ANNUAL SHAREHOLDERS MEETING

FRIDAY 30 SEPTEMBER 2016

TONY CARTER OPENING REMARKS

Kia ora, good afternoon everyone and welcome to Air New Zealand's 2016 Annual Shareholders Meeting at the Air Force Museum of New Zealand. My name is Tony Carter and I am the Chair of the Air New Zealand board. This meeting is open to the public and is being webcast live for the benefit of those unable to be here, and we have members of the media in attendance. As part of our commitment to making our meetings as accessible as possible for our shareholders around the world, today we are also very pleased to welcome those of you participating online through our virtual meeting platform provided by our share registrar. We hope that holding a virtual meeting will result in greater participation and engagement amongst our shareholders. Welcome all.

There have been some changes to your Board over the past year, and I will touch briefly on these now. At last year's Annual Shareholders Meeting, Roger France retired from the Air New Zealand Board. In May we welcomed Dame Therese Walsh. Dame Therese brings considerable management and governance experience, developed in both the public and private sectors. Her involvement in major international sporting and tourism events, including acting as Head of New Zealand for the ICC Cricket World Cup in 2015, and Chief Operating Officer for Rugby New Zealand 2011, underline her commitment to New Zealand and the tourism industry. You will have a chance to hear directly from her later but I wanted to take the opportunity to introduce her before the commencement of this meeting.

Before we formally begin, I would like to introduce to you to all my fellow Air New Zealand Board members.

From my far right:

- Paul Bingham
- Jan Dawson

And from my far left:

- Dame Therese Walsh
- Jonathan Mason
- Linda Jenkinson
- and our Chief Executive Officer, Christopher Luxon

Rob Jager is unfortunately not able to be at this meeting. He has had to attend a Shell meeting in Amsterdam, and this clash was unavoidable. I should point out that this is not a common occurrence and Rob was able to participate in the board meeting that preceded this Annual Shareholders Meeting via telephone.

Seated in the front row and assisting us today are:

- Rob McDonald, the company's Chief Financial Officer
- John Blair, General Counsel and Company Secretary
- Gavin Macdonald from Bell Gully, the company's lawyers
- and Andrew Dick from Deloitte, the company's auditors on behalf of the Auditor General

We also have several other members of the Executive team and our share registrar, Link Market Services present today.

Moving to the formalities of the meeting, I note that there is a quorum present and I declare the meeting open.

Notice of the meeting was duly given and the meeting has been properly convened. We will turn to resolutions later in the meeting. Please note that only shareholders, proxy holders or shareholder company representatives may vote.

The order of events for this afternoon's meeting will be as follows:

- I will discuss the company's performance for the 2016 financial year and the outlook for 2017.

- Following my address we will hear from Christopher Luxon on the company's strategic priorities.

- We will then take some time to answer any questions on either the 2016 results or the 2017 outlook. Those of you present at the meeting will be able to ask questions as well as those participating online through the virtual meeting website.

- We have also received questions from shareholders prior to the meeting which will be answered in our presentation today.

- I will then move to the three formal resolutions of the meeting. Shareholders attending this meeting today in person and online will be voting by way of poll. For those of you here in Christchurch you will be able to cast your vote by filling out the form you will have brought with you or received at the registration desk on your way in, and which will be collected at the end of the formal part of the meeting. If you are a shareholder and did not register on arrival and wish to vote, please make your way to the registration desk just outside the room and the Link staff will assist you.

- For those attending the meeting online, you will be able to cast your vote using the electronic voting card that you received when you validated your registration. If you are having any issues, please reference the virtual annual meeting online portal guide that has been sent to shareholders and can also be found on our investor centre website at www.airnewzealand.co.nz/annual-meeting

- Following the voting, I will open the floor to general discussion. Again, those shareholders who are participating online will also be able to ask questions at this time through the meeting website.

CHAIRMAN'S ADDRESS

As we reported in August, Air New Zealand performed very well for our investors. Operating revenue was up 6 percent to $5.2 billion. Our earnings before other significant items and taxation were $806 million, an increase of 70 percent. We continue to generate strong operating cash flow of $1.1 billion dollars, and pre-tax return on invested capital before other significant items was 22 percent.

We paid out 45 cents per share in dividends to our shareholders for the year – 20 cents for the ordinary dividend and a 25 cent per share special dividend. All together that equates to about half a billion dollars of cash returned to our shareholders. On all of our key financial metrics, Air New Zealand had a standout year.

