

A STAR ALLIANCE MEMBER



AIR NEW ZEALAND 

BUSINESS REVIEW UPDATE 2019

28 MARCH 2019

NZX: **AIR** | ASX: **AIZ** | US OTC: **ANZFY**



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.

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As disclosed in market updates on 30 January and at the 2019 Interim Results on 28 February:

- Slower levels of growth were observed in the December 2018 revenue numbers that came through in January.
- The forward bookings outlook at this time also suggested a slower rate of demand growth than previously observed.
- These changes were primarily seen in the domestic leisure customer segment and there was also some impact related to slowing inbound tourism to New Zealand.
- On the basis of the slower growth environment, a review of our network, fleet and cost base commenced in late January, focused on actions that will ensure the airline's long-term financial success in the lower growth environment.

Clear strategy in place to drive earnings growth and improved ROIC in changing demand environment

Network

- Revised medium term growth to 3% to 5% (from 5% to 7%)
- Focused on optimising network to maximise and diversify revenue
- Stimulate new demand
- A moderate rate of growth expected on existing routes

Fleet

- Adjust aircraft deliveries to reflect slower growth environment
- Fleet deferrals of ~\$750 million
- Smoother capex profile in 2020-2022 period

Cost

- Launch of a two-year cost reduction programme
- Expecting to achieve an additional ~\$60 million in annualised savings over this period
- Focused on both operational and overhead costs

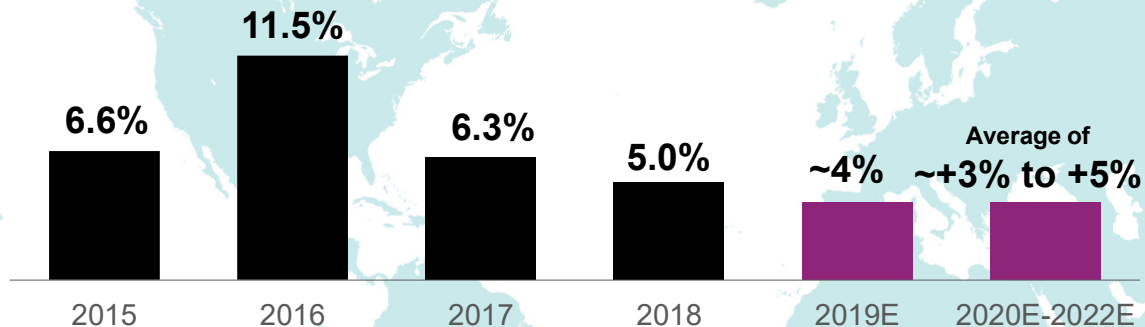
Customer

- Progressive roll-out of enhanced seats across multiple cabins
- New in-flight soft products including free Wi-Fi onboard enabled international flights
- Upgraded lounge facilities across the network

