

A STAR ALLIANCE MEMBER 

AIR NEW ZEALAND 



**MACQUARIE
AUSTRALIA
CONFERENCE
2018**

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Chief Executive Officer

3 May 2018

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.

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

Air New Zealand at a glance

78

years in operation

16m

passengers carried annually

\$5.1b

2017 operating revenue

#1

corporate reputation in New Zealand for 4th consecutive year

13

years of consecutive dividend distributions

Pacific Rim

focused network driven by alliance relationships

11,800

Air New Zealand employees

#1

corporate reputation in Australia for 2nd consecutive year

Baa2

investment grade credit rating from Moody's

Number 1 employer

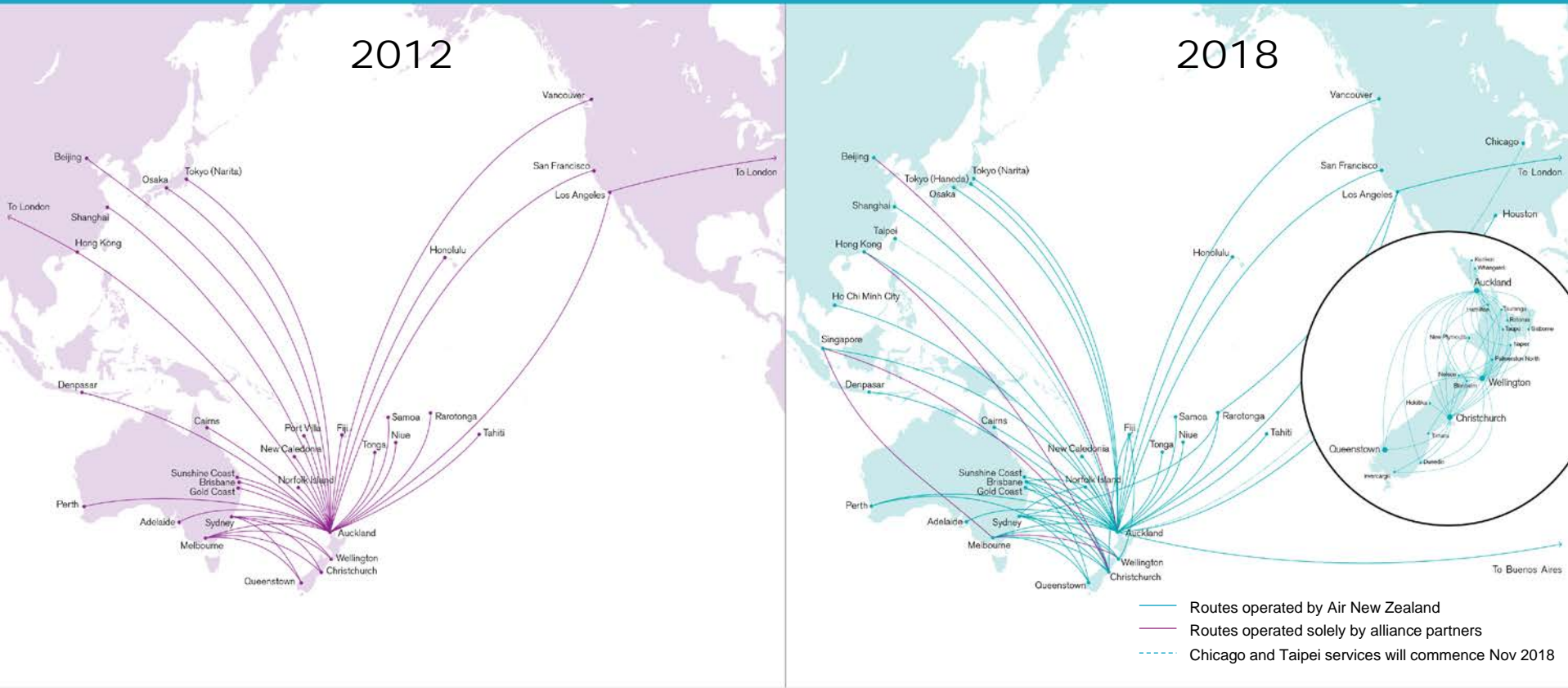
Top rated in New Zealand for 4th time

Top airline in the world

Conde Nast Traveller



Our focus on New Zealand and the Pacific Rim has resulted in a network that is more diverse and ~35% larger