I would like to add that we also had a great year in terms of customer satisfaction, employee engagement and corporate reputation, which are just as important, and Christopher will touch on these shortly.

Before I move on, I wanted to briefly discuss the "Other significant items" of $143 million dollars that impacted our earnings. $86 million dollars relates to the partial divestment of our investment in Virgin Australia. I am sure most of you are aware that we sold the majority of our shareholding in Virgin Australia in June. Our rationale for exiting the Virgin Australia investment was based on the view that the size of the capital we had in that business was simply getting to be too large a percentage of our total equity than we were comfortable with. And as we have said previously, we would prefer to focus on our own growth opportunities.

The second item of $57 million dollars relates to the settlement of a long-standing legal claim in the U.S., as we took the view that the risk of not settling could potentially have resulted in Air New Zealand paying a significantly larger amount, despite not accepting any wrongdoing.

Our balance sheet continues to be in good shape, with net cash on hand of approximately $1.6 billion dollars at the end of the financial year, and gearing at 48.6 percent – which is well within our target range of 45 percent to 55 percent.

There are no significant levels of debt repayments coming due on the horizon other than the $150 million retail bond maturing in November. Today we announced our intention to issue a new $75 million dollar unsecured, unsubordinated, fixed rate bond. This offer will provide New Zealand investors with the opportunity to have a different form of investment exposure to Air New Zealand. The funds raised from the offer will be used for general business purposes including partial repayment of the original $150 million bonds.

As a result of increased earnings, strong cash flow generation and a robust balance sheet, the Board declared a fully imputed final ordinary dividend of 10.0 cents per share, bringing the total ordinary dividend declared for the 2016 year to 20 cents per share, an increase of 25 percent on last year.

Additionally, following the sale of the Virgin Australia shareholding and a review of the company's capital structure, gearing and liquidity, the Board declared a fully imputed special dividend of 25 cents per share.

Turning to the outlook for the year, based upon current market conditions, we expect 2017 earnings before taxation to be in the range of $400 million to $600 million dollars. This range reflects the assumption of a fuel price of 55 dollars US per barrel for the remainder of the year. Given that we are still early in the financial year, this range reflects the uncertain impact of increased international competition which Christopher will touch on next. While not at the level of 2016 earnings, 2017 will still be a solid year, and the investments that have been undertaken in recent years, across areas such as our fleet, lounges and our people, will hold Air New Zealand in very good stead.

Thank you, and I will now hand over to Christopher Luxon.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Thanks Tony. Kia Ora and good afternoon everyone, and thank you for taking the time to join us here today, both in person and online.

There is no doubt 2016 has been an extraordinary year for our business.

We saw the fourth consecutive year of earnings growth with net profit after tax of $463 million dollars – an increase of 42 percent.

The key drivers of our commercial performance this year were strong capacity growth, a significant decline in fuel prices and efficiency improvements that continue to generate benefits throughout the business.

Our passenger revenue increased 8.9 percent – resulting from a 12 percent increase in capacity that was closely tracked by demand growth of 11 percent. About two-thirds of that growth came from new markets such as Houston, Buenos Aires and Ho Chi Minh City, as well as the annualisation of the service to Singapore.

Cargo was also a strong contributor this year, with revenue increasing 10 percent.

Turning to costs, per unit operational costs, or CASK, improved 10 percent this year, after removing the impact of divestments. The largest driver of the improvement was a 40 percent decline in fuel prices. This decline more than offset the cost of additional volumes related to the increase in capacity.

Operational efficiencies also contributed $222 million dollars, as we continued to see meaningful benefit from our fleet simplification and ongoing focus on productivity and costs.

As Tony mentioned, the qualitative measures are just as important as the financial ones, and this year I'm very proud that we experienced record high customer satisfaction levels. Part of that has to do with our investments over the past few years to improve the customer experience throughout the travel journey. We have made improvements to our website, to the check in areas at the airports, and probably most prominently, to our lounges and aircraft interiors.

We are about halfway through an extensive lounge upgrade programme and have received very positive feedback and strong uplift in customer satisfaction for the six lounges we completed by the end of 2016. We have a similar number of lounges planned for this year, including Wellington Regional, Queenstown and Melbourne, among others.

Another area that we have been working towards is consistency of product – and I'm really pleased with how we are getting closer to a consistent look and feel across our aircraft types. Last year we completed the refurbishment of our 777-200 fleet, and we will be undergoing a similar refurbishment for the 777-300 fleet beginning in March.

