AIR NEW ZEALAND

2021 ANNUAL SHAREHOLDER REVIEW

A STAR ALLIANCE MEMBER

LETTER FROM THE CHAIRMAN

Tēnā koutou katoa


Dame Therese Walsh – Chairman

The result for the 2021 financial year continues to reflect the broad sweeping impacts of Covid-19 on our airline, and on the aviation and tourism industries more generally.

It also reflects the tireless efforts, skill and sheer determination of our people, the Executive team and other key stakeholders across our supply chain to keep our customers connected and travelling safely.

Teams from all areas of the business have responded quickly to ever-changing operational conditions, introducing new cargo routes to create further revenue opportunities, increasing capacity on our domestic network to near pre-Covid levels to match heightened demand for leisure travel here in New Zealand, and implementing the necessary protocols to launch our first short-haul international travel bubbles.

These milestones have been hugely important for Air New Zealand, providing us with small but much needed steps towards some form of normalcy, although the complexity caused by Covid-19 and its multiple variants continues to create challenges, volatility and uncertainty. In the last three months alone, our people have dealt with a great deal of complexity and uncertainty as we worked to respond to changing border conditions on the Tasman due to a surge of community transmission of Covid-19 in Australia, and at home another strict nationwide lockdown this month reminds us how there is no easy fix. Our people and customers have been patient and supportive throughout this difficult time, and on behalf of the Board, I want to thank everyone for their continued support of our airline.

LETTER FROM THE CHAIRMAN
(CONTINUED)

Covid-19 has challenged so much of what we as Kiwis hold dear to our hearts – the ability to connect with our friends, whānau and colleagues in person, and travelling to explore new cultures, food and different ways of life. I am personally very proud of how Air New Zealand is navigating its way through Covid-19, providing a strong domestic schedule and doing everything we can to keep Aotearoa connected to the world. We have again demonstrated Air New Zealand is a crucial part of New Zealand's infrastructure, not only by continuing to connect New Zealanders to each other while borders remain closed, but also by keeping vital cargo moving within New Zealand and around the globe. While there is no shying away from the fact we still have a tough and uncertain road ahead, I am confident Air New Zealand will continue to play a key role in New Zealand's recovery from Covid-19.

Capital raise and liquidity

As announced on 13 August 2021, the Company received a letter from the Minister of Finance outlining his view that the current environment is not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support a planned capital raise at this time.

> *In this context, the Company has, in consultation with the Crown, decided to further defer its planned capital raise from 30 September 2021 until the first available window in the first quarter of calendar year 2022.*

Given the critical role the airline has in New Zealand's economy and society, the Crown has again confirmed its longstanding commitment to maintaining a majority shareholding in Air New Zealand. Subject to Cabinet being satisfied with the terms of the Company's proposed capital raise at the relevant time, the Crown has confirmed it will participate in a capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

On completion of the recapitalisation, the Company expects to repay all amounts drawn under the Crown Standby Loan Facility. The Crown has confirmed to the Company that it shares this expectation.

Until the recapitalisation is completed, Air New Zealand has access to sufficient liquidity under the Crown Standby Loan Facility to allow the Company to continue operating and investing in our world-class airline.

Gearing and dividend expectations

We ended the 2021 financial year with gearing of 71 percent, an elevated level from Air New Zealand's stated target gearing range of 45 percent

Domestic capacity increased to cater to the outstanding support for regional travel

LETTER FROM THE CHAIRMAN
(CONTINUED)

Deborrah – Direct Sales Contact Centre Consultant

to 55 percent as a result of the losses incurred since Covid-19. Despite the impact to our balance sheet, the airline maintained an investment grade credit rating.

The Board continues to focus on preserving Air New Zealand's liquidity, and given the ongoing uncertainty and continuing financial pressures on the airline, has determined it will not declare a final dividend for the 2021 financial year.

Air New Zealand's Board does not expect to consider payment of dividends before the airline's earnings and gearing substantially recover, and in the context of a supportive macroeconomic environment.

Performance update

Air New Zealand has delivered a loss before other significant items and taxation[1] of $440 million – a statutory loss before taxation of $411 million and a statutory loss after taxation of $289 million for the 2021 financial year.

Despite the ongoing challenges of the past 12 months, the Domestic network has formed the backbone of our recovery and was a major contributor to operating revenues of $2.5 billion. Prior to the latest national lockdown this August, domestic capacity had been tracking in excess of 90 percent of pre-Covid levels and has underpinned our operational schedule for more than a year and a half. It has been particularly pleasing to see that domestic leisure travel had reached higher levels than pre-Covid times, at 130 percent in the three months to the end of July 2021, with Kiwis continuing to explore the wonderful sights New Zealand has to offer. In the past three months we have also seen corporate customers return to the skies in high volumes, at around 90 percent of 2019 levels. This is a huge milestone for the airline given there was a view taken by many that this much valued customer segment may not return to pre-Covid levels of travel.

The other major contributor to revenue this year was our Cargo business, delivering $769 million, an increase of 71 percent on the prior year. The significant increase in cargo revenue reflects a further year of keeping New Zealand exporters connected to their international trade partners with the assistance of airfreight support schemes introduced by both the New Zealand and Australian Governments contributing $333 million as a one-off tailwind for the 2021 financial year.

The opening of the trans-Tasman bubble in April this year was another significant milestone and contributed to revenue across April, May and through June. After more than one year of international passenger travel being restricted to repatriation flights, people were thrilled at the prospect of having this key part of our short-haul network operating again. We saw strong immediate bookings of around 90 percent of pre-Covid levels in the first week and were able to bring back more than 220 cabin crew and pilots to support these routes. However, the resurgence of community transmission of Covid-19 in Australia, and the suspension of the trans-Tasman bubble shows how truly volatile the situation is, and that we must remain agile and vigilant in our response to the evolving situation.

The airline has maintained a strong focus on cost discipline throughout the year. Operating costs are down 46 percent on the prior year on 55 percent less capacity. This is an encouraging result in the context of additional spend incurred with the opening of two travel bubbles and the holding costs associated with ensuring operational readiness when international borders reopen. The airline saw an increase in cost per available seat kilometre

1. Refer to the Financial Commentary section on page 16

LETTER FROM THE CHAIRMAN
(CONTINUED)

(CASK) of 22 percent[2], although this is a reflection of the mix of flying towards domestic, which has shorter sector distances and smaller aircraft leading to reduced economies of scale.

I am proud of what we have achieved in this volatile environment.

We couldn't have done it without our people

I admire our people for the passion and perseverance they have shown over the past 18 months. Without their commitment to keeping customers flying, and their ability to flex and adapt to the ever-changing circumstances we continue to face, we wouldn't be in the position we are now.

The Board has been out in the business, engaging with people across the airline to hear how Covid-19 has impacted them, both personally and professionally, and to see the great work being done behind the scenes as we move through the survive phase. I'm so impressed with the resilience they have shown, particularly when they farewelled colleagues, picked up extra tasks and dealt with new challenges on a daily basis.