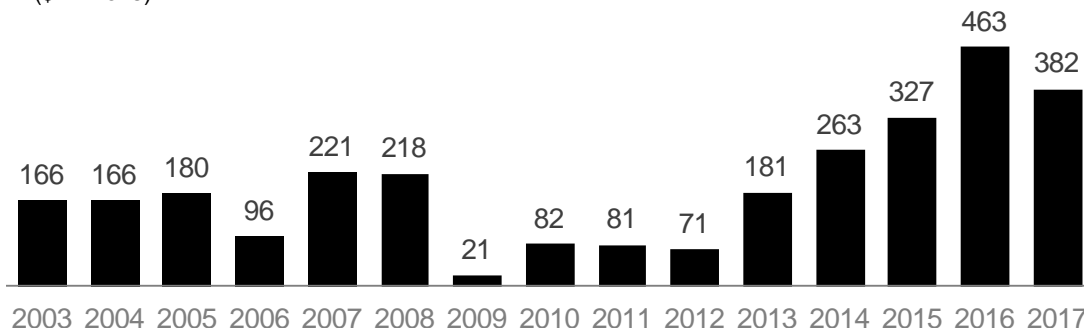
Air New Zealand has achieved profitability and dividends through the cycle...

15 years
of consecutive profitability*

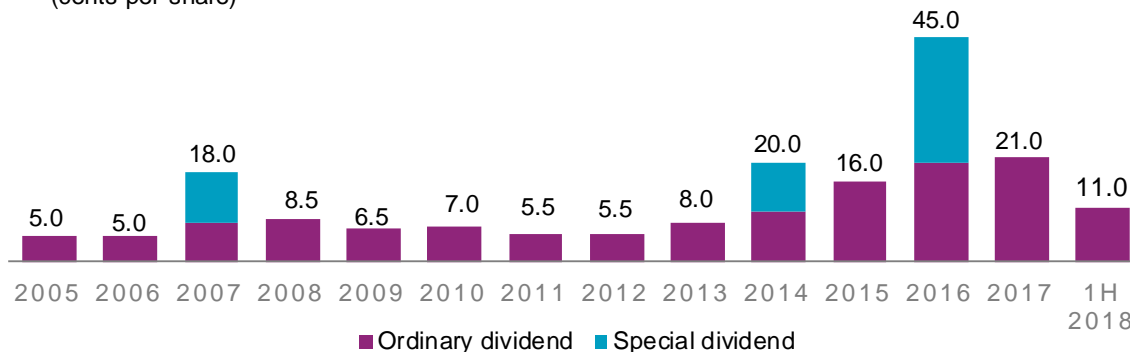
13 years
of consecutive dividends

* 2018 full year outlook as disclosed in 2018 Interim Financial Results on 22 February 2018.

Net profit after tax
(\$ millions)

