans living in New Zealand
- ✓ Demand is highly concentrated, with Seoul representing ~90% of travel demand
- ✓ Attractive yields
- ✓ Approximately 50% of travellers arrive on a one stop ticket, with most choosing to book online
- ✓ Existing sales presence, Star Alliance partner (Asiana Airlines) and trade relationships in-market

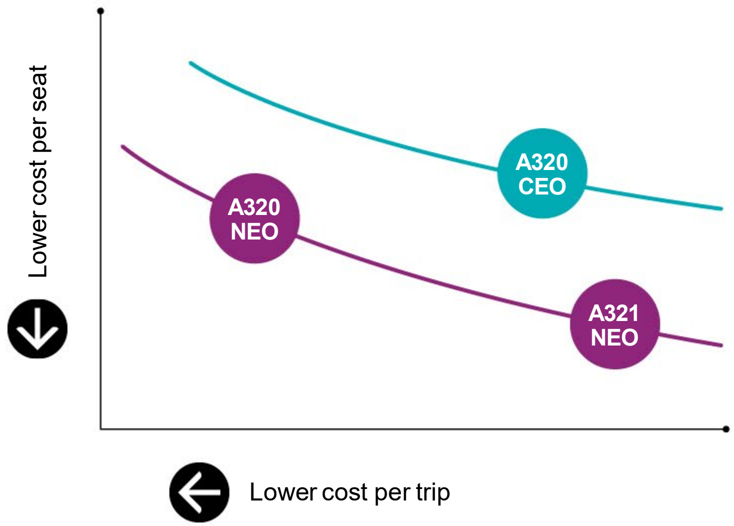
NEO aircraft driving cost effective growth on Tasman and Pacific Islands markets

1 Attractive new markets

2 Upgauge aircraft

3 Maintain or constrain existing routes

Realising cost efficiencies with upgauged aircraft



Targeting positive RASK on existing routes with stable or slightly declining capacity

1 Attractive new markets

2 Upgauge aircraft

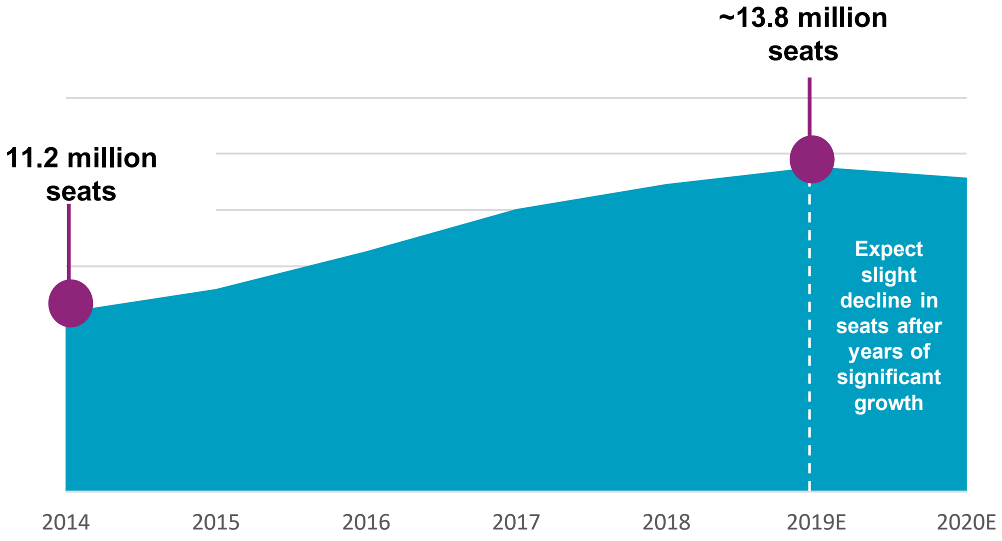
3 **Maintain or constrain existing routes**

Domestic example

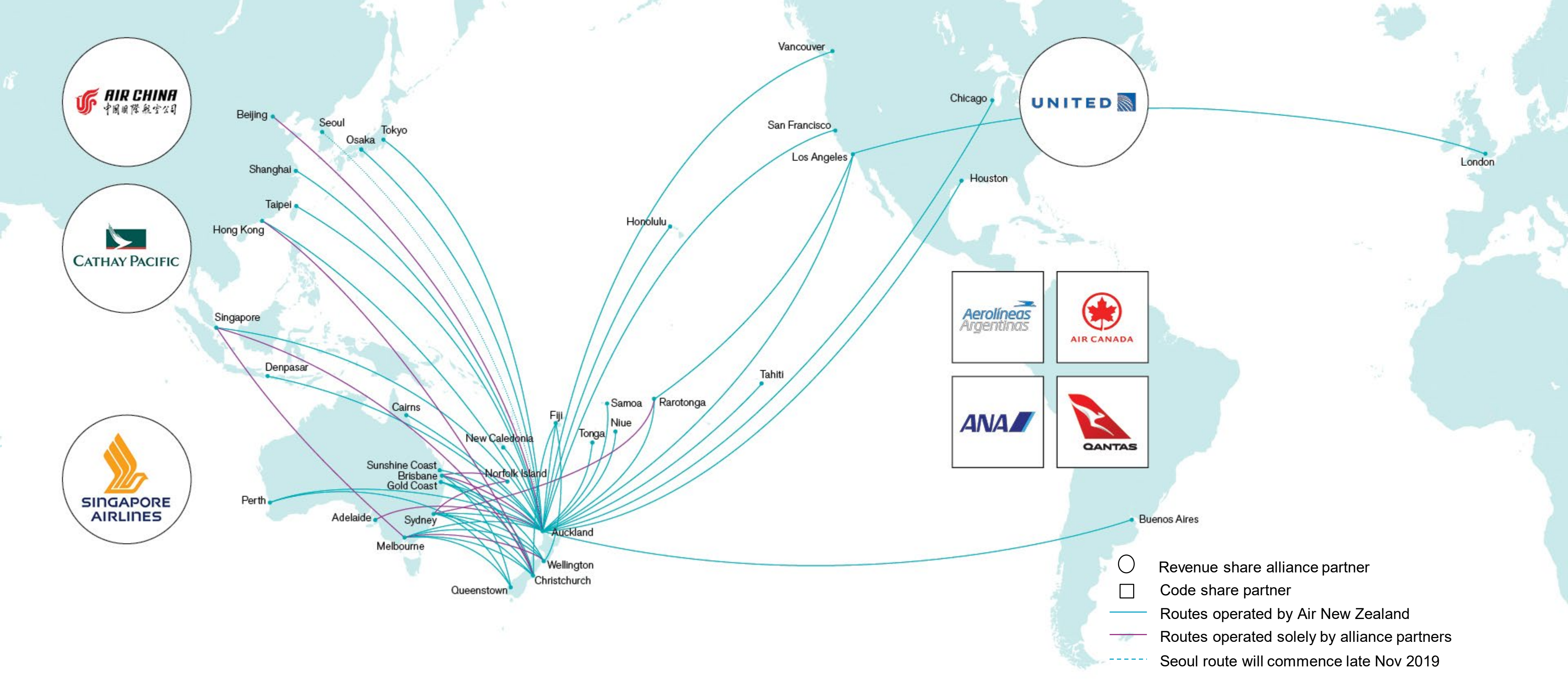
- Over 20% seat growth over the past 5 years
- Expect slight decline in domestic seats for 2020 reflecting lower capacity
- Achieved by targeted frequency reductions in select markets

Domestic network seats

(Actuals & indicative forecast)



Our strong position is further supported by revenue share alliances and deep code share partnerships



Tasman performance following end of Virgin Australia alliance has met our expectations

- Large volumes of additional capacity have been added on the Tasman by several competitors
- We have made rational capacity decisions and continue to focus on RASK performance
- Our market share has improved since termination of the alliance

Trans-tasman capacity share*

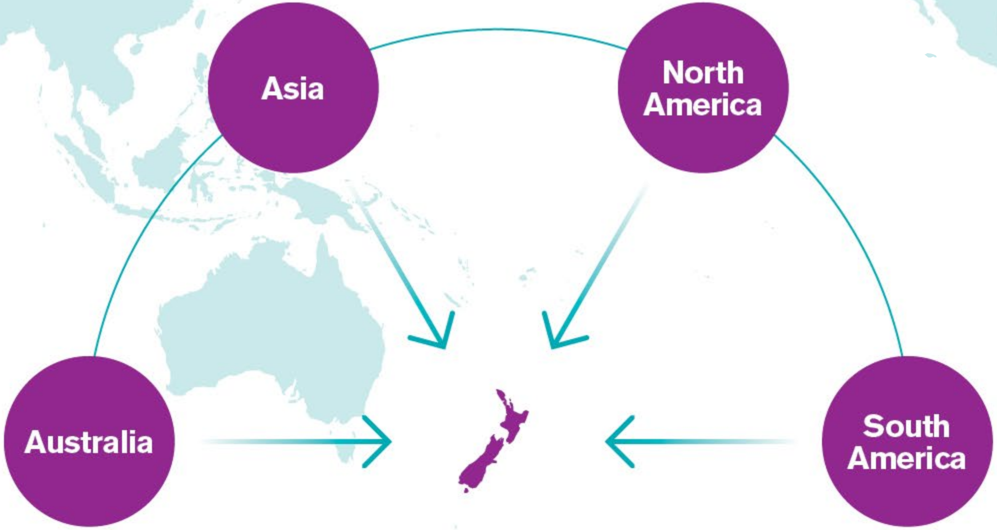
AIR NEW ZEALAND	34%	37%
QANTAS	25%	26%
Virgin australia	16%	18%
Jetstar	10%	10%
Other	15%	9%

* Left-hand side represents capacity share data for the 12 months prior to the dissolution of the Virgin Australia alliance. Right-hand side represents actual and scheduled capacity for the 12 months to November 2019.

