

A STAR ALLIANCE MEMBER 

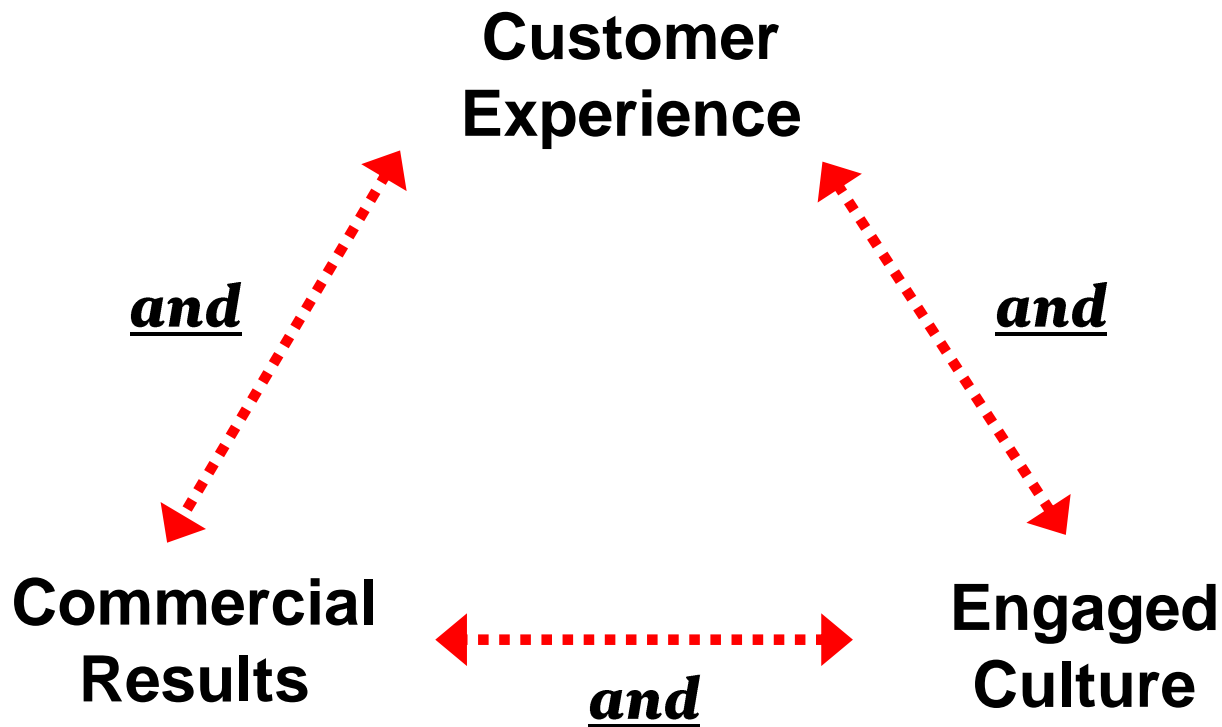
AIR NEW ZEALAND 

Investor Day 2014

Christopher Luxon

Chief Executive Officer

Moving from Good to Great



Strong foundations



- > Passionate, engaged workforce
- > Customer centric culture
- > Optimised network
- > Strong growth mindset



***NZ's #1 most
trusted
corporate
brand***

More than double our profit sustainably

CUSTOMERS AT THE CORE

- Live our brand always
- Focus on what our customers value
- Grow new revenue streams

EXECUTE THE PLAN

- Play in the right markets
- Work with the right partners
- Grow through the right channels

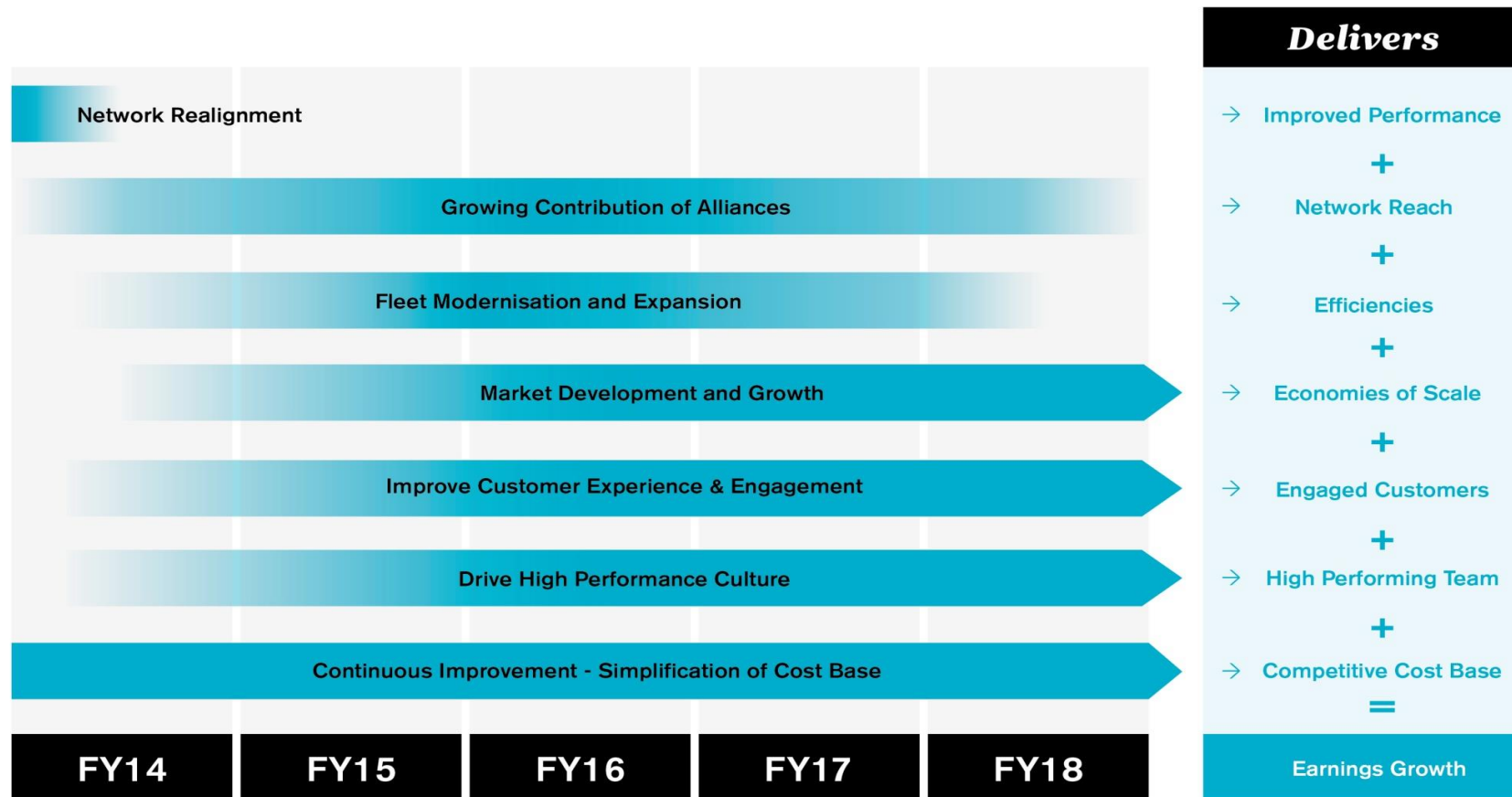
FIGHTING FIT

- Maintain operational integrity & safety always
- Deliver a seamless journey every time
- Simplify our business to drive out cost and complexity

A WINNING TEAM

- Drive a high performance culture
- Attract, retain and develop great people
- Leverage the power of one Air New Zealand working together

Strategic priorities



Continuing to improve our network



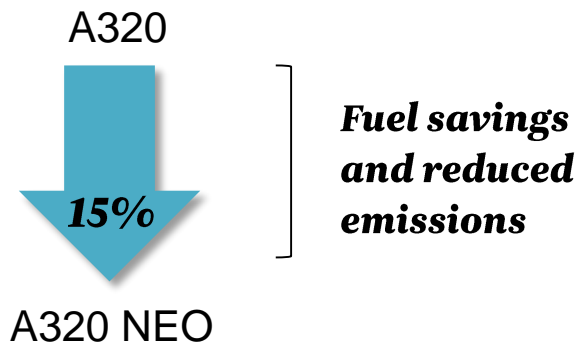
- > Pacific Rim focus
- > Axing underperforming routes
 - Hong Kong-London
 - Auckland-Osaka
- > Deploying capacity into high yielding growth markets
- > Doing the right deals with the right partners



Further fleet upgrades



- > A320/A321 NEO (New Engine Option)
- > 13 aircraft on order, first delivery in 2017
- > Replace existing regional A320 fleet
- > Highlights a commitment to fleet simplicity and operating efficiency



Investing for the customer



- > Multiple lounge upgrades underway
- > Self check-in kiosks for international flights
- > Refresh of Loyalty programme
- > Ongoing inflight product improvements, i.e. B777-200 refurbishment

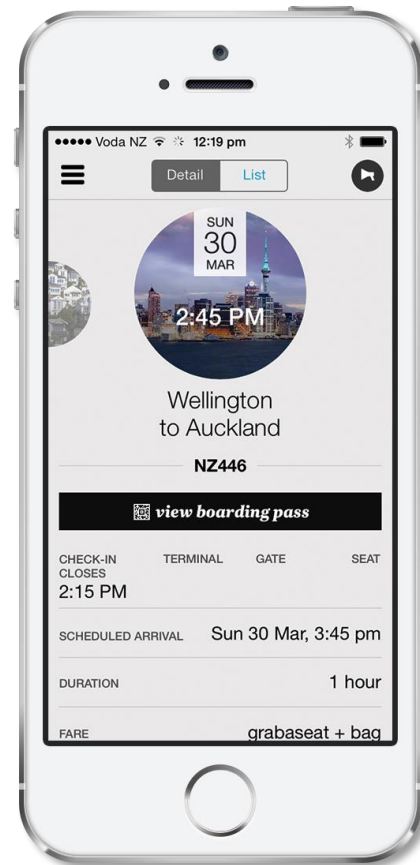


Advances in mobility



- > Introduction of new mobile app
- > Online check-in now available
- > Developing mobile as a sales channel

**Mobile device
sales up
88%**



New Domestic proposition



Introducing our new domestic seats

- > Four new options
- > Increased flexibility for customers
- > Available anytime



seat

Just a quick little visit?
seat is for you.



seat+bag

Taking some gear?
seat+bag is the way to go.



flexitime

Might need to change to an earlier or later flight on day of travel? Better take **flexitime**.



flexiplus

Might need to change the day of travel? **flexiplus** is the one.

Continuous cost improvement



- > Fleet efficiencies and simplicity
- > Transformational labour improvements
- > Creation of new Business Performance unit
- > Offsetting CPI increases



Partnering together for New Zealand's success



Developing a winning team



- > Improving on what already makes us great
- > Talent development framework
- > Driving a high performance culture

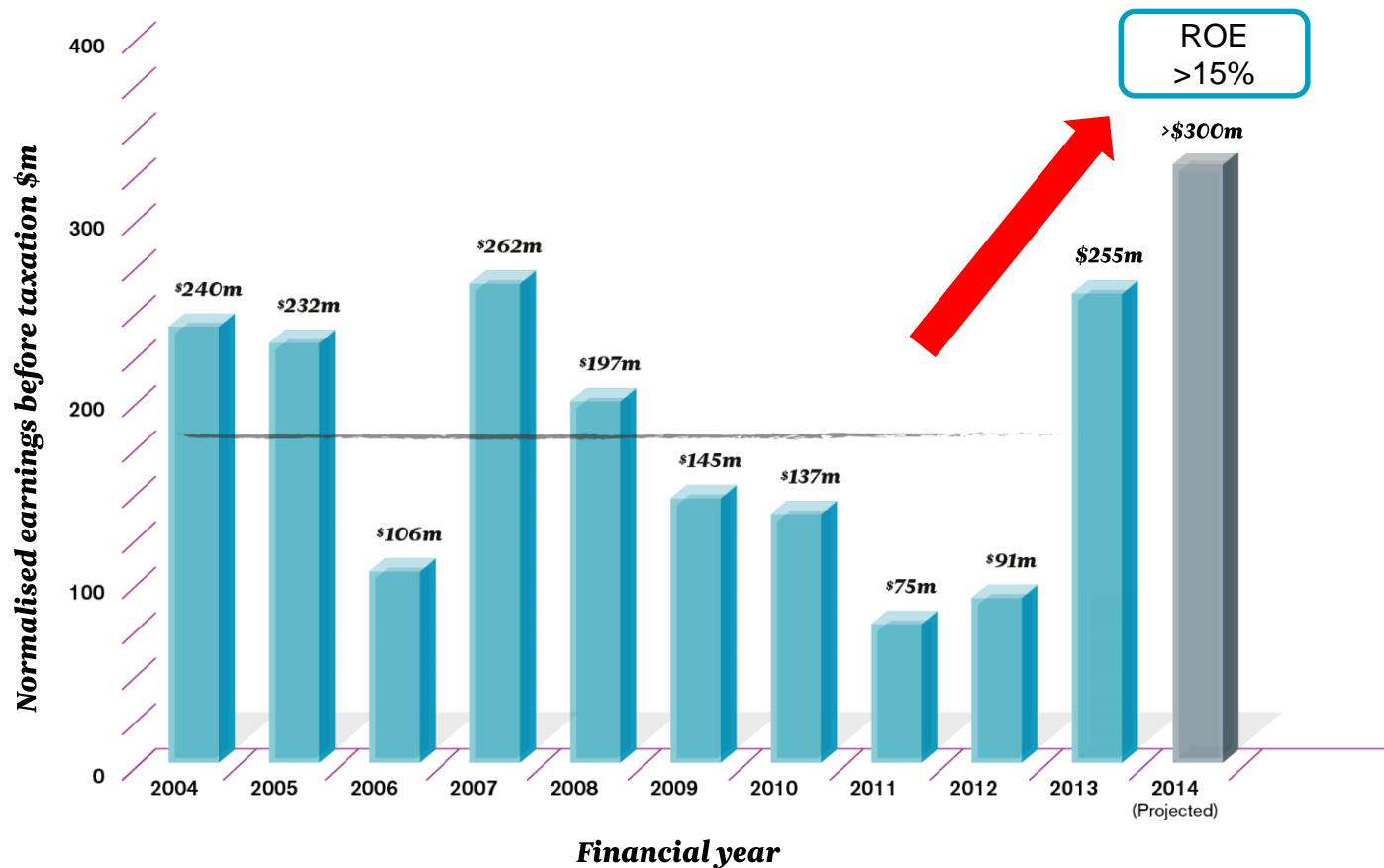
**NZ's #1
employer
of choice**

Leadership Behaviours.