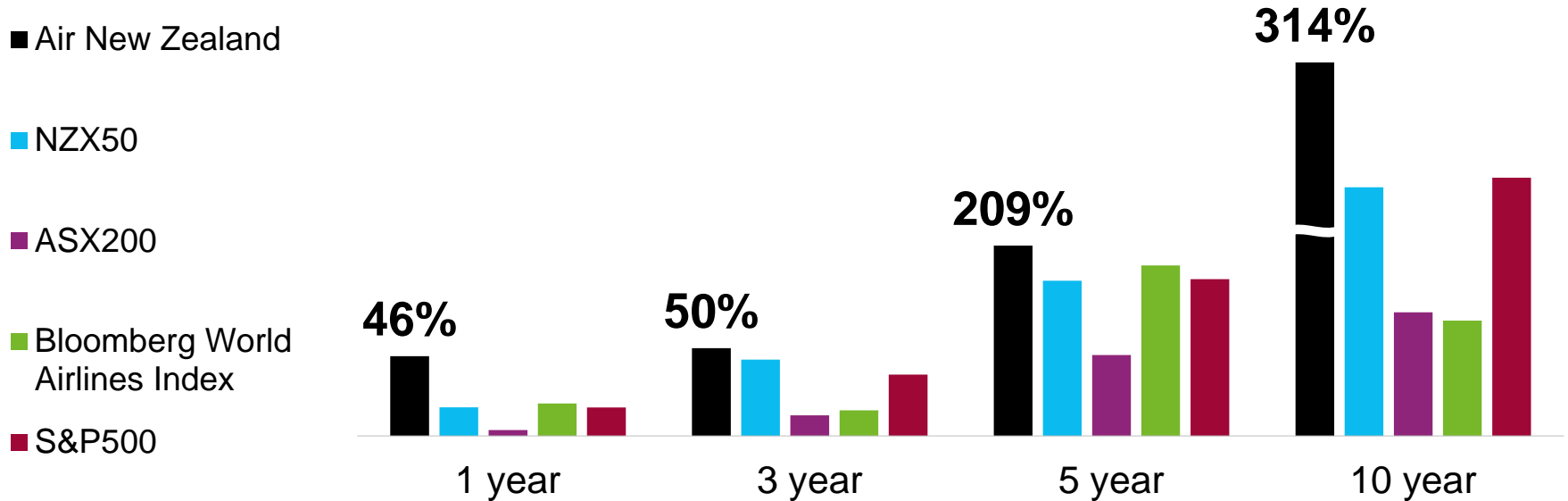


Dividends declared
(cents per share)



...and has demonstrated our ability to generate strong shareholder returns that exceed the major indices

Total shareholder return

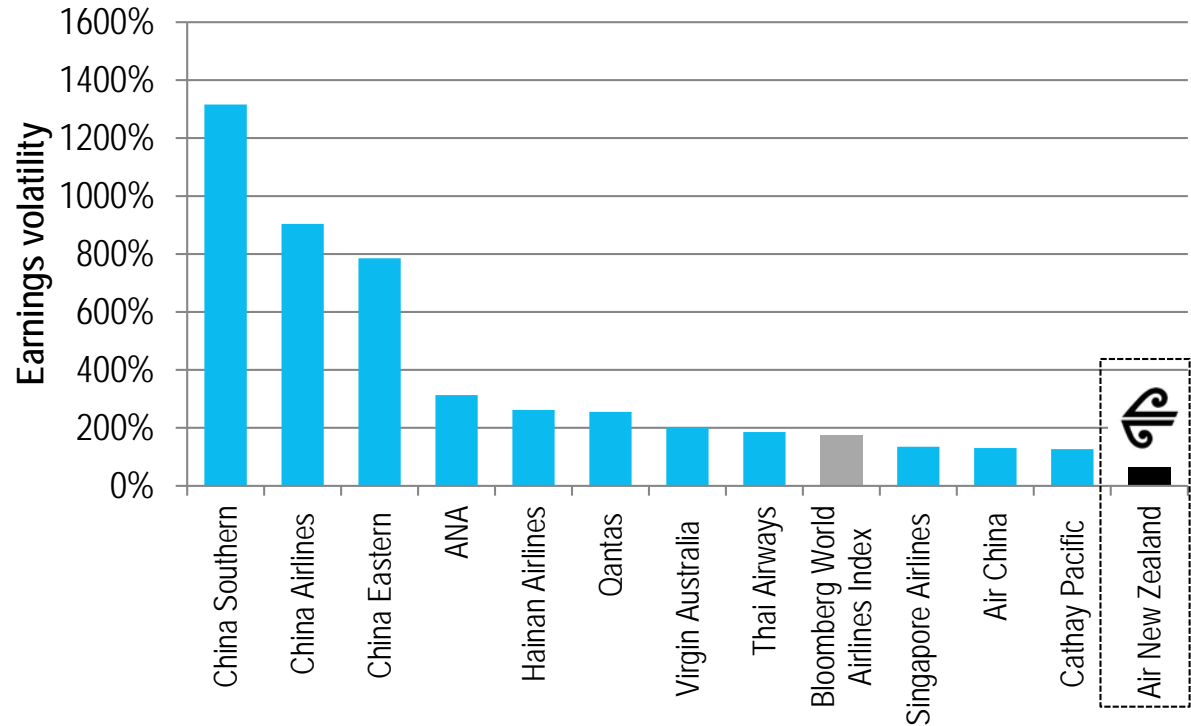


Source: Bloomberg, period ended as at 13 April 2018.

Historically we have achieved significantly better earnings stability than our APAC peers

Historic earnings volatility

(standard deviation of 10-years adjusted EPS growth)



Source: Bloomberg. Original analysis derived from Forsyth Barr report published 7 March 2018.