Our future network plans

What you can expect

- Overall 2021 and 2022 capacity growth expected to be lower than 2020
- Aspiration to grow new markets into daily services
- Continuous optimisation of existing network as needed
  - Including fleet type and scheduling
  - Relentless focus on enhancing route profitability



Delivering profitable revenue growth

Cam Wallace

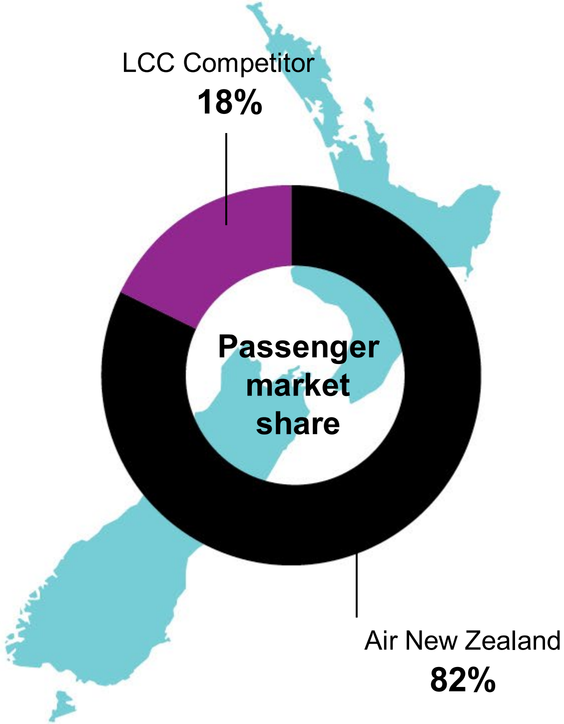
Chief Revenue Officer

Focused on key opportunities to drive profitable revenue growth

- Maintain strength in our home market
- Drive effective market development activities to support new routes
- Leverage customer segmentation data
- Invest further in the premium customer experience
- Increase value from loyalty and ancillary
- Innovate revenue management

We have the highest domestic market share of any APAC airline

Maintain strength in our home market



Leveraging our domestic competitive advantages:

- New Zealand's most iconic and trusted brand
- Unmatched network offering against sole LCC competitor
  - Over 400 flights daily to 20 domestic destinations
  - 33 A320/A321 narrow-body aircraft[1]
  - 52 turbo-prop aircraft[1]
  - 15 domestic lounges
- Single class cabins drive cost discipline, with customers valuing ground product and flexibility
- 100% of domestic flight emissions are offset
- Working with Tier 3 domestic carriers

[1] In-service fleet as at 30 April 2019.

Domestic traffic is driven by three different and distinct customer segments and dynamics

Maintain strength in our home market

Business Travel

Strong relationships and contracts with Corporate, SME and Government clients

Senior sales personnel based in key regions, connecting with influencers in local communities

Inbound Tourism

Stimulation of new international markets (e.g. Seoul, Chicago, Taipei) expected to have positive result for domestic travel

Leveraging partnerships with alliance JVs and key codeshare airlines

Domestic Tourism

Fare restructure implemented in late February performing in-line with expectations

Lower fare classes have been stimulated, skewed primarily to regional ports

Organisational sales structure and multi-product approach is valued by our business customers

Maintain strength in our home market

Business Travel

	SMEs	Corporate	Government (National & Local)
Sales Relationship	Dedicated Above & Beyond Account Managers*	Dedicated Regional Account Managers	Dedicated Account Managers
Contracts	N/A	Individual Corporate	All of Government Service Supplements
Loyalty Programmes	Above & Beyond, Airpoints for Business and Airpoints	Airpoints	Airpoints
Products	Travelcard	Travelcard	Travelcard

* Larger SME's are account managed.

We understand how to attract inbound leisure customers better than our competition

Drive effective market development activities to support new routes

While competitor airlines are more focused on long-haul routes that support business traffic…

…we actively engage with customers across every phase of travel consideration

Dreaming
- Trip consideration

Planning
- Flight ads for prospecting
- Hotel ads for prospecting

Booking
- Flight ads for retargeting
- Hotel ads for retargeting
- Destination ads for retargeting

Experiencing
- Dynamic retargeting ads for mobile app
- Dynamic retargeting ads for ancillaries

Case study: Stimulating interest in New Zealand and Air New Zealand prior to Chicago route launch

Drive effective market development activities to support new routes

Focus: present the Air New Zealand brand and New Zealand destination that will get consumers motivated to experience and share amongst their friends and followers

Solution: provide a fully immersive pop-up experience

Target audience: consumers, travel agents, media

Understanding our customers better allows us to make investment decisions with better returns

Leverage customer segmentation data

Customer segmentation profiles

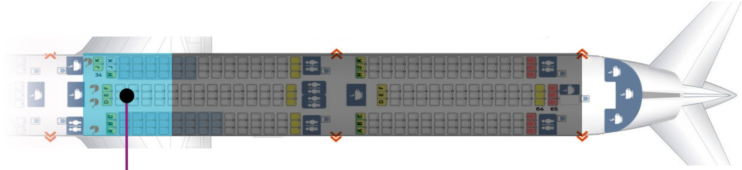
Bargain hunters	High flyers	Way of lifers
Pennywise	Value seekers	Indulgers
	Treat seekers	

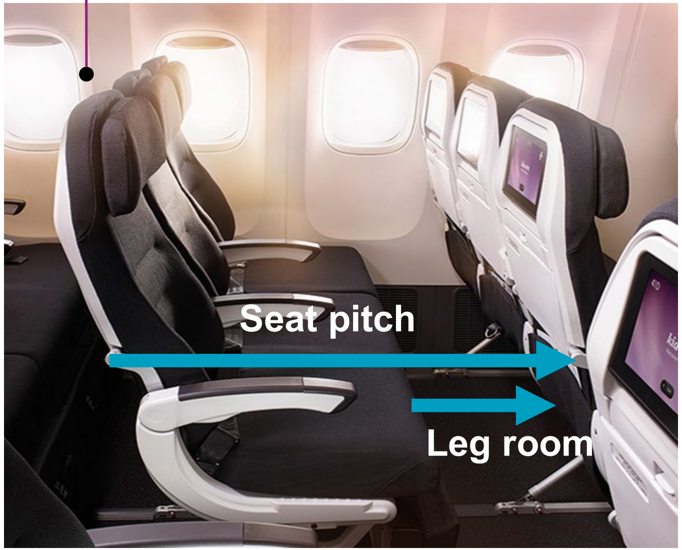
Innovators in customer segmentation with "Seats to Suit" focused on short-haul markets…

Leverage customer segmentation data

…and we will be looking to roll out a new long-haul economy product, offering additional comfort

Leverage customer segmentation data





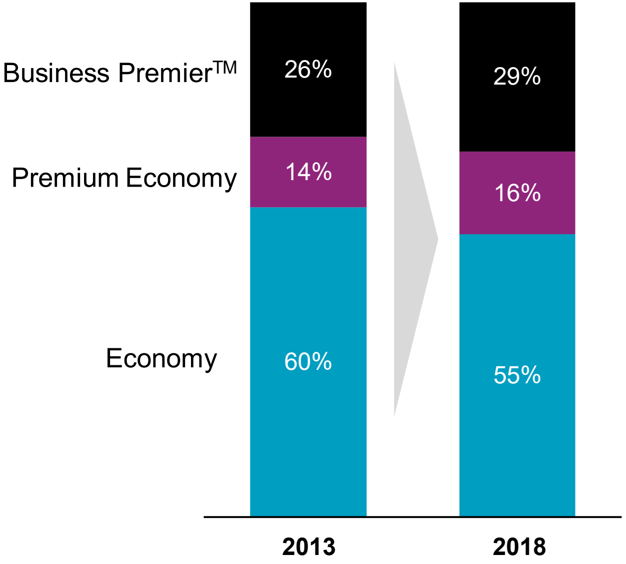
New long-haul product will offer:

- More leg room
- Front of Economy cabin
- Additional Airpoints™ earned
- Differentiated seat set-up and soft product