I was excited to see we have maintained our position of having the best corporate reputation in New Zealand – it is phenomenal to receive this recognition in the midst of these challenging times. I couldn't be prouder that the extraordinary work of our people, who have kept Kiwis connected with each other and goods moving around the globe, is being appropriately acknowledged.

I would like to thank Greg and his Executive team who have kept the business stable and steady through these unpredictable times. Greg's leadership and dedication to our people has kept everyone informed and moving together in the right direction. It was a tough time to step into the airline industry, and Greg has shown how resilience, determination and strong leadership can make the best of a difficult situation.

Thank you also to the Board members who have provided clear guidance and backing for the Executive and supported decisions such as bringing back some remuneration and benefits for Air New Zealanders to acknowledge their exceptional efforts, including the NZ$1,000 award of shares or cash. I am proud to work with this amazing team as we continue to steer the business through these uncharted waters.

Moving towards the revive phase

As we move into financial year 2022, it is clear there is still a significant degree of uncertainty ahead. What does give me great hope is the resiliency of Kiwis taking to the sky on our domestic network barring interruption from various lockdown events in New Zealand. We have increased domestic capacity across the board and seen strong support for travel to the regions. We have been able to unlock new demand and provide lower fares to make the regions more accessible. The success of this approach, along with marketing campaigns in partnership with Tourism New Zealand highlights Kiwis continued love for all things travel.

The Government's plan to have the majority of Kiwis vaccinated by the end of the year will be crucial, and as more people both in New Zealand and across the globe get vaccinated, we hope to see a different form of normality resume. We are pleased at the rate of vaccination among Air New Zealanders with 84 percent of our frontline employees now having had at least one vaccine and 81 percent fully vaccinated. A huge thank you to everyone who has been vaccinated – this is an important line of defence to keep ourselves, our customers and community safe, and will be essential for getting borders opened up.

The New Zealand Government recently unveiled its plan for how it sees New Zealand's borders reopening to the world. We are supportive of the steps being taken to reopen the border safely, including a phased approach given there isn't a one-size-fits-all solution.

What is clear is vaccines and other innovations like digital health passports will play an extremely important role in enabling borders to reopen.

Nathan showing the Board how to load a cargo hold in Auckland

2. Excluding fuel price movement, foreign exchange and third-party maintenance

LETTER FROM THE CHAIRMAN
(CONTINUED)

I am proud to say Air New Zealand has not rested on its laurels waiting for borders to open. We have focused on building significant muscle and agility in every facet of our operations and have progressed key elements of our refreshed strategy, Kia Mau, to set the airline up for success over the long-term. We believe that by prioritising our people and customers, taking action on sustainability and delivering digital excellence we will be in the best possible position for the future.

Outlook

Given uncertainty surrounding the current national lockdown, ongoing international travel restrictions and uncertainty regarding the level of demand as these restrictions lift, Air New Zealand has suspended 2022 earnings guidance.

In closing

While the latest outbreak of Covid-19 in New Zealand has been disappointing, I am confident there is still strong demand for air travel in the future, and Air New Zealand's role in providing that critical linkage for our country will remain.

I want to take a moment to thank our shareholders, customers, suppliers and other key stakeholders for their support and engagement as we work together.

Ngā mihi nui

Dame Therese Walsh
Chairman
26 August 2021

Board Director changes

> *I'm thrilled to announce the appointment of Alison Gerry, Claudia Batten and Paul Goulter as directors on the Air New Zealand Board as we bid farewell to Jan Dawson, Rob Jager and Linda Jenkinson.*

Alison has an incredibly strong background in governance, capital management, audit and risk from her time as a director of Spark, TVNZ, Kiwibank and her current directorships with ANZ Bank New Zealand, Sharesies, Infratil and Suncorp New Zealand. She will be taking over as Chair of the Audit and Risk Committee and I look forward to her leadership in this space.

Claudia brings a wealth of digital expertise, having co-founded Victor and Spoils, the world's first advertising agency built on crowd-sourcing principles and one of the founders of gaming advertising network Massive Corporation. She is the current digital advisor to the Westpac New Zealand Board, is the Chair of Serko and a director at Vista Group. She has won many awards for her work supporting the New Zealand technology sector and I know we will tap into her vast experience as we look to become the world's leading digital airline.

Paul has worked closely with unions both in New Zealand and Australia over the past 40 years, including time as Secretary of the New Zealand Council for Trade Unions and as General Secretary of Finsec. He is currently National Secretary for New Zealand's largest education union, NZEI Te Riu Roa, and a director of the Co-operative Bank. We welcome his extensive knowledge in this space to support the airline in the continued journey to build trusted and inclusive relationships with our people and the unions.

I'm excited about welcoming all three to the Board and seeing the new perspectives they bring to support our objectives of prioritising people and creating digital solutions that empower customers, and how the Board can support the airline through the next phase – navigating through and beyond Covid-19.

I want to take this opportunity to thank Rob and Linda, our long-serving directors who are retiring this year. We have appreciated their insights and guidance which have helped shape the airline over the years and supported us through the significant impact of Covid-19 over the past 18 months.

Finally, a special thanks to Jan, our Deputy Chairman, who agreed to continue in her position, providing consistency to our Board while we navigated our way through this unprecedented time for the airline. Her wisdom, experience and advice were invaluable. I want to wish her all the best for the future.

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Tēnā koutou e ōku rangatira

Greg Foran – Chief Executive Officer

The international impact of the continuing pandemic meant the last financial year was one in which Air New Zealand effectively operated at a third of its normal passenger capacity, but with a level of energy that far exceeded that.

Playing the hand we were dealt, we have kept our planes flying every single day, maintained cost discipline and developed new capabilities and dexterity while taking some important steps in the delivery of our refreshed strategy, Kia Mau.

Time has not been wasted. We are focused on building back better for when the borders reopen, encouraged by our dedicated team of Air New Zealanders, our loyal customers and our strong domestic business.

Although the timing of a return to international travel remains highly uncertain, and indeed, even the most recent nationwide lockdown demonstrates the complexity we must continue to navigate, the path forward to the future is clear.

Our people and customers

In a year in which we saw markets open and close, and while we continue to face uncertainty around travel, we are humbled and inspired by the unwavering commitment of our people and the support of our customers.

I am acutely aware of the many sacrifices Air New Zealanders continue to make as they work to deliver our purpose – connecting New Zealanders with each other and New Zealand with the world. From the employees who took pay cuts through the year, to the teams who have worked twice as hard to deliver essential export services; from the cabin crew and pilots undergoing regular Covid-19 tests

LETTER FROM THE CHIEF EXECUTIVE OFFICER
(CONTINUED)

and quarantine to support customers returning home, to our domestic employees who continue to help customers adapt to the challenges of travelling during a pandemic – thank you.

Air New Zealanders continue to do extraordinary things in extraordinary times, and we share some of their stories in this shareholder report. It was hugely important to the Board and Executive to recognise that sacrifice via a $1,000 award of shares or cash to our people. We also supported 1,200 employees who struggled to manage day-to-day finances due to the pandemic with grants from the Āwhina Trust, which is funded by Board and Executive salary sacrifices and donations from other Air New Zealanders.