Optimising our network to maximise and diversify revenue

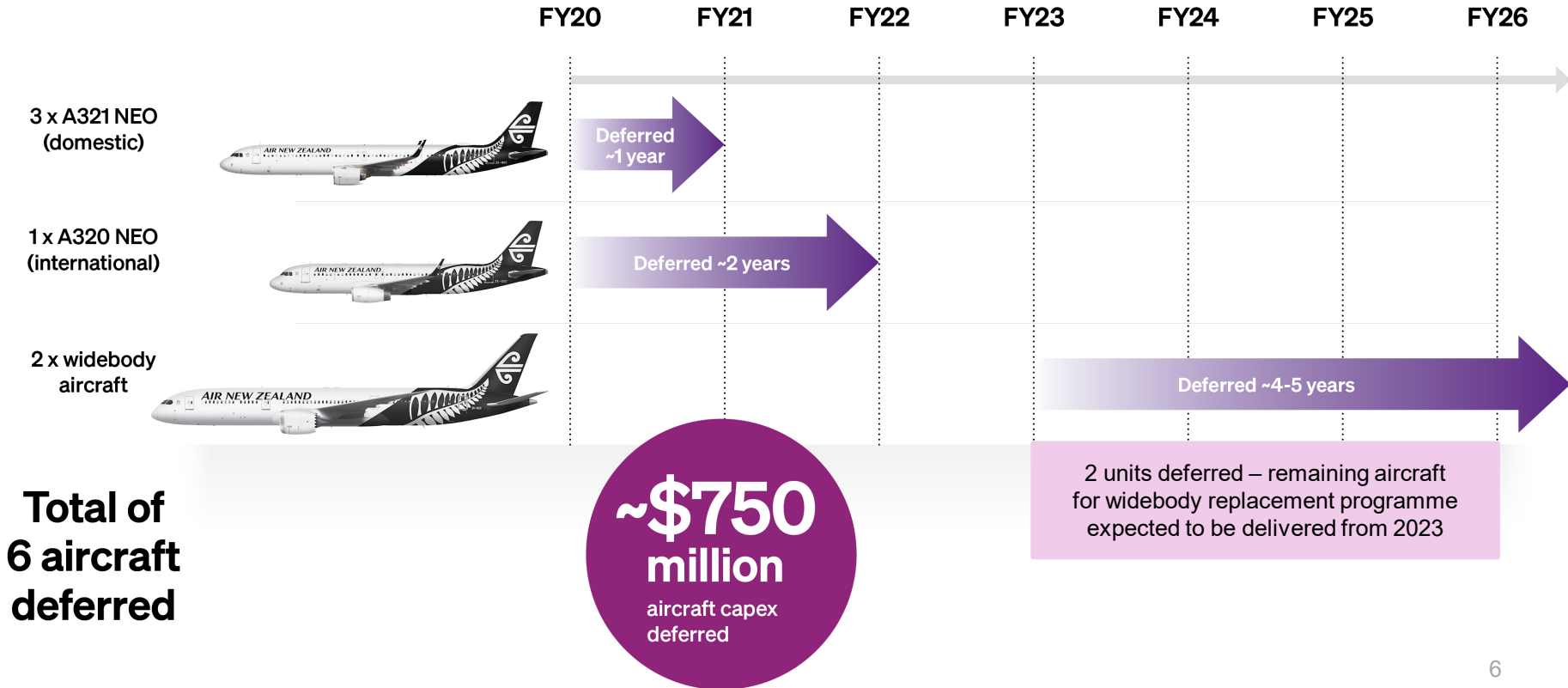
- Planning for network growth of 3% to 5%, on average, over the medium-term
 - Revised from 5% to 7%*
- Growth focused on stimulating new demand for New Zealand market
 - Launch of new direct services between Auckland and Seoul from late November 2019
 - Increased frequency on existing Taipei and Chicago routes from November and December 2019 respectively
 - Amending timing of Auckland-Hong Kong service to free up one aircraft from late October 2019
- Moderate growth expected across existing route network

Group capacity growth (Historical and current targets)



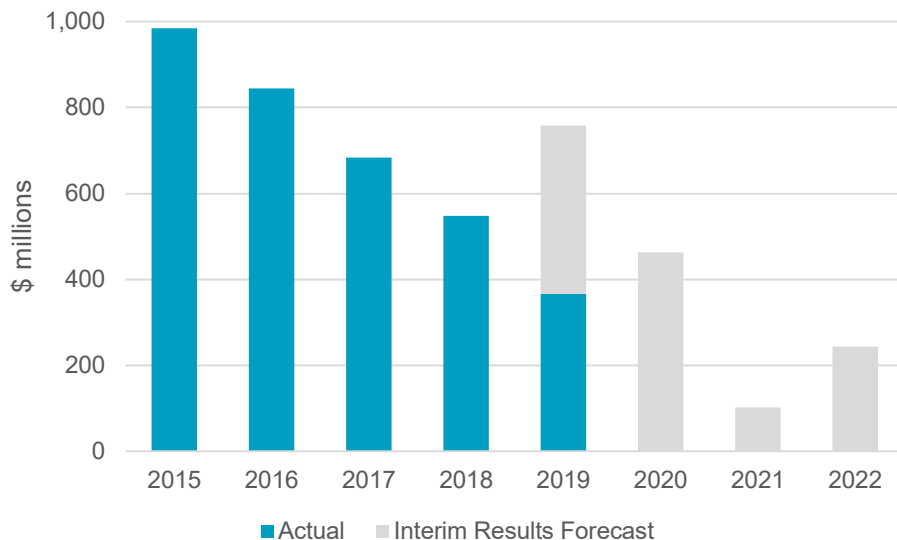
* As disclosed at Air New Zealand's 2018 Investor Day on 14 June 2018.