THIS IS US AT OUR **BEST**



Improving our return on equity





thank you

Cam Wallace

Chief Sales & Commercial Officer

Domestic



- > Unmatched network offering
- > A320 product now majority of Domestic capacity
- > Solid demand as economic growth continues
- > Further capacity coming
- > New Domestic proposition

**82%
load
factor**



- > Virgin Australia alliance = best network offering Australasia
- > Maintaining market leading position on the Tasman
- > Seasonal services performing strongly
- > Lower AUD impacting performance

**84%
load
factor**



International



- > Network realignment has driven improved profitability
- > Capacity increases in growing and high performing markets
- > First of two additional leased B777-300s now in service
- > B747-400 exiting
- > B787-9 arriving
- > Pacific Rim growth

86%
load
factor



China



- > Big opportunities, big challenges
- > 787 ideally configured for this market, will bring improved efficiency
- > Traffic numbers increasing
- > Working to grow yields

*Traffic
up
16%*



Japan



- > Steadily recovering following last year's Yen devaluation
- > Exited Osaka, concentrating on Tokyo
- > Heavily inbound tourist dominated market
- > ANA alliance

***Traffic
up
10%***



North America



- > Additional capacity to meet demand
- > Improved LAX experience with move to new terminal
- > Economic conditions to support growth
- > Focus on market development

***Traffic
up
11%***



Europe



- > Balancing point-to-point traffic with New Zealand outbound traffic
- > Winning corporate accounts out of Los Angeles and London markets
- > Strong demand for premium trans-Atlantic product

*Traffic
flat*



Cargo

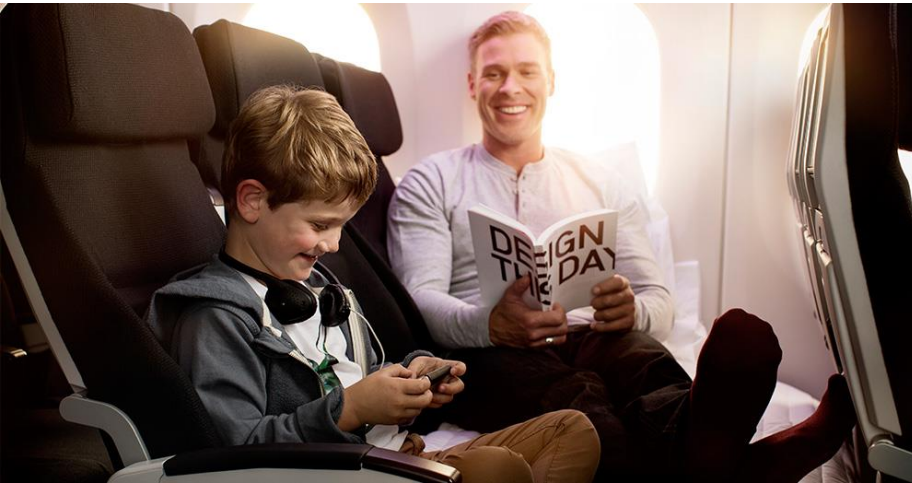


- > Global Cargo market continues to be challenging
- > Opportunities in Asia, particularly Singapore
- > Growing a virtual network

**Volume
down
2%**



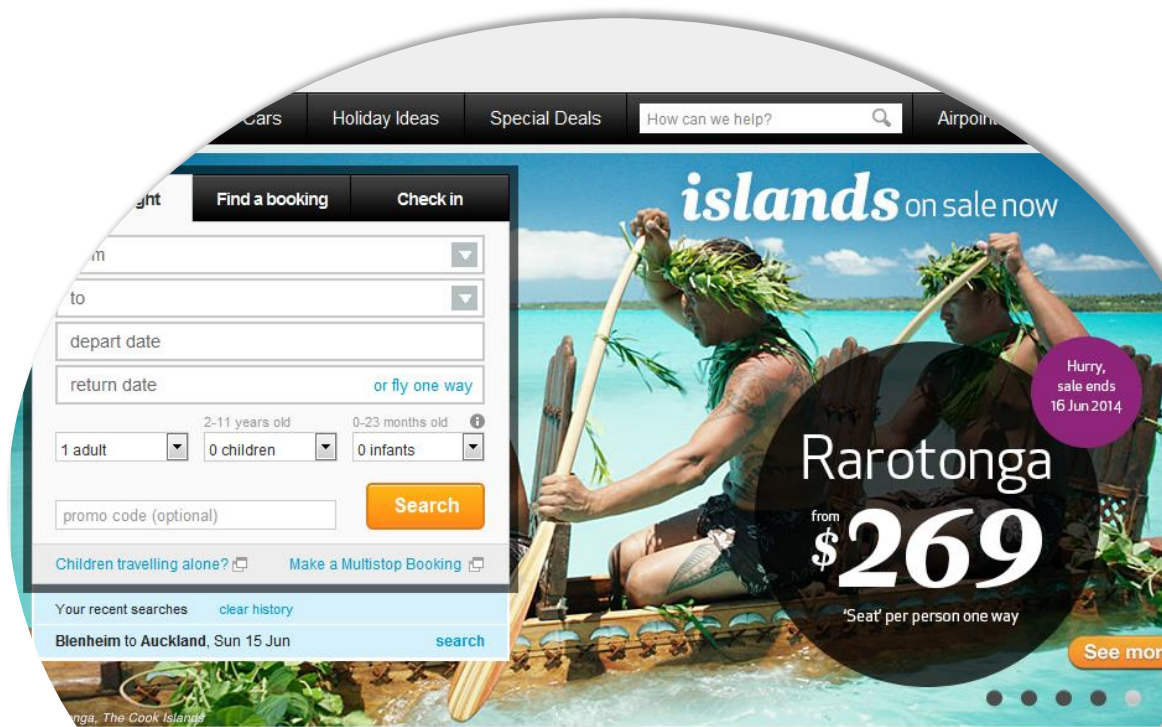
Ancillary revenue



Broadening our distribution



- > Leveraging the combined power of direct distribution and long term agreements with our trade partners





thank you

Mike Tod

Chief Marketing & Customer Officer

Our brand



- > Net Promoter Score remains around historic highs
- > #1 corporate reputation in New Zealand
- > Top 10 corporate reputation in Australia
- > Most followed corporate NZ brand on Twitter and Facebook



Innovative brand engagement continues



- > We are seeing strong returns on key international campaigns in all markets



"ItteQ"
TV show
Japan



"Blind Gate"
campaign
UK



Hobbit
Campaign
Global



"You are the One"
TV show
China

Safety videos now driving revenue



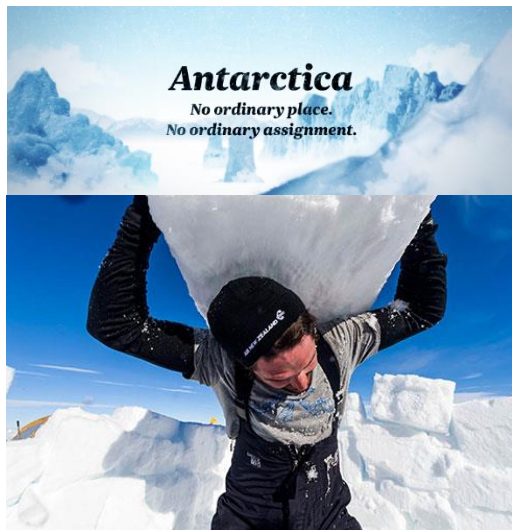
An exciting year ahead for our brand



- > Brand architecture global rollout
- > 787 global campaign
- > Third Hobbit movie
- > Rugby World Cup buildup
- > Air New Zealand's 75th anniversary