Our ability to adapt to change is now becoming a muscle, with an increasingly fluid response to short notice changes that impact where and when we can fly, shutting down fast in one area while moving rapidly to open new routes for cargo.

Our team's no-fuss ability to respond quickly when conditions change is not only one of this year's biggest achievements but inspires great confidence for the future return of competitive air travel.

We are also grateful for the ongoing aroha from our customers, whose support has seen our domestic business rebound strongly following various lockdowns, and whose trust and engagement with our people has allowed us to test and introduce new features to improve our service.

Sahil – Cargo Warehouse Agent

LETTER FROM THE CHIEF EXECUTIVE OFFICER
(CONTINUED)

This is embodied in our promise of manaaki – to take care further than any other airline – and it is coming to life despite constant change.

Being named New Zealand's top company for corporate reputation for the seventh year running felt very special given the impact the pandemic had on so many customers' travel plans.

We do not take this for granted.

Making the most of the opportunity

I have learned over time that building a chain of trust is critical with all stakeholders. Trust allows us to move forward with pace, and that is critical for us to reach full potential.

The airline has used this period to deliver many improvements for our customers. This is a process of delivering on the brilliant basics that matter – making travel simpler, easier and hassle free for customers. Our aim is to focus each day on doing 100 things one percent better. Many of these are already playing out across the airline.

We have revisited our domestic business, reimagining our customer proposition. We had fun with our customers during inflight trials of new food and beverage offerings, learning about Kiwis' changing tastes and preferences, and most importantly discovering our customers love to have their say on the features of our service as they fly with us. We look forward to offering you something new as we serve you in the years ahead and showcase a range of New Zealand products.

Recently we made changes to give customers more choice of flight times and access to even more low fares. We hope this will help more Kiwis see their own country, while supporting the many businesses that play a part in the tourism sector.

Fares have been capped to ensure demand does not mean travel is out of reach at times when it's needed most, and we have reintroduced the popular Fast Bag service with reimagined features.

We improved our unaccompanied minors service to make travel easier for our most valuable cargo and safer for our people.

Our compassionate fare scheme has been simplified to provide customers with flexibility to change or credit their bookings.

All of these changes were made for our customers during a period when, domestically, it was business as usual – or busier.

Until the most recent nationwide lockdown this August, we had seen domestic leisure demand at nearly 130 percent of pre-Covid levels over the three months to 31 July 2021 when compared to the equivalent period in 2019. July 2021 was our busiest holiday period yet, when more than 550,000 passengers flew with us domestically.

It has also been encouraging to see corporate customers starting to return to the skies, averaging 90 percent of pre-Covid levels in the past three months compared with the same period in 2019. We know Kiwis continue to value connecting with each other.

87%

Customer Satisfaction

92%

Domestic On Time Performance (OTP)

71%

Increase in non-flight Airpoints™ redeemed

LETTER FROM THE CHIEF EXECUTIVE OFFICER
(CONTINUED)

We are grateful for the support from the Government's Maintaining International Air Connectivity (MIAC) scheme at a time when we are still flying just a fraction of the international passenger network we operated prior to Covid-19.

Cargo revenue increased 71 percent compared to the prior year due to continued strong demand for New Zealand products and domestic consumption.

The airline is currently flying an average of 51 cargo flights[1] each week to 16 ports, including Australia, Hong Kong, Shanghai and Los Angeles. We also mobilised quickly to fly to new destinations like Guangzhou and returned to destinations like Taipei for the first time since we closed our borders.

I am proud that, despite the challenges, we continue to connect New Zealanders and New Zealand.

We also continue to confront and drive sustainability and climate action, taking meaningful steps and engaging closely with the Government to set a pathway to achieving net zero emissions by 2050. Electric, hybrid, and hydrogen aircraft are coming, and Aotearoa is uniquely placed to adopt these technologies on our domestic network given our highly connected regional network and high proportion of renewable energy.

Sustainable aviation fuel (SAF) remains critical as the only current option for decarbonising long-haul flights out to 2050, and we continue to advocate for new policy measures to support the supply of SAF in Aotearoa and look forward to making real progress with policy makers in the year ahead.

All of our activity has been underpinned by a new brand campaign that has really hit the mark and a relaunch of the values that continue to be a hallmark of the Air New Zealand team – Welcome as a Friend, Can Do, Share your Aotearoa and Be Yourself.

What lies ahead

Loyalty programmes are key assets for airlines globally and we believe this will be a source of future growth for Air New Zealand. We are redesigning our programme, refocusing and enhancing Airpoints™ to increase engagement with customers, having completed a full review of our offering to understand what matters to our 3.6 million plus Airpoints™ members.

We are looking to expand our partnerships to introduce new, improved benefits such as better upgrades, greater personalised service and increased ability to share benefits among family and friends. Many new partners will give you more options to spend your points and there are several exciting initiatives to unfold this year.

In time, we will become 'the world's leading digital airline' and are taking the first steps toward a truly competitive advantage in digital. A new supply chain system has been installed across

Left to right; Greg Foran – Chief Executive Officer, Captain David Morgan – Chief Operational Integrity & Safety Officer, Leanne Geraghty – Chief Customer & Sales Officer, Richard Thomson – Chief Financial Officer, Carrie Hurihanganui – Chief Operating Officer, Mat Bolland – Chief Corporate Affairs Officer, Nikhil Ravishankar – Chief Digital Officer, Nikki Dines – Chief People Officer

1. The airline flies ~50 flights per week to 16 ports with the trans-Tasman bubble suspended, and ~30 flights per week to 12 ports when the trans-Tasman is open

LETTER FROM THE CHIEF EXECUTIVE OFFICER
(CONTINUED)

the business, we added digital capability for our turboprop pilots and cabin crew, and converted legacy systems in Engineering & Maintenance. We deployed a world-leading revenue management system for our domestic fleet, while improving self-credit options for customers.

We have a full plate for this year as we complete work on a new crewing system, develop data and analytics capabilities and commence in earnest on our new loyalty platform, among others.

These are complemented by ongoing, seemingly small but impactful changes to the way we present our service, such as simplifying our products and offering real flexibility for fares and refunds. We are already trialing a new subscription product, reviewing our Seats to Suit offer and rolling out a host of other initiatives from pets to bicycles to reduced excess baggage fees.

Our work on building an exceptional domestic business will position us well when we re-open our long-haul business in the future. We are as excited as our customers about seeing this part of Air New Zealand grow again.

When reflecting on the last year, I recognise it has actually been a long 18 months since the impact of Covid-19 first hit the company. We are full of optimism about our business and what we can do for customers in the years ahead.

Our plan is in place. And I am incredibly excited about the new Air New Zealand we are building.

We fly for you, and more than ever, we thank you for flying Air New Zealand.