Increasing capital efficiency through retiming of fleet orders

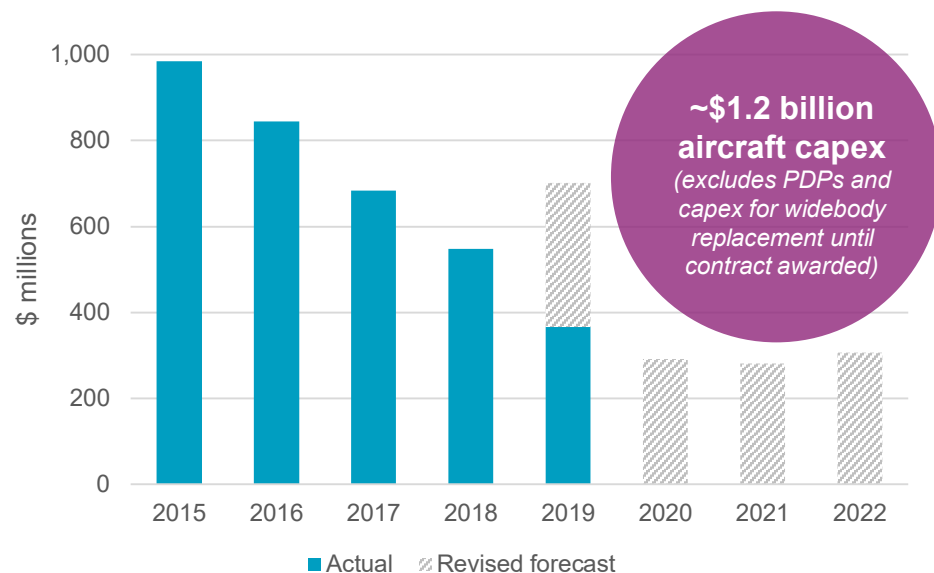


Smoother aircraft capex resulting from deferral of NEO aircraft

What we said in February 2019*



Revised aircraft capex outlook**



* As disclosed in 2019 Interim Results as at 28 February 2019; assumes NZD/USD = 0.67.

** As disclosed in 28 March 2019 disclosure to NZX and ASX; assumes NZD/USD = 0.67.

Two-year cost reduction programme targeting more than \$60 million in annualised savings, in addition to ongoing annual savings of \$50 million

The cost reduction programme will be formed around three key pillars:

1

Removal of inefficiencies associated with the Rolls-Royce engine issues

2

~5% reduction in overheads through reprioritisation, process efficiencies and automation

3

A targeted review of the operations cost base

Continuing to invest in the customer travel experience

- Committed to offering an innovative and dynamic customer experience
- Will announce a series of exciting new investments in the customer travel experience including:
 - The progressive introduction of an enhanced Business Premier experience on the long-haul fleet from the end of calendar 2019
 - A new, more spacious Economy product offering on some of our long-haul fleet from mid calendar 2020
- Free Wi-Fi will be available on all enabled international aircraft
- In the process of upgrading 9 lounges across the network for an estimated spend of \$50 million

