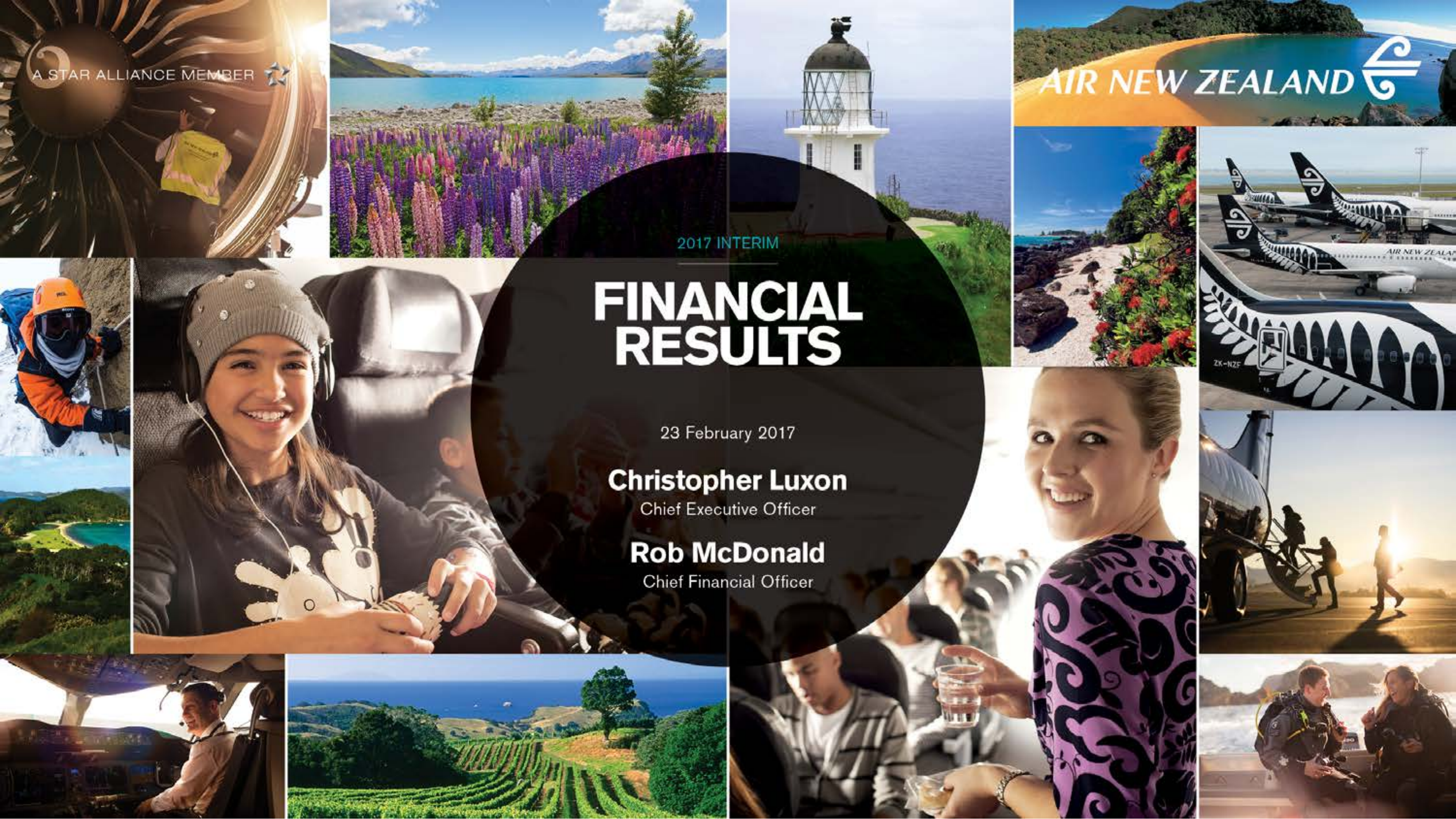

2017 INTERIM

FINANCIAL RESULTS

23 February 2017

Christopher Luxon
Chief Executive Officer

Rob McDonald
Chief Financial Officer

Forward looking statements

This presentation contains forward-looking statements. Forward-looking statements often include words such as “anticipate", "expect", "intend", "plan", "believe“ , “continue” or similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management's and directors’ current expectations and assumptions regarding Air New Zealand’s businesses and performance, the economy and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Air New Zealand’s actual results may vary materially from those expressed or implied in its forward-looking statements.