Ngā mihi

Greg Foran
Chief Executive Officer

26 August 2021

Executive changes

> *Earlier this year we welcomed Richard Thomson and Mat Bolland to the Executive team – Richard into the role of Chief Financial Officer and Mat as our Chief Corporate Affairs Officer.*

Left to right; Richard Thomson – Chief Financial Officer, Mat Bolland – Chief Corporate Affairs Officer, Nikhil Ravishankar – Chief Digital Officer

Richard is no stranger to Air New Zealand, having previously spent 13 years with the airline in senior roles including General Manager Networks and General Manager Corporate Finance, before taking a role as Chief Financial Officer at Metlifecare. We are delighted to have him back on the team and his insights and deep aviation experience will help us drive the airline's recovery plan and navigate us through and out of Covid-19.

The newly created role of Chief Corporate Affairs Officer brings our government relations, regional, cultural and regulatory affairs, and communications functions together to strengthen key stakeholder relationships which have never been more important. Mat has a wealth of experience in this space with more than 20 years corporate affairs experience, most recently in telecommunications at 2degrees and in energy and water during periods of crisis and significant industry change.

Later on this year we look forward to welcoming Nikhil Ravishankar as our Chief Digital Officer. Nikhil is a digital expert who has led a number of technology transformations, including in his current role as Chief Digital Officer at Vector New Zealand, as Managing Director at Accenture New Zealand and as Head of Technology Strategy at Telecom NZ. With digital being a key enabler of our Kia Mau strategy, I know Nikhil's proven track record for delivering results will be essential in helping us achieve our goal of being the world's leading digital airline.

OUR PEOPLE NAVIGATING THROUGH COVID-19

Our people from around the business share their stories on how Covid-19 has impacted their day-to-day lives.

Pictured: Sunyong – Cleaner

Christina — Cleaner at Auckland International Airport

Cleaning taken to another level

"Over my 12 years with the airline, I have seen a number of changes – but nothing could have prepared us for Covid-19. It was certainly an eye-opener when New Zealand's borders closed.

Internationally the workload has decreased but the standard for cleaning has been significantly heightened. We wear high levels of personal protective equipment (PPE) and make sure everything is sanitised to the strictest levels to keep ourselves, crew and customers safe.

The biggest challenge for me personally has been the risks that Covid-19 brings as a frontline worker. Testing every fortnight and following stringent PPE requirements has become second nature. I take these responsibilities seriously because I understand how important it is to do my bit to keep my family and our communities safe.

I was worried about job security with the talk of possible redundancies. I realised I either had to wait it out or be proactive and find another job – I chose to do both and started working at a local supermarket. The airline provided a lot of support for people which was great, and I'm one of the lucky ones who still has a role.

I feel safer now we are vaccinated, and it is good to see everyone doing their bit to make the country safer from Covid-19."

Liesl — Domestic Scheduling Manager

Keeping our network fine-tuned

"As a Networks team we are responsible for setting the network schedule and making sure everything is in place to deliver it. Covid-19 has really changed the way we work and kept us on our toes.

We were frantic through the first lockdown with our schedule changing on a daily if not hourly basis. We had to react quickly to Government announcements because we knew our customers, were anxious to get back to loved ones and wanted certainty about what flights would be available.

There were numerous complications to factor into our schedule planning, such as making sure there were enough flights during Alert Level 4 to move cargo, medical personnel and critical equipment around the country, while at the same time ensuring we weren't flying empty planes. We had to manage the competing priorities of our stakeholders to design the best schedule possible.

As a team we still work reactively with travel bubbles opening and closing regularly, making it hard to predict demand. Our schedule sells up to 350 days out and we used to have a pretty accurate schedule published up to eight months out. Now we're lucky to be able to publish an accurate schedule two months out based on the constantly changing circumstances.

One positive through lockdown was maintaining good team connection and getting to know each other better with the crossover of work and personal lives. We have maintained this strong team bond and have a better empathy for each other's wellbeing."

Pictured: Liesl – Domestic Scheduling Manager

OUR PEOPLE NAVIGATING THROUGH COVID-19 (CONTINUED)

Pictured: Alison – Team Leader Contact Centre

Marlene — Customer Services Consultant

Supporting customers through turbulent times

"The first few months of Covid-19 were hectic to say the least, and it was a struggle to find a good work-life balance, especially when your workstation is set up in your bedroom. As a team we dealt with more than 300,000 refund and credit calls from June to September 2020, and completely changed the way we had to work. We needed to learn a new system and design online training for credits – much harder than face-to-face training. The system is fantastic though as it supports our customers better and has taken some of the pressure off the team.

Because we were so busy, it was a great opportunity to empower team members to do more and upskill faster, and it was great watching their confidence grow. The team was super supportive of each other, and we made sure wellbeing was a priority. We appreciated the airline looking after us by keeping us safe at home and not exposed to the virus.

Even now, many of our team work flexibly from home and we really appreciate the fact that management have allowed us to ingrain greater flexibility into our lives. It means I can spend more time with my children before and after school which I really value. I would say that my work-life balance has improved significantly – even with changing travel restrictions and increased call volumes, we have the right systems and processes in place to deal with these more effectively, so it is easier to scale up when conditions change."

Sheryl — Deputy Services Manager

Helping Kiwis return home

"As cabin crew and pilots flying international repatriation, MIQ and cargo flights we have faced many challenges with the ever-changing Covid-19 landscape, particularly extended periods of isolation and constant testing.

We do everything gloved and masked – working on board, transiting through airports and we are confined to hotel rooms when we do arrive at our destination… it is our new normal. Wearing masks and gloves creates a barrier between us and our customers. You lose the facial interactions and it's amazing how much of a difference this makes.

The biggest challenge for me has been not being able to interact and connect as a team due to isolating in hotels overseas. Crew are "people people", so this has always been an important part of who we are and is, I believe, the reason Air New Zealand is renowned for its superior customer service. I am trying to bring some fun back to build team spirit, like baking and walking groups but it's definitely harder these days.

Covid-19 has changed aspects of my personal life too – our friends give us a wide berth; my family weren't comfortable with me coming to Christmas; it is hard to get hairdressing appointments; people avoid me in public places when I'm in uniform, all because of the work I do to bring Kiwis home to their loved ones. Now we are vaccinated and being tested regularly I feel less ostracised, and the airline has done everything they can to make it as easy as possible for us such as lobbying for home isolation over quarantine hotels."

Pictured: Naomi – Inflight Service Manager Short Haul

KEY INVESTMENT HIGHLIGHTS

Air New Zealand is a world-class airline, with a strong customer proposition and modern fleet underpinned by digital innovation, driving improvements in customer experience and profitability through its refreshed strategy, Kia Mau.

Unparalleled brand and service culture

Celebrating more than 80 years' service, Air New Zealand has a place of pride in the hearts of Kiwis – and never has that been clearer than through Covid-19. The airline is renowned for offering excellent service with a down-to-earth, caring Kiwi approach that has won the team awards across the decades and kept New Zealanders loyal. It is often said by customers that being welcomed onboard is like coming home.

The airline's Kia Mau strategy is focused on continuing to deliver this service excellence over the short, medium and long-term. It is focused on prioritising its people and investing in products, services and digital tools to further enhance the outstanding service culture it has, ensuring customers continue to feel cared for while they travel with Air New Zealand.