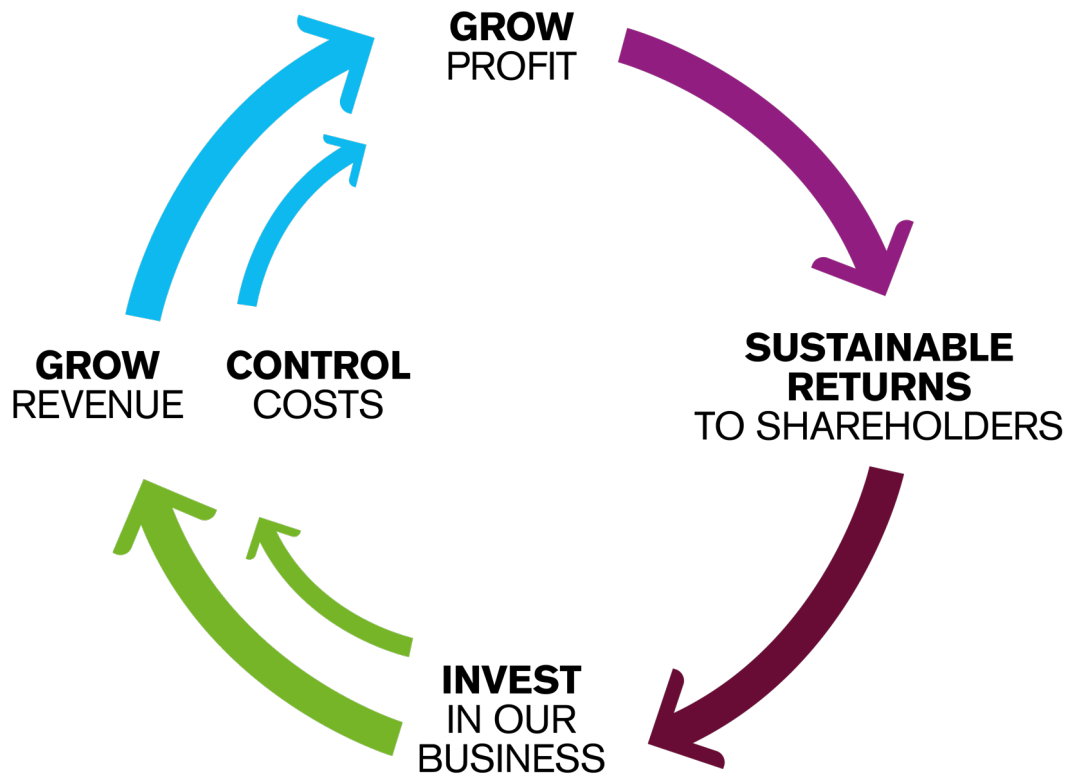


2019 outlook reaffirmed

Air New Zealand issued a revised outlook for the 2019 financial year on 30 January, prompted by slower revenue growth expectations in the second half of the year. The airline once again reaffirms that outlook statement for the financial year ending 30 June 2019.

Based upon current market conditions and assuming an average jet fuel price of US\$75 per barrel for the second half of the financial year, **2019 earnings before taxation is expected to be in the range of \$340 million to \$400 million.**

Providing a strong foundation for future earnings growth



Supplementary slides



Revised aircraft delivery schedule reflects NEO delay

Prior delivery schedule

Aircraft delivery schedule¹ (as at 31 December 2018)

		Number in existing fleet	Number on order	Delivery Dates (financial year)			
				2H 2019	2020	2021	2022
Owned fleet on order	Airbus A320/A321 NEOs	1	12 ³	5	4	-	3
	ATR72-600	21	8	2	6	-	-
Operating leased aircraft	Boeing 787-9	1	1	-	1	-	-
	Airbus A320/A321 NEOs	2	3	2	1	-	-

Current delivery schedule

Revised aircraft delivery schedule (reflecting fleet deferrals resulting from business review)

		Number in existing fleet ²	Number on order ²	Delivery Dates (financial year)			
				2H 2019	2020	2021	2022
Owned fleet on order	Airbus A320/A321 NEOs	1	12 ³	5	-	3	4
	ATR72-600	21	8	2	6	-	-
Operating leased aircraft	Boeing 787-9	1	1	-	1	-	-
	Airbus A320/A321 NEOs	2	3	1	1	-	-

¹ Prior aircraft delivery schedule disclosed as at 28 February 2019.

² As at 31 December 2018.

³ Does not reflect two additional A321NEO aircraft on order for expected delivery in FY2024.

Find more information about Air New Zealand

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

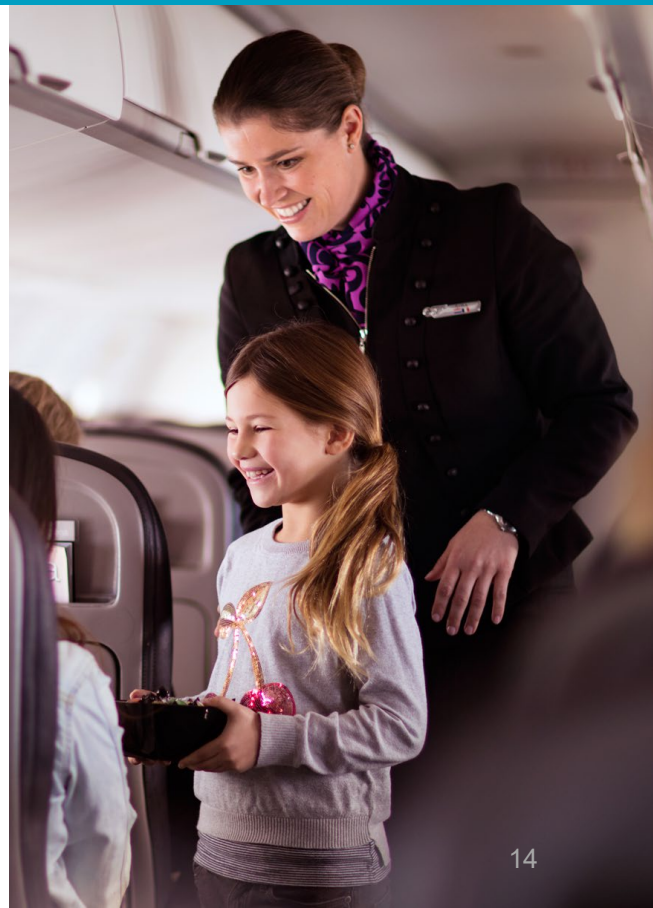
Corporate governance: www.airnewzealand.co.nz/corporate-governance

Sustainability: <https://www.airnewzealand.co.nz/sustainability>

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Thank you



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