Looking forward, our unique competitive advantages position us to **drive future strong returns for our shareholders**



1

Resilient core domestic business

2

Pacific Rim focused international network

3

Focused on sustainable cost improvements

4

Investment grade financial strength

1 Resilient core domestic business

Strong market share to leverage growth from inbound and domestic tourism

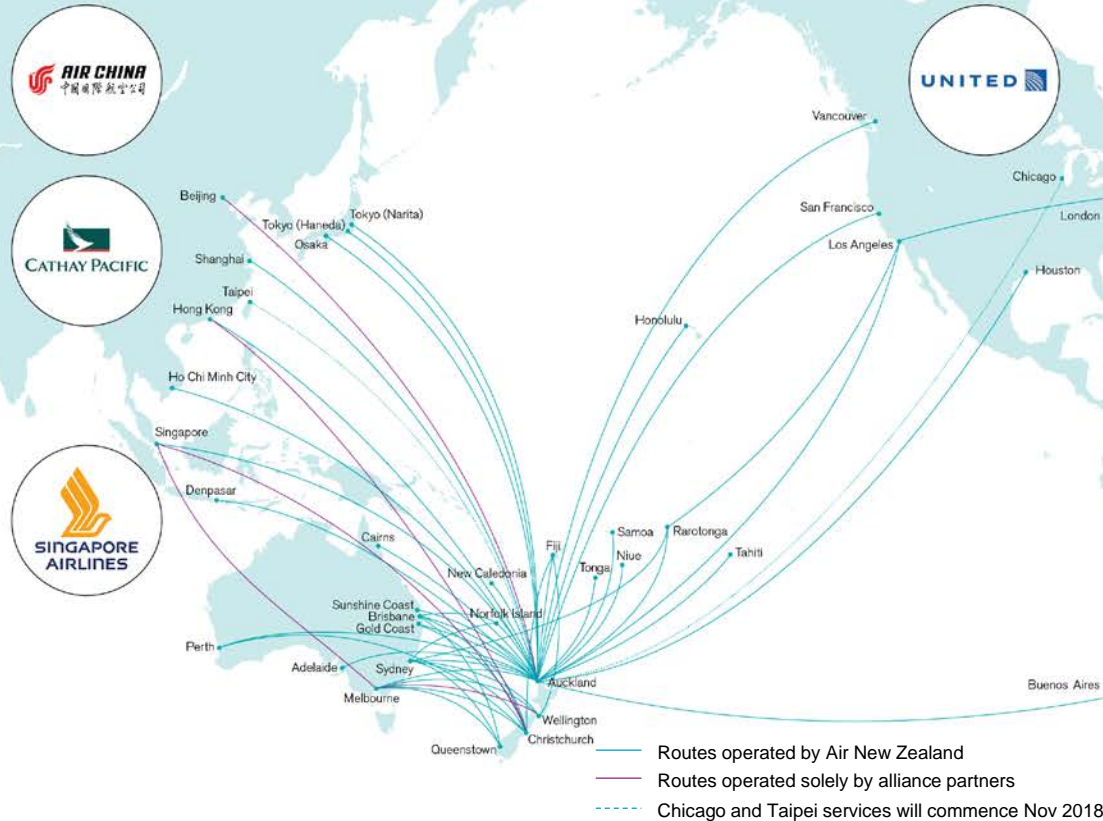
- Most iconic brand in New Zealand
- Strong loyalty base and still growing at over 2.7 million members*
- Unmatched network breadth and depth
 - Over 400 flights daily to 20 domestic destinations
- Differentiated in-flight and ground product that is valued by customers
- Investing in the sustainable development of New Zealand tourism



* Airpoints™ membership as at 31 December 2017.