Premium cabins have grown in popularity across our long-haul network

Invest further in the premium customer experience

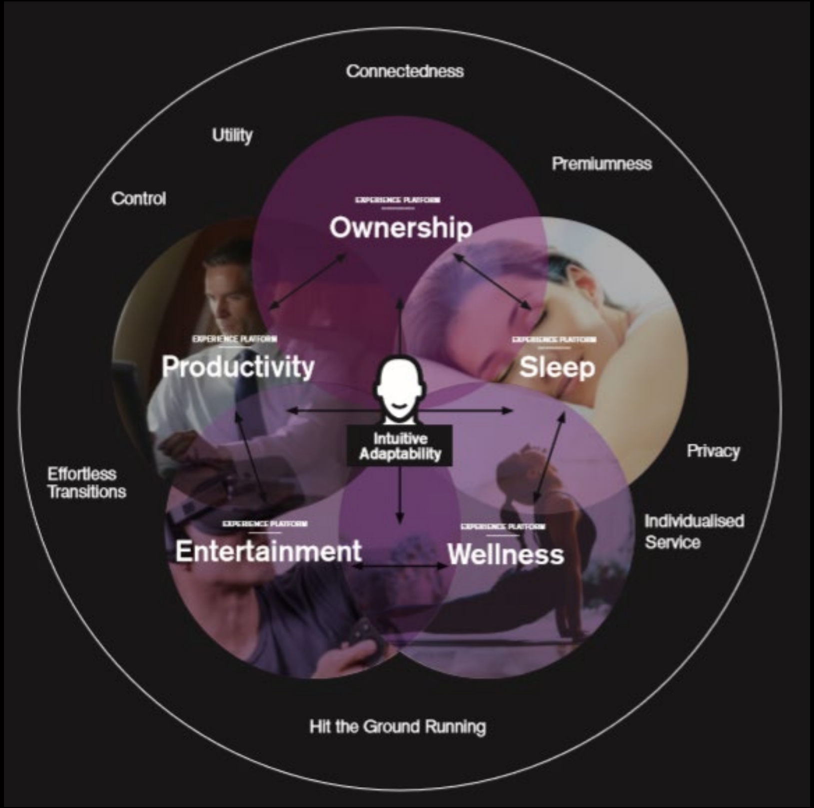
Revenue as a proportion of International long-haul revenue



Maximising experiences of premium travel that customers will value is key to future cabin planning

Invest further in the premium customer experience

- Continuous innovation in cabin experience
- Applicable across various markets
- Consideration of interplay between hard and soft product
- Focus on personalisation elements



Our unique Airpoints™ loyalty programme is simple, transparent and strongly valued by New Zealanders

Increase value from loyalty and ancillary

Simple loyalty currency with no restrictions

- 1 Airpoints Dollar™ = $1
- No blackout periods

Most aspirational loyalty programme in New Zealand

- At least one person per New Zealand household is an Airpoints™ member*

A loyalty programme that is truly valued by members

- Low expiry rate indicates engaged membership
- 920K flights purchased in 2018 using Airpoints Dollars™

*As at 30 April 2019. Calculation based on Stats NZ household data.

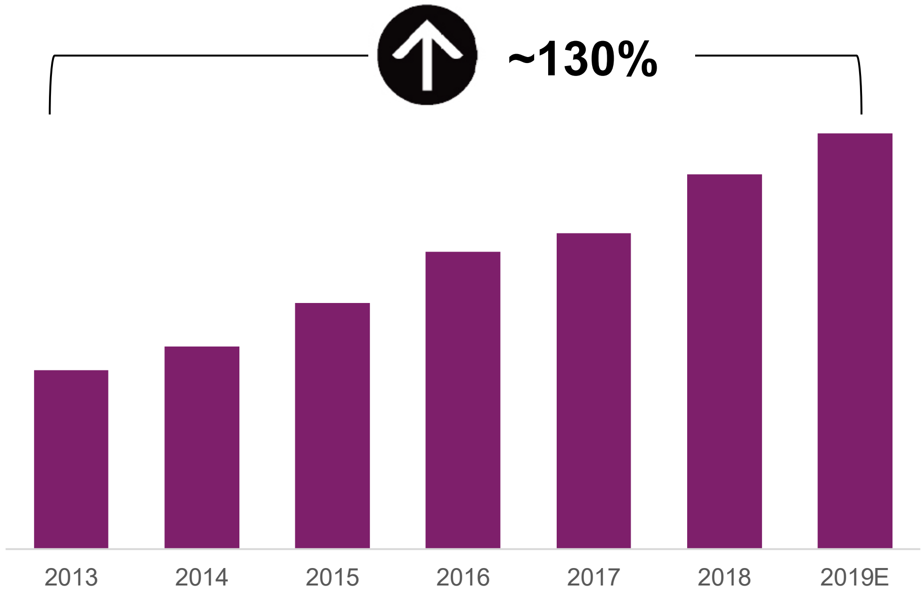
Our partner relationships help drive a loyalty ecosystem that adds further value

Increase value from loyalty and ancillary

65+ ground partners

- Food
- Fuel
- Financial Services
- Utilities
- Real Estate
- Shopping

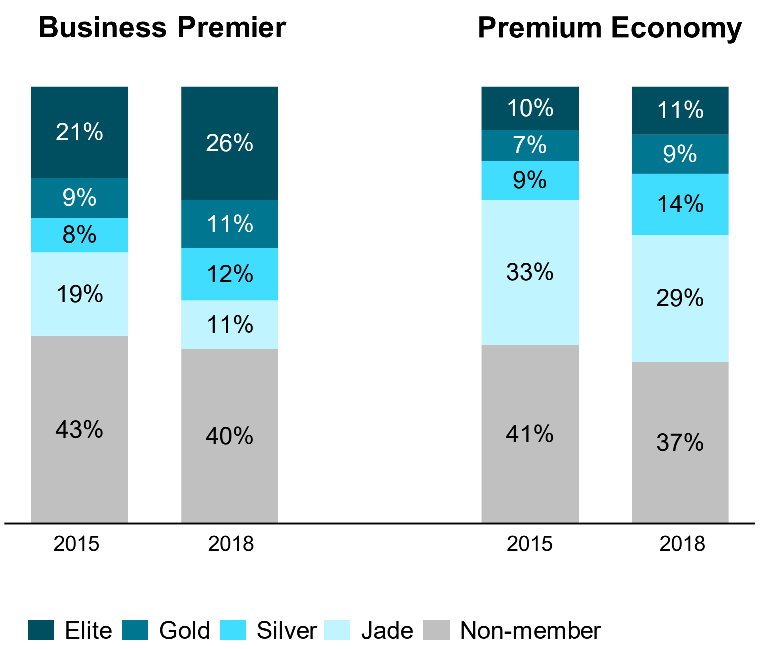
Airpoints Dollars™ issuance from our financial partners



Clear linkage between our high value loyalty members and increased premium cabin bookings

Increase value from loyalty and ancillary

Long-haul premium cabin revenue bookings

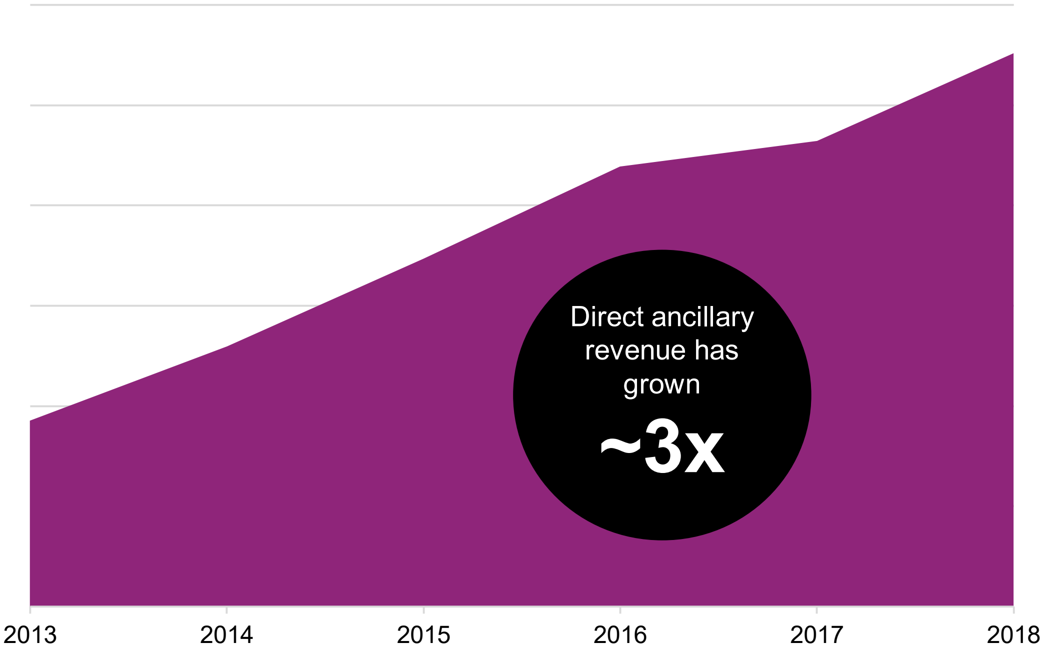


Focused on driving continued high growth in ancillary product demand

Increase value from loyalty and ancillary

What is included in our definition of Direct Ancillary?

