ANNUAL SHAREHOLDERS MEETING

WEDNESDAY 26 SEPTEMBER 2018

TONY CARTER OPENING REMARKS

Kia ora, good afternoon everyone and welcome to Air New Zealand's 2018 Annual Shareholders Meeting here in Christchurch. My name is Tony Carter and I am the chair of the Air New Zealand board. This meeting is being webcast live for the benefit of those unable to attend in person, and we have members of the media in attendance. Part of our commitment to shareholders is making our meetings as accessible as possible regardless of physical location. Today we are very pleased to welcome those of you participating online through our virtual meeting platform provided by our share registrar, Link Market Services. We hope that holding a virtual meeting will continue to support greater participation and engagement amongst our shareholders. Welcome to you all.

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

From my far right:

- Sir John Key
- Rob Jager
- Jan Dawson

And from my far left:

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

Seated in the front row and assisting us today are:

- Jeff McDowall, the company's Chief Financial Officer
- Karen Clayton, General Counsel and Company Secretary
- James Gibson from Bell Gully, the company's lawyers
- and Peter Gulliver 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.

Before moving on, I would like to take this opportunity to acknowledge the operational challenges that we have faced this year. While there was not a material financial impact to our 2018 results, we do know that these operational disruptions have impacted our customers and our people. Christopher will address this topic more fully during his remarks, but I wanted to take this moment to thank all our Air New Zealanders for their substantial efforts this past year.

I would also like to personally thank Bruce Parton, who retired from Air New Zealand last week, after 22 years with the airline. Bruce has made an immense contribution throughout his career and has played an instrumental role in the success of our Company, most recently as Chief Operations Officer. On behalf of everyone here today I would like to sincerely thank Bruce for his contribution and wish him all the best for the future.

Following Bruce's departure, the Operations function has been organised into two pillars – one focused on Ground Operations and the other focused on Air Operations. We have been most fortunate to welcome back Carrie Hurihanganui into our Chief Ground Operations Officer role. Carrie spent 18 years with the airline in a variety of senior management positions before joining National Australia Bank last year and brings a very customer-focused perspective to the role.

Alongside our Chief Air Operations & People Safety Officer John Whittaker, this vital area of our business is in very capable hands.

Additionally, I would like to acknowledge Avi Golan, our Chief Digital Officer, who will be leaving Air New Zealand to return to the US at the end of October to be closer to family. Over the past three years Avi has built up an extremely strong culture of digital talent that is the envy of New Zealand and has provided invaluable expertise in the role that digital plays in our ability to compete and innovate within the travel sector.

Now for 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 2018 financial year and the outlook for 2019.

- Following my address, we will hear from Chief Executive Officer Christopher Luxon on the company's strategic priorities going forward.

- Then we will open the floor to any questions you may have regarding the 2018 financial performance or the 2019 outlook.

- I will then move to the two formal resolutions of the meeting. Voting on the resolutions will be conducted by way of poll. For those of you here with us in Christchurch, you will be able to cast your vote by filling out the form you brought with you or received at the registration desk on your way in, which will be collected at the end 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 staff from Link will assist you.

- This year, we are again enabling people who attend the meeting and who are entitled to vote, to do so using their smart phone. Shareholders using their smart phones for voting today will need to have registered with a PIN prior to entering the meeting.

- 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 have any issues, please refer to the virtual annual meeting online portal guide that has been sent to shareholders and can also be found on the main page of our investor centre website.

- Following the voting, I will open the floor to any general questions you may have. 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 some questions from shareholders prior to the meeting which we will address during this session.

- Immediately after the conclusion of the meeting, we invite our shareholders who are attending in person this afternoon to join us for some refreshments with our Board in the foyer. While you are there, please feel free to experience our new Acro seats that will be on our A320 and A321 NEO aircraft, which will be entering service shortly.

CHAIRMAN'S ADDRESS

Air New Zealand delivered its second highest financial result for our investors in 2018, driven by strong operating revenue of $5.5 billion dollars, which was a record for the airline. Earnings before taxation for 2018 were $540 million dollars, up 2.5 percent on last year.

We were able to achieve this impressive financial result despite experiencing a number of operational challenges, as well as a $135 million headwind from increased fuel prices in the year. If we were to look at our 2018 versus 2017 earnings on a comparable fuel price basis, we actually delivered a 38 percent increase in earnings, which was driven by very strong revenue performance across our key markets, as well as continued focus on managing our operating costs.

Turning to some of the other key financial highlights of the past year, operating revenue of $5.5 billion dollars increased 7.4 percent from the prior year due to strong demand and positive pricing dynamics across most of our major markets, as well as growth in our cargo and contract services businesses. We continue to generate very strong operating cash flow of $1 billion dollars, and our pre-tax return on invested capital was 14.5 percent.

The airline's balance sheet continues to be in a strong position, with cash holdings of $1.3 billion dollars and gearing of 52.4 percent. This is slightly higher than last year's gearing of 51.8 percent, reflecting foreign exchange movements and additional investment in new aircraft during the year, however it is still within our target range of 45 to 55 percent.