Modern, fuel-efficient fleet

The Air New Zealand fleet age is 6.7 years old, which is one of the youngest global fleets. This is due to the years spent investing in best-in-class aircraft technology across its different fleets. The fleet not only provides the airline with greater operational performance and better efficiencies, it also provides customers with a fantastic onboard experience.

With the new Airbus A320 and A321neos flying the Domestic, trans-Tasman and Pacific Islands routes, and the Boeing 787s currently on all international flights, fuel efficiency based on the number of flights flying is at an all-time low.

The phasing of the fleet investment programme has changed and reduced overall in line with the airline's more focused international network strategy. In addition, Air New Zealand is keeping a close eye on the future of travel and is actively working with key partners on opportunities for sustainable aircraft and the role sustainable aviation fuels can play.

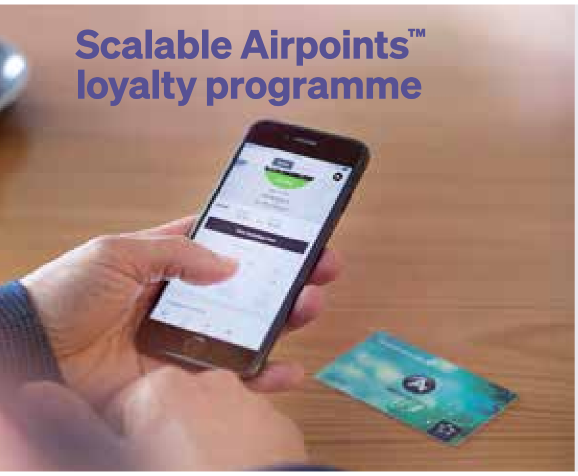
Domestic network strength

Air New Zealand's cornerstone is its domestic network and it has demonstrated resilience despite Covid-19. As New Zealand's leading domestic carrier with over 80 percent market share for more than 10 years, the airline is taking an innovative approach to how it is driving demand and incentivising Kiwis to travel, particularly while the borders remain closed.

Recent changes to the domestic schedule have given customers more choice as to when they fly. This will enable the airline to offer even more lower fares and unlock new demand which will in turn generate additional domestic tourism. New and exciting products and services are in store over the next year for customers across areas including onboard food, fare flexibility, Airpoints™ loyalty programme and more.

KEY INVESTMENT HIGHLIGHTS
(CONTINUED)

Scalable Airpoints™ loyalty programme



Air New Zealand values it 3.6 million Airpoints™ loyalty members and wants to enhance the programme to drive even stronger customer engagement. The opportunity lies in offering people more of what they want from their loyalty programme.

The airline has undertaken a full review of its programme to understand what its members care about so efforts can be focused on the right areas. Expanding partnerships to introduce new, improved benefits for members such as improved upgrades, greater personalised service and a greater ability to share benefits among family and friends will help keep the programme relevant and fresh, which in turn will drive stronger loyalty and retention.

Focused international strategy

Understanding the opportunities for international travel in a post-Covid world and being able to respond quickly and offer premium customers choice will be key to return to profitable international operations once demand builds back.

The advantage lies in preserving and protecting competitive advantages, leveraging the airline's strong domestic presence and customer loyalty to stimulate travel, and offering the optimal network based on the fleet available and where people want to fly, all supported by its strategic alliance partnerships.

Cargo has always been a key component of the airline's international strategy, and its critical role for the airline during Covid-19 further solidifies Air New Zealand's importance to the New Zealand economy. The airline has a robust, future-proofed strategy to maximise the potential of its cargo business and support the recovery of the economy.

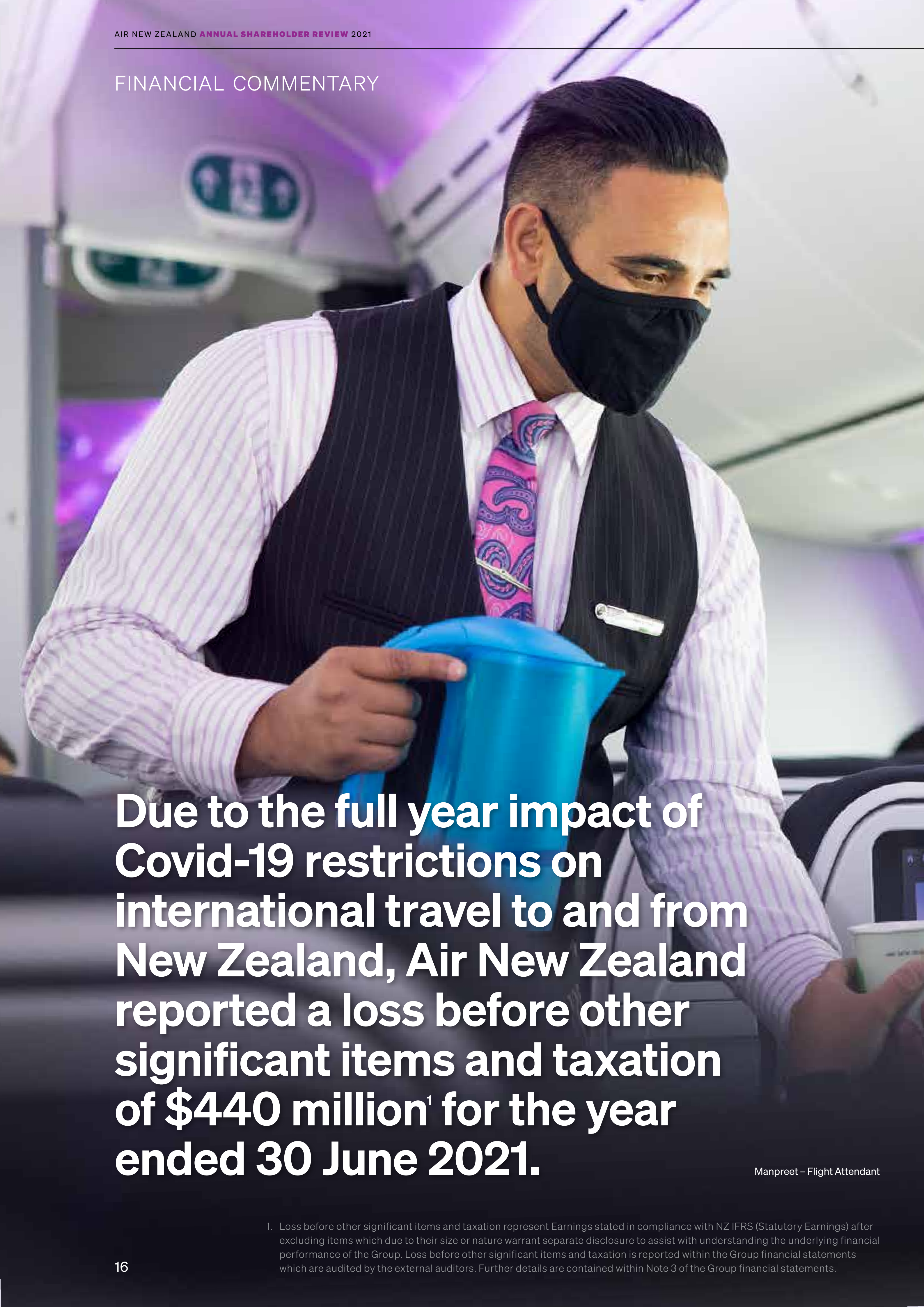
Taking action on sustainability and decarbonisation

Air New Zealand is committed to taking action on decarbonisation, waste reduction and sustainable tourism – with an ambition to lead the aviation industry globally in sustainability and climate action.