- Seat Select
- OneUp™
- SkyCouch™
- Unaccompanied Minor
- Excess Baggage



We are in the early stages of applying machine learning to further optimise revenue management

Innovate revenue management

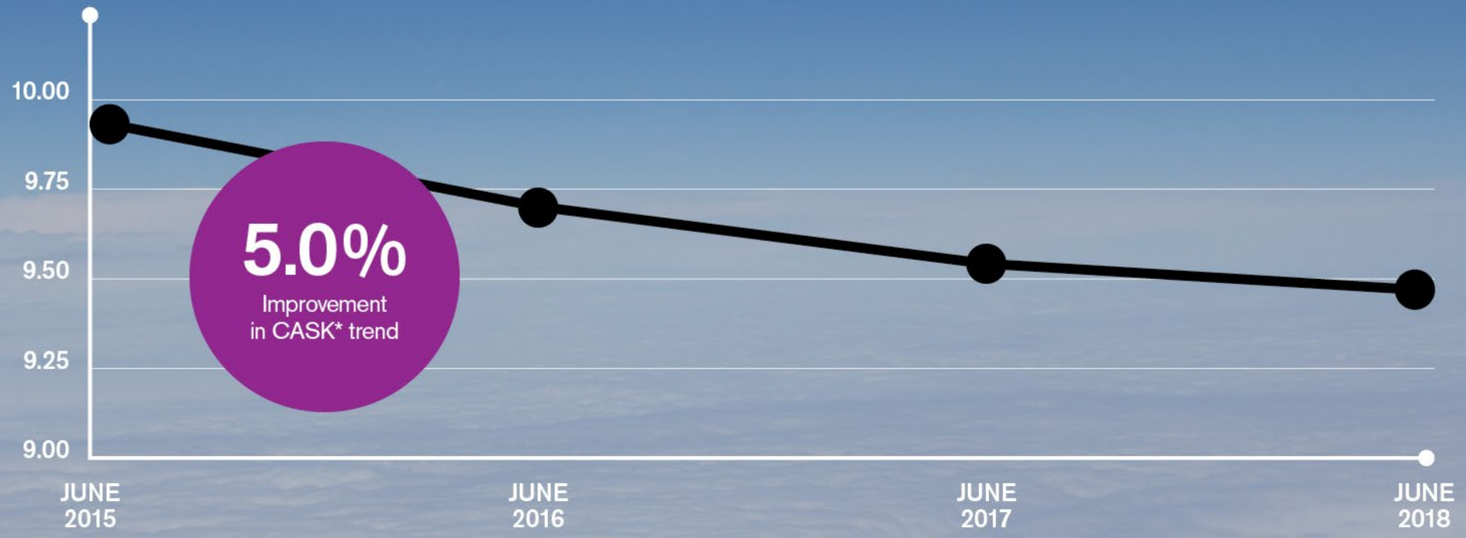
Several weaknesses with traditional revenue management systems		When used with existing systems, machine learning can improve our results
• Reliance on historical booking data to predict future demand	→	✓ Improve the demand forecast by considering significant metadata
• Inventory re-optimisation does not occur in real-time	→	✓ Inventory settings re-optimised in near real-time; enables rapid response to demand changes
• Seat inventory is optimised independently of ancillary products	→	✓ Ability to manage the complete customer offer, including ancillary recommendations

Operational excellence

Carrie Hurihanganui

Chief Ground Operations Officer

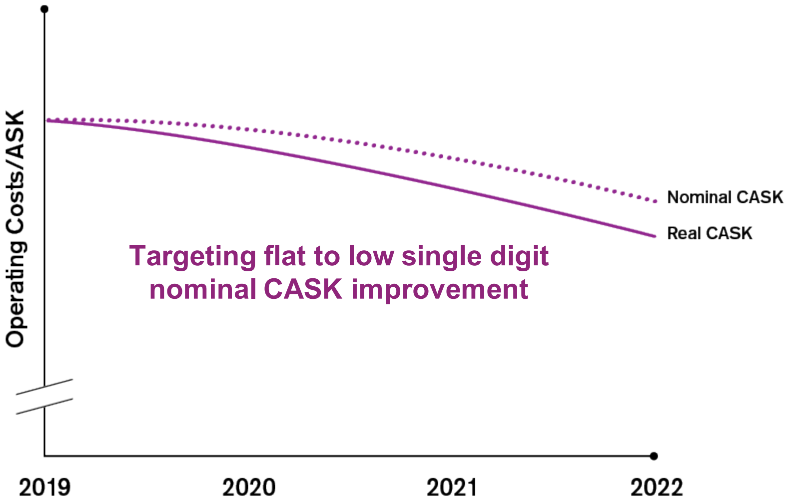
Our approach to cost control has helped drive strong CASK performance in recent years



* Prior year CASK adjusted to the average fuel, foreign exchange and third party maintenance rates for the period ending on 30 June 2018.

Looking ahead we are targeting flat to improving CASK performance over the next three years

Indicative CASK trend



CASK improvement drivers

1. **Efficiencies**
2. **Economies of scale**
3. **Productivity**

Cross-functional initiatives in place to improve efficiencies across the business

1 Efficiencies
2 Economies of scale
3 Productivity

- Strategic supply chain
- Next generation engines (A320/1NEOs)
- Fuel burn optimisation

Our supply chain is multi-tiered and complex, with the ability to generate further efficiencies

1. Efficiencies
2. Economies of scale
3. Productivity

~$1.3 billion

in annual addressable spend[1]

41%
New Zealand based

59%
Global based

~4,200 suppliers across all facets of our operation

[1] Spend excluding labour, fuel, aircraft, air navigation, landing and government agency charges.

Strategic supply chain partnerships can help mitigate risk, step change the way we do business and add value

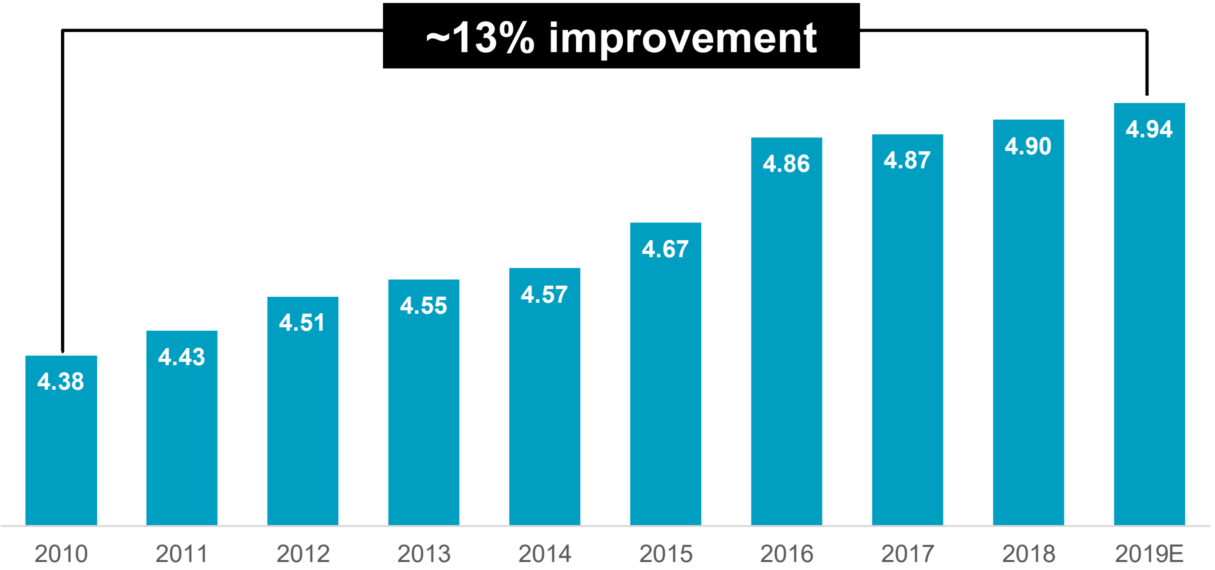
1. Efficiencies
2. Economies of scale
3. Productivity

- ✓ Creation of Supply Chain Centre of Excellence
- ✓ Alignment of the value chain activities across the organisation
- ✓ Increasing trend of suppliers helping to drive innovation
- ✓ Using our vendor relationships to drive sustainability and traceability from source

Fuel efficiencies should continue to improve as a result of investment in modern fleet and optimisation tools

1. Efficiencies
2. Economies of scale
3. Productivity

Fuel efficiency - ASKs/barrel



Future fuel efficiency driven by:

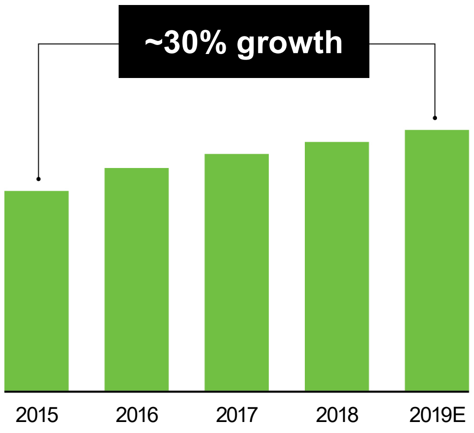
- Additional NEO aircraft
- System advances to optimise flight planning
- Weight reduction initiatives
- Increased ground power usage

Continued economies of scale expected from long-haul flying and overhead reductions

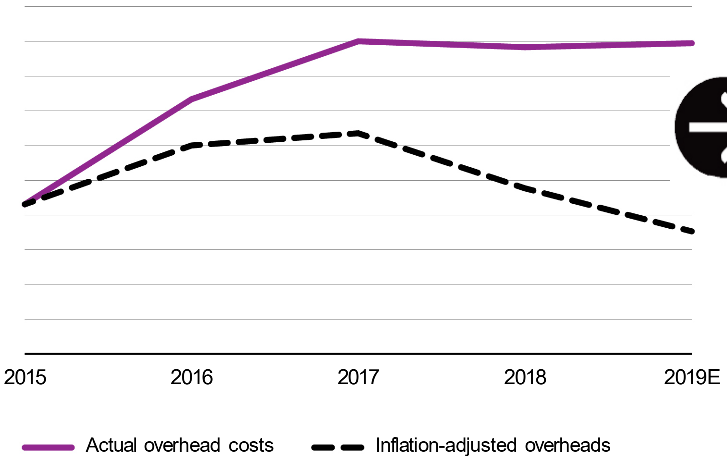
1 Efficiencies
2 Economies of scale
3 Productivity