Working with great partners



Customer experience



- > Our renewed focus on customer experience that kicked off last year is delivering positive results
- > Research shows a clear uplift in customer satisfaction in Q1 across key touch points, including:
 - ✓ Lounges
 - ✓ Inflight product
 - ✓ Inflight entertainment
 - ✓ Online bookings



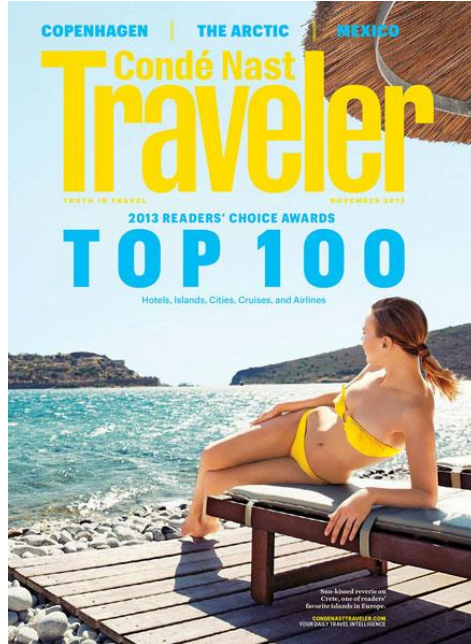
Customer experience



“Air New Zealand remains the star performer when it comes to performance across the customer service landscape with a Happiness Rating of ***higher than 80.***”



Awards



Customer engagement



- > Airpoints membership up 15% YOY
- > Programme refresh completed
- > Realigned incentives to reward most valuable customers
- > High Value Customer satisfaction levels up



AIR NEW ZEALAND 

ELITE
PRIORITY
ONE



***“Our customers are
more engaged than
ever before”***



thank you

Bruce Parton
Chief Operations Officer

Operations Integrity



- > Safety is paramount and non negotiable
- > We are committed to delivering world class flight operations every day
- > 13 million passengers carried on 200,000 flights annually
- > 11,000 staff

think ahead
There are no shortcuts to *safety*

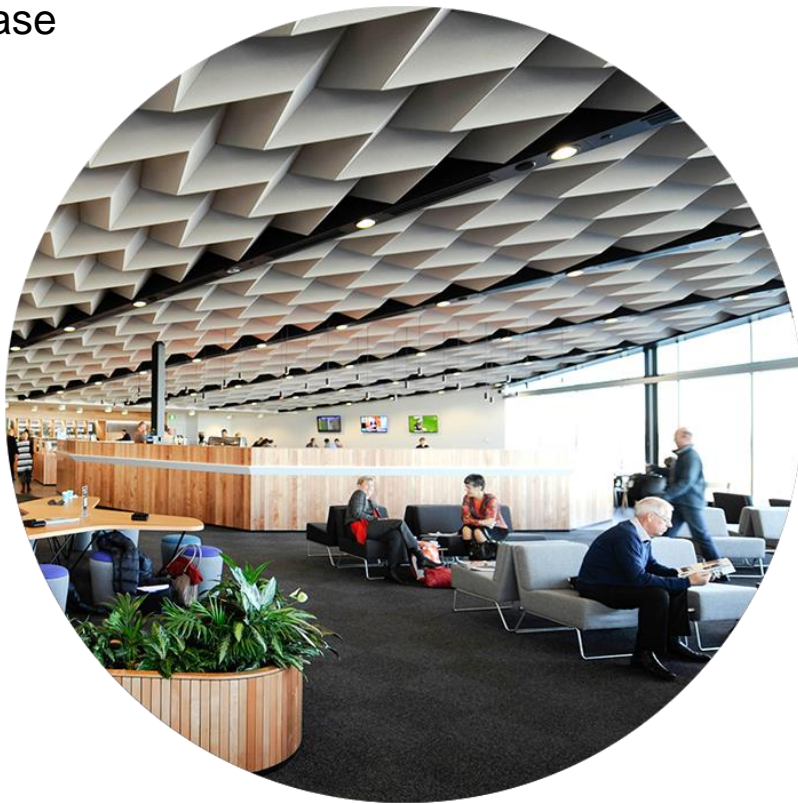
DESTINATION
**ZERO
HARM**

A small, solid black downward-pointing triangle is positioned at the bottom center of the white circular graphic.

Airports



- > Further improving process, productivity as fees increase
- > New suppliers for ground handling
- > Lounge upgrades completed or in progress
 - ✓ Christchurch
 - ✓ Auckland Domestic
 - ✓ Auckland International
 - ✓ Sydney
 - ✓ Los Angeles



Tech Ops



- > Wide body heavy maintenance disestablished
- > Further investment in equipment and componentry
- > Increasing cooperation with Virgin Australia



Regional airlines

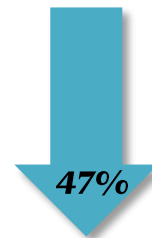


- > Demand in regional markets is steadily growing
- > Capacity increasing as new ATR72-600s enter service
- > Up-gauging to larger, more efficient aircraft on regional routes



Cost per ASK

Beech 1900D



47%

Bombardier Q300

A relentless focus on cost



- > We can't save our way to prosperity, but we can be smarter on costs
- > Fleet simplification providing platform for next phase of cost improvement
- > Scope exists to improve on our already competitive cost base
- > New Business Performance Group created with this in mind

AND

not

OR

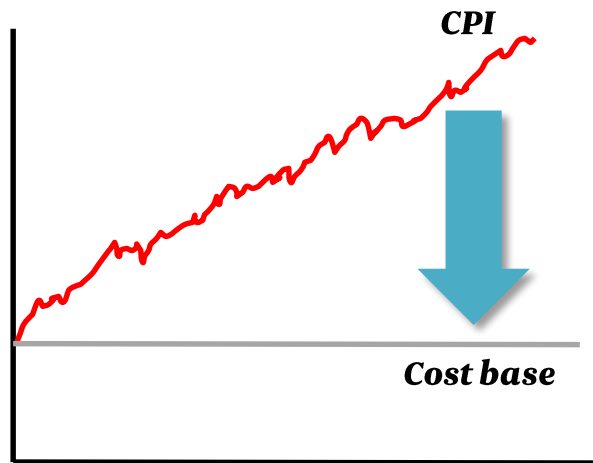
Delivering a customer
experience without
compromise



Business Performance Group



- > Target cost base improvements to offset CPI increases
- > Lead continuous improvement initiatives
- > Benchmark costs
- > Leave no stone unturned



High Performance Engagement



- > We are collaborating with unions on a new way of working together
- > People affected by a problem are directly involved in solving it
- > This partnership approach is designed to produce improved economic results and better engagement with our unions and employees