Our financial strength is reflected in our Baa2 investment grade credit rating, which ranks among the highest of airlines in the world.

As the result of a positive medium-term outlook, the airline's financial strength and capital commitments over the next few years, as well as the current trading environment, the Board was pleased to announce a fully imputed final dividend of 11 cents per share. That brings our total imputed ordinary dividends for the 2018 year to 22 cents per share, an increase of nearly five percent.

Turning now to the outlook for 2019. As we look forward to the year ahead, we are optimistic about market dynamics and demand trends, but note that the current levels of jet fuel price will be a headwind on profitability compared to the prior year.

At the 2018 annual results announcement, we stated that underlying earnings before taxation is expected to be in the range of $425 million to $525 million dollars, excluding an estimated $30 million to $40 million-dollar impact from schedule changes prompted by the global Rolls-Royce engine issues. Whilst that outlook statement assumed an average jet fuel price of $85 US dollars per barrel, jet fuel has recently been trading above this level.

Before I hand over to Christopher to provide a business and strategic update, I wanted to briefly touch on my announced retirement which will occur at next year's Annual Shareholders' Meeting. It has been my privilege to lead such an iconic Kiwi company - next year I will have served as a Director of Air New Zealand for nine years, so I feel this is the appropriate time to move on.

Dame Therese Walsh will succeed me as Chairman of Air New Zealand, having received unanimous support from her fellow Directors.

With that, I would like to thank you, our shareholders, for your loyalty to Air New Zealand and for your time here today. I will now hand over to Christopher Luxon.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Thanks Tony. E nga mana, E nga reo, E nga rau rangitira ma, Tena kotou katoa. Ngai Tahu whanui, nga mihi ki a koutou.

Kia Ora and good afternoon everyone, and thanks for taking the time to join us here today, both in person and online. It is a real pleasure to be able to hold our Annual Shareholders Meeting here in Christchurch. It is always good to be back in this area for a boy born and raised in Bishopdale and Avonhead.

I wanted to start off by saying that we are very proud of the financial achievements of the 2018 financial year. We achieved the second-highest financial result in Air New Zealand's history while dealing with some extraordinary operational challenges. If we put 2018 into context, we dealt with the rupture of the fuel pipeline into Auckland last September, challenges with airport infrastructure, the unscheduled maintenance issues on the Rolls-Royce Trent 1000 engines, a number of extreme weather events and last but certainly not least, rising fuel prices. The fact that we were still able to achieve such a strong result in this environment speaks volumes about the competitive advantages we have spent years building, and about the extraordinary dedication and commitment of our people.

Those of you that followed our financial results announcement in August will know that the biggest operational challenge we are dealing with relates to the on-going Rolls Royce engine issues. While I want to be very clear that this is not a safety issue, it has had a huge operational impact on our overall network and our customers.

Last December when these issues first arose, we took immediate steps to secure temporary aircraft to keep our customers moving during the very busy holiday season, rather than cancel hundreds of flights, which is what a number of other airlines around the world elected to do. At the same time, we have been working very closely with Rolls Royce and our own engineering and maintenance experts to determine when we will be able to complete the preventative maintenance checks for those impacted engines.

As a temporary measure to support our network, we have secured three dry leased aircraft from two of the world's best airlines while we work through the engine maintenance schedule with Rolls Royce. A dry lease just means that our pilots and crew operate the aircraft, even though they are not Air New Zealand planes. We have also proactively made adjustments to our schedule to free up the equivalent of two wide bodied aircraft, which will provide greater stability and certainty to our schedule going forward. With the three leased aircraft and two additional widebody aircraft freed up from schedule changes, we will have the cover we need to enable the 787s to cycle through their maintenance checks in the background, while we deliver a better core schedule experience for our customers.

As I know from the last seven years at the airline, Air New Zealand's ability to continue to deliver exceptional returns and sustainable growth for you, our investors, will depend on our success across a number of key areas, and on our ability to respond to changes in market conditions and one-off events with resilience and agility.

One of those key areas is reinvestment in the customer experience. Our customers are the core of our business and we are hugely committed to creating an exceptional travel experience.

This year we have some exciting things happening in the fleet space with new Airbus NEO aircraft commencing on our Tasman and Pacific Islands network. From 2020, we will also be introducing A321 NEO aircraft on our domestic routes, which will provide significantly more seats and fuel efficiency than the current aircraft. This will support the strong domestic growth we have seen over the last five years and continue to see looking forward.

Looking a few years ahead, we will be replacing our Boeing 777-200 fleet, which is the oldest widebody aircraft we have. Work is being done now to assess what aircraft will be most suited to our future network, and we will be announcing the result sometime in the first half of calendar 2019.

As part of the 777-200 replacement programme, our team is also looking at designing the new business class seat of the future to ensure we continue to provide a superior on-board experience for our customers. Additionally, with the rapid advance of digital technology we are looking at digital innovations that will give customers greater flexibility and connectivity during their flight.