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AIR NEW ZEALAND

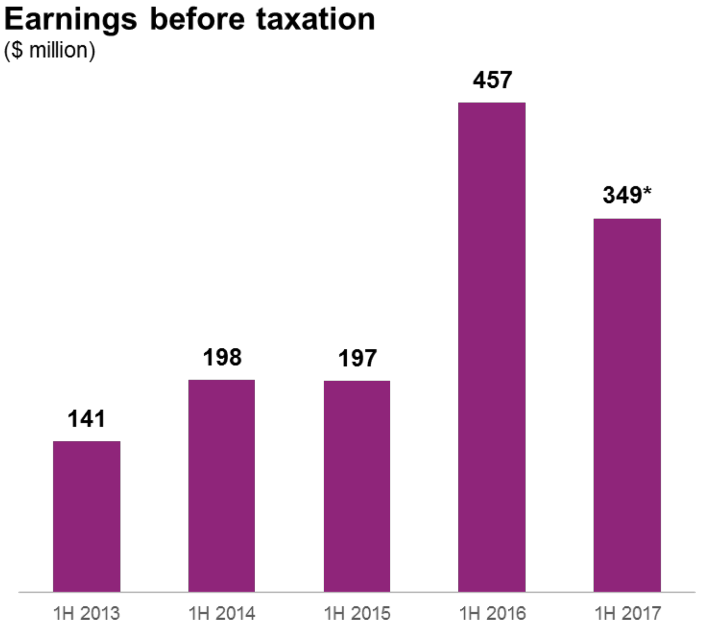
BUSINESS REVIEW

Christopher Luxon
Chief Executive Officer

A STAR ALLIANCE MEMBER

The second best interim result in our history during a period of intense competition

- Operating revenue **$2.6 billion**
- Earnings before taxation **$349 million***
- Net profit after taxation **$256 million**
- Operating cash flow **$376 million**



* Includes other significant items related to a gain of $22 million from the divestment of the remaining interest in Virgin Australia.

Key drivers of the result

Revenue	• Passenger revenue excluding FX **down 3.1%**; reported down 4.0% – Demand slightly lagging capacity growth – RPKs and ASKs **up 5.5% and 7.1%,** respectively – RASK excluding FX **down 9.3%**; reported down 10.4% • Cargo revenue excluding FX **down 4.3%**; reported down 8.6%
Cost	• CASK excluding FX **improved 8.5%**, reported improved 6.7% – CASK (excluding fuel price and FX) **improved 3.6%** ▪ Efficiencies contributed **$113 million** to profitability – Cost of fuel **declined 18%** ▪ Fuel decline includes the benefit of hedging gains over the prior period and a 5% decrease in average MOPS price (from US$60/bbl to US$57/bbl) ▪ Lower fuel cost more than offset increased consumption

Note: Passenger revenue per available seat kilometre (RASK) assesses passenger unit revenue. Refer to supplementary slides for definition.

Revenue challenged by industry capacity, but encouraging signs emerging

Sector	Year-on-year (YoY) 2H 2017 RASK outlook	Commentary
Domestic	Better than YoY 1H RASK	• Fluctuations month to month based upon timing of events (Chinese New Year and Easter) • Forward bookings reflect increased year on year demand for events including concerts, Masters Games and Lions Rugby Tour
Tasman & Pacific Islands	Similar level to YoY 1H RASK	• Fifth freedom and other carrier growth resulting in excess capacity • Partially offset by strong initial response to “Better Way to Fly” campaign focused on Australasia to North and South America via Auckland
International Long-Haul	Better than YoY 1H RASK	• Downward capacity adjustments by United Airlines and two Chinese carriers as traditional low season commences • Stabilisation of North American pricing expected, supported by robust demand

Tailwinds and headwinds looking to the second half of 2017

	Tailwinds	Headwinds
Revenue	• Continued strong growth in inbound and outbound tourism • Low season capacity management from several international carriers • Supportive economic conditions in New Zealand • Domestic events driving additional demand	• First full year of new international competition in North America and Asia • Industry capacity growth on the Tasman • Softer demand from Japan following Kaikoura earthquake
Cost	• Additional efficiencies from aircraft received in first half of the year • Retirement of last two B767 in March • Continuation of productivity gains	• Fuel price

Negative RASK (but improving) and fuel headwind drive 2H performance

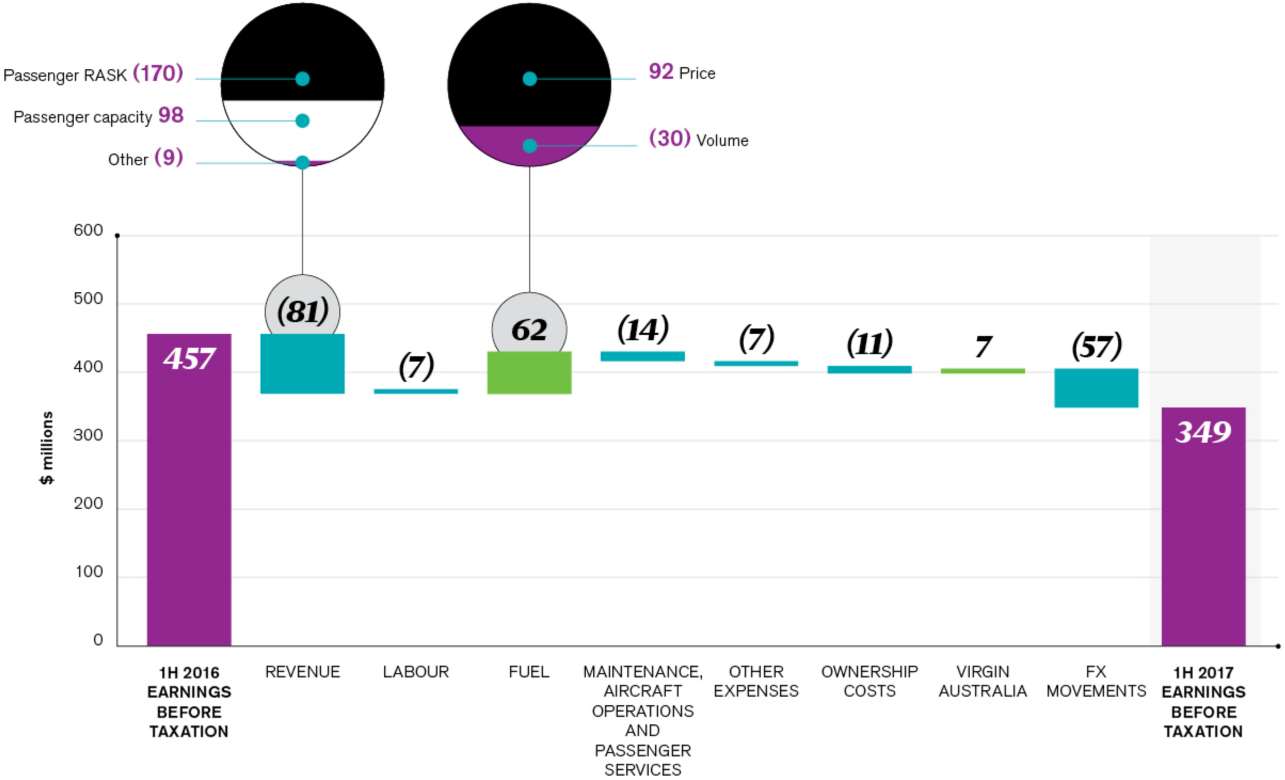
FINANCIAL REVIEW

Rob McDonald
Chief Financial Officer

AIR NEW ZEALAND

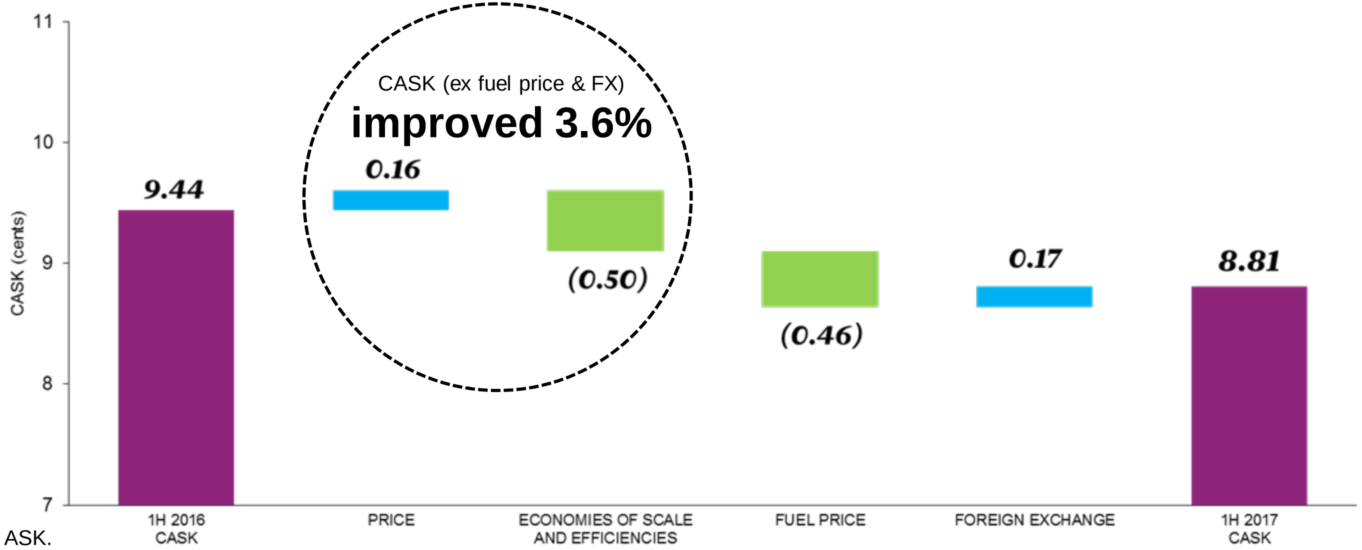
A STAR ALLIANCE MEMBER

Changes in profitability



CASK* improvement

- CASK excluding FX improved 8.5%; reported improved 6.7%
- $113 million of efficiencies from growth, fleet simplification, productivity and other cost saving initiatives more than offset inflation
- Fuel cost decreased 18%
  - Includes the benefit of hedging gains over prior period and a 5% decrease in average MOPS price (from US$60/bbl to US$57/bbl)



* Operating expenditure per ASK.

Domestic

- Completed roll-out of re-designed network schedule, resulting in:
  - Less complexity
  - Greater choice for business travel
  - Improved intra-regional and regional New Zealand-to-international connections

	Dec 2016	Dec 2015	Movement*
Passengers carried (‘000s)	5,207	4,932	5.6%
Available seat kilometres (ASKs, millions)	3,319	3,093	7.3%
Revenue passenger kilometres (RPKs, millions)	2,649	2,465	7.5%
Load factor	79.8%	79.7%	0.1 pt
Passenger revenue per ASKs (RASK, cents)	20.7	21.9	(5.3%)**
Yield (cents per RPK)	25.9	27.5	(5.5%)**

* Calculation based on numbers before rounding and excluding the impact of foreign exchange.
** Reported Domestic RASK decreased by 5.7% and yield decreased by 5.9%, inclusive of foreign exchange impact.

Tasman & Pacific Islands

- Sector impacted from industry capacity growth directly on the Tasman as well as increase in direct services to New Zealand from Chinese and Gulf carriers
- Strong demand for Pacific Island routes from New Zealand outbound travellers
- Launch of Australian brand campaign, “Better Way to Fly”

	Dec 2016	Dec 2015	Movement*
Passengers carried (‘000s)	1,853	1,859	(0.3%)
Available seat kilometres (ASKs, millions)	6,265	6,024	4.0%
Revenue passenger kilometres (RPKs, millions)	5,104	5,046	1.2%
Load factor	81.5%	83.8%	(2.3 pts)
Passenger revenue per ASKs (RASK, cents)	9.4	10.3	(7.7%)**
Yield (cents per RPK)	11.5	12.2	(5.2%)**

* Calculation based on numbers before rounding and excluding the impact of foreign exchange.
** Reported Tasman & Pacific Islands RASK decreased by 8.6% and yield decreased by 6.0%, inclusive of foreign exchange impact.

International

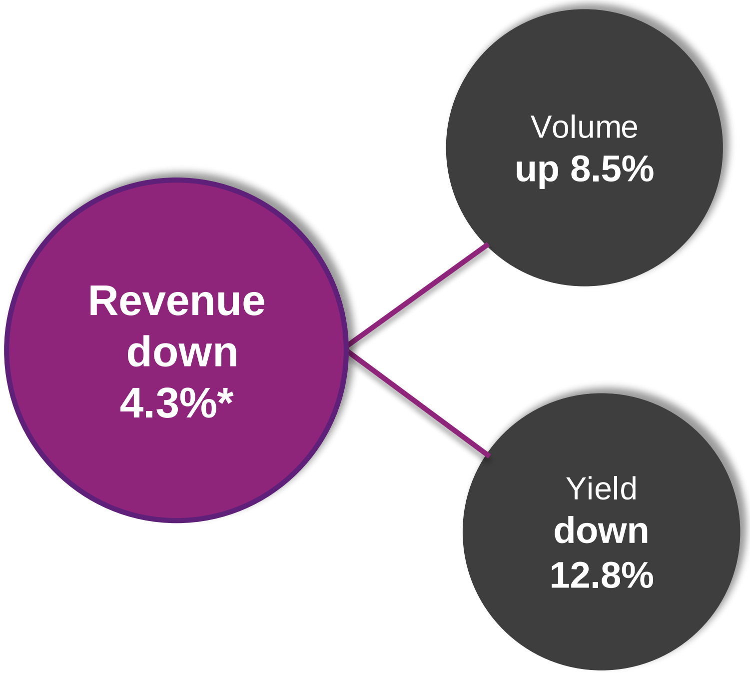
- Anniversary of Houston and Buenos Aires; strong performance for both routes
- Seasonal routes of Ho Chi Minh City (June – October) and Osaka (November – April)
- Announced commencement into Haneda airport in Tokyo beginning in July 2017

	Dec 2016	Dec 2015	Movement*
Passengers carried (‘000s)	1,026	966	6.1%
Available seat kilometres (ASKs, millions)	11,825	10,868	8.8%
Revenue passenger kilometres (RPKs, millions)	10,037	9,353	7.3%
Load factor	84.9%	86.1%	(1.2 pts)
Passenger revenue per ASKs (RASK, cents)	8.0	9.3	(13.2%)**
Yield (cents per RPK)	9.4	10.8	(12.0%)**

* Calculation based on numbers before rounding and excluding the impact of foreign exchange.
** Reported International RASK decreased by 14.3% and yield decreased by 13.3%, inclusive of foreign exchange impact.

Cargo

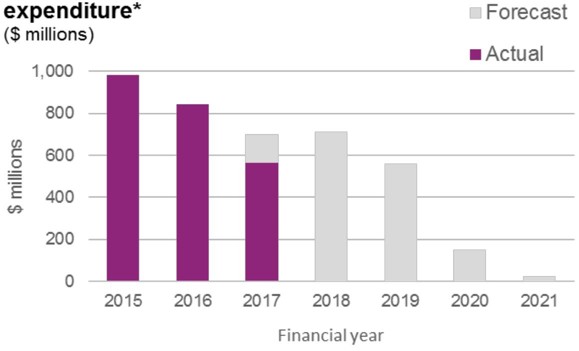
- Revenue decline driven by
  - Competition from new carriers in U.S. and Asia
  - Los Angeles International airport runway issues
- Partially offset by strong volume growth related to new Houston and Buenos Aires routes and larger aircraft on the Tasman



* Reported cargo revenue decreased 8.6%, inclusive of foreign exchange impact.