Conclusion



- > Opportunities exist for continuous cost savings going forward
- > Fleet simplification provides a strong platform for cost reduction
- > Existing improvements will continue compounding





thank you

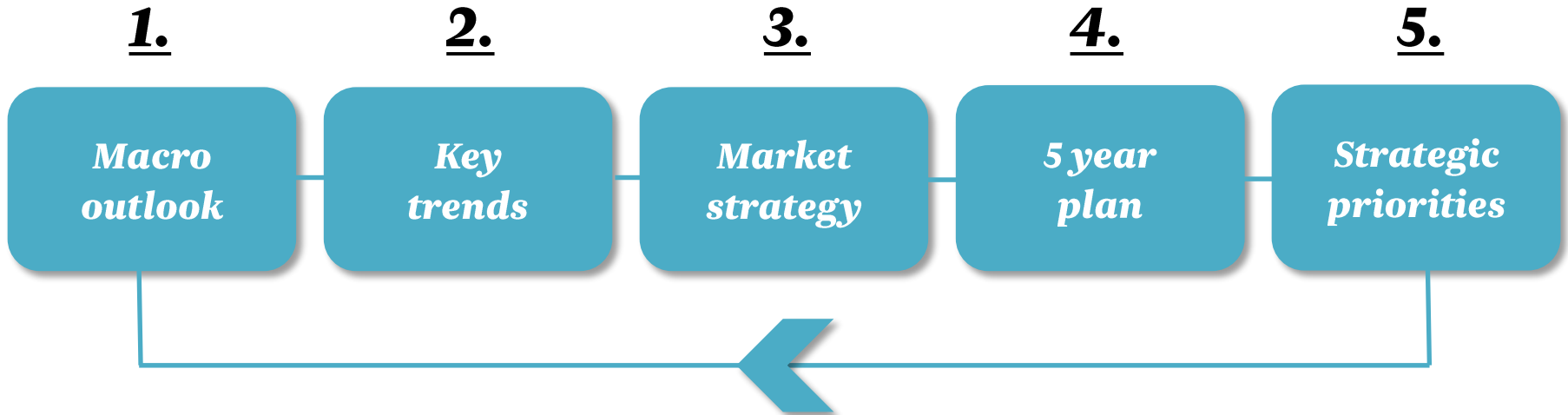
Stephen Jones

Chief Strategy, Networks &
Alliances Officer

How we approach planning



- > The strategic playbook process
- > Integrating external forces with internal plans to shape 5 year outlook and near term priorities



Annual rhythm



October



May

*Strategic
planning and
the 5 year
plan*

*Business
planning*

*Financial
planning*

Macroeconomic trends driving growth



***Increase
in
air travel***

- < Shift in global economic centre of gravity
- < Urbanisation, wealth and aging population
- < Technological changes
- < Increased environmental awareness

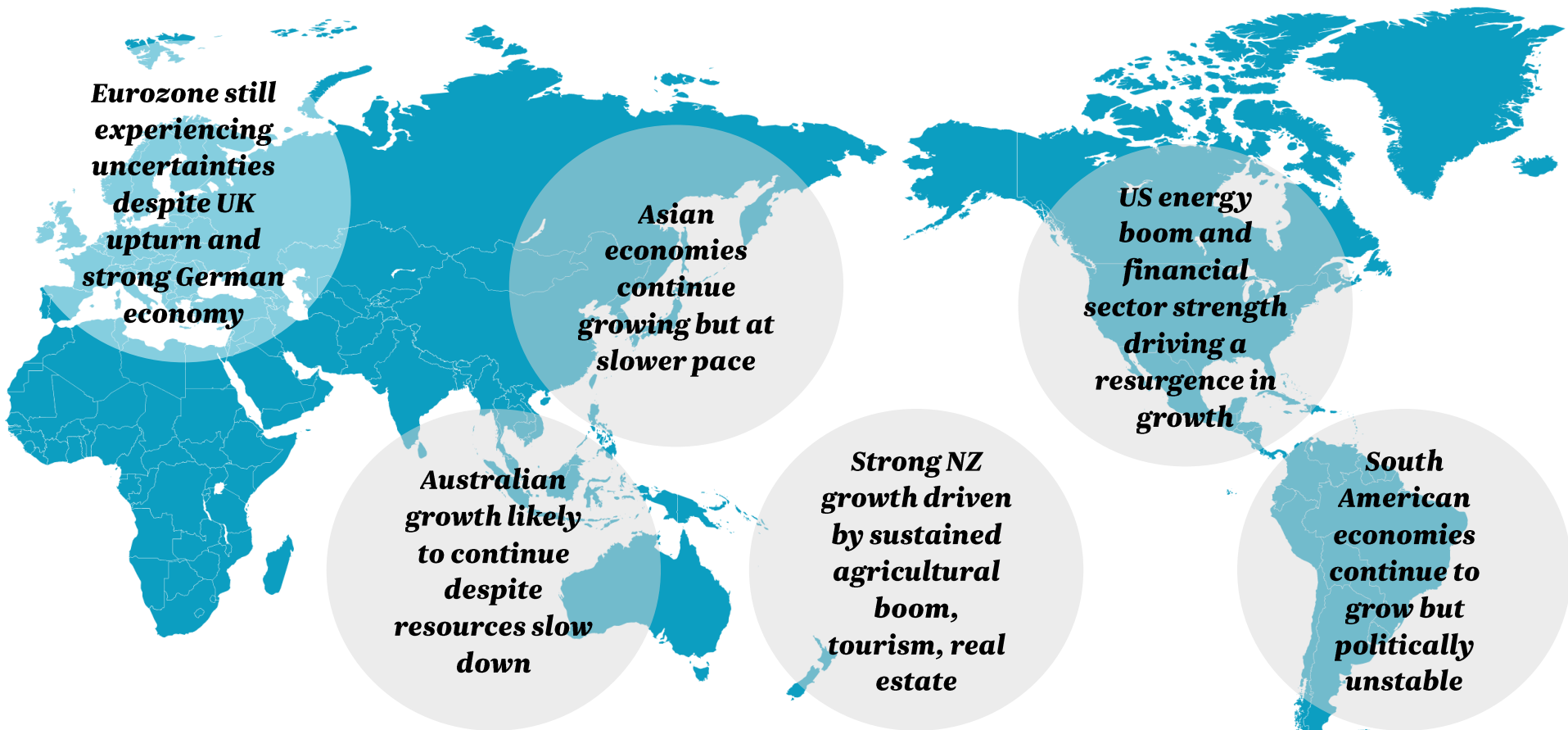
Reinforcing our strategic focus



***Customer
centric,
commercially
savvy Pacific
Rim airline***

- < Shift in global economic centre of gravity
- < Urbanisation, wealth and aging population
- < Technological changes
- < Increased environmental awareness

Global perspective



Network strategy



Playing in markets with the right characteristics

Market size

Strong growth

***High yielding
traffic***

Suitable partners

***Structural
advantage***

Route connectivity

Political stability

***Point to point
market***

Executing right

Growing revenue

Alliances



> Building a better customer offering

***Better
connecting
journeys***

***Better
customer
journeys***

***More
passengers***

***Lower
fares***



Our key alliances



*subject to regulatory approval



Cathay Pacific alliance



- > Performing well
- > Good product alignment between carriers
- > A powerful partner in North Asia
- > Hong Kong a vital gateway to Mainland China



