

Stock exchange listings: New Zealand (NZX: AIR) / Australia (ASX: AIZ) / ADR (OTC: ANZLY)

MARKET ANNOUNCEMENT

8 June 2020

Air New Zealand CEO - next 800 days

Kia ora,

I recently completed my first 100 days with our incredible airline. It's an understatement to say it hasn't gone entirely as expected. However, it has proven to me that the care, compassion and heart of our people is everything I expected and more. Before our lockdown and even through it, I have experienced the wonderful culture that makes Air New Zealand very special.

Today we are sharing with you the plan and timeline to get Air New Zealand back on its feet. Make no mistake this is going to be a hard journey as we create our own playbook for the airline to emerge even better than before. Over the next two years we will Survive, then Revive and finally Thrive. We have set the Annual Results announcement in late August 2022, which is in around 800 days' time, as the target date for Air New Zealand to report we are starting to earn healthy profits again even though we may be only 70% of our pre-COVID-19 size.

We can see an Air New Zealand of 2022 that is flying about 13 million customers annually versus almost 18 million pre-COVID-19. We will be highly efficient and operate fewer wide body aircraft. The good news is that Air New Zealand could be more profitable in the future than before, allowing us to start reinvesting in our customer experience, to share the rewards with Air New Zealanders via consistent profit share bonuses and to distribute dividends to our shareholders.

If we fast forward to 2022, our vision is a successful airline that:

- Takes care better than any other airline on earth
- Is operationally efficient and excellent at all we do
- Enables Kiwis to fly again, after all, we are a nation of great explorers
- Plays a critical role in helping New Zealand's economy get back on its feet
- And is seen as the carrier of the most revered nation on earth in a post-COVID-19 world.

All supported by a strong performance-oriented culture with employee engagement which is amongst the best in our industry.

But in order to get there we still have a tough road ahead. We must first Survive, then Revive and finally Thrive.

Survive

The Survive platform of our plan is likely to run until the end of August this year. We have to cut costs across the business and already, we have sadly said farewell to 4,000 Air New Zealanders.

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Survive is a whole-of-company approach and no area is immune. We have had to start radically overhauling our cost base. From grounding our 777 fleet to deferring expenditure on new aircraft, hangars and parking; seeking savings across contracts in our supply chain and leases for aircraft; Executive roles, office space and even company vehicles. We are leaving no stone unturned. Our wage bill is down by a third now but our revenue has fallen by more than two thirds. We need to balance the scales further.

Today, we start Phase 2 to remove around \$150 million additional from our wages bill as part of a suite of other changes to our cost base to put Air New Zealand in the shape to be able to meet our 800-day ambition for August 2022.

As soon as possible we will be engaging with you and your unions as we investigate how best to reduce the labour bill. We are open to explore all options with unions that help meet our cost saving goals, but I do want to be clear that we need to brace ourselves for more discussions around leave without pay, reduced hours, job share, voluntary exits with redundancies as the last option. Thinking this through carefully will be important so that as the airline regains more customers and routes we are ready to take that volume on. I am really sorry we are in a situation of needing to reduce our wages bills further, but I believe this is what we need to do with some urgency to get through the Survive phase.

As you know Air New Zealand finds itself in a predicament unlike any it has faced before. We've had challenges for sure, but never one where our revenue has effectively evaporated from \$6 billion last year to almost nothing for a couple of months. Revenue will slowly return but in the next financial year it is likely to be less than half what we used to earn. This has put our finances under great stress.

In this Survive platform we must develop new ways of working, become more flexible and adaptive to what we are facing and with it we will simply stop doing some activities. If we get this right, this will be an exciting period of reinvention to help set us up for the next phase - Revive. Some of Air New Zealand's greatest innovations came out of the dark days of Ansett and the Global Financial Crisis – and we'll do all we can to encourage that same level of creativity and innovation again.

Revive

We expect to spring into the Revive section of our journey from 1 September, if we have completed the Survive platform and reduced our cost base to match the much smaller business we are than pre-COVID-19. We are also hopeful that around this time the nation will well and truly have returned to Level 1 and that Tasman and Pacific Island flying could be returning for leisure and business travellers.

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However, we are not factoring a return to long haul flying of any note until next year. We believe that until there is a vaccine, effective treatment or elimination of the disease in key markets, the New Zealand Government will not fully open its borders for growth in long haul air travel.

That said one glimmer of hope of late has been the extra cargo movements, which are helping the economy and our cashflow as well as the heartening support we are seeing in domestic travel.

Nevertheless, the reality is that during our Revive period we will be a much smaller airline, growing gradually as routes open and customer confidence returns. We will use this phase to develop new products and services, