AIR NEW ZEALAND

Retail Bond Offer

17 October 2022

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NZX

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Agenda

Offer highlights

Issuer	Air New Zealand Limited
Description	Unsecured, unsubordinated, fixed rate bonds of Air New Zealand
Air New Zealand's Credit Rating	Baa2 (Stable) by Moody's Investors Service[1]
Expected Issue Credit Rating of the Bonds	Baa2 by Moody's Investors Service
Term	5.5 year, maturing on 27 April 2028
Offer amount	Up to $75,000,000 of Bonds (with the ability to accept oversubscriptions of up to an additional $25,000,000 at Air New Zealand's discretion)
Interest Rate	The Interest Rate will be set on the Rate Set Date (Thursday, 20 October 2022) and will be a fixed interest rate, being the Base Rate plus the Margin (which may be above or below the Indicative Margin), subject to a minimum Interest Rate of 6.00% per annum The Interest Rate will be announced by Air New Zealand via NZX on the Rate Set Date
Purpose of the Offer	The proceeds of the Offer will be used for general business purposes including to fund repayment of the AIR020 Bonds on maturity
Quotation	Air New Zealand will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted on the NZX Debt Market NZX ticker code AIR030 has been reserved for the Bonds
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac)
Joint Lead Managers	ANZ Bank New Zealand Limited, Forsyth Barr Limited, Jarden Securities Limited and Westpac

[1] As at 17 October 2022. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant credit rating agency

Presenters

Mike Williams

Chief Transformation & Alliances Officer

Mike Williams joined Air New Zealand in 2016 and has since held several senior commercial and strategy roles including Group General Manager Commercial, Alliances & Strategy. Mike has a deep understanding of the business and the aviation sector, and a sharp strategic ability that has served Air New Zealand well as we have established key alliance partnerships over the years. In his current role, he leads the delivery of the Kia Mau business strategy and continues to strengthen the airline's alliance partner relationships.

Prior to Air New Zealand, Mike worked with the Boston Consulting Group in Australia, Finland and the US working with clients in the aviation, technology and retail sectors.

Mike holds a Bachelor of Aerospace Engineering with first-class honours and a bachelor of business management in finance from RMIT University in Melbourne, Australia.

Leila Peters

General Manager
Corporate Finance

Leila Peters is responsible for the Corporate Finance function which includes Treasury, Funding, Financial Planning and Capital Management, Investor Relations and Enterprise Portfolio Management. In 2022, this team led the airline's $2.2 billion recapitalisation following the Covid-19 pandemic.

Leila joined Air New Zealand in 2015 when she moved to New Zealand. Prior to her time at the airline, Leila was Director of Investor Relations for Tyco International. Leila also held leadership roles in Tyco's Treasury function, where she led the FX trading and global liquidity management for the firm. Prior to that, Leila worked in investment banking at Jefferies & Company where she focused on capital markets solutions for alternative energy companies in the United States.

Leila holds a B.A. in economics and government, cum laude, from Georgetown University in Washington D.C. and an M.B.A. in finance and accounting from New York University's Stern School of Business in New York City.

2022 overview

2022 marked the start of our recovery, with the airline now firmly in the "Revive" phase

1

Survive

Safeguarding our balance sheet

- Structural reductions to cost base and deferral of capital spend
- Early retirement of 777-200 fleet and temporary grounding of 777-300ER fleet
- Utilisation of Government support mechanisms
- Cargo diversification
- Kia Mau strategy refinement

2

Revive

Restarting our network

- Reopening of our international borders
- Strongest demand and revenue environment in two years
- $2.2 billion recapitalisation complete
- Hiring and rehiring staff, reinstating benefits
- Launching a stream of customer innovations
- Reanimating 777-300ER fleet, international lounges and offshore teams
- Launch of our decarbonisation roadmap
- Movement to agile ways of working

3

Thrive

Delivering our full potential

- Enhanced domestic offering
- Optimised international network
- Supercharged loyalty programme
- Continued customer obsession
- Industry leading staff engagement
- Digital investments driving efficiencies and seamless customer experience
- Continued progress on our decarbonisation ambitions
- Return to profitability

Key financial and operational metrics for FY22 continued to be impacted by Covid-19

($725) million
loss[1]

($810) million
loss before taxation

($591) million
net loss after taxation

$2.7 billion
operating revenue

8 million passengers flying
on our network compared to 18 million pre-Covid

$1.0 billion
cargo revenue[2]

56%
of pre-Covid capacity[3]
by Q4 FY22

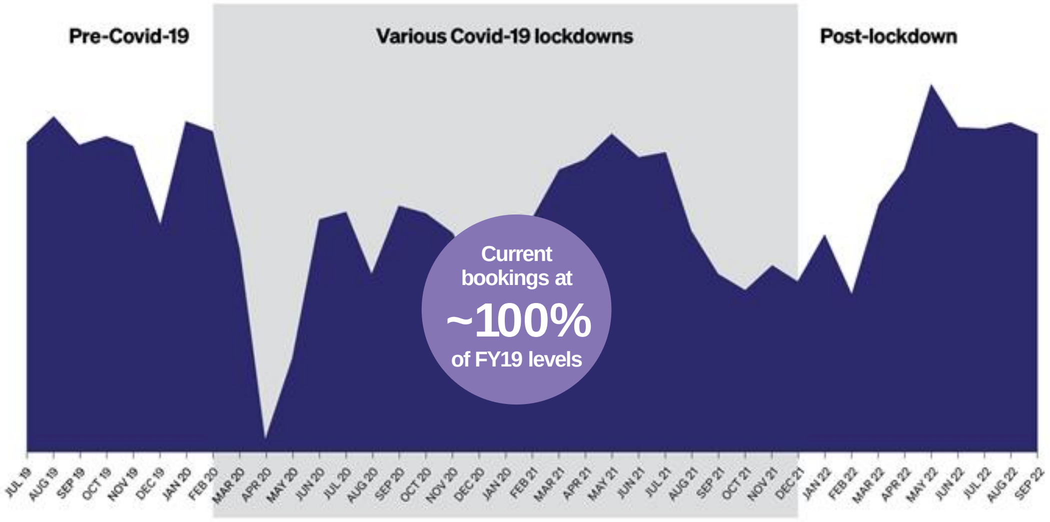
$2.4 billion
available liquidity
as at 20 Sep 2022

1 Refers to loss before other significant items and taxation. For further information, please refer to the 2022 Annual Financial Results
2 Government supported cargo flying contributed $403 million to cargo revenue in FY22
3 This represents total FY22 capacity including cargo-only flying as a percentage of FY19 capacity. FY19 excludes the now suspended Auckland-London service

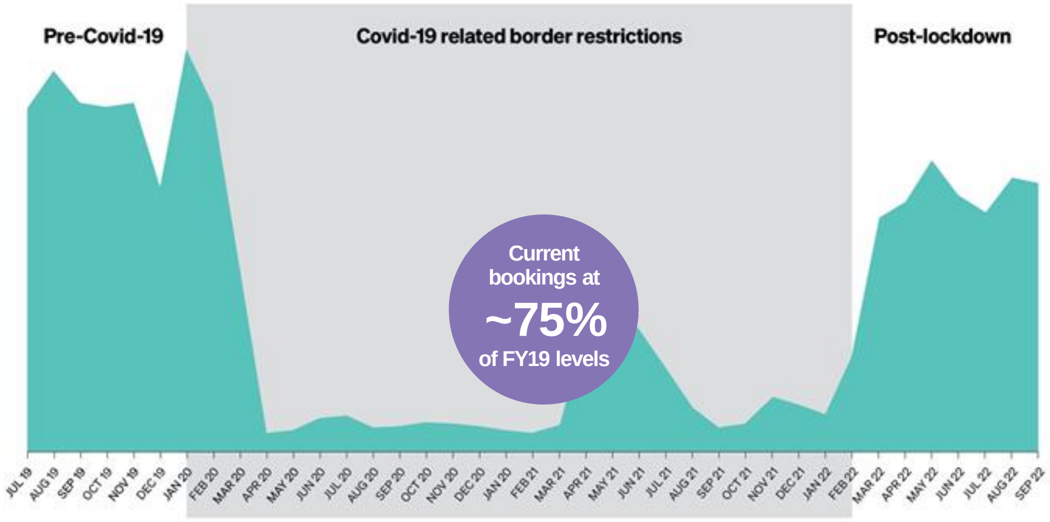
Passenger bookings currently stronger than expected

Following the phased relaxation of New Zealand's travel restrictions from March 2022, the airline has seen strong passenger bookings

Domestic average weekly passenger bookings



International average weekly passenger bookings



Facing uncertainty on a number of fronts

The airline is facing increased costs in the current environment and has taken actions to mitigate

Headwinds and uncertainty*	**Current headwinds** Inflationary pressure • Tight labour market • Volatile fuel prices • Global supply chain	**Current uncertainty** Geopolitical and macroeconomic environment and its influence on future demand Supply and competition Climate related weather events
Actions taken	Executing on Kia Mau strategy Capacity adjustments Recruitment and training Lifted fares	Lifted lowest wages and negotiated collective agreements Digital self-service improvements Fuel hedging

* Potential investors should read and consider slide 11 ("Key risks") and Appendix D of the investor presentation published by Air New Zealand on 30 March 2022 ("Refuelling for our recovery"), available at www.nzx.com/companies/AIR

Air New Zealand has provided 1H FY23 outlook

Air New Zealand has continued to see strong forward sales over the first three months of the financial year, particularly for travel through to January 2023 and continues to operate approximately 70 percent of FY19 capacity.