Balancing network growth while maintaining control on overhead costs

Network capacity (ASKs)



Actual overhead costs vs. inflation-adjusted overhead costs



Resulting in a **~25% reduction** in overhead costs/ASK

Working on several key initiatives to improve productivity

1 Efficiencies
2 Economies of scale
3 **Productivity**

- Mobility tools
- Automation
- Organisational structure

Example: Digitising service

Moving from situations that require manual processes and human intervention…

1 Efficiencies

2 Economies of scale

3 Productivity

Disrupt

Example: Digitising service

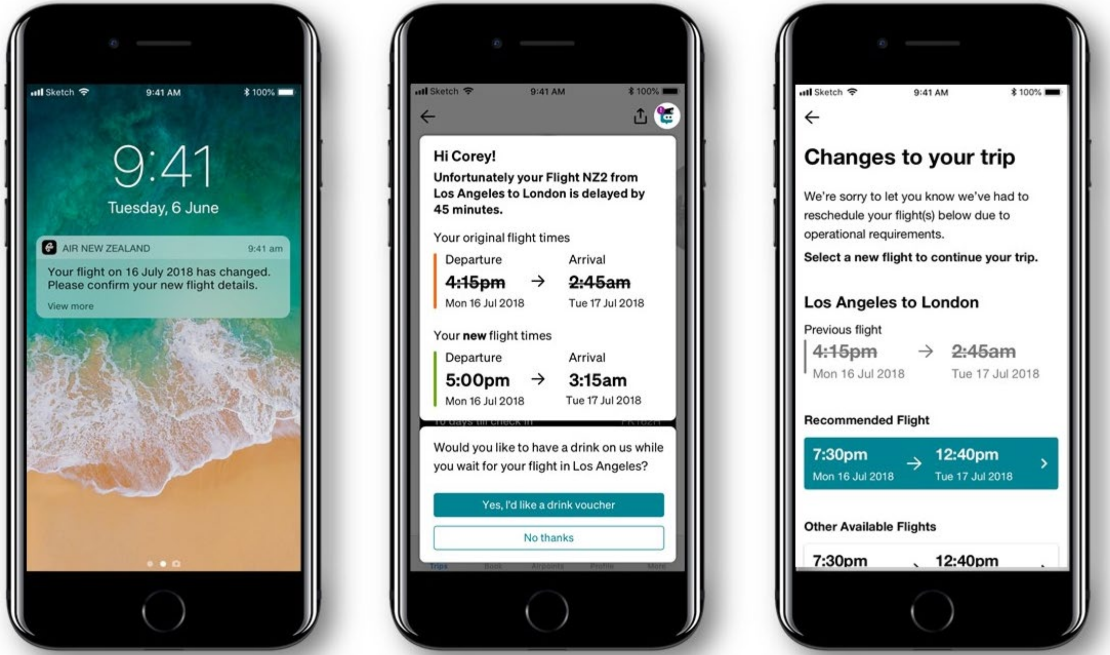
1 Efficiencies

2 Economies of scale

3 **Productivity**

Future state

…to empowering our customers to resolve issues with personalised channels



Example: Phased mobility strategy for operations

1 Efficiencies
2 Economies of scale
3 Productivity

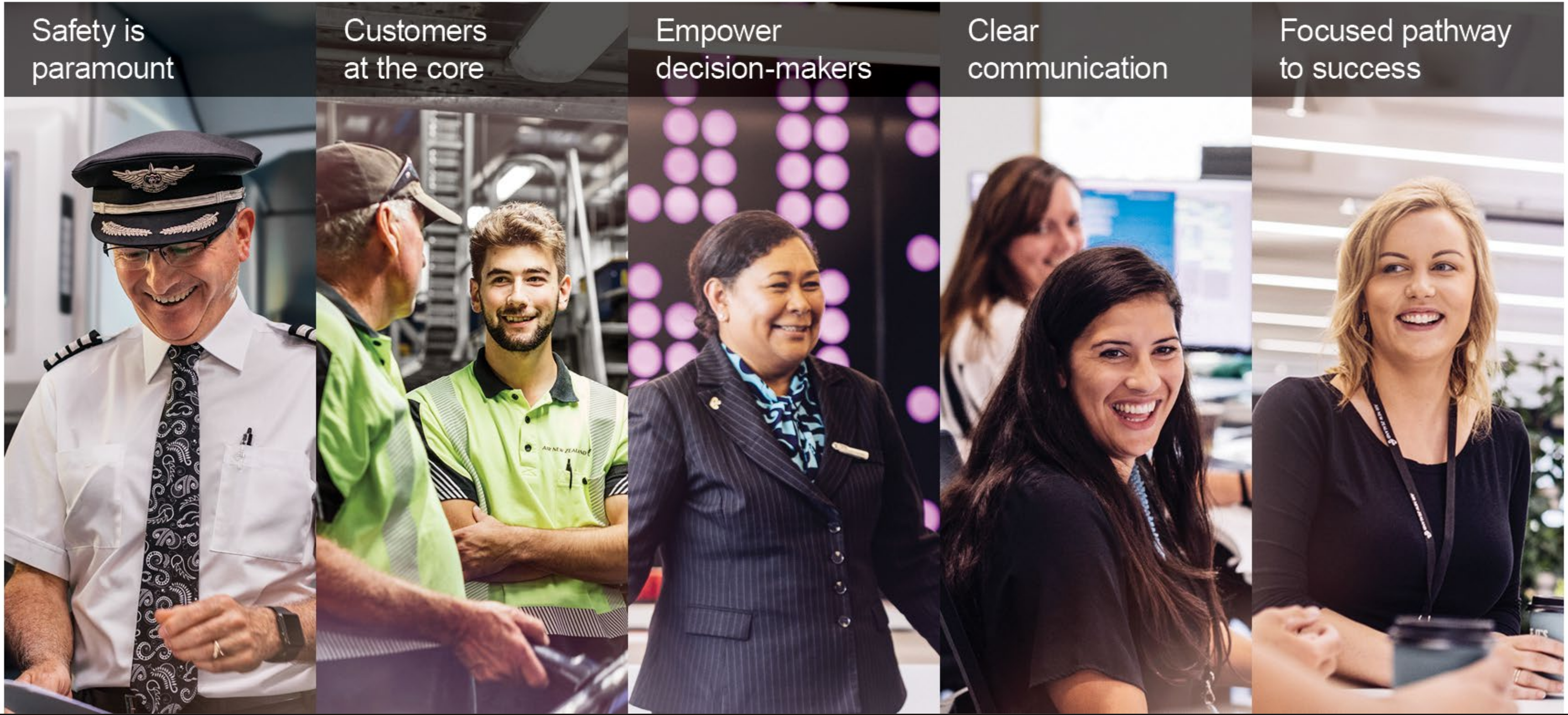
Empowering our people to better serve our customers using digital tools and data

Developing mobile front-end digital platforms to operational areas and providing real-time flight and passenger information

Mobility tools rolled out to wider Airports workforce to provide consistency across all channels, helping to deliver world-class customer and employee experience

Front-end digital solution allows operational staff to meet customer needs seamlessly (e.g. wearables, mobile printing)

Culture is critical to delivering sustainable cost improvement

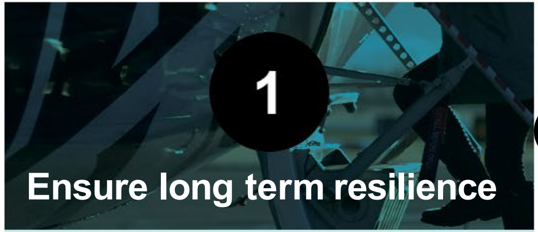


Financial priorities

Jeff McDowall

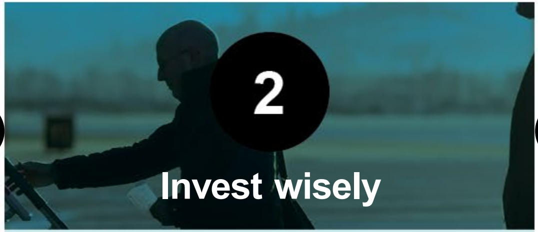
Chief Financial Officer

We have a capital management framework that is focused on financial resilience and sustainable shareholder value



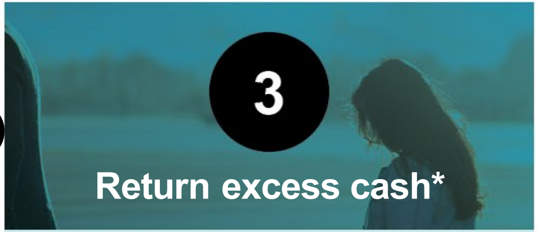
1 Ensure long term resilience

- Stable investment grade rating
- Diverse and attractive sources of funding
- Ensuring the right level of liquidity
- Hedging our financial risks



2 Invest wisely

- Disciplined spending on capex to support growth
  - Aircraft ownership decisions
  - Non-aircraft investment
- Pre-tax ROIC target of 15%



