

ANNUAL SHAREHOLDERS' MEETING

THURSDAY 28 OCTOBER 2021

CHAIRMAN'S ADDRESS

Kia ora koutou

2021 has continued to be a year of ongoing uncertainty and operational agility. It has also highlighted the tireless efforts, skill and sheer determination of our people, the Executive team and other stakeholders to keep our customers connected and travelling safely.

Teams from across the business have responded quickly to ever-changing operational conditions – introducing new cargo routes, increasing capacity on our domestic network to near pre-Covid levels, and implementing the necessary protocols to launch our first short-haul international travel bubbles. These milestones were hugely important for providing us with small but much needed steps towards some form of normalcy.

Even with the ongoing lockdown situation in Auckland and the continued suspension of the trans-Tasman and Cook Islands travel bubbles, our customers have been patient and supportive. On behalf of the Board, I want to thank all our customers and stakeholders for their continued support of our airline. We wouldn't be here without your support and we do not take it for granted.

The result for the 2021 financial year reflects the full-year impact of Covid-19 on our airline.

We reported operating revenue of \$2.5 billion, a decrease of 48% compared with the prior year, and our overall result was a loss before other significant items and taxation of \$440 million. When including other significant items of \$29 million which covers foreign exchange gains and sale of landing slots offset by aircraft impairment and reorganisation costs, we reported a loss after taxation of \$411 million.

Our short-term cash position was \$266 million as at 30 June 2021. We have drawn down \$455 million of the Crown Standby Loan Facility, leaving \$1.045 billion remaining. I will give an update on our cash and liquidity position later on in today's meeting.

The Board continues to focus on preserving the airline's liquidity position. Given the ongoing uncertainty and continuing financial pressures due to Covid-19, we have not paid a dividend to our shareholders for the second year running.

These financial results do not reflect the enormous efforts that have taken place across the airline to support New Zealand. I am extremely proud that Air New Zealand continues to play an essential role in reinvigorating New Zealand's economy and keeping the country connected to the rest of the world.

Moving on, the graph on this slide paints an important picture of just how much of an impact Covid-19 has had on Air New Zealand's network and overall performance in the 2021 financial year.

It shows, that while the domestic network has been the backbone of our operations in the past financial year, exceeding our expectations, passenger revenue at around \$1.5 billion is only 30% of pre-Covid levels. That is clearly a significant decline.

Prior to Covid, our domestic business represented around a third of our overall revenue base, and around 20% of that was driven by inbound tourists travelling on the domestic network. Without international passengers flying, there continues to be a significant gap in our earnings.

While we have been fortunate to maintain a degree of international flying, which has been strongly supported by the Government's Maintaining International Air Connectivity scheme, in 2021 we still only flew around 55% of the network we operated prior to Covid-19.

We are pleased to see further progress being made both here in New Zealand and globally with the rollout of the vaccine. The Government's plan to have the majority of Kiwis vaccinated by the end of the year should put the country in a strong position. We have an outstanding rate of vaccination among Air New Zealanders with 93% of our frontline employees now having had at least one vaccine and 88% who are fully vaccinated.

We are looking forward to international borders re-opening and hope that if vaccination levels continue to increase that we will see some very positive developments during 2022. Whenever international borders open we are confident that when demand returns Air New Zealand will be well positioned to succeed.

As mentioned, despite the ongoing challenges of the past 12 months, the domestic network has been the major contributor to our operating revenues.

In the 2021 financial year, Domestic flying was strong and relatively stable, as Kiwis embraced exploring the wonderful sights New Zealand has to offer. Prior to the latest outbreak and lockdown this August, domestic capacity had been tracking in excess of 90% of pre-Covid levels.

Leisure demand was up 130% in May, June and July compared to pre-Covid levels, and we had seen strong performance on our regional routes, with routes such as Tauranga–Christchurch and Hamilton–Christchurch performing well above pre-Covid levels, along with New Plymouth, Kerikeri and Invercargill.

Prior to the recent lockdown we also saw corporate customers return to the skies in high volumes, at around 90% of 2019 levels. This was 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.

Going forward we will be focused on further unlocking that demand and making the regions even more accessible for customers as part of our domestic network strategy. Core to unlocking this demand is increased flight frequency, better connections and reasonable fares – which is expected to eventually result in capacity increases of over 110% in those markets compared to pre-Covid levels.

The other crucial source of revenue this year was our Cargo business, delivering \$769 million, an increase of 71% on 2020.

This growth is primarily due to Government airfreight support schemes through the New Zealand and Australian Governments. Additional flying and cargo-only charter flights not included under the support schemes also contributed to revenue. It has been great to maintain important links to keep New Zealand exporters connected to their international trade partners – delivering everything from chilled meats, and seafood to stone fruit, berries and dairy products across the globe. Critically, these flights also enabled us to carry vital medical supplies and PPE into New Zealand and supported the repatriation of around 100,000 Kiwis.