On the basis that this forward sales strength continues over the coming quarter, with similar capacity and assuming an average jet fuel price of approximately US$130/bbl, the airline currently expects earnings before other significant items and taxation for the first half of the 2023 financial year to be in the range of $200 million to $275 million.

The airline notes that fuel prices remain highly volatile and that this is one of many factors that have the potential to slow our recovery and significantly impact earnings. Additionally, demand in the second half of the financial year remains highly uncertain.

On this basis and taking into account global recessionary risks and other macroeconomic factors including inflationary pressures on costs, the airline is not providing full year guidance at this time. The airline strongly cautions against extrapolating first half FY23 earnings guidance to the full year given the many uncertainties in the trading environment.

* Announcement made by Air New Zealand on 21 September 2022, available at www.nzx.com/companies/AIR

Strategy

Air New Zealand at a glance[1]

82
Years in operation

#1
World's Safest Airline[2]

18 million
Passengers carried in FY19

20
Domestic destinations

#1
Corporate reputation in New Zealand for eight consecutive years[3]

3.8 million
Airpoints™ loyalty programme members

Pacific Rim
Focused international network supported with alliance partnerships

44,000
Tonnes of New Zealand exports flown to international markets

7.3 years
Average fleet age on a seat weighted basis

FTSE4Good
Constituent of the FTSE4Good Index Series[4]

Baa2 (stable)
Investment grade credit rating from Moody's since 2016[5]

[1] Information as at 30 June 2022 unless otherwise stated
[2] Awarded in 2022 by AirlineRatings.com
[3] Kantar Corporate Reputation Index 2022
[4] The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices
[5] Air New Zealand's Board will seek to maintain an investment grade credit rating, per Air New Zealand's treasury policy

Strategic roadmap for the medium-term is critical to success

Air New Zealand's *Kia Mau* strategy is focused on 3 clear drivers of value creation, executed through excellence and innovation across 4 key business enablers

Profit drivers

Grow domestic

Profitably grow and enhance our iconic domestic offering, providing New Zealanders with even more choice as the best-connected country in the world

Optimise international

Connecting New Zealanders and our exports to the world through an optimal international network and premium leisure product

Lift loyalty

Increase products and benefits members value from our Airpoints™ programme, supercharging the loyalty ecosystem for the airline

Enabled by strong culture and focused investment

Brilliant Basics

Operational excellence that provides a seamless travel experience for our customers – do it right, first time, every time

Serious about Sustainability

Committed to meaningful action to reduce our carbon impact

Digital Dexterity

Technology focused on delivering a world-class experience for our people and customers while driving efficiencies

Prioritising People & Safety

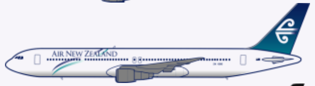
Putting people, health and safety first

Air New Zealand has driven forward a number of key initiatives on our sustainability agenda throughout 2022

- Set a 2030 science-aligned carbon reduction target, endorsed by the Science-Based Targets initiative (SBTi)
- In partnership with the Government, formally invited global Sustainable Aviation Fuel (SAF) producers to scope local production opportunities in New Zealand
- Started the journey to our goal of 1% SAF in FY23, by funding New Zealand’s first SAF import, delivered in September 2022
- Issued a Zero Emissions Aircraft Technology (ZEAT) Product Requirements Document inviting aircraft developers to engage with the airline in their alternative propulsion aircraft projects
- Commenced a joint initiative with Airbus to research how green hydrogen-powered aircraft could operate in New Zealand
- Launched Flight NZ0 to provide accessible, informative and transparent information about our journey to net zero emissions by 2050

Fleet simplification strategy on track

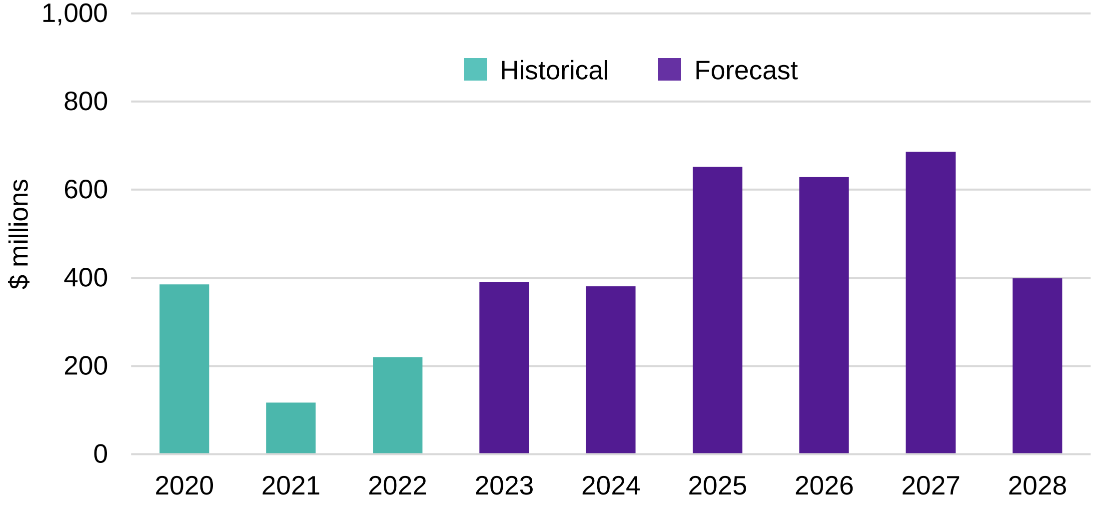
Air New Zealand is simplifying its fleet to drive improved operating cost and capital expenditure outcomes

	FY11 (8 types) Total – 102			FY22 (5 types) Total – 104			FY28 (4 types)[1] Total – 107		
Widebody	**747** (5)			**787** (14)		787-9	**787** (22)		787-9/10
	767 (5)								
	777 (11)		777-300ER, 777-200ER	**777** (7)		777-300ER			
Narrowbody	**A320** (14)			**A320** (31)		A320, A321	**A320** (33)		A320, A321
	737 (15)								
Turboprop	**ATR72** (11)		ATR72-500	**ATR72** (29)		ATR72-600	**ATR72** (29)		ATR72-600
	Q300 (23)			**Q300** (23)			**Q300** (23)		
	1900D (18)								
Age[2]	~9 years			7.3 years			~10 years		

1 This represents the expected fleet at the end of the FY28
2 Average seat-weighted fleet age

Fleet investment update

Actual and forecast aircraft capital expenditure[1]



- Forecast aircraft capital expenditure profile reflects:
  - Expected deferral of first two Boeing 787 aircraft from FY24 to FY25
  - Delivery flexibility remains in place for a substantial portion of the Boeing 787 delivery stream
  - NZDUSD exchange rate assumed of 0.6230
- No committed aircraft capital expenditure currently beyond 2028

Aircraft delivery schedule (as at 30 June 2022)

		Number in existing fleet	Number on order	Delivery Dates (financial year)			
				2023	2024	2025	2026
Owned fleet on order	Boeing 787	14	4*	-	-	2	2
	Airbus A320neo / A321neo	13	5**	4	1	-	-

[1] Includes progress payments on aircraft and aircraft improvements (e.g. refurbishment); excludes assumed interiors retrofit capital expenditure for the existing 14 Boeing 787 fleet and engine maintenance. * Does not reflect four Boeing 787s planned for delivery from FY27

** Does not reflect two A321neos planned for delivery in FY27

Other investments progress strategic objectives and improve operational resiliency

Other capital expenditure is generally contractually uncommitted and subject to changes in phasing and spend

Boeing 787 retrofit

- Interior retrofit of 14 existing Boeing 787 aircraft
- Anticipated to commence no earlier than mid-2024
- Estimated cost of $450-500[1] million, staggered over several years

[1] Assumes NZDUSD exchange rate of 0.6230 but remains subject to fluctuations in foreign currencies rates over time

Engine maintenance

- Spend relates to overhaul of owned engines across all fleet types
- Has an enduring benefit of 5+ years
- Annual expenditure varies based on utilisation of aircraft

Digital transformation

- Investments in digital assets linked to *Kia Mau* strategy, focused on ensuring resiliency and optimising customer and employee experiences
- Annual expenditure in the range of ~$50 million to $75 million

Property and infrastructure

- Investments in buildings and operational facilities
- Includes expenditure on the new Auckland engineering hangar, cargo facilities and head office relocation
- Elevated annual expenditure of ~$75 million over the next 4 years

Capital Management

We remain focused on financial resilience and returning the airline to profitability before consideration of distributions

Financial resilience	Investments in strategy	Financial performance
✓ Maintain investment grade credit rating ✓ Gearing target range of 45% to 55% ✓ Minimum liquidity of $700 million ✗ Debt to earnings metric[1] of 2.0x to 3.3x	✓ Disciplined capital investments to support our strategy – Aircraft ownership decisions – Non-aircraft investment ✗ Delivering a sustainable pre-tax ROIC of >10%	✗ Substantial and sustained recovery in earnings ✗ Supportive broader macroeconomic environment and recovery

→

Distributions[2]

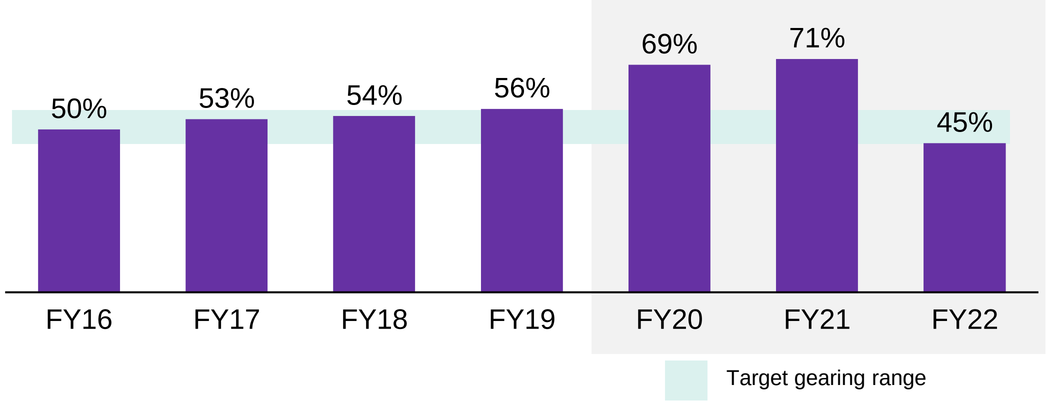
The board expects to consider distributions once earnings have substantially recovered and in the context of a supportive broader economic environment and recovery

● *Indicates current performance against this metric*

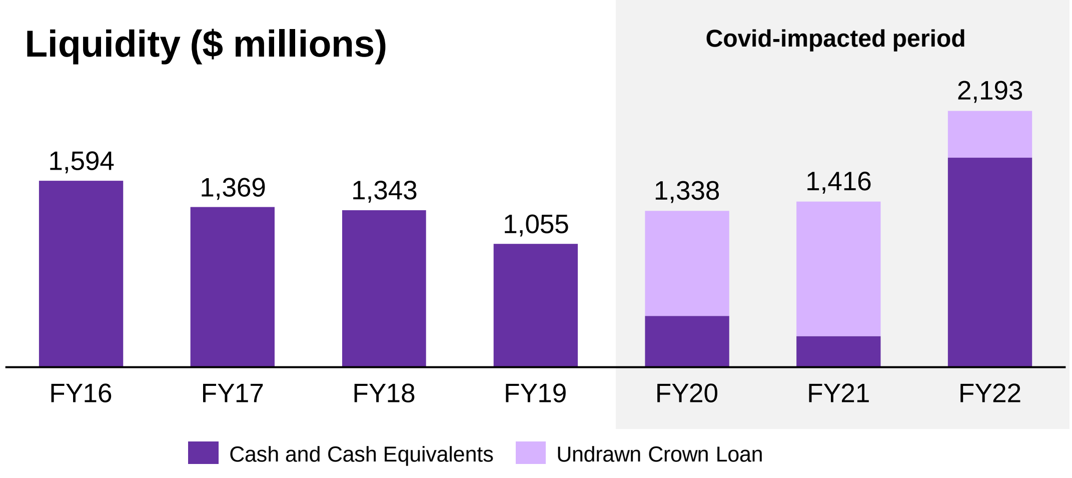
[1] Refers to Gross Debt to EBITDASA metric. See Glossary on slide 28 for definition
[2] See Air New Zealand's distribution policy for further details. Dividends are currently suspended

Recapitalised balance sheet has restored key metrics[1,2]

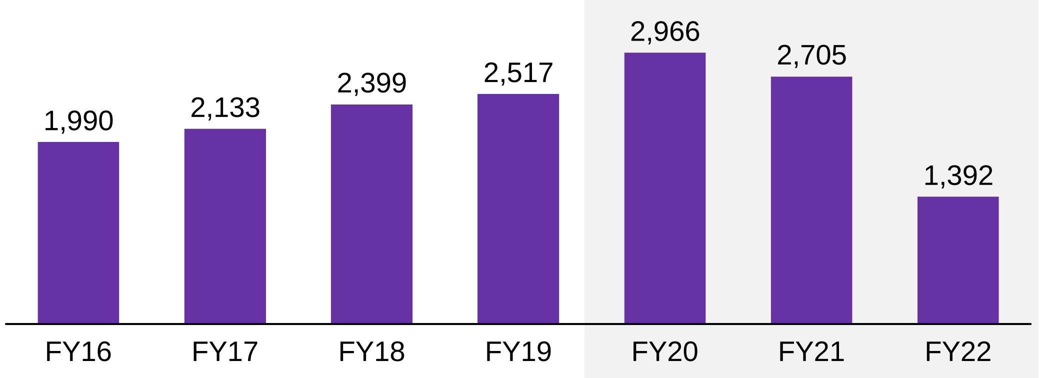
Gearing (%)[3]