2 Pacific Rim focused international network

Supported by strong revenue share alliance partnerships



CHICAGO;
a new
destination



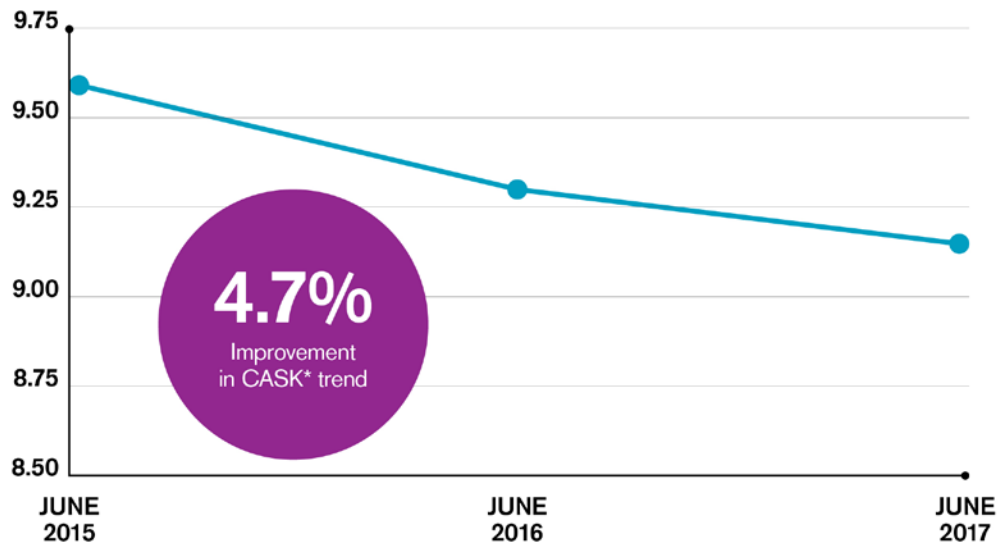
TAIPEI;
a new
destination



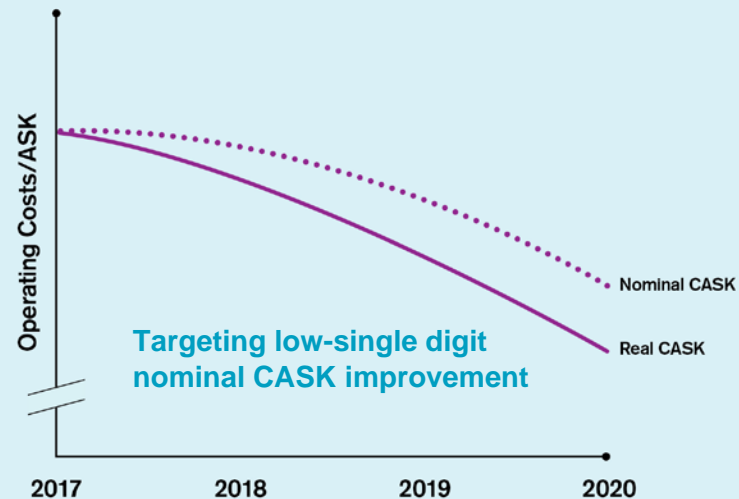
3 Focused on sustainable cost improvements

Fleet investment, economies of scale and productivity initiatives driving improved efficiencies

Improving CASK* (ex fuel and FX) trend



Illustrative CASK trend

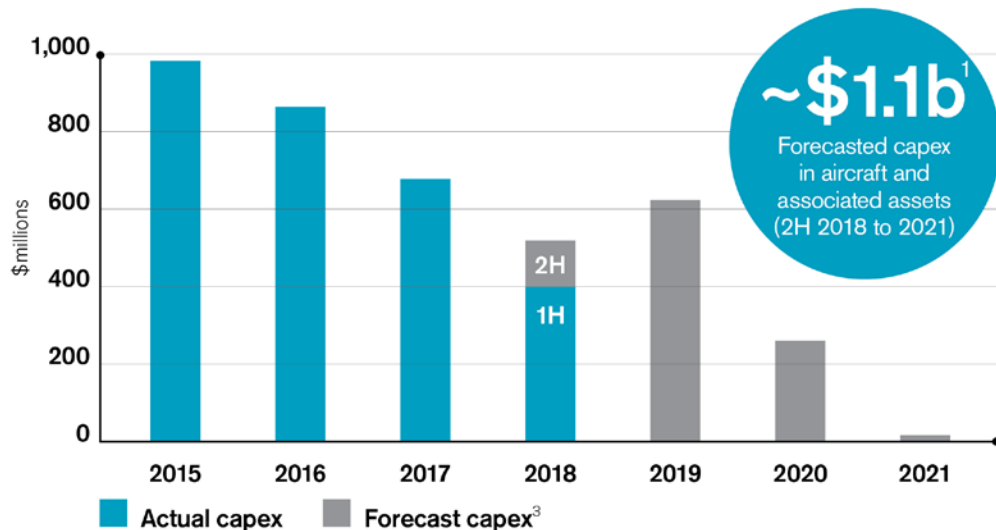


*Prior year CASK adjusted to the average fuel and foreign exchange rates for the period ending in 30 June 2017.

4 Investment grade financial strength

Investing in the ideal fleet for the New Zealand market

Actual and forecast aircraft capital expenditure²...