While the trans-Tasman bubble is closed, we are flying an average of 50 flights per week to 16 destinations including Los Angeles, Hong Kong, Shanghai, Australia and key Pacific ports. From November this will increase to 65 flights per week for the summer period. It is fantastic to be able to keep New Zealand connected to the world.

Through the pandemic we have proven time and time again that Air New Zealand has an agile strategy that allows us to respond quickly to ever-changing situations.

For example, within hours of the New Zealand Government announcing the opening of the trans-Tasman and Cook Islands bubbles we had our schedules confirmed and seats for sale instantly. We saw strong immediate bookings on the Tasman of around 90% 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.

Likewise, this agility has enabled us to rapidly initiate cargo flights to Guangzhou, a destination we have never flown to before. It also allowed us to respond efficiently to the recent suspension of the trans-Tasman bubble so our customers had greater certainty over their future travel plans. And has meant we were able to swiftly and safely get Kiwis back home when the Government instituted a strict nationwide Level 4 lockdown in August.

While external uncertainties continue to be frustrating, we are focused on controlling those things we can – making sure our domestic offering is even more attractive to customers, having the infrastructure and resources in place to respond rapidly when demand increases, and maintaining the cost reductions we have made. We have also new, optimised international network schedules we can put in place once borders open.

Our team is in continuous contact with Government and international authorities to monitor travel guidance and engaging with relevant stakeholders on border requirements, both in New Zealand and abroad. We have also worked closely with the Government to improve conditions for our people in terms of regular testing and time in isolation, such as bringing in saliva testing.

Since we announced the annual financial results in August, we have incrementally drawn down an additional \$105 million of the Crown Standby Loan Facility, bringing total drawings to \$455 million. This leaves us with just over \$1 billion of available liquidity, in addition to \$211 million cash on hand as at 26 October.

As announced on 13 August 2021, our Board, in consultation with the Crown, made the decision to defer its planned capital raise from 30 September 2021 until the first quarter of calendar year 2022. This followed the receipt of a letter from the Minister of Finance on 12 August 2021 outlining his view that the environment was not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support the planned equity raise.

Despite this delay, it is important to note the Minister of Finance reiterated in his letter of 12 August 2021 the Government's longstanding commitment to maintaining its majority shareholding. Subject to Cabinet being satisfied with the terms of the Company's proposed capital raise at the relevant future time, the Crown confirmed in that letter that it will participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

The ongoing uncertainty regarding domestic Covid alert levels means future cash burn is difficult to forecast. That is why we have suspended cash burn guidance. While we are pleased to see good demand for domestic air travel in regions that are in Alert Level 2, this represents

approximately 40% of the domestic network. That flying, combined with the extension of government-supported cargo flying through the MIAC scheme from November through to the end of March is positive, but insufficient by itself to cover our cash requirements – in particular, near-term fleet deliveries and the repayment of deferred PAYE payments.

We expect to draw down further on the Crown Standby Loan Facility to temporarily fund the delivery of two new narrow body jet aircraft and one turboprop which are expected to arrive in the next few weeks. The delivery of these aircraft had been delayed as part of negotiations to push out capital expenditure at the start of the Covid pandemic.

In addition, from January through March of 2022, the airline will repay approximately \$300 million in deferred PAYE to the IRD. It is not possible to extend this repayment. Therefore, if there were to be no significant changes to current domestic and international travel restrictions, and based on the impact on our business as we have outlined to the market, we could have around \$600 to \$650 million drawn under the Crown Standby Loan Facility by December. Extrapolating further, and again assuming no significant changes from the current situation, drawdowns would be approximately \$900 million by the end of February 2022, including two of three repayments of deferred PAYE.

Now, shifting from cash to earnings, I would again reiterate the volatile environment under which we are operating.

Given uncertainty surrounding the current national Covid Alert Levels, ongoing international travel restrictions and uncertainty regarding the level of demand as these restrictions lift, we have suspended 2022 earnings guidance.

I'd like to say thank you to you, our shareholders, for your continued support of Air New Zealand and your patience as we continue to navigate these uncharted waters.

While the near-term situation is uncertain, I am extremely hopeful as we observe our population making great strides in terms of vaccination rates, which is critical to reconnecting New Zealanders with the world.

Our aim is to return our customers to the skies and provide them with new and enhanced offerings, both domestically and when international borders eventually reopen. While we have been navigating the immediate obstacle course that is Covid, we have also been laser-focused on the future and how we will build our airline back better than ever for our customers, our people, our country and for you, our shareholders.

The board acknowledges the lack of financial return for our shareholders but assure you that we are using this opportunity to further critique our cost base and roll out an exciting new strategy. We aim to be a more cost-effective and more innovative airline than even before and we look forward to sharing those rewards with you in the future. We thank you for standing by us through this difficult time.