Aircraft update

Actual and forecast aircraft capital expenditure*



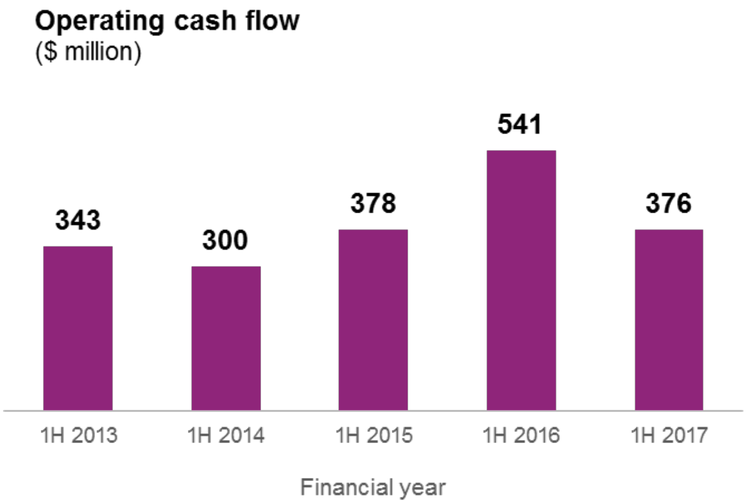
- Expected investment of ~**$1.6 billion** in aircraft and associated assets over the next 4.5 years
- Assumes NZD/USD = 0.725
- Includes progress payments on aircraft
- Entered into operating lease agreement with Air Lease Corporation for one Boeing 787-9 aircraft

Aircraft delivery schedule (as at 31 December 2016)

		Number in existing fleet	Number on order	Delivery Dates (financial year)				
				2H 2017	2018	2019	2020	2021
Owned fleet on order	Boeing 787-9	9	3	-	2	1	-	-
	Airbus A320/A321 NEOs*	-	8	-	3	5	-	-
	ATR72-500/600	26	14	-	4	5	5	-
Operating leased aircraft	Boeing 787-9	-	1	-	-	1	-	-
	Airbus A320/A321 NEOs	-	5	-	3	2	-	-

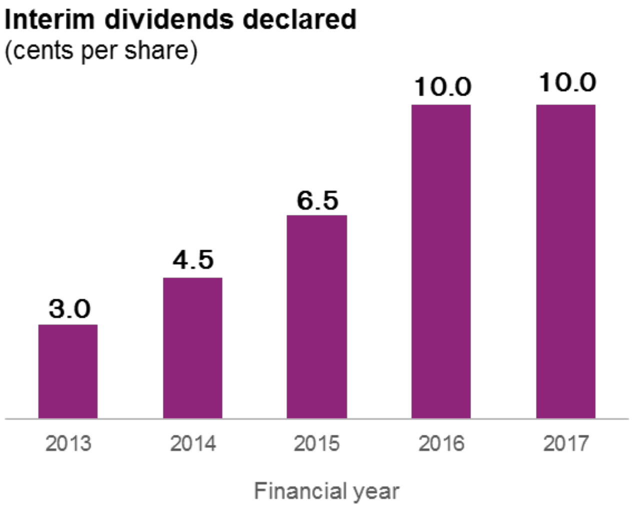
* Excludes orders of up to five A320/A321 NEOs with purchase substitution rights.

Operating cash flow and liquidity remain robust



- Operating cash flow **$376 million**
  - One-time outflow of $58 million related to a restructured engine maintenance agreement
- Net cash on hand of **$1.3 billion** includes:
  - $182 million inflow from the sale of remaining investment in Virgin Australia and repayment of shareholder loan
  - $412 million outflow from final and special dividends

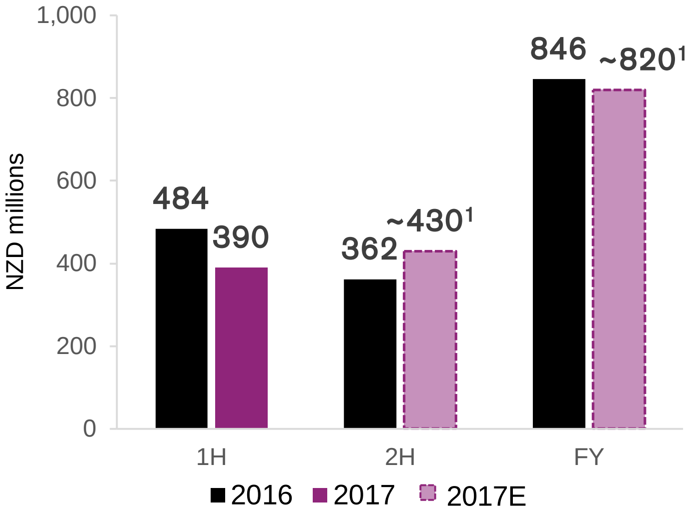
Continued capital discipline underpinning balance sheet strength