- Targeting replacement of B777-200 fleet from 2022; no assumptions on replacement capital expenditure are included in forecast.

¹ As disclosed during the company's 2018 Interim Results on 22 February 2018

² Includes progress payments on aircraft

³ Excludes orders of up to five A320/321 NEOs with purchase substitution rights

Note: Forecasted aircraft capital expenditure assumes NZD/USD rate of 0.72.

...resulting in a simple and modern fleet that is younger than the industry average










7.1 yrs*
vs.
global fleet average
10.8 yrs**

* Seat-weighted basis as at 31 December 2017.

**Oliver Wyman Global Fleet & MRO Market Forecast, January 2018.

Investment grade financial strength

Providing stability and financial flexibility over the long-term

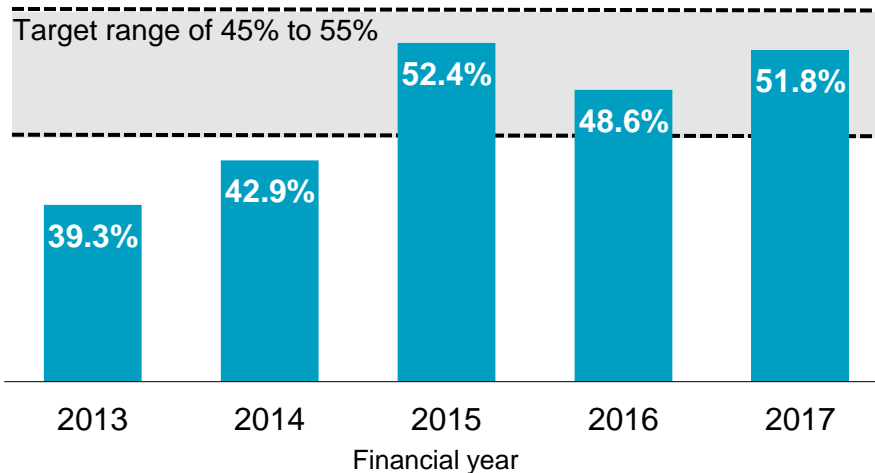
Moody's credit rating		
Investment grade	A3	Southwest
	Baa1	easyJet
	Baa2	AIR NEW ZEALAND  
	Baa3	 DELTA 
	Ba1	jetBlue
	Ba2	UNITED 
	Ba3	AIR CANADA  

Source: Bloomberg as at 20 April 2018.

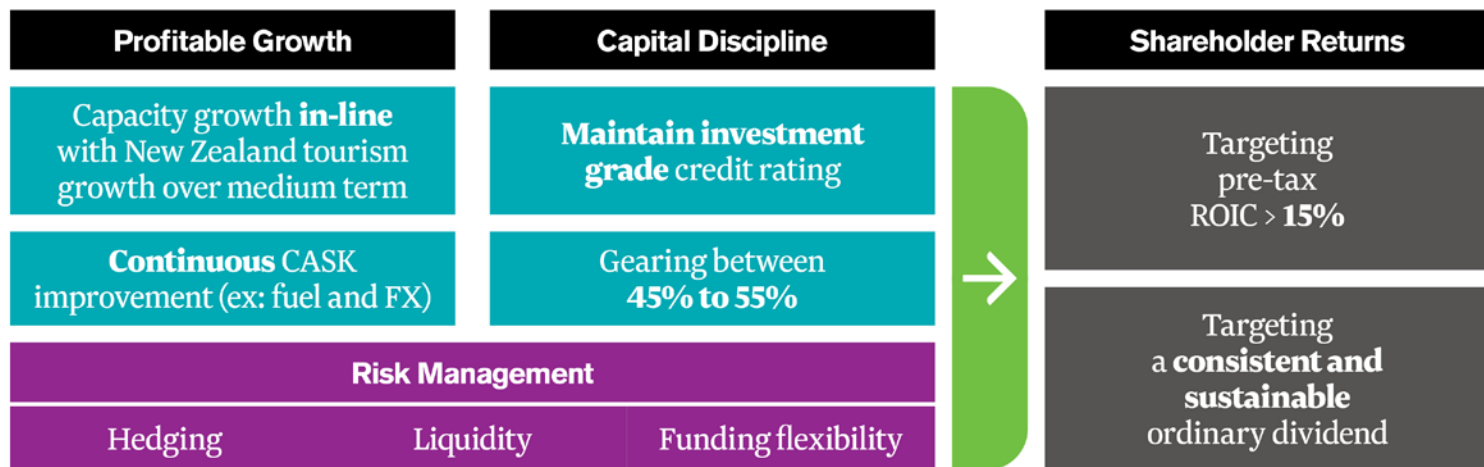
Appropriate level of gearing

Gearing (%)