We appreciate your commitment to the success of our airline.

Finally, I would like to acknowledge our Chief Executive Greg Foran for his leadership, perseverance and tenacity. He has not wavered in his commitment to the airline even in the face of so much volatility and adversity. I commend him for the job that he has done and his strategic insights as we prepare for the future. I will now invite Greg to address the meeting and detail those insights.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Kia ora and good afternoon everyone.

In a year where we saw bubbles open and close, and as we continue to face uncertainty around travel, the aroha from our customers and ongoing support of our shareholders is deeply appreciated. So I say a great big thank you to you all. It's been a powerful team effort.

2021 has been uncertain, volatile, and complex and continues to be so. Remarkably, we managed to keep our planes flying every single day, moving customers, and moving freight.

And through this we've maintained a strong cost discipline and developed new capabilities which will allow us to build back even better when the borders reopen and domestic restrictions ease.

So while it's been tough, we know we will come out of this stronger than ever.

I'm acutely aware of the many sacrifices Air New Zealanders continue to make.

From our pilots and cabin crew who have endured the complexity and inconvenience of constantly changing international border requirements – to our contact centre team, who took an incredible 75,000 calls in just a single day.

From those who took pay cuts and the teams that worked hard to deliver essential export services – to our operations teams who have changed schedules on a dime and our medical team who kept our people safe.

To those that have worked remotely – right throughout our business, all Air New Zealanders continue to do remarkable things in extraordinary times, and I can't thank them enough.

That's why it was so important to the Board and Executive to recognise their mahi with a \$1,000 share award.

I look forward to a time when this crisis passes, and we no longer need to ask so much of our people. But there have been gains from their efforts and we are determined to hold onto them all as we build back our operations.

Our ability to adapt to change has now become a powerful muscle. We can respond rapidly to short notice changes, innovate at speed and drive productivity, all in parallel and that puts us in good stead for when borders reopen.

We have drawn strength from our purpose, which is: to connect New Zealanders with each other and New Zealand with the world.

Our promise of manaaki will be more important than ever if we are to differentiate our service and retain our talented Air New Zealanders.

The values that drive us...

- Be Yourself
- Can do
- Welcome as a friend
- Share your Aotearoa

...have been relaunched and remain as relevant as ever.

Together, they drive us to deliver the greatest flying experience on Earth.

I'm often asked what it has been like to lead Air New Zealand.

On the day I took the job we were withdrawing our first international services in response to the pandemic.

We made the difficult call to reduce our workforce by a third. We made significant structural changes to reduce costs. We have closed, opened, and then paused parts of our network while progressing towards a capital raise.

Guided by our strategy, we planned to progress from Survive, to Revive and then Thrive – only to find the journey was not a one-way door.

As the most recent lockdowns have shown, we are not out of this yet. So, I would describe it as navigating one of the most volatile situations you could imagine.

Despite the challenges, we've made the most of the opportunities we've been given, and I'd like to take you through some of those now.

When we start flying again, we will do so at a lower cost. That is a powerful foundation for the future.

Although the pandemic reduced our ability to fly, time has not been wasted.

We reinvented our domestic food service on the ground and in the air, engaging directly with customers.

We improved the service for our most important cargo – unaccompanied minors. We capped fares, reduced late fees, introduced a compassionate fare scheme, simplified our fare structure, reduced our excess bag fees, extended Koru Club Membership and Status, and relaunched an improved Fast Bag product.

Then, thanks to the incredible work across our organisation and the support of the government's cargo subsidy scheme, we helped keep New Zealand connected to key export markets and grew cargo revenue. We were pleased recently to be awarded an extension to that agreement through to March next year.

We continued to bring the benefits of digital to our operation. Our turboprop pilots and cabin crew are now equipped with tablets – and we converted legacy systems in Engineering & Maintenance.

We added more world leading features to our online credit tool, enhanced our data security, improved mid office systems and have commenced many game-changing programmes of work that will come to fruition soon.

We also continued to confront and drive sustainability. We worked closely with government to set a pathway to achieving net zero emissions by 2050 and are leading discussion on the role of electric, hybrid and green hydrogen aircraft.

Internationally, we see sustainable aviation fuels as the only current option to decarbonise long-haul flights, and we continued to advocate for policy change in that area.

We start every day by asking: are we staying safe?

So recently, given the arrival of the Delta variant of Covid-19, we reviewed the risks involved in operating international and domestic flights.

We worked closely with our people and our unions to inform them about vaccinations, requiring a wider section of the team to be vaccinated to keep themselves, their workmates and our customers as safe as possible.

We also announced that, from February, all customers travelling internationally with Air New Zealand will need to be fully vaccinated.