The airline is committed to achieving net zero emissions by 2050. Its decarbonisation strategy focuses on reducing gross carbon emissions, including improvements to operational efficiency, ongoing fleet renewal, planning for zero emissions aircraft, and advocacy to accelerate the availability and commercial viability of sustainable aviation fuel.

Reducing waste and reliance on single-use plastic and championing sustainable tourism continue to be key areas of focus as well.

FINANCIAL COMMENTARY



Due to the full year impact of Covid-19 restrictions on international travel to and from New Zealand, Air New Zealand reported a loss before other significant items and taxation of $440 million[1] for the year ended 30 June 2021.

Manpreet – Flight Attendant

1. Loss before other significant items and taxation represent Earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding items which due to their size or nature warrant separate disclosure to assist with understanding the underlying financial performance of the Group. Loss before other significant items and taxation is reported within the Group financial statements which are audited by the external auditors. Further details are contained within Note 3 of the Group financial statements.

FINANCIAL COMMENTARY
(CONTINUED)

Including the impact of other significant items, statutory losses before taxation were $411 million. The results for the 2021 financial year reflect the first full 12-month period of closed international borders.

Revenue

Operating revenue for the period declined by $2.3 billion to $2.5 billion, a decrease of 48 percent as Covid-19 related border closures and travel restrictions resulted in substantially reduced international passenger flying. There was a nominal impact from foreign exchange.

Passenger revenue declined by 63 percent to $1.5 billion, reflecting the continued impact of limited international travel and inbound tourists due to Covid-19. Capacity (Available Seat Kilometres, ASK) reduced by 72 percent excluding cargo only flights. Including cargo only flights, capacity reduced 55 percent compared to the same period last year.

Demand (Revenue Passenger Kilometres, RPK) decreased more than capacity for the period, resulting in a load factor of 57.3 percent, a decline of 24.1 percentage points on the prior year. Revenue per Available Seat Kilometre (RASK) improved 32 percent (excluding FX) driven by a change in the mix of flying; while total ASKs were down substantially, Domestic ASKs made up a higher proportion of total ASKs, increasing RASK. Domestic RASK (and Costs per ASK (CASK)) is higher than International RASK due to the shorter distances flown and smaller aircraft (with fewer seats) used.

International long-haul capacity declined 87 percent with only 927 international passenger flights operating compared to 8,222 flights pre-Covid (excluding Cargo only flights). Demand on international long-haul routes declined 96 percent, with load factors decreasing 55.5 percentage points to 27 percent. International long-haul RASK reduced by 35 percent due to the reduction in load factors partially offset by higher yields. Excluding the impact of foreign exchange, long-haul RASK declined 34 percent.

International short-haul capacity declined 79 percent as a result of limited flying across the Tasman and to the Pacific Islands. An increased schedule was operated on the Tasman from mid-April 2021 following the opening of the two-way, quarantine free travel bubble between Australia and New Zealand. However, demand was impacted by numerous lockdowns and the suspension of the travel bubble due to local Covid-19 transmission in various states in Australia. In May 2021, a two-way travel bubble between the Cook Islands and New Zealand was also established which led to increased passenger flights for the remainder of the financial year. Overall, demand on international short-haul routes declined 88 percent, with load factors decreasing to 43.5 percent, a reduction of 36 percentage points on the prior year. International short-haul RASK was down 32 percent, as the reduction in load factors was partially offset by higher yields. International short-haul RASK was nominally impacted by foreign exchange.

Domestic capacity decreased 2.5 percent versus the prior financial year as high levels of leisure demand and growing business traffic mostly offset the lack of international tourists connecting on to the domestic network. Demand declined by 6.8 percent resulting in load factors decreasing by 3.6 percentage points to 77 percent. Domestic RASK declined 7.8 percent which was more than the reduction in load factors due to the change in mix of leisure and business passengers. Domestic RASK was not impacted by foreign exchange.

Image source: Destination Great Lake Taupo

FINANCIAL COMMENTARY
(CONTINUED)

Left to right; Mathew and Tim – Trainees (Level 3)
Paul – Second in charge
Georgia – Trainee (Level 3)

Cargo revenue was $769 million, an increase of 71 percent on the prior year. Excluding the impact of foreign exchange, cargo revenue increased by 75 percent, reflecting the operation of scheduled flights under the New Zealand and Australian Government's air freight schemes (the International Airfreight Capacity scheme, the Maintaining International Air Connectivity scheme and the International Freight Assistance Mechanism) which provided $312 million of additional support on international flights to allow for the movement of imports and exports to and from New Zealand and into Australia, and the continuation of cargo-only charters.

Contract services and other revenue were $278 million, a decrease of 38 percent from the prior year, driven primarily by reduced maintenance activity on contracts for third-parties, reduced lounge revenue and fewer international repatriation charter flights. There was a nominal impact from foreign exchange.

Expenses

Operating expenditure declined by $1.9 billion or 46 percent, to $2.2 billion with variable costs declining substantially as a result of Covid-19 related capacity reductions. CASK increased 19 percent, including foreign exchange, fuel and maintenance for third-party contracts. Excluding these items, CASK increased 22 percent. The movement was predominantly a result of a shift in the mix of flying towards domestic, which has shorter sector distances and smaller aircraft and reduced economies of scale given the smaller network flown due to Covid-19 related border and travel restrictions. These diseconomies include holding costs that the airline has continued to incur in order to ensure operational readiness when borders reopen and passenger demand returns. The adverse movements were partially offset by fuel price declines and a reduction in maintenance costs associated with reduced third-party work.

Labour costs were $830 million, reducing by $367 million or 31 percent compared to the prior year. Foreign exchange had a nominal impact on labour costs in the period. A 55 percent decline in total network activity due to Covid-19 and an average 33 percent reduction in headcount during the year were the largest drivers of lower labour costs. In addition to this, there was also a significant reduction in discretionary labour spend, including travel and entertainment costs, as part of ongoing cost discipline measures. Government wage subsidies received in the current year were $56 million, lower than the prior year by $19 million.

Fuel costs were $311 million, declining by $711 million or 70 percent. Excluding the impact of foreign exchange, fuel costs reduced by 67 percent. The decline in fuel cost was mostly driven by a 58 percent reduction in volumes consumed reflecting lower network capacity, which accounted for $560 million of the savings. The average fuel price, net of hedging gains fell $124 million, or 12 percent, as global demand for Singapore Jet Fuel declined substantially due to Covid-19.