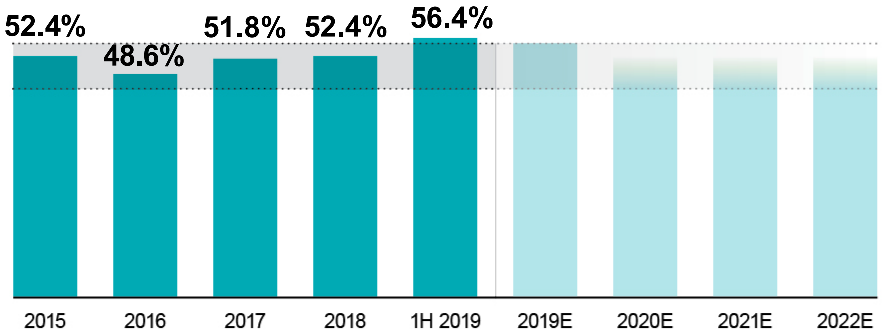
3 Return excess cash*

- Commitment to consistently pay a sustainable ordinary dividend
- Excess cash to be returned to shareholders via:
  - Share buy back
  - Special dividend

* Subject to maintaining financial resilience targets

Our strong and resilient balance sheet provides the foundation for a stable investment grade credit rating…

Target gearing range of 45% to 55%



Adjusted gross debt to EBITDA

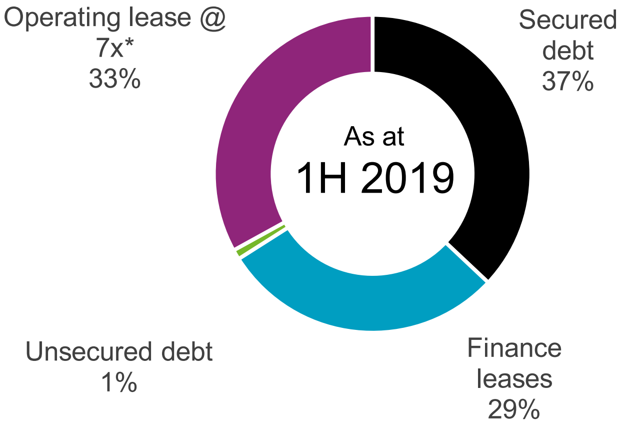
2.0x to 3.3x
target range

Investment grade credit rating*

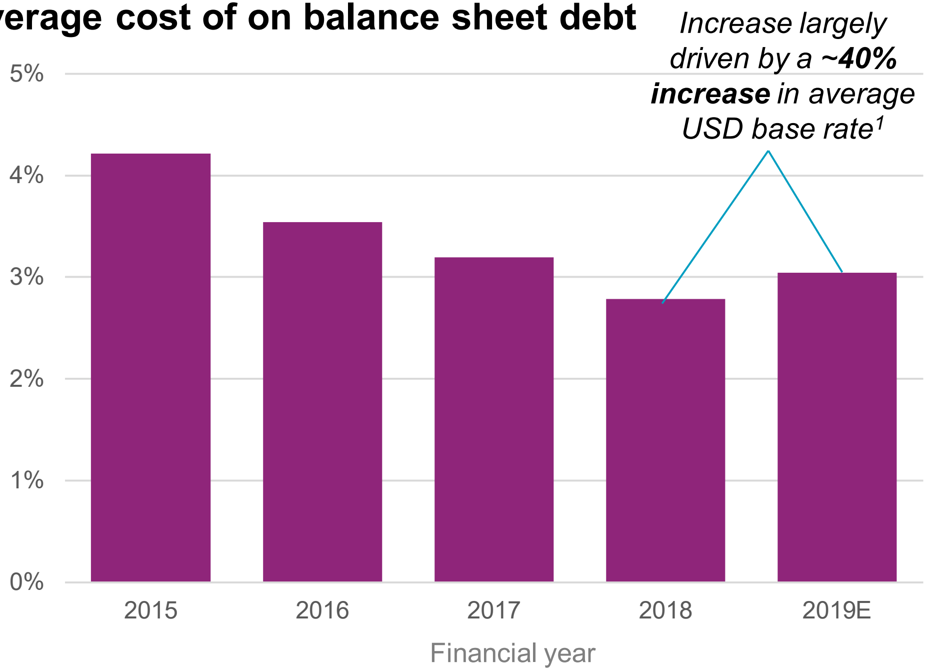
* Bloomberg data as at 1 May 2019.

…and we have a diverse and flexible debt portfolio with very attractive funding costs

Debt funding profile



Average cost of on balance sheet debt



* Aircraft operating lease commitments for the next 12 months multiplied by a factor of 7. Excluding short-term leases which provide cover for the 787-9 engine issues.
[1] Bloomberg data as at 16 May 2019; USD 6M LIBOR rate year on year movement between 2018 and May 2019.

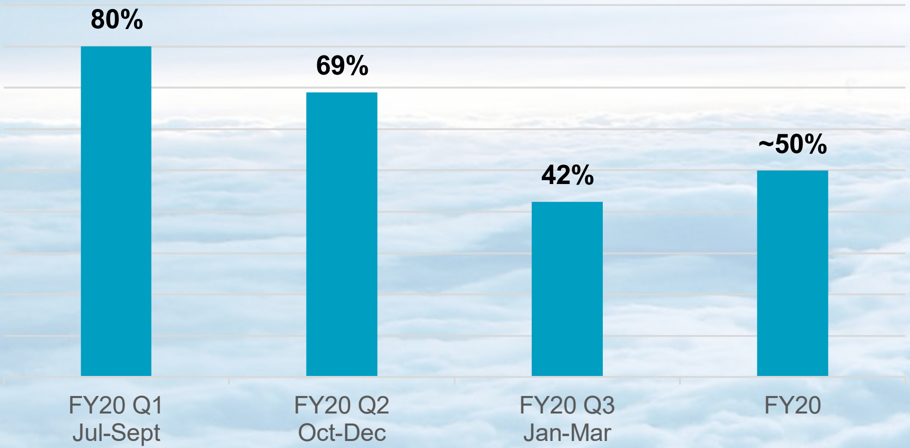
Looking to the near term we expect cash levels will remain at the upper end of our liquidity range

- As communicated last year, we have updated our liquidity range to target **$700 million to $1 billion** cash
  - Now transitioning to this target range
  - Primary mechanism by which we are moving towards this target has been via aircraft purchases
  - Balancing the level of cash purchases of fleet with the current attractive financing rates
  - No impact to gearing or net debt levels
  - Our fleet financing model provides us with greater flexibility from a liquidity perspective

We continue to mitigate some volatility in jet fuel pricing with our hedge portfolio

Fuel hedge position*

(hedged volume as a proportion of estimated consumption)

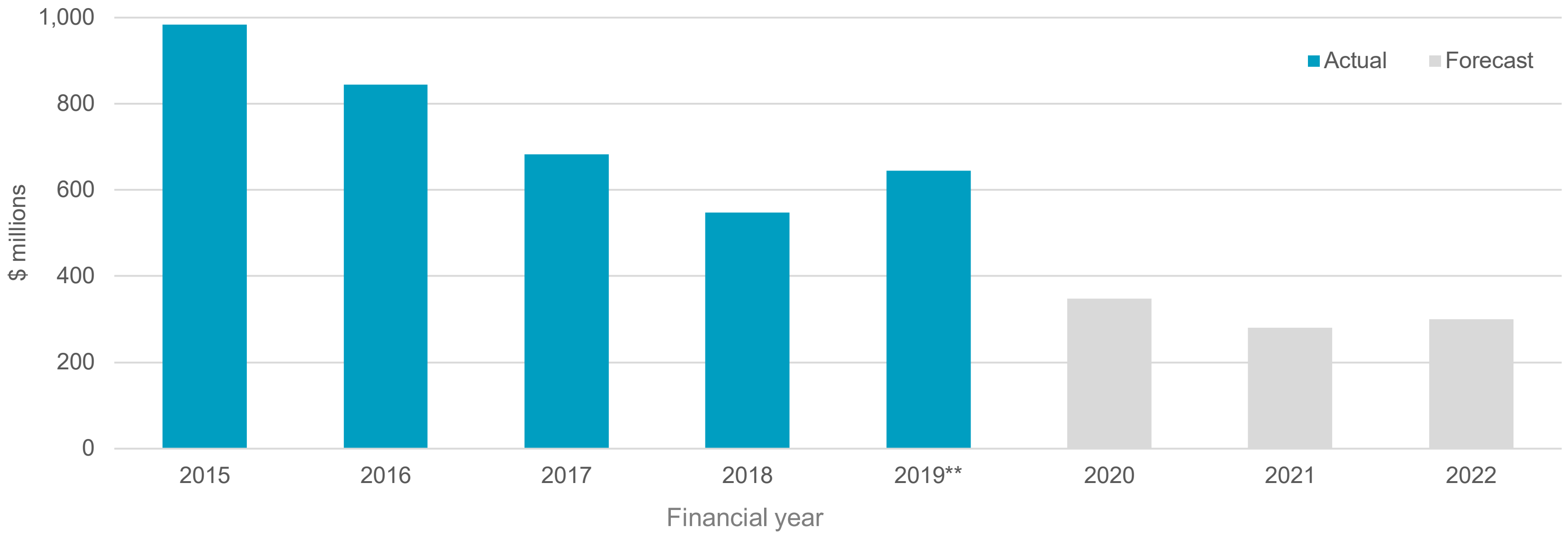


- Our hedging policy continues to focus on providing our business with time to adjust
- In 2019 we also added Singapore Jet Collars and Jet-Brent crack spreads into our hedging portfolio
- Currently 2020 is ~50% hedged

* Per fuel hedge position at 17 May 2019.