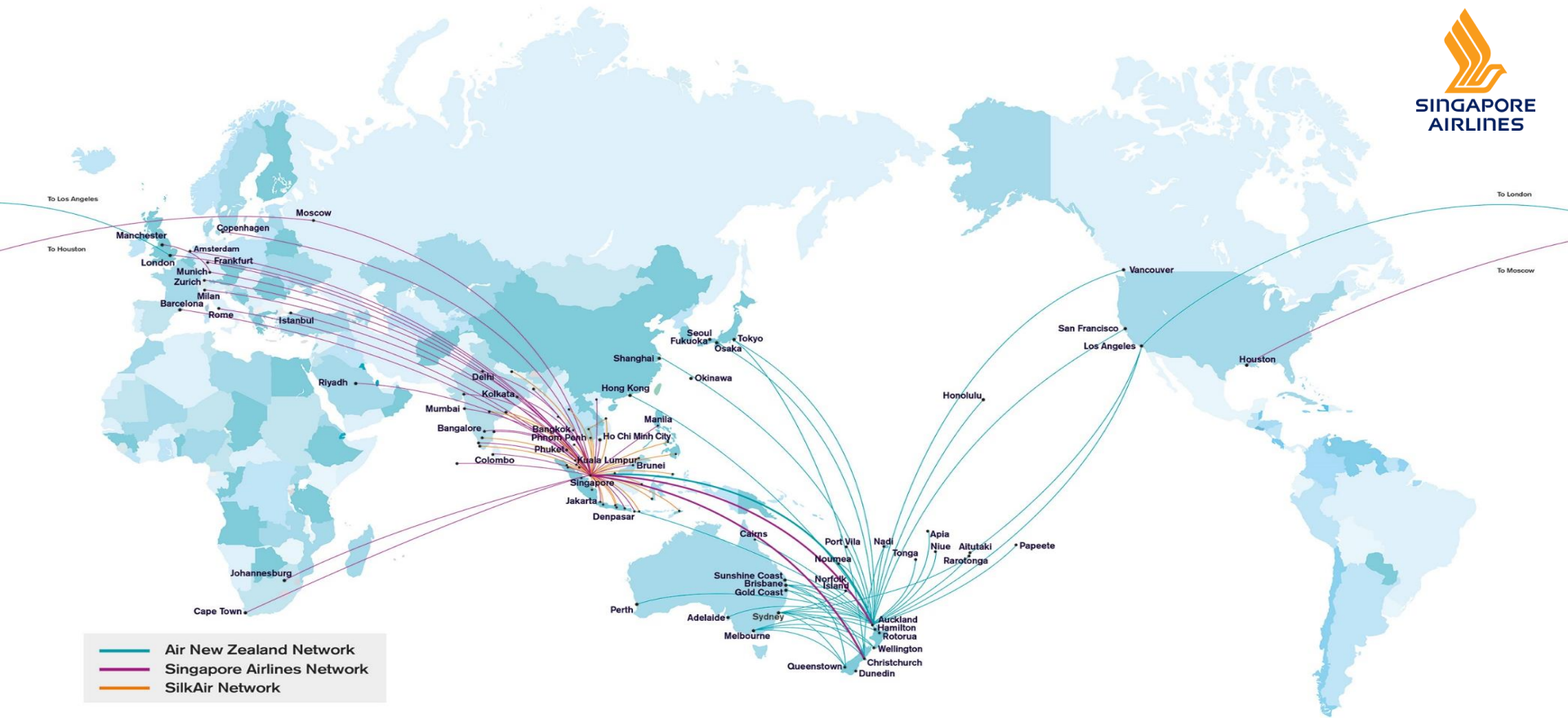
Proposed Singapore Airlines alliance



- > Air New Zealand to re-commence flying to Singapore
- > Codeshare on Singapore Airlines and SilkAir networks
- > A credible alternative for UK/Europe traffic
- > Accelerates strategy of Pacific Rim growth
- > Subject to regulatory approval



Alliance would open up 50 new destinations



Virgin Australia alliance



- > A powerful partnership which is returning the Tasman to growth
- > Value of Alliance demonstrated to regulators
 - Reauthorised until October 2018
 - Limited capacity conditions
- > Successfully upgrading business proposition in key markets



Virgin Australia equity interest



- > An economic exposure to the fast growing Australian market
- > United and supportive group of airline shareholders
- > Board seat to be taken up, equity accounting to follow

***Shareholding
now at
25.99%***





thank you

Rob McDonald
Chief Financial Officer

Strong fundamentals



*Cash of
\$1.13b**

*Gearing at
43.9%**

*Benign debt
maturity
profile*

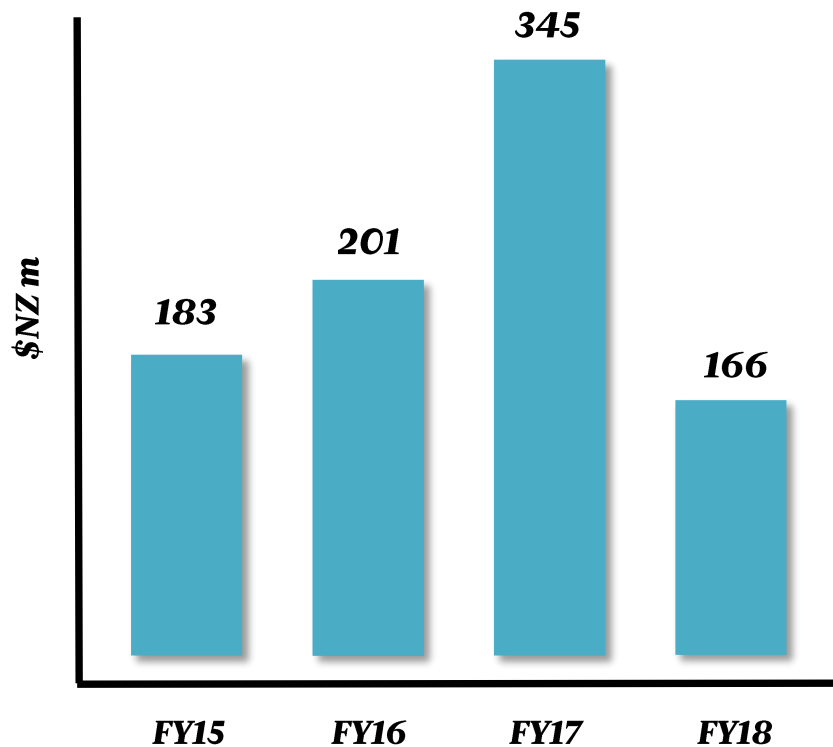
*baa3
Investment
grade rating*

*Strong
operating
cash flow*



* As at 31 December 2013

Benign debt maturity profile



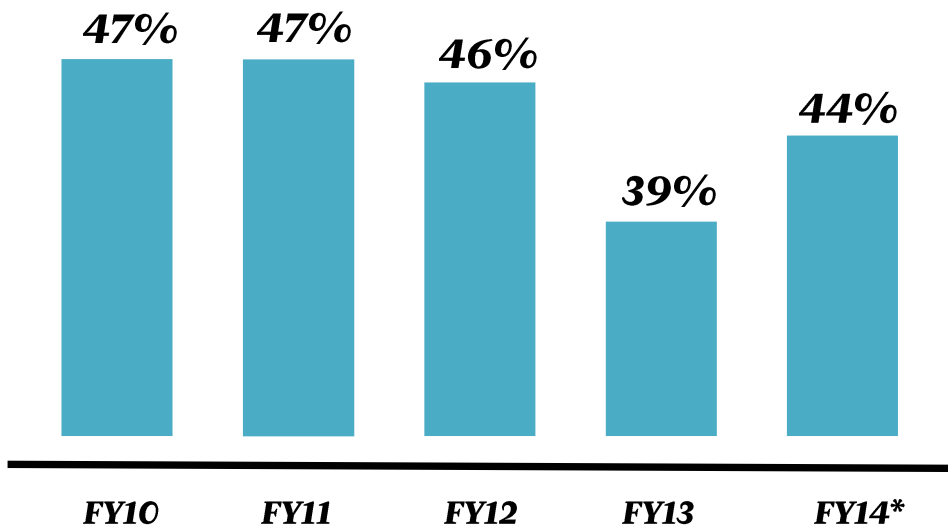
> \$150m bond repayment due in FY17



Capital management



- > Current low gearing reflects maturing fleet and will rise due to significant fleet replacement activity over the next 3-5 years
- > Forecast to stay comfortably within target range of **45-55%**