Aircraft operations, passenger services and maintenance costs were $688 million, representing a $586 million or 46 percent year-on-year decline. This was driven by the reduction in the number of departures and passenger volumes and the resulting decrease in landing, meal, lounge and crew trip costs as well as other variable operating costs. The reduction in net costs also incorporated an additional $35 million of support received under the Government's aviation support package compared to the same period last year.

Sales and marketing and other expenses declined by $257 million or 45 percent reflecting lower commission, promotional and customer activity due to a reduction in services.

FINANCIAL COMMENTARY
(CONTINUED)

Ownership costs decreased by $112 million or 12 percent, driven by a reduction in depreciation due to the impairment of the Boeing 777-200ER fleet and one Boeing 777-300ER leased aircraft, the exit of the ATR72-500 aircraft in the prior year and reduced utilisation of capitalised engine maintenance, partially offset by increased funding costs and new aircraft deliveries.

The impact of foreign exchange rate changes on the revenue and cost base in the period resulted in a favourable foreign exchange movement of $6 million. After taking into account a $47 million unfavourable movement in hedging, overall foreign exchange had a net $41 million negative impact on the Group result for the period.

Share of Earnings of Associates

Share of earnings of associates decreased by $20 million to $19 million, reflecting a reduction in engine volumes serviced by the Christchurch Engine Centre as a result of Covid-19.

Other Significant Items

The $29 million gain on Other Significant Items included net foreign exchange gains on uncovered debt of $143 million and a gain on sale from landing slots of $21 million. These gains were partially offset by aircraft impairment and lease modifications costs of $78 million, reorganisation costs of $39 million and the de-designation of hedges as a result of forecast transactions no longer expected to occur of $18 million.

Cash and Financial Position

Cash on hand at 30 June 2021 was $266 million, a decrease of $172 million since 30 June 2020 and includes $350 million in drawings on the $1.5 billion Crown Standby Facility (the Facility).

The airline has undertaken significant work to reassess its longer-term capital structure and funding needs and intends to complete an equity capital raise raise in the first quarter of calendar year 2022.

Operating cash flows were $323 million, an increase of 40 percent on the prior year reflecting an improvement on cash earnings and favourable working capital movements, as well as the deferral of significant payments (such as PAYE and FBT) as the airline made use of all available opportunities to conserve liquidity while international borders remain closed.

Net gearing increased 1.8 percentage points to 71.0 percent compared to 30 June 2020, driven by net losses after taxation, capital expenditure and redundancy payments, offset by foreign exchange movements.

The Directors have not declared a final dividend for the 2021 financial year due to the continued impact of Covid-19 on the business, and the conditions of the Facility with the New Zealand Government.

Left to right; Steve – Q300 Captain
Mason – Boeing 787 Second Officer

CHANGE IN PROFITABILITY

The key changes in profitability, after isolating the impact of foreign exchange movements, are set out in the table below*:

June 2020 loss before taxation	**-$628m**	
Passenger capacity	-$2,220m	- Capacity decreased by 72 percent (excluding cargo-only flights) due to Covid-19 border closures and travel restrictions. Including cargo-only flights capacity reduced by 55 percent - The Domestic network operated at 97 percent capacity compared to the prior year reflecting strong demand for leisure travel and growth in corporate traffic offset by a lack of international tourists and changes in domestic alert levels during the year - International short-haul capacity declined 79 percent due to border restrictions. Two-way quarantine free travel was established with Australia in April 2021 and the Cook Islands in May 2021. The Tasman was impacted by numerous lockdowns and suspensions resulting in cancellations and reduction in services - International long-haul capacity decreased by 87 percent due to the suspension of services as a result of the global pandemic with a small number of passenger services operating primarily on routes supported by government international airfreight schemes
Passenger RASK	-$253m	- Domestic Revenue per Available Seat Kilometre (RASK) declined by 8 percent excluding FX and loads declined 3.6 percentage points to 77.4 percent - International short-haul RASK declined by 32 percent excluding FX and loads declined 36.2 percentage points to 43.5 percent - International long-haul RASK declined by 34 percent excluding FX and loads decreased 55.5 percentage points to 26.8 percent. Limited passenger services, primarily for essential travel and repatriations, supplemented cargo services - Overall Group RASK improved by 32 percent excluding FX as a result of a change in mix of network flying in the current year towards shorter sectors. Loads decreased by 24.1 percentage points to 57.3 percent
Cargo revenue	$336m	- Cargo revenue improved due to the award of cargo-only scheduled flights by the New Zealand Government under the International Airfreight Capacity and Maintaining International Air Connectivity schemes as well as the Australian Austrade International Freight Assistance Mechanism
Contract services and other revenue	-$156m	- Reduced maintenance work for third-parties, lounge revenue, charter revenue for international repatriations and customer activity due to Covid-19
Labour	$367m	- Reduced labour costs due to an average 33 percent reduction in staffing levels resulting from Covid-19 capacity reductions and other cost savings initiatives
Fuel	$684m	- The average fuel price declined 12 percent compared to the prior year (net of hedging) resulting in a reduction in costs of $124 million. Consumption decreased by 58 percent ($560 million) due to the reduction in scheduled flights arising from international border closures and travel restrictions
Maintenance	$185m	- Decrease in maintenance due to reduction in flying as well as for third-parties
Aircraft operations and passenger services	$395m	- Reduced schedule activity due to the Covid-19 pandemic and receipt of aviation relief package support
Sales and marketing and other expenses	$253m	- Reduced commissions, promotional and customer activity due to the reduction in services arising from Covid-19
Ownership costs	$117m	- Decrease in depreciation reflecting impairment of grounded widebody aircraft and fleet exits as well as reduced utilisation of capitalised engine maintenance partially offset by new aircraft deliveries
Net impact of foreign exchange movements	-$41m	- Net unfavourable impact of foreign exchange hedging losses and the impact of currency movements on revenue and costs
Share of earnings of associates	-$20m	- Decrease in earnings from Christchurch Engine Centre driven by a reduction in engine volumes being performed due to Covid-19
Other significant items	$570m	- Reduced aircraft impairment, lower reorganisation costs, higher foreign exchange gains on uncovered debt, reduced losses on de-designation of hedges as a result of forecast transactions no longer being expected to occur and foreign exchange losses on disestablishment of fair value hedges not repeated in the 2021 financial year
June 2021 loss before taxation	**-$411m**	

*The numbers referred to in the Financial Commentary on the previous page have not isolated the impact of foreign exchange.