Despite the volatility, we have stayed focused on Kia Mau – our strategy – which will guide us through Covid and beyond. We developed this in 2020 and have enhanced it further.

We will deliver in three key revenue areas, made possible by driving the business to deliver on four programs that enable their success. It's simple, concise, and exciting. Our organisation is redesigning the way we work to deliver this strategy at speed and with precision. It must be a full potential transformation.

The first revenue area is our domestic business. This is our core. In the last financial year, it remained strong during Covid, recovers quickly after lockdowns and provides a strong foil to the fluctuations of international travel. It's also the heart of our profitability.

Changes that had begun before Covid have been accelerated. In recent years we've moved from smaller seat Beechcraft to Q300s and even larger ATR 600s – and each time our customers have taken up the new capacity.

There's the opportunity to fly new routes – and to fly more often – by scheduling at different times of the day, adapting our service to the changing nature of work.

I believe Air New Zealand can help make the life-changing decision to move out of our largest cities a success for our customers and their families – while also growing our business.

All of this gives me confidence about the return of business travel and the resilience of leisure travel, which rebounded quickly after the last lockdown.

The improvements made last year to our customer proposition are an exciting start. We are very clear that part of our business will see more growth.

The second is our international business. When borders reopen the market will be different and we will need to play the game our way.

We are clear about where we intend to fly and how we will do so. We've rationalised our international fleet, and within years we'll have a single fleet of 787s, which provides significant cost advantages.

We'll focus on increased frequency on single sectors over water, where we connect to our partners via global hubs. We have a strength in the premium leisure market, especially in North America which opens its borders on 8 November.

And we have a head start – our cargo flights have kept our international connections warm.

We're planning for New York and, as we see demand, we'll bring back Chicago and Houston, along with the other international destinations that make up the Air New Zealand network.

And, from our top-secret bunker in Auckland we're putting the finishing touches on a new plane fit out that I'm sure you will absolutely love. It's incredibly exciting.

The third – loyalty – is playing an increasing role in airlines globally. Our excellent Airpoints™ programme is an untapped source of new revenue and a superb channel to highlight the benefits Air New Zealand offers over competitors.

We are redesigning our programme, refocusing and enhancing Airpoints™ to increase engagement with customers, having completed a full review to understand what really matters to our 3.6 million plus Airpoints™ members.

We are expanding our partnerships to introduce new, improved benefits such as better upgrades, greater personalised service and increased ability to share benefits among family and friends. This includes new partners, more options to spend points, and other exciting opportunities.

To deliver in these key revenue areas we are focused on four initiatives:

The first is what we call the 'brilliant basics' – doing 100 things 1% better every day so we run the airline like a Swiss watch. Opportunities abound right across our business and we are systematically going after them.

Customers tell us three very important things – they want us to leave on time, arrive on time and don't lose anything in between. We want to be the very best at this and there's no reason why we can't.

The second, Sustainability, is especially important for an airline at the bottom of the world. Although flying has reduced due to the pandemic, customer concern over its environmental impact remains as strong as ever.

2050 is not that far away, just 28 years, so we will be driving for urgent innovation in aircraft and fuel sources. These are the key areas for us to address to make net zero emissions a reality for Air New Zealand.

Thirdly, we aim to be the best digital airline in the world. That means investing in innovations that benefit our customers and our staff – from the moment they start planning their trip to when they exit the aircraft, from the moment we start maintenance to when the cargo door is closed.

We are making exciting changes that deliver cumulative benefits. We'll soon have FlightKeys – a new way to route an aircraft that saves time and money and reduces carbon emissions even further.

We have a new partnership with a company called FLYR, utilising machine learning technology to ensure we can offer as many low fares as possible.

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.

Finally, but critically, our people have proved time and time again to be the secret sauce in our success. The quality of our experience has and will always be underpinned by the warm 'Kia ora' our customers receive as they board.

From recruitment to training, tools to assist to regular feedback...we have an unrelenting focus on creating a satisfying and engaging work environment for our people, and are determined to keep them, their families and our customers safe.

Thank you again for your continued support over the past 12 months. It means a great deal to the Executive and all Air New Zealanders.

We will be an airline that is more efficient, we will deliver an improved performance via a simplified fleet, world leading digital capabilities and a new way of working... leading to delivering the greatest flying experience on Earth.

The difficult decisions we have made in the past year and a half were painful but position us well to make Air New Zealand even more profitable in the future.

We are preparing to reunite loved ones, reconnect businesses, and take the best of New Zealand to the world.

I'm very excited about travelling again and am sure many of you are too. In the months ahead you'll hear more from us around how we're getting ready for take-off. I'll leave you with this whakatauki, which sums up the optimism Air New Zealand is feeling at the moment.

He toa takitini tatou. Our success is from our collective contributions.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

Thank you.