Beyond our fleet we will continue to invest in the customer proposition with further investment in regional lounges, customer contact centres and digital technology, as well as enhancements to the inflight products we offer including seats, inflight entertainment and food.

We have also recently announced that we will begin construction next month on a new, much larger regional lounge at Auckland Airport, as part of a $60 million investment in lounges throughout New Zealand over the next two years. We know there is huge demand for our lounges, so we're thrilled to be able to go through the process of redeveloping regional lounges in Auckland, Christchurch, Nelson and Tauranga along with our domestic lounge in Wellington to enhance the experience our customers have on the ground before they fly.

Moving on to dynamics in the coming year, I am very optimistic about the market dynamics across our key markets. The competitive environment has stabilised and more importantly, underlying demand is looking very robust. From a macroeconomic perspective, we see continued strength in the New Zealand economy, despite some of the commentary in the media, and we believe this supports both domestic and outbound travel. Inbound tourism is also strong, up around 4 percent year on year.

Air New Zealand's Pacific Rim growth strategy has allowed for consistently profitable network expansion over the past five years, with 17 million passengers travelling with us this year compared with 13 million back in 2013. As we look to these positive demand signals in combination with our own strategic priorities, we are expecting to grow our business by one million customers a year, reaching 19 million customers by the end of 2020.

If we consider New Zealand tourism dynamics – they are in good shape. Tourism is currently the country's biggest export earner, generating $14.5 billion in export earnings. The challenge continuing to face New Zealand tourism however, is how we can realise more valuable growth from wealthier tourists who are looking for a premium holiday destination instead of simply looking at lower value but higher volume tourism which puts more strain on the country's resources.

In the coming year, we will grow our network by 4 to 6 percent, predominantly driven by growth in the Tasman and international long-haul networks. Our Domestic network continues to be a key pillar of our strategy and is supported by strong business traffic as well as growth in domestic leisure travel. Offshore demand for domestic travel has also been growing strongly. As a result, this year we expect domestic capacity to increase by 3 to 5 percent. The Tasman and Pacific Islands network is targeted to grow between 7 to 9 percent this year. Capacity growth in this region will be supported by our new A321 NEO's which have approximately 25 percent more seats than the current A320s flying those routes.

Looking further abroad, we are anticipating capacity growth of around 3 to 5 percent in our international long-haul markets, which will be driven from new destinations in both Asia and North America, as well as an additional daily service to Singapore which we will operate from April 2019.

We have some great opportunities to execute on this year with the launch of four new routes. Direct services to Chicago will begin in November, further deepening our footprint into the US market and offering our customers more ways to get to the United States and more connection opportunities beyond our US gateways. The US continues to be a large focus for us, as we know through our market development work that there are approximately 34 million people in that country who are actively considering a vacation in New Zealand, along with other potential destinations. However, last year we only had around 340 thousand visitors come from the US. That is a significant opportunity for us and for New Zealand tourism. Part of that disconnect is related to the perception that New Zealand is a 40-hour flight away. Our entry into markets in the Midwest such as Houston and now Chicago will go a long way to overcoming that hesitation and help convert the huge number of active considerers into actual visitors.

Moving on, Taipei will become our seventh destination in Asia and will be another strong addition to our Asian network, which has been a key pillar of growth in recent years. We will also start new direct services to Brisbane from Wellington and Queenstown beginning in December. Australia is our biggest international market, with over 1.4 million inbound visitors this year and we have about 35 percent market share, the largest of any airline on the Tasman. As such, these new routes will strengthen our already robust customer proposition in Australasia.

As I have mentioned in previous years, our success is inextricably linked to the success of New Zealand and our mission to supercharge New Zealand's success is what drives us every day. That means promoting New Zealand socially, economically and environmentally. To help achieve that mission, we continue to drive strong targets for sustainability, notably fully offsetting our domestic carbon emissions from January 2019 and achieving carbon neutral growth on our overall network by 2020.

But we are working on so much more than just carbon emissions – for example, inflight waste is a huge challenge for the airline industry, so we are focused on playing our part and reducing the amount of waste we generate. In the past year, the recycling rates on our domestic jet network have improved by eight percent as a result of stronger collaboration between cabin crew and our operational teams to collect and separate recyclables. On the international network, one of our initiatives to reduce inflight waste has already succeeded in diverting 150 tonnes from landfills within one year. In addition to that, another 82 tonnes of glass have also been diverted from landfills, bringing the total to more than 230 tonnes. That is equal to the size of one of our empty Boeing 777 aircraft.

These are just a couple of examples of how we are playing our part in supercharging New Zealand's success and this is something you can be sure we will keep striving to improve on.

I want to now take this opportunity to thank everyone for their attention today, both in person and online, and your continued support of our airline. I hope you all feel very proud of your investment – our recent performance and more importantly the opportunities we have ahead of us.

Thank you.