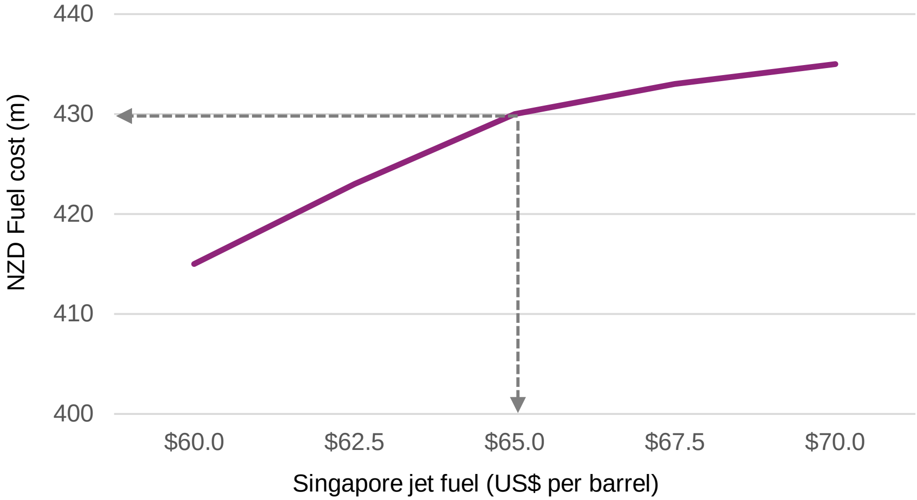
- Gearing was **55.9%,** increasing 7.3 percentage points from June 2016
  - Near-term gearing expected to remain around the high end of target range (45% to 55%) as the fleet programme nears completion
- Stable outlook **Baa2** rating from Moody's
- New $50 million retail bond, maturing October 2022
  - $150 million retail bond matured in November 2016
- Fully imputed interim dividend of 10.0 cents per share

Fuel cost outlook and sensitivities

2017 Fuel cost outlook



2H 2017 Fuel cost sensitivity (inclusive of hedging)



[1] Assumes average jet fuel price of US$65 per barrel for the second half of the 2017 financial year and a NZD/USD rate of 0.72.

OUTLOOK

AIR NEW ZEALAND

Christopher Luxon
Chief Executive Officer

Full year capacity growth

Sector	2H 2017 capacity	Full year capacity
Domestic	~+11%	**~+9%**
Tasman & Pacific Islands	~+6%	**~+5%**
International Long-haul	~+3%	**~+6%**
Group	**~+5%**	**~+6%**

2017 outlook

Based on the current market environment and expectations for the average jet fuel price in the second half of the year of US$ 65/bbl[1], we are targeting 2017 earnings before taxation **to be in the range of $475 to $525 million[2]**

[1] Refers to Singapore jet fuel.

[2] Outlook for earnings before taxation includes the $22 million gain related to the divestment of the remaining interest in Virgin Australia and Air New Zealand's share of earnings in associates.

Thank you

AIR NEW ZEALAND

SUPPLEMENTARY SLIDES

A STAR ALLIANCE MEMBER

Hedging

Fuel hedging*	2H 2017 (Jan – Jun 2017)	1H 2018 (Jul – Dec 2017)
Brent collars		
Volume	3,415,000	2,157,500
Ceiling Price (USD)	52.50	56.54
Floor price (USD)	36.62	43.05
Estimated fuel consumption	4,203,498	4,500,000
Hedged volume as a percentage of total	**81%**	**48%**

U.S. dollar hedging	2H 2017 (Jan – Jun 2017)	2018
Hedged value	US$367 million	US$360 million
Hedged rate (NZD/USD)	0.70	0.72

* Fuel hedging as at 14 February 2017.

Financial overview

	Dec 2016 $M	Dec 2015 $M	Movement $M	Movement %
Operating revenue	2,584	2,698	(114)	(4.2%)
Earnings before taxation	349	457	(108)	(24%)
Net profit after taxation	256	338	(82)	(24%)
Operating cash flow	376	541	(165)	(30%)
Net cash position*	1,288	1,594	(306)	(19%)
Gearing*	55.9%	48.6%	n/a	(7.3 pts)
Ordinary dividends declared**	10.0	10.0	-	-

* Comparative is for 30 June 2016.
** Dividends are fully imputed.