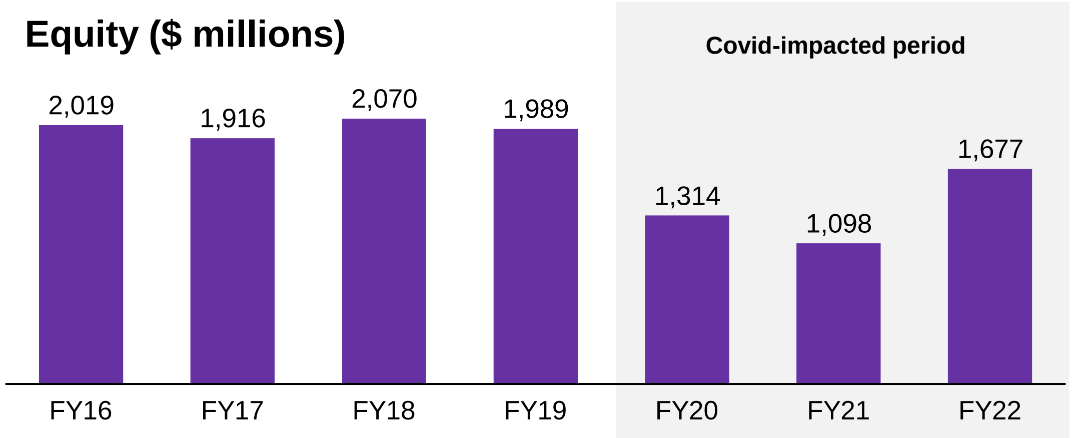
Liquidity ($ millions)



Net Debt ($ millions)[3]



Equity ($ millions)



1 As noted on slide 20, Gross Debt to EBITDASA is the other key capital management metric that has not yet been restored. This will require at least 12 months of normalised EBITDASA to return to its target range

2 Historical financial line items have been restated following the International Financial Reporting Interpretations Committee (IFRIC) issuing agenda decisions on Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38) and also on Fair Value Hedge of Foreign Currency Risk on Non-Financial Assets (IFRS 9). Such restatements are explained in Air New Zealand's results (see the FY20 Annual Report, note 27 for disclosure on the Fair Value Hedge agenda decision and the FY22 Interim Report, note 7 for disclosure on the Cloud Computing Arrangement agenda decision)