We see a substantial reduction in aircraft capex from 2020 to 2022 compared to recent years

Aircraft capex outlook*

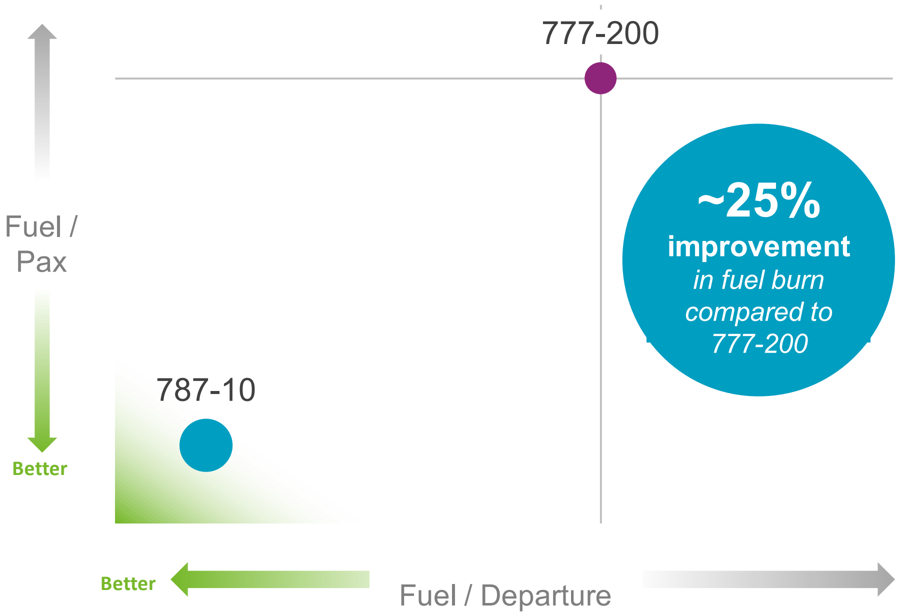


* Per 28 March 2019 disclosure to NZX and ASX; assumes NZD/USD = 0.67, includes progress payments on aircraft. Does not include widebody replacement aircraft.
** Based on estimate of 2019 aircraft capital expenditure.

Our selection of the 787-10 aircraft to replace our existing 777-200 fleet will have strong economic benefits…

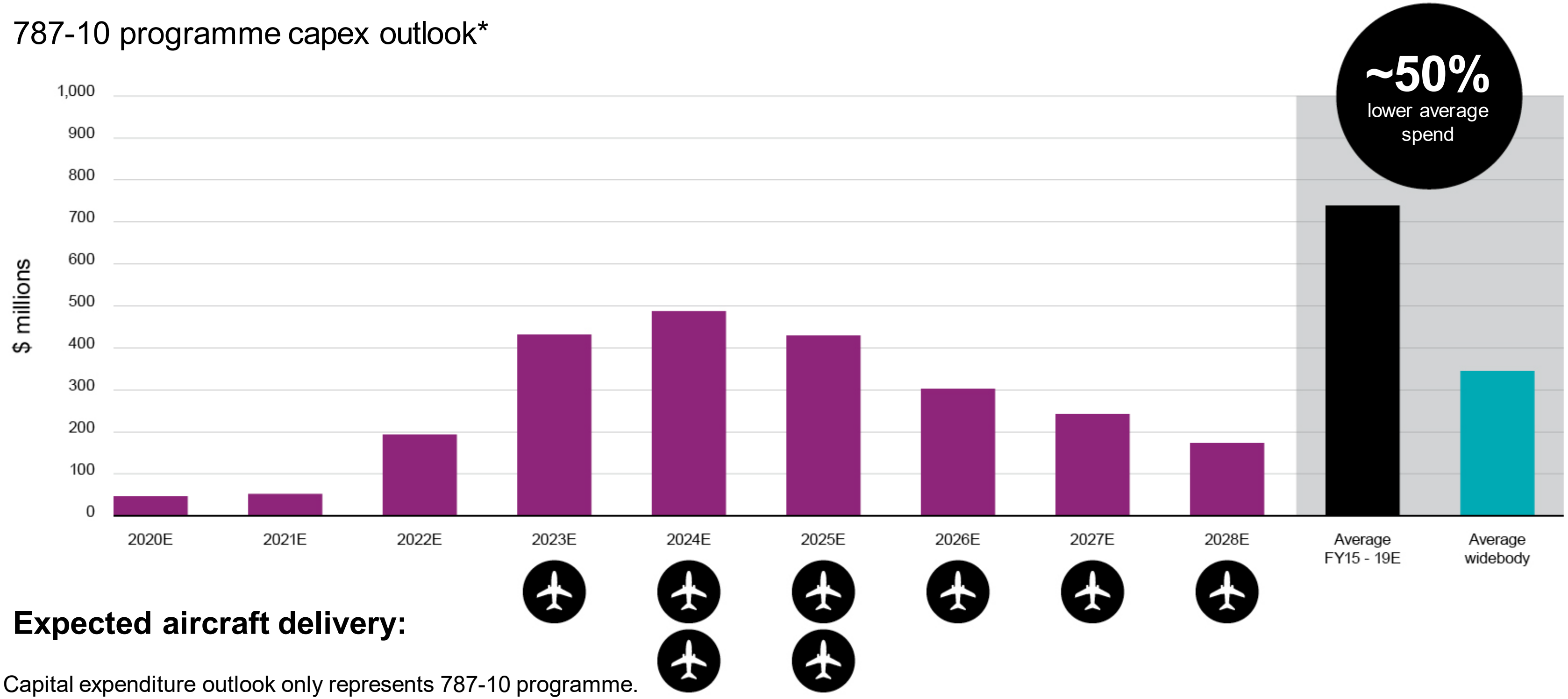
- Eight 787-10 aircraft, powered by GE engines
- Options to purchase additional aircraft and substitution rights provide flexibility
- Highly fuel-efficient aircraft - has the potential to save 190,000 tonnes of carbon each year
- Lower fuel burn drives substantial improvement in operating economics and emissions compared to 777-200

Fuel burn comparison: 787-10 vs 777-200



…and the phasing of this aircraft programme will result in lower annual aircraft capex levels

787-10 programme capex outlook*



Expected aircraft delivery:

* Capital expenditure outlook only represents 787-10 programme.

We measure success using ROIC as one of our key metrics

How we discuss success with our people and external stakeholders

Excellent return

~15%

Return that exceeds our pre-tax cost of capital

~10%

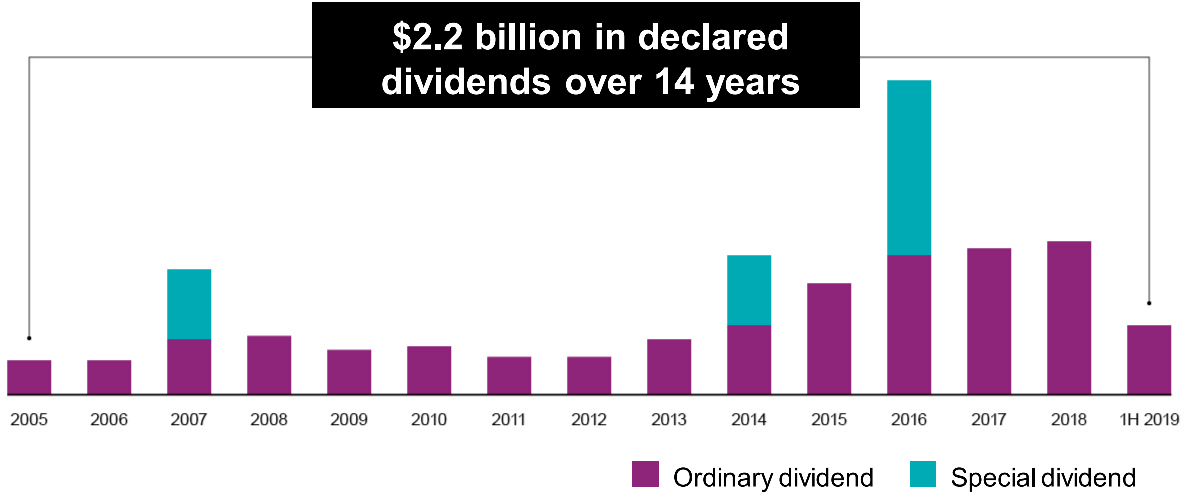
Sub-optimal return

We remain committed to consistently paying a sustainable level of ordinary dividend…

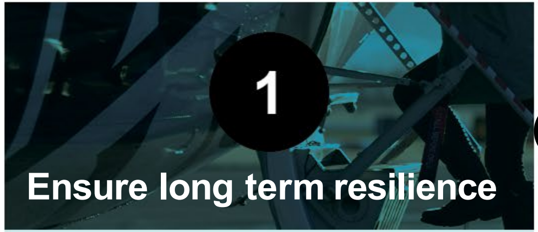
What do we mean by "consistently pay" and "sustainable"?