FINANCIAL SUMMARY

Financial Performance

	12 MONTHS TO 30 JUNE 2021 $M	12 MONTHS TO 30 JUNE 2020 $M
Operating Revenue		
Passenger revenue	1,470	3,942
Cargo	769	449
Contract services and other revenue	278	445
	2,517	4,836
Operating Expenditure		
Labour	(830)	(1,197)
Fuel	(311)	(1,022)
Maintenance	(254)	(441)
Aircraft operations	(350)	(575)
Passenger services	(84)	(258)
Sales and marketing	(73)	(253)
Foreign exchange (losses)/gains	(29)	18
Other expenses	(247)	(324)
	(2,178)	(4,052)
Operating Earnings (excluding items below)	339	784
Depreciation and amortisation	(716)	(841)
Net finance costs	(82)	(69)
Share of earnings of associates (net of taxation)	19	39
Loss Before Other Significant Items and Taxation	(440)	(87)
Other significant items	29	(541)
Loss Before Taxation	(411)	(628)
Taxation credit	122	174
Net Loss Attributable to Shareholders of Parent Company	(289)	(454)
Net tangible assets per share (cents)	82	101

Cash Flows

	12 MONTHS TO 30 JUNE 2021 $M	12 MONTHS TO 30 JUNE 2020 $M
Cash inflows from operating activities	2,517	4,740
Cash outflows from operating activities	(2,194)	(4,510)
Net cash flow from operating activities	323	230
Net cash flow from investing activities	(182)	(542)
Net cash flow from financing activities	(313)	(305)
Decrease in cash and cash equivalents	(172)	(617)
Cash and cash equivalents at the beginning of the year	438	1,055
Cash and Cash Equivalents at the End of the Year	266	438

FINANCIAL POSITION

Financial Position

AS AT	30 JUNE 2021 $M	30 JUNE 2020 $M
Bank and short-term deposits	266	438
Trade and other receivables	252	305
Inventories	92	106
Derivative financial assets	79	38
Income taxation	-	3
Other assets	137	119
Total Current Assets	826	1,009
Trade and other receivables	92	142
Property, plant and equipment	3,128	3,336
Right of use assets	1,989	2,357
Intangible assets	179	186
Investments in other entities	138	162
Other assets	342	351
Total Non-Current Assets	5,868	6,534
Total Assets	6,694	7,543
Trade and other payables	524	322
Revenue in advance	689	828
Interest-bearing liabilities	524	160
Lease liabilities	383	353
Derivative financial liabilities	11	116
Provisions	58	104
Other liabilities	164	219
Total Current Liabilities	2,353	2,102
Revenue in advance	503	491
Interest-bearing liabilities	1,023	1,303
Lease liabilities	1,378	1,885
Provisions	241	295
Other liabilities	30	32
Deferred taxation	61	117
Total Non-Current Liabilities	3,236	4,123
Total Liabilities	5,589	6,225
Net Assets	1,105	1,318
Share capital	2,213	2,209
Reserves	(1,108)	(891)
Total Equity	1,105	1,318

The summary financial information has been derived from, and should be read in conjunction with, the Air New Zealand Group Annual Financial Statements (the 'Annual Financial Statements'). The Annual Financial Statements, dated 26 August 2021, are available at: **airnzinvestor.com**. The summary financial information cannot be expected to provide as complete an understanding as provided by the Annual Financial Statements. The accounting policies used in these financial statements are attached in the notes to the Annual Financial Statements.

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Annual Financial Statements

The Annual Financial Statements are available by visiting our website **airnzinvestor.com** OR you may elect to have a copy sent to you by contacting Investor Relations.

ELECTRONIC SHAREHOLDER COMMUNICATION

If you would like to receive all investor communications electronically, including interim and annual shareholder reviews, please visit the Link Market Services website **linkmarketservices.com** or contact them directly (details to the left).

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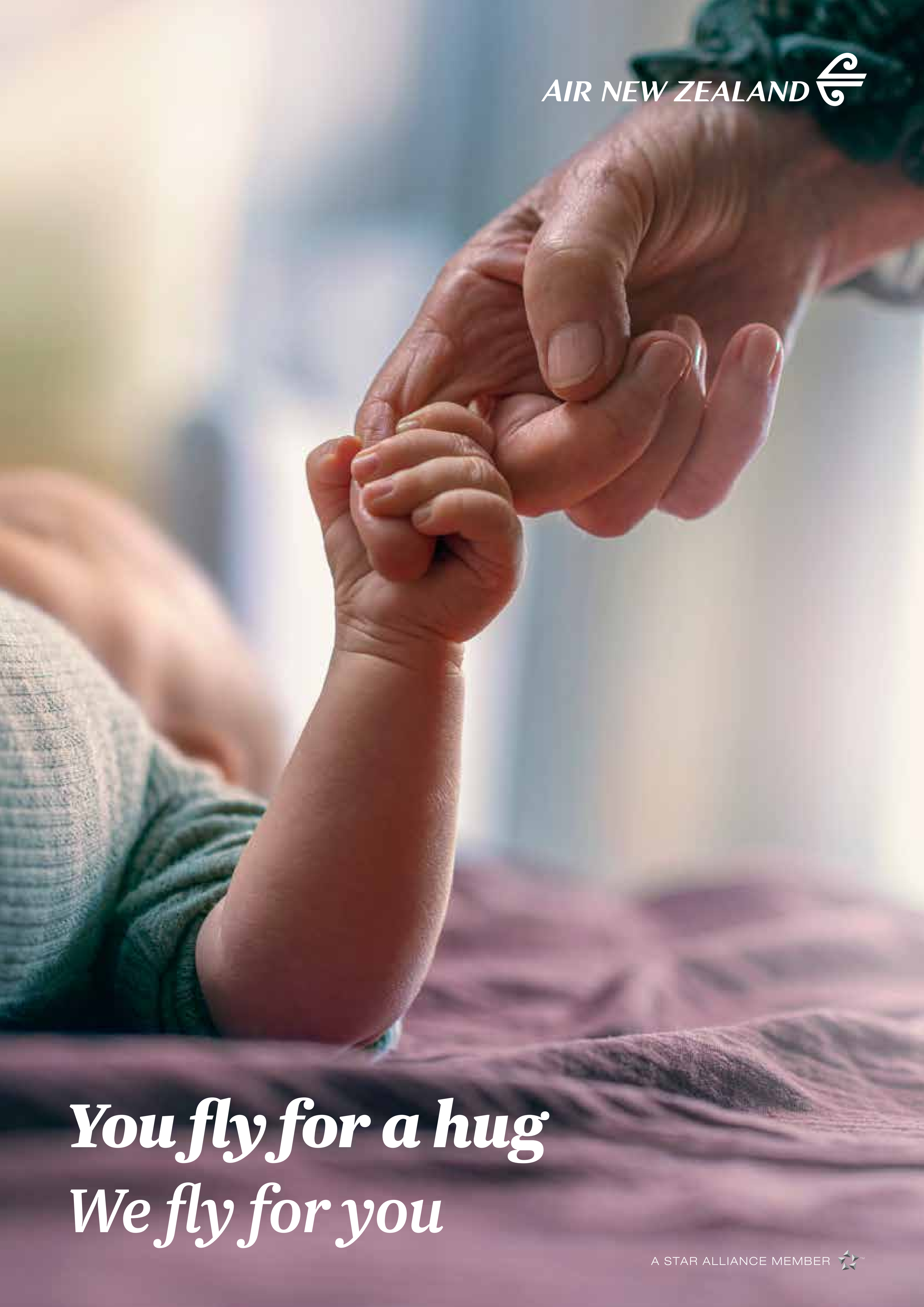
AIR NEW ZEALAND
You fly for a hug
We fly for you
A STAR ALLIANCE MEMBER