3. Refer to Glossary on slide 28 for definitions

Debt structure and maturity profile

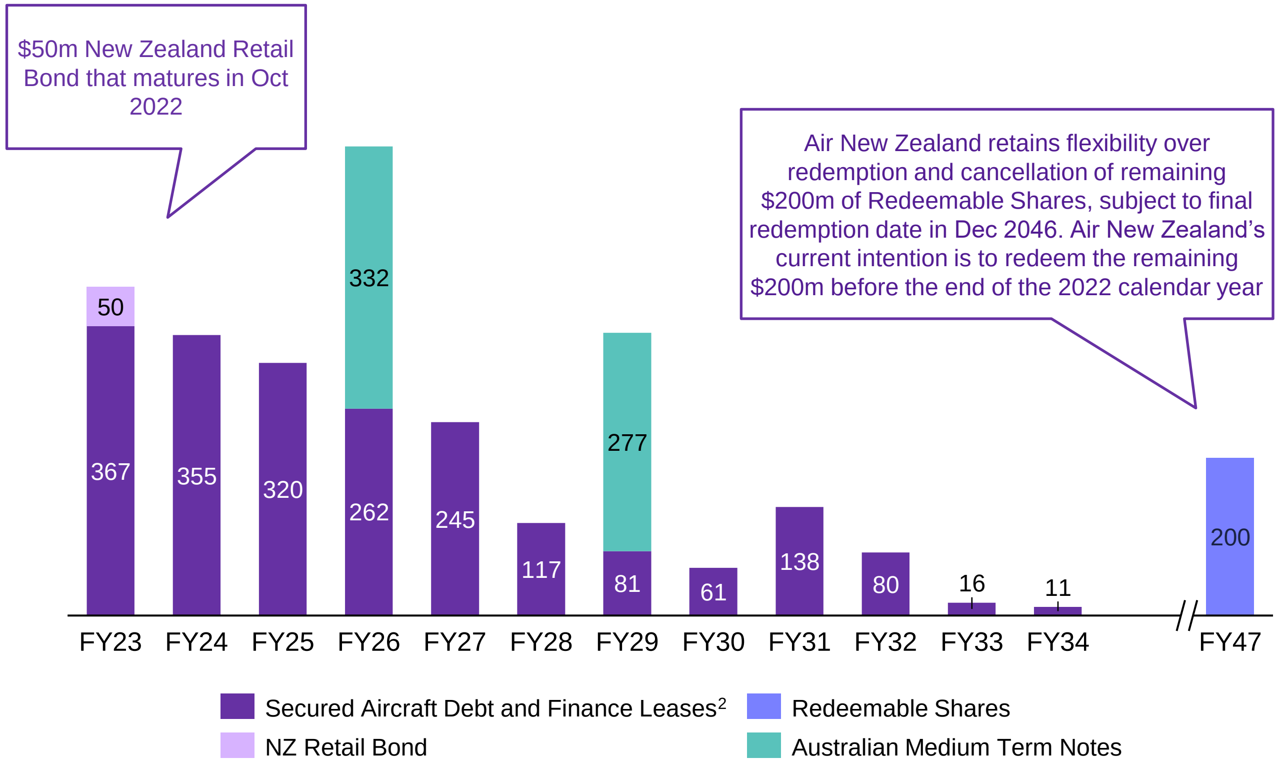
Capital structure as at 30 June 2022

- Gross Debt of $3.6 billion
  - comprising: ~$2.1 billion secured aircraft debt and finance leases[2], $656 million operating leases[2], existing $50 million unsecured NZD bond, $608 million unsecured AUD bonds, $200 million redeemable shares
- Cash[3] of $2.2 billion
- Net Debt of $1.4 billion
- Undrawn New Crown Loan of $400 million expiring 30 January 2026
- Weighted average debt and finance lease[2] maturity of ~4 years[4]
- Air NZ intends to continue to raise secured aircraft debt financing on certain new aircraft deliveries, as is normal practice for the airline

Air New Zealand's debt structure provides flexibility

- No financial covenants on debt
- Reduced refinancing risk
- Competitive financing costs
- Prepayment optionality

Debt maturity profile as at 30 June 2022[1] ($ millions)



[1] Debt maturity profile represented in NZD with foreign currency debt translated into NZD at 30 June 2022 balance sheet foreign exchange rates, as outlined in note 24 of FY22 annual financial statements.
[2] Finance leases are lease liabilities with purchase options. Operating leases are lease liabilities without purchase options
[3] Cash, restricted deposits and net open derivatives
[4] Weighted average life of secured aircraft debt, finance leases and existing unsecured debt. Excludes operating leases, redeemable shares and proposed NZD bond offer

Summary of key bondholder highlights

Ongoing strong Government support	Leading domestic market share	Critical infrastructure for New Zealand	Limited transport alternatives	Commitment to investment grade rating
Support provided by the New Zealand Government; given its commitment to maintaining a majority shareholding	Strong market share in New Zealand of ~85%, the highest of any airline in the APAC region	National flag carrier with iconic brand reputation, providing a critical service to New Zealand's transport infrastructure	Air travel demand is underpinned by New Zealand's geographic position and road/rail infrastructure	Air New Zealand intends to maintain its Moody's investment grade credit rating

Bond Issuance

Summary terms

Issuer	Air New Zealand Limited
Description	Unsecured, unsubordinated, fixed rate bonds of Air New Zealand
Offer amount	Up to $75,000,000 of Bonds (with the ability to accept oversubscriptions of up to an additional $25,000,000 of Bonds at Air New Zealand's discretion)
Purpose of the Offer	The proceeds of the Offer will be used for general business purposes including to fund repayment of the AIR020 Bonds on maturity
Term	5.5 year, maturing on 27 April 2028
Closing Date / Rate Set Date	12:00pm, on Thursday, 20 October 2022
Issue Date	Thursday, 27 October 2022
Maturity Date	Thursday, 27 April 2028
Interest Rate	The Interest Rate will be set on the Rate Set Date (Thursday, 20 October 2022) and will be a fixed interest rate, being the Base Rate plus the Margin (which may be above or below the Indicative Margin), subject to a minimum Interest Rate of 6.00% per annum. The Interest Rate will be announced by Air New Zealand via NZX on the Rate Set Date
Interest payments	Interest will be payable semi-annually in arrear in equal amounts on 27 April and 27 October of each year up to and including the Maturity Date[1]. The first Interest Payment Date will be Thursday, 27 April 2023
Minimum application amount	Minimum application of $5,000 with multiples of $1,000 thereafter
Joint Lead Managers	ANZ Bank New Zealand Limited, Forsyth Barr Limited, Jarden Securities Limited and Westpac
Supervisor	The New Zealand Guardian Trust Company Limited
Quotation	Air New Zealand will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted on the NZX Debt Market. NZX ticker code AIR030 has been reserved for the Bonds