We are also pleased that Air New Zealand ranked #1 for corporate reputation in New Zealand for the second year in a row, and we even ranked #6 in corporate reputation in Australia – the highest ranked Kiwi company on that list.

Our people continue to be at the core of our success and I can't say enough how our highly engaged and motivated team of more than 11,000 Air New Zealanders truly differentiate us from the competition. We continue to make investments in our people, their development and training to provide them with the support they need to go above and beyond every day and deliver a world class travel experience to our customers.

People Safety is a great example of where we are always striving to do better. As an airline, a focus on safety is part of our DNA and is an integral part of our culture and daily processes. We are proud of our safety record and will continue to drive ongoing mindfulness of safety throughout our organisation and our community, starting with leadership. Starting in 2016, the Board Health, Safety and Security Committee no longer holds meetings at our main offices, but rather are out and about in the business. This enables them to connect with those closest to the risks and to understand and experience the challenges and successes in real time.

We have also continued to make investments in professional leadership development, deepened our High Performance Engagement agenda with our union partners and launched our Women in Leadership programme, as part of an effort to increase diversity and inclusion throughout our organisation.

This year the Board also paid a discretionary Company Performance Bonus of $2,500 to 8,200 staff members who don't have other incentive programmes, in order to recognise their contribution and ensure everyone shares in the benefit of a great result.

So to summarise, across all the main metrics we measure ourselves on – commercial performance, customer satisfaction levels, safety and employee engagement - Air New Zealand had a standout year that we can all be proud of.

As we look ahead to the current financial year, we expect to see a return to more normal competitive market conditions – and what I mean by that is, over the last few years, New Zealand experienced a somewhat benign competitive environment, as the historically higher fuel prices saw international carriers leave New Zealand. Now, the lower fuel prices are having the opposite effect, and we have seen rapid expansion by international carriers from the U.S., from China, from Southeast Asia and from the Middle East all coming to New Zealand.

And there are good reasons driving that capacity growth – healthy economic growth across the Pacific Rim has helped drive increasing tourism to New Zealand, and that is good for our country and its economy. Inbound tourism grew 11 percent in the past year, with Air New Zealand and our partners bringing in almost 45 percent of these visitors to our shores. The increase in value over volume of our visitors is also growing strongly. International visitor expenditure increased about 18 percent in the last year, as tourists are spending more time travelling around New Zealand, benefitting both our domestic network and the overall economy. Our commitment to growing tourism in New Zealand is not isolated to new destinations or fleet investments – in fact, we work very closely with tourism organisations both within New Zealand and globally on marketing partnerships to stimulate demand.

However, we acknowledge that our competitors are adding new capacity into the market over a relatively short period of time, which results in pressure to our revenues during this year. Additionally, in 2016 we had the benefit of favourable foreign exchange hedges of $112 million which will not repeat in 2017.

We recognise the environment will be a bit choppy this year as the market adjusts to this increased capacity. As Tony already mentioned, our 2017 profit before tax outlook of $400 million to $600 million dollars, while lower than 2016 levels, is still a solid result and would rank as one of the best in Air New Zealand's history.

Commercially we are on the right pathway and are doing the right things. During the past 4 years we've been hard at work getting the business stronger and we are now in a great place to compete. While we have been making strong profits, we have been investing back into the company and have improved our business immensely.

If I were to summarise our competitive advantages they would be:

Alliance-driven Pacific Rim network – an important pillar of our growth strategy has been based on building a strong network of good partners that allow us to provide our customers with connectivity to get them around the world. In 2016 this was further strengthened with the addition of Air China and United Airlines as revenue share alliance partners. Our alliances have provided us the ability to perform in key international markets, such as Singapore, Hong Kong and Houston for example, with the help and support of airlines who are the leaders in these markets.

Secondly, our strong corporate brand and renowned Kiwi service continue to drive increased loyalty from our customers. There are two inter-related components here – first, we have really stepped up investment in the customer experience over the last few years. Lounges, inflight entertainment, self-service kiosks at check-in, upgraded food – all based on surveying our customers and monitoring the improvements we have made into the overall experience. As a result, we have seen record customer satisfaction levels. The second major component is our people and the increased engagement we have achieved, as we put a lot more emphasis on culture, diversity, training and leadership development. As we drive better culture internally, we get better engagement and ultimately better performance going forward which our customers notice and appreciate.

Third, the depth and breadth of our domestic network is the cornerstone to our business, and has gone from strength to strength in the past year, with an improved schedule, increased frequency and more modern and larger aircraft, which has allowed us to benefit from increased tourism flows.