Group performance metrics

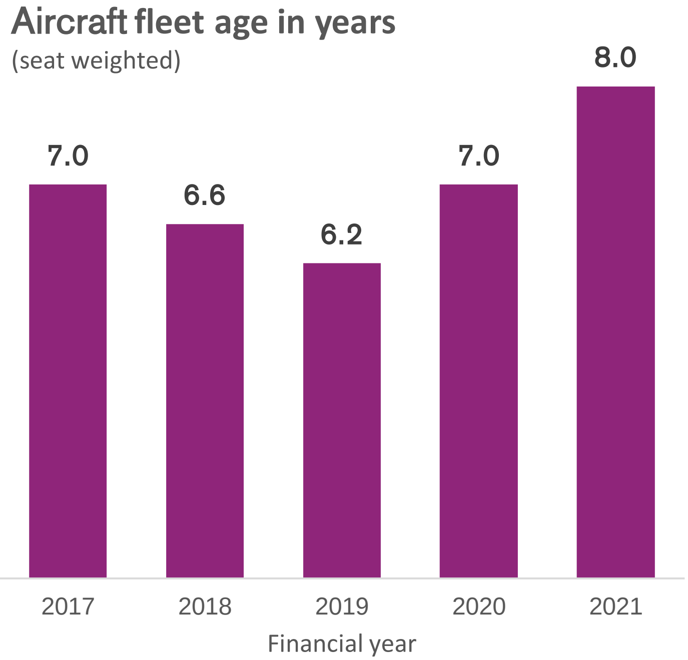
	Dec 2016	Dec 2015	Movement*
Passengers carried (‘000s)	8,086	7,757	4.2%
Available seat kilometres (ASKs, millions)	21,409	19,985	7.1%
Revenue passenger kilometres (RPKs, millions)	17,790	16,864	5.5%
Load factor	83.1%	84.4%	(1.3 pts)
Passenger revenue per ASKs (RASK, cents)	10.3	11.5	(9.3%)**
Yield (cents per RPK)	12.5	13.7	(8.1%)**

* Calculation based on numbers before rounding and excluding the impact of foreign exchange.
** Reported Group RASK decreased by 10.4% and yield decreased by 9.0%, inclusive of foreign exchange impact.

Projected aircraft in service

- Boeing 767-300ERs exiting by March 2017
- Beech 1900Ds exited service in August 2016

	2017	2018	2019	2020	2021
Boeing 777-300ER	7	7	7	7	7
Boeing 777-200ER	8	8	8	8	8
Boeing 787-9	9	11	13	13	13
Airbus A320	30	25	18	17	17
Airbus A320/A321 NEO	-	6	13	13	13
ATR72-600	15	19	24	29	29
ATR72-500	11	7	4	-	-
Bombardier Q300	23	23	23	23	23
Total Fleet	**103**	**106**	**110**	**110**	**110**



Glossary of terms

Available Seat Kilometres (ASKs)	Number of seats operated multiplied by the distance flown (capacity)
Cost/ASK (CASK)	Operating expenses divided by the total ASK for the period
Gearing	Net Debt / (Net Debt + Equity); Net Debt includes capitalised operating leases
Net Debt	Interest-bearing liabilities and bank overdrafts, less bank and short-term deposits, net open derivatives held in relation to interest-bearing liabilities, interest-bearing deposits and non-interest bearing deposits, plus net aircraft operating lease commitments for the next twelve months multiplied by a factor of seven
Passenger Load Factor	RPKs as a percentage of ASKs
Passenger Revenue/ASK (RASK)	Passenger revenue for the period divided by the total ASK for the period
Revenue Passenger Kilometres (RPKs)	Number of revenue passengers carried multiplied by the distance flown (demand)
Yield	Passenger revenue for the period divided by revenue passenger kilometres

The following non-GAAP measures are not audited: CASK, Gearing, Net Debt, RASK, and Yield. Amounts used within the calculations are derived from the condensed Group interim financial statements where possible. The interim financial statements are subject to review by the Group's external auditors. 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.