(including capitalised aircraft operating leases)

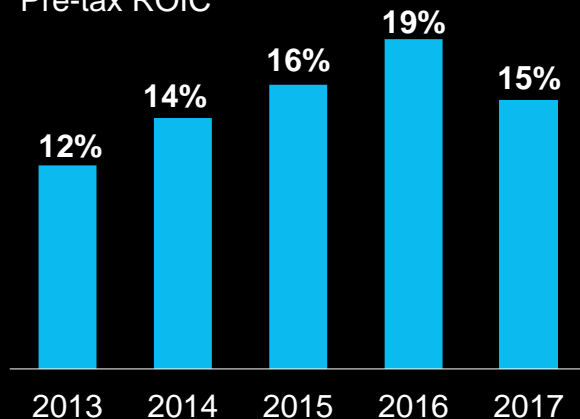


The financial framework that guides us



Putting ROIC performance into perspective

Pre-tax ROIC



~15%

Excellent return

Return that exceeds our
pre-tax cost of capital of ~10%

~10%



Sub-optimal return

A flight attendant in a black uniform with a purple patterned scarf and skirt is waving from the stairs of an aircraft. Two young girls, one in a green jacket and one in a denim jacket with a purple backpack, are walking away from her on an airport tarmac. The scene is bright and sunny, with trees in the background.

Thank you

Trading and ownership facts

AIR

NZX stock ticker

AIZ

ASX stock ticker*

ANZLY

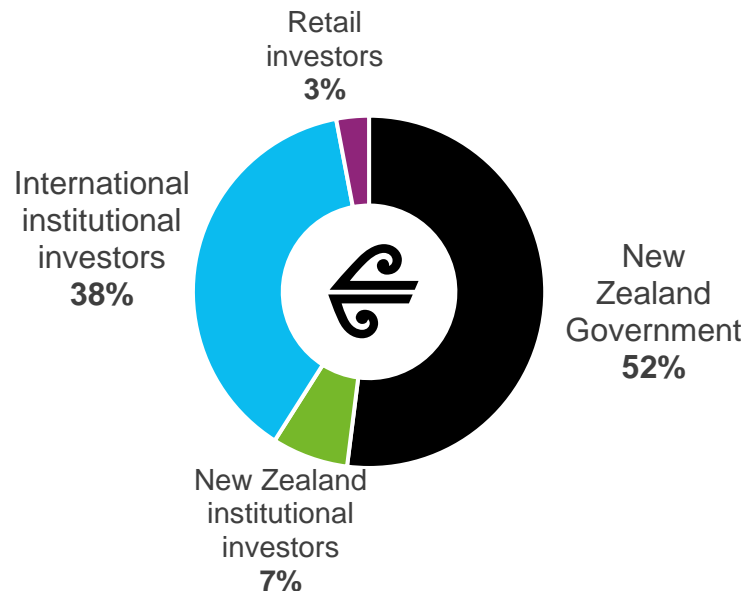
ADR ticker on OTC

- Dual-listed on the NZX and ASX stock exchanges
 - 1.4 million average daily trading volume
 - Member of the NZX20 index – includes the 20 largest and most liquid companies of the NZX
 - Level 1 Sponsored ADR programme available since July 2017
 - Financial year end of 30 June
-
- New Zealand Government holds 52%
 - No direct Board representation
 - Seven independent non-executive Directors

* Air New Zealand is an ASX Foreign Exempt Listing.

Share register

(as at 31 December 2017)



Glossary of 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, interest-bearing assets and non-interest bearing assets, plus net aircraft operating lease commitments for the next twelve months multiplied by a factor of seven
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	Total shareholder return includes share price changes and dividends received over the stated period (assuming dividends are reinvested in shares on ex dividend date)

The following non-GAAP measures are not audited: CASK, Gearing, Net Debt, ROIC and Total Shareholder Return. Amounts used within the calculations are derived from the audited 2017 Group Annual Financial Results and Five Year Statistical Review contained in the 2017 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.

Investor relations information

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>

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Share registrar: enquiries@linkmarketservices.com



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