[1] Or, If such date is not a Business Day, the immediately following Business Day with no adjustment to be made to the amount payable as a result of the delay in payment

The Terms Sheet sets out the key terms of the Offer and the Bonds. You should read the Terms Sheet in its entirety before making any investment decision. The Bonds will constitute unsecured, unsubordinated debt obligations of Air New Zealand and rank equally and without preference among themselves. The Bonds also rank equally with all other unsecured and unsubordinated creditors of Air New Zealand. The Bonds will rank after the claims of secured creditors of Air New Zealand and creditors preferred by law. None of the Subsidiaries or Affiliates of Air New Zealand nor any other person (including any shareholder of Air New Zealand) guarantees the obligations of Air New Zealand in respect of the Bonds.

Offer process

Who may apply for Bonds	• All of the Bonds (including oversubscriptions) are reserved for subscription by clients of the Joint Lead Managers, institutional investors and other primary market participants invited to participate in the bookbuild • There will be no public pool for the Bonds • Retail investors should contact a Joint Lead Manager, their financial adviser or any primary market participant for details on how they may acquire Bonds. You can find a Primary Market Participant by visiting https://www.nzx.com/services/market-participants/find-a-participant • Each investor's broker or financial adviser will be able to advise them as to what arrangements will need to be put in place for the investor to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant, as well as the costs and timeframes for putting such arrangements in place
Brokerage	• Air New Zealand will pay brokerage of 0.50% plus 0.25% on firm allocations

Key dates

Opening Date	Monday, 17 October 2022
Roadshow	Monday, 17 October and Tuesday, 18 October 2022
Closing Date	12:00pm, on Thursday, 20 October 2022
Rate Set Date	Thursday, 20 October 2022
Issue Date	Thursday, 27 October 2022
Expected date of initial quotation on the NZX Debt Market	Friday, 28 October 2022
First Interest Payment Date	Thursday, 27 April 2023
Maturity Date	Thursday, 27 April 2028

The dates set out in this presentation are indicative only and subject to change. Air New Zealand has the right in its absolute discretion and without notice to close the Offer early, to extend the Closing Date (subject to the NZX Listing Rules), to accept late applications or to choose not to proceed with the Offer. If the Closing Date is changed, other dates (such as the Issue Date, the Maturity Date and the Interest Payment Dates) may be changed accordingly. If Air New Zealand chooses to cancel the Offer and the issue of the Bonds, all application monies received will be refunded (without interest) as soon as possible.

Glossary of key terms

Gearing	Net Debt / (Net Debt + Equity); Net Debt includes capitalised aircraft operating lease commitments for the years prior to 1 July 2019
Earnings before Interest, Tax, Depreciation, Amortisation, Significant Items and Associates (EBITDASA)	Operating earnings (before depreciation and amortisation, net finance costs, associate earnings, other significant items and taxation) plus finance income and cash dividends received from associates less foreign exchange gains/losses
Gross Debt	Interest-bearing liabilities, lease liabilities and redeemable shares
Net Debt	Interest-bearing liabilities, lease liabilities and redeemable shares less bank and short-term deposits, net open derivatives held in relation to interest-bearing liabilities and lease liabilities, and interest-bearing assets, plus for the years prior to 1 July 2019, net aircraft operating lease commitments for the next twelve months multiplied by a factor of seven (excluding short-term leases, which provided cover for Boeing 787-9 engine issues)
Cash, Restricted Deposits and Net Open Derivatives	Bank and short-term deposits, interest-bearing assets and net open derivatives held in relation to interest-bearing liabilities and lease liabilities
Liquidity	Cash and cash equivalents (which excludes restricted deposits) plus the outstanding amount of any Crown standby loan facility available to be drawn or undrawn redeemable shares
Return on Invested Capital (ROIC)	(EBIT plus interest component of operating leases) / average capital employed (Net Debt plus Equity) over the period

All dollar values are in New Zealand dollars (NZ$ or NZD) unless otherwise stated. This presentation includes certain financial measures that are “non-GAAP” (generally accepted accounting practice) financial information. The following non-GAAP measures are not audited: Gearing, Net Debt, Gross Debt, EBITDASA. Amounts used within the calculations are derived from the audited Group financial statements and Five Year Statistical Review contained in the 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. Such financial information and financial measures do not have standardised meanings prescribed under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) or International Financial Reporting Standards (IFRS) and therefore, may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with NZ IFRS or IFRS.

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

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

Sustainability: www.airnewzealand.co.nz/sustainability

Contact information

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AIR NEW ZEALAND

Thank you

A STAR ALLIANCE MEMBER