

TO	Listed Company Relations NZSX Market	VIA NZ MAP
CC	Company Announcements Office Australian Stock Exchange	VIA ASX ONLINE
FROM	Liz Lawless Corporate Legal Services	DATE 28 November 2016
NUMBER OF PAGES INCLUDING COVER SHEET		Two
SUBJECT	ISSUE OF PERFORMANCE RIGHTS	

In 2015, Air New Zealand Limited (AIR) (the **Company**) adopted a new Long Term Incentive Performance Rights Plan (the Plan).

The Company advises that it has issued 5,961,948 performance rights for no consideration to the Chief Executive Officer and selected executives under the Plan. The performance rights were issued on 21 November 2016 as approved by the directors of the Company on 26 October 2016.

The performance rights issued under the Plan give participants the right to receive ordinary shares in the Company subject to certain vesting conditions being met on or after 14 September 2019. The vesting of performance rights are subject to the Company's share price outperforming a comparison index made up 50:50 between the NZX All Index and the Bloomberg World Airline Index over a three year measurement period from the date of issue. In particular:

- (a) 50% of performance rights will vest if the Company's share price has matched the index over the measurement period; and
- (b) for each 1% the share price outperforms the index, a further 2.5% of performance rights will vest until reaching the maximum 100%.

If the share price does not match the index on the third anniversary of the issue date, there will be a further six-month opportunity for the performance rights to vest.

In connection with the issue, the Company advises the following details:

Issue under Air New Zealand Long Term Incentive Performance Rights Plan

Air New Zealand Limited announces that it has issued 5,961,948 Performance Rights pursuant to Air New Zealand's Long Term Incentive Performance Rights Plan.

In connection with the issue, Air New Zealand advises the following details:

- (a) Class of security and ISIN: Performance Rights- ISIN: N/A
- (b) Number of Performance Rights issued: 5,961,948
- (c) Issue Price: NIL
- (d) Payment in cash: NIL
- (e) Amount paid up: N/A

- | | | |
|-----|--|--|
| (f) | Percentage of total class of securities: | 40% (of Performance Rights on issue) |
| (g) | Reason for issue: | Issued under the Air New Zealand Long Term Incentive Performance Rights Plan |
| (h) | Specific authority for issue: | Directors' Resolution |
| (i) | Terms or details of issue: | Issued under the Air New Zealand Long Term Incentive Performance Rights Plan |
| (j) | Total number of securities of the class after issue: | 15,014,597 (Performance Rights) |
| (k) | Treasury Stock: | Not applicable |
| (l) | Date of issue: | 21 November 2016 (Grant Date: 14 September 2016, Vesting Date 14 September 2019) |

APPENDIX 3B

NEW ISSUE ANNOUNCEMENT, APPLICATION FOR QUOTATION OF ADDITIONAL SECURITIES AND AGREEMENT

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

AIR NEW ZEALAND LIMITED

ABN

70 000 312 685

We (the entity) give ASX the following information.

PART 1 - ALL ISSUES

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Performance Rights to acquire Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 5,961,948 Performance Rights under Air New Zealand Long Term Incentive Performance Rights Plan |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Performance Rights under Air NZ Long Term Incentive Performance Rights Plan issued for nil consideration. Performance Rights will convert to shares on the third anniversary of the grant date (14 September 2016) applying the formula contained in the Air New Zealand Long Term Incentive Performance Rights Plan Rules. Final date for exercise is six months after the third anniversary of the grant date. |

+ See chapter 19 for defined terms.

4	<p>Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	<p>The Ordinary Shares issued on vesting of the Performance Rights will rank equally with existing Ordinary Shares on issue.</p>							
5	Issue price or consideration	NIL							
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Performance Rights under the Air New Zealand Long Term Incentive Performance Rights Plan.							
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	21 November 2016							
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>1,122,775,861</td><td rowspan="3">Ordinary Shares quoted Plus Treasury Stock Total Securities</td></tr><tr><td>34,183</td></tr><tr><td>1,122,810,044</td></tr></table>	Number	⁺ Class	1,122,775,861	Ordinary Shares quoted Plus Treasury Stock Total Securities	34,183	1,122,810,044	
Number	⁺ Class								
1,122,775,861	Ordinary Shares quoted Plus Treasury Stock Total Securities								
34,183									
1,122,810,044									

⁺ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>1</td><td>Kiwi Share</td></tr><tr><td>11,053,391</td><td>Options under the Air New Zealand Long Term Incentive Plan</td></tr><tr><td>15,014,597</td><td>Performance Rights under the Air New Zealand Long Term Incentive Performance Rights Plan</td></tr><tr><td>1,256,281</td><td>Options under the Air New Zealand CFO Option Incentive Plan</td></tr><tr><td>659,715</td><td>Restricted Share Rights under the Air New Zealand CEO Restricted Share Rights Plan</td></tr></table>	Number	⁺ Class	1	Kiwi Share	11,053,391	Options under the Air New Zealand Long Term Incentive Plan	15,014,597	Performance Rights under the Air New Zealand Long Term Incentive Performance Rights Plan	1,256,281	Options under the Air New Zealand CFO Option Incentive Plan	659,715	Restricted Share Rights under the Air New Zealand CEO Restricted Share Rights Plan
Number	⁺ Class													
1	Kiwi Share													
11,053,391	Options under the Air New Zealand Long Term Incentive Plan													
15,014,597	Performance Rights under the Air New Zealand Long Term Incentive Performance Rights Plan													
1,256,281	Options under the Air New Zealand CFO Option Incentive Plan													
659,715	Restricted Share Rights under the Air New Zealand CEO Restricted Share Rights Plan													
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Refer to Distribution Policy on Company Web site												

⁺ See chapter 19 for defined terms.

PART 2 - BONUS ISSUE OR PRO RATA ISSUE

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

+ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)? N/A

33 ⁺Despatch date N/A

PART 3 - QUOTATION OF SECURITIES

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☐ Securities described in Part 1 (Ordinary Shares only)

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

ENTITIES THAT HAVE TICKED BOX 34(A)

ADDITIONAL SECURITIES FORMING A NEW CLASS OF SECURITIES

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

ENTITIES THAT HAVE TICKED BOX 34(B)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 					
41	<p>Reason for request for quotation now</p> <p><small>Example: In the case of restricted securities, end of restriction period</small></p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> <tr> <td style="height: 80px;"></td> <td style="height: 80px;"></td> </tr> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

QUOTATION AGREEMENT

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
(Company secretary)

Date: ... 28 November 2016

Print name: John Harvey Blair

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+ See chapter 19 for defined terms.