* As at 31 December 2013



Investment grade rating

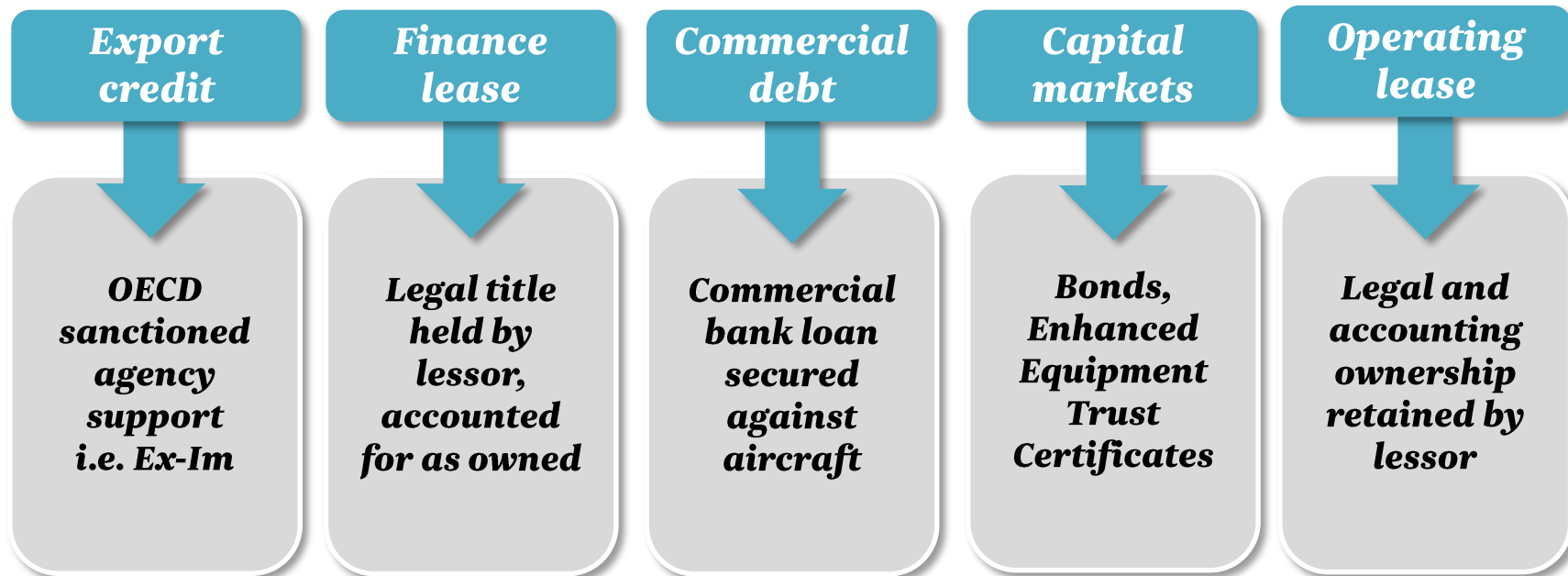


- > Moody's **baa3** investment grade rating, outlook stable
- > Currently one of only 4 airlines globally
- > Well positioned to access financial markets





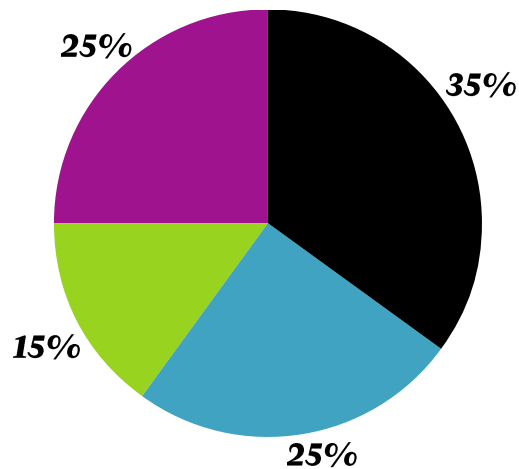
Aircraft financing options



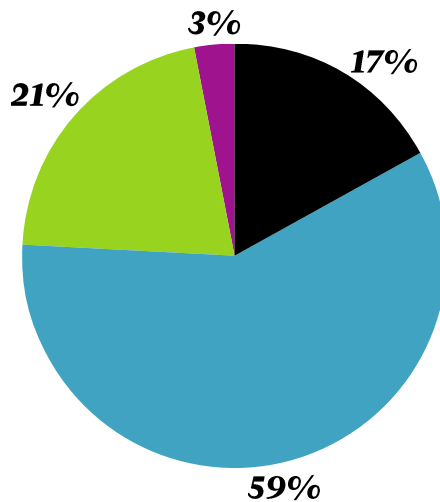
Funding mix



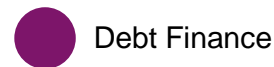
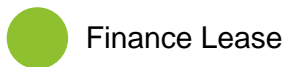
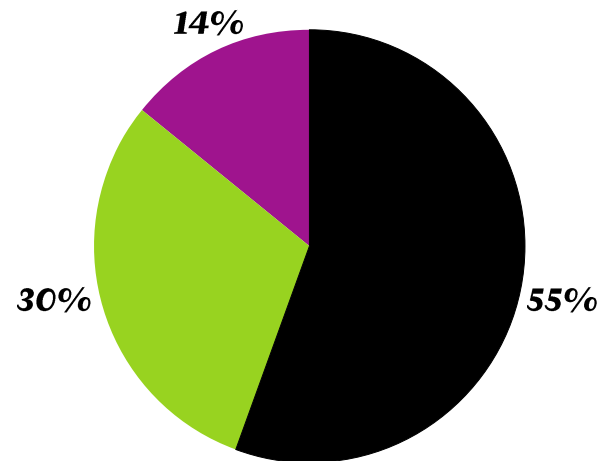
Wide body



Narrow body



Turboprops



Aircraft deliveries



	<i>FY14</i>	<i>FY15</i>	<i>FY16</i>	<i>FY17</i>	<i>FY18</i>
Boeing 787-9	1	2	3	2	2
Airbus A320	4	4	2	-	-
ATR72-600	1	3	2	-	-
Boeing 777-300ER*	1	1	-	-	-
Airbus NEO	-	-	-	-	3

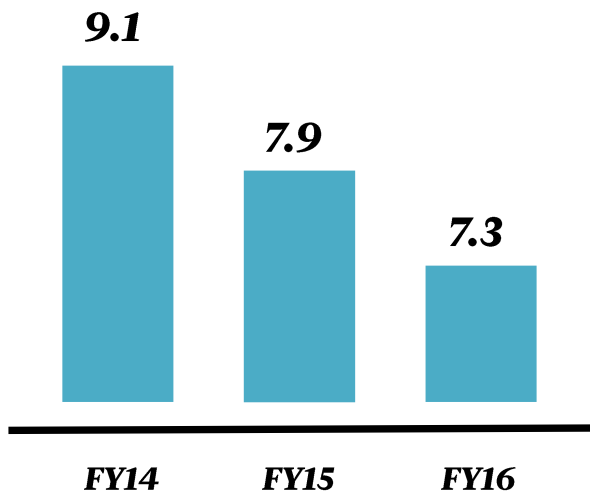
* Subject to operating lease arrangements