Consistently pay The Board seeks to distribute part of the profits in the form of an ordinary dividend each year to shareholders

Sustainable The amount of the ordinary dividend in a given period, with the Board's intent that the ordinary dividend represents the medium-term financial outlook for earnings, gearing and capex

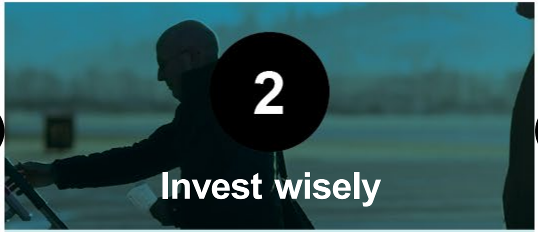


…while keeping financial resilience and shareholder returns at the forefront of our minds



Ensure long term resilience

- Stable investment grade rating
- Diverse and attractive sources of funding
- Ensuring the right level of liquidity
- Hedging our financial risks



Invest wisely

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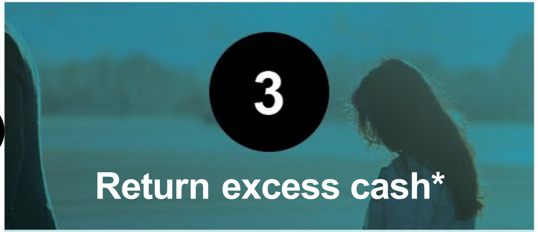


Return excess cash*

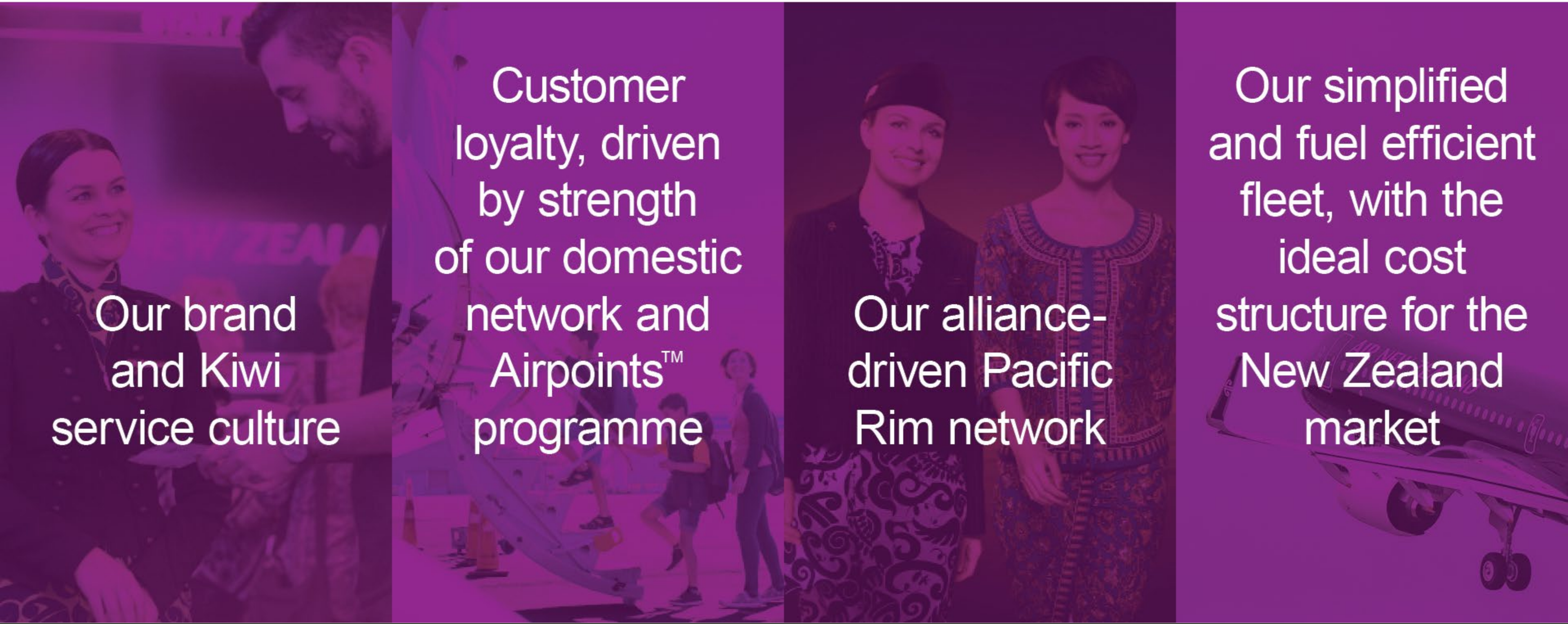
- Commitment to consistently pay a sustainable ordinary dividend
- Excess cash to be returned to shareholders via:
  - Share buy back
  - Special dividend

* Subject to maintaining financial resilience targets

Key messages you should take away from today

- We are resilient and adaptable, with the ability to respond quickly to changing macro conditions
- We have a clear strategy in place to drive sustainable cost improvement, earnings growth and improved ROIC in the lower demand environment
- We are committed to continued investment in our exceptional culture, to delivering a superior customer experience and to making strong commercial returns
- We are targeting strong free cash flow generation over the next three years

We have the right business model and competitive advantages to sustain long-term commercial success



Thank you

Questions

Appendix

Speaker biographies

Christopher Luxon Chief Executive Officer

Christopher has been Chief Executive Officer since 2013 and under his leadership the airline has delivered record profits, all time high customer satisfaction scores and achieved its highest levels of staff engagement. Prior to joining Air New Zealand, Christopher was President and Chief Executive Officer at Unilever Canada. This was one of several senior leadership roles he held during an 18-year career at the multinational that saw him work in roles in Europe, North America and Asia/Pacific.

Christopher also serves as Chairman of New Zealand Prime Minister Jacinda Ardern's Business Advisory Council.

Nick Judd Chief Strategy, Networks & Alliances Officer

Nick was appointed as the Chief Strategy, Networks and Alliances Officer in October 2017 and leads Air New Zealand's Joint Venture Alliance partnerships, the Star Alliance relationship and the Sustainability and Transformation portfolios. Nick has worked across a number of functions and regions in the business holding senior roles in Loyalty, Sales and Commercial areas across Australia, China, America and New Zealand. Prior to joining Air New Zealand in 2003, Nick spent time in the United Kingdom and Canada in finance roles within the banking and media industries.

Cam Wallace Chief Revenue Officer

Cam was appointed as Chief Revenue Officer in January 2014 and is responsible for generating Air New Zealand's passenger and cargo revenue, currently a portfolio with a turnover of over $5 billion. His responsibilities include revenue management, global pricing, online sales, Grabaseat™, retail marketing, corporate, distribution, government sales and contact centres. Cam joined Air New Zealand in 2001 and has held a number of senior positions in the airline.

Carrie Hurihanganui Chief Ground Operations Officer

Carrie was appointed as Chief Ground Operations Officer in 2018. Carrie is responsible for our Airports, Engineering & Maintenance and Business Performance team and has deep strategic and operational experience through her 18 years at Air New Zealand in numerous senior roles, including General Manager Eagle Air, General Manager Offshore Airports, General Manager Customer Experience and Group General Manager Regional Airlines & Airline Operations.

Jeff McDowall Chief Financial Officer

Jeff joined Air New Zealand in 2000 and was appointed Chief Financial Officer in January 2018. Prior to this position he held a range of senior commercial and finance roles within Air New Zealand including Group General Manager Corporate Finance and Group General Manager Commercial. Prior to joining Air New Zealand, Jeff spent six years as a management consultant in New Zealand, Singapore and the United States.

Glossary of key terms

Available Seat Kilometres (ASKs)	Number of seats operated multiplied by the distance flown (capacity)
Cost/ASK (CASK)	Operating expenses divided by the total ASK for the period
Gearing	Net Debt / (Net Debt + Equity); Net Debt includes capitalised aircraft operating leases
Net Debt	Interest-bearing liabilities, less bank and short-term deposits, net open derivatives held in relation to interest-bearing liabilities and interest-bearing assets, plus net aircraft operating lease commitments for the next twelve months multiplied by a factor of seven (excluding short-term leases which provide cover for Boeing 787-9 engine issues)
Dividend yield	Dividend expressed as a percentage of the share price at a specific point in time or over a specific period
Passenger Revenue/ASK (RASK)	Passenger revenue for the period divided by the total ASK for the period
Pre-Tax Return on Invested Capital (ROIC)	Earnings Before Interest and Taxation (EBIT), and aircraft lease expense divided by three, all divided by the average Capital Employed (being Net Debt plus Equity) over the period
Total Shareholder Return (TSR)	The movement in share price, and assuming that all dividends are reinvested in shares on the ex-dividend date throughout the period

The following non-GAAP measures are not audited: CASK, Gearing, Net Debt, RASK, ROIC and TSR. Amounts used within the calculations are derived where possible from the audited 2018 Group financial statements and the Five Year Statistical Review contained in the 2018 Annual Financial Results. The non-GAAP measures are used by management and the Board of Directors to assess the underlying financial performance of the Group in order to make decisions around the allocation of resources.

Where to find more information about Air New Zealand

Resources

Investor website: www.airnewzealand.co.nz/investor-centre

Monthly traffic updates: www.airnewzealand.co.nz/monthly-operating-data

Quarterly fuel hedging disclosure: www.airnewzealand.co.nz/fuel-hedging-announcements

Corporate governance: www.airnewzealand.co.nz/corporate-governance

Sustainability: https://www.airnewzealand.co.nz/sustainability

Contact information

Email: investor@airnz.co.nz

Share registrar: enquiries@linkmarketservices.com

AIR NEW ZEALAND

A STAR ALLIANCE MEMBER ™