Fourthly, our Airpoints programme is viewed as the most valuable loyalty programme in New Zealand, and as such, is a great incentive for customers who often travel, to choose us. We have grown our membership 17 percent in the past year to over 2.2 million members, and we have really expanded our coalition of partners to give our customers greater options to earn points, with the likes of New World, Z, Mercury and Mitre 10, just to name a few. As a result, Airpoints member satisfaction has risen significantly.

And finally but very importantly, our simplified and modern fleet with an average age of 7 years by the end of 2017 is contributing significant efficiencies to our business. If I think about where we sit today and where we came from with regard to our fleet.

We have a wide-body fleet that consists of 787s and 777s – we no longer have any 747s and we will exit the last remaining 767s by March 2017. All of our wide-body fleet have a consistency that our customers can rely upon – same lie flat bed in business, same premium economy seats, Skycouch and the same in-flight entertainment system. In addition to being a great product for our customers, these aircraft are providing great fuel and operational efficiencies to our cost structure.

Moving to the narrow-body fleet – we have replaced the 737s and have an all-A320 fleet that goes up and down the trunk in New Zealand, and we will be replacing the Tasman fleet with more efficient A320/321NEOs from late calendar 2017.

And then in regional New Zealand, we have exited the small 19 seater Beech aircraft last month, and have expanded the larger ATR fleet together with the Q300s to service regional New Zealand.

All in all – a significant programme of investment in aircraft that we are more than halfway through with just two more years of elevated capex planned as we conclude this programme. We are extremely pleased with the benefits we have been getting, both economically and operationally from having this simplified, modern and consistent fleet.

While we will see revenue pressure this year, the bottom line is, our business is agile and has a proven record of adapting to succeed in many different environments. We have the benefit of a strong corporate brand and employee engagement, #1 corporate reputation and record high customer satisfaction levels. Your company is in great shape and is fit to compete.

As we navigate through this transitionary year, an important component of our performance will be our capacity growth, so let me take you through our current thinking on capacity for this year.

We are very proud of our New Zealand domestic and regional network and will continue to operate a world class jet and turbo prop network providing the best product for customers with the frequency, service, reliability, reputation and value to respond to any competition.

We will look to grow our domestic network capacity between 7 to 9 percent in 2017. More than half of that growth is related to increased frequency to Queenstown, including night flights, and Dunedin. The remainder of the growth is coming from bringing on the larger ATR turboprops into the regions.

Turning to the Tasman and Pacific Islands, we will look to increase capacity approximately 3 to 5 percent this year. The majority of this increase is related to bringing on the larger 787 aircraft for Honolulu, as well as select services to Australia.

Finally on the International long-haul network, we plan on increasing our capacity approximately 4 to 6 percent, with over two-thirds of that growth coming from the Houston and Buenos Aires routes that we did not have for the first half of 2016, but will have for the full year of 2017.

Putting it all together, we currently expect total capacity for our network to increase about 4 to 6 percent this year.

Before I wrap up, I wanted to touch on our core mission – what motivates and drives myself and all Air New Zealanders to strive day after day and year after year. How do we take our business forward and go beyond what we have achieved today? We do that through an internal framework called “Go Beyond” that clearly outlines our long term purpose, promise and objective – this is what will continue to drive the long-term success of Air New Zealand not just this year and next year, but over the next few decades.

We recognise that our success is fundamentally linked to the success of New Zealand. Our purpose is to help supercharge New Zealand economically through tourism and trade, socially, through our communities and our own business, and environmentally through carbon offsetting. If we do the right thing for New Zealand, Air New Zealand will continue to do incredibly well.

Our promise is to connect New Zealanders with each other and New Zealand with the world, through a liberating travel experience. Sometimes, living where we live, near the bottom of the Pacific Ocean, New Zealand can seem like an isolated place. And we promise to provide that connection – to enable New Zealanders to go out and see the world, to go out and see more of New Zealand, to travel and see family and friends. At the same time, we are also connecting with the rest of the world, and providing the opportunity for visitors to come and discover what is so special about New Zealand and New Zealanders.

Lastly, our objective is excellence. We don't want to settle for being simply a good company – we want commercial, customer and cultural excellence year after year. That is what truly defines a world-class organisation and I feel we are on the right track to reaching this goal.

I'm really proud of the kind of company we are today – that said we are always working to lift the bar higher, for customers, our employees and for our shareholders. Thanks so much for your attention today, both in person and online, and more importantly, thanks for your ongoing support - we do really appreciate it.