Fleet age



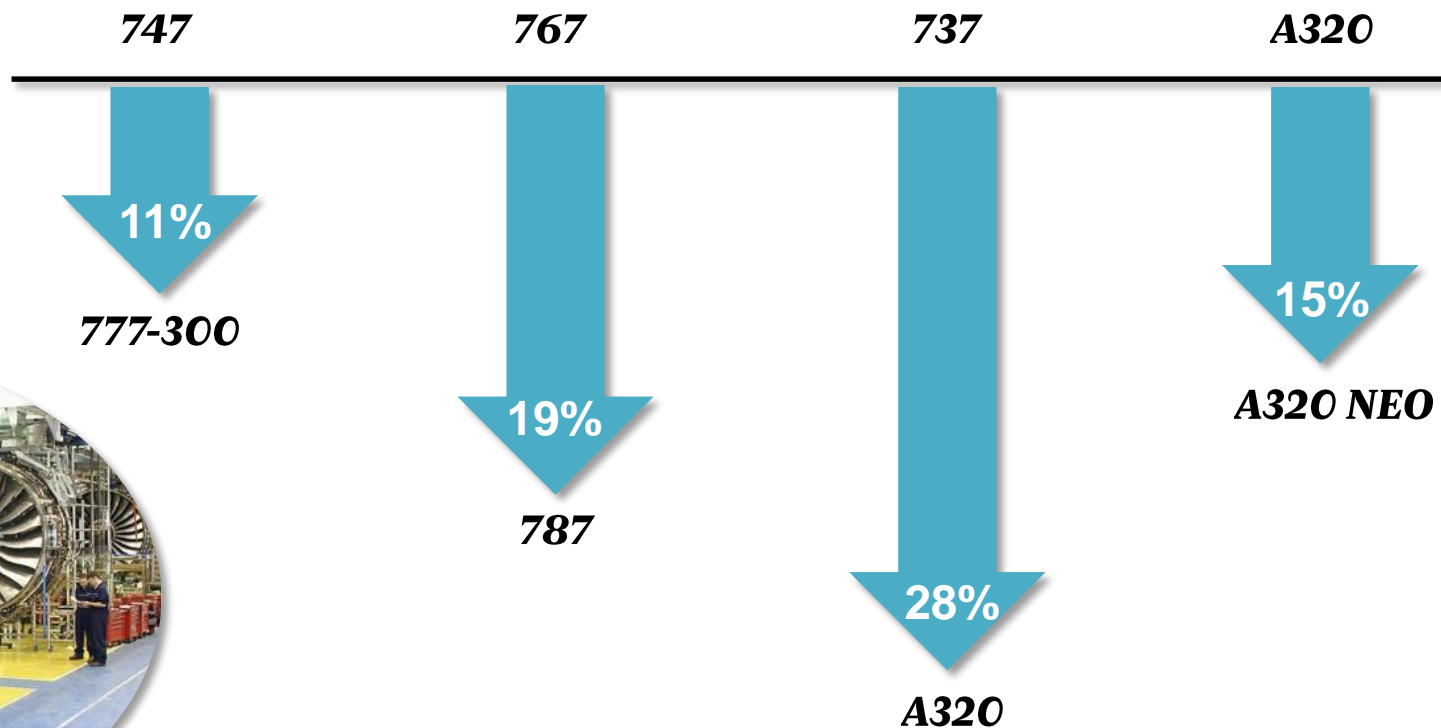
- > Average seat weighted fleet age of **9.1 years**
- > Forecast to decline further in coming years as deliveries ramp up



Fleet efficiency



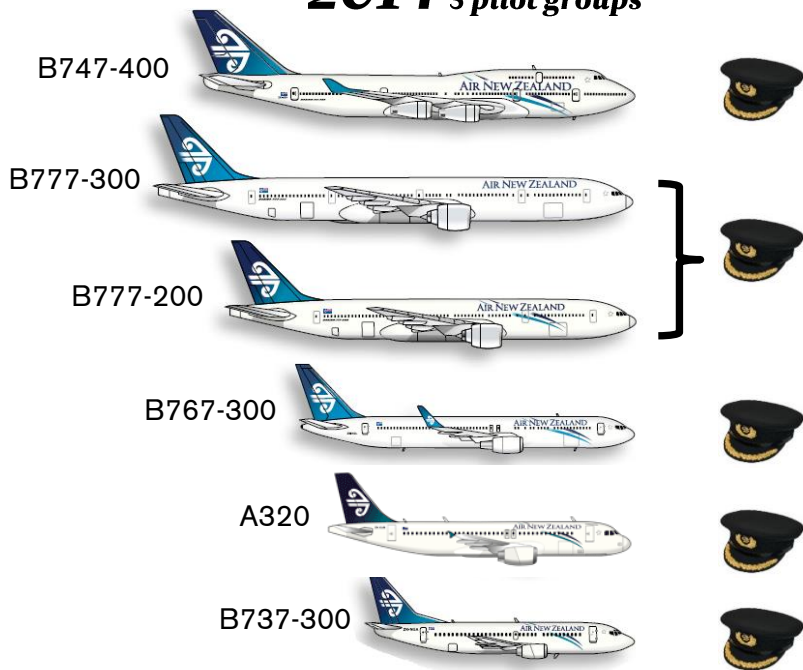
- > Continuing fleet modernisation adds up to material fuel savings per ASK



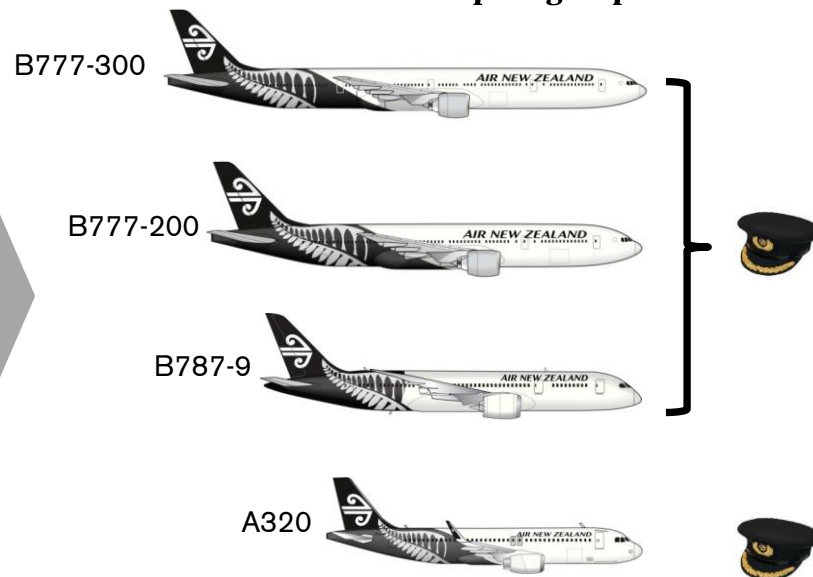
A simplifying fleet



2014 5 pilot groups



2016 2 pilot groups



Hedging position



- > Our hedging programmes to give us time to adjust to material changes in:
 - Jet fuel
 - Foreign exchange rates
- > Primarily comprised of Brent hedging
- > The second half of FY14 is **72% hedged***
- > The first half of FY15 is **65% hedged***
- > FX hedging programme progressing unadjusted

* As at 21 May 2014

Conclusion



- > Solid financial position, robust liquidity
- > Strong operating cash flow
- > Excellent credit access
- > Optimal fleet for missions and network
- > Well positioned to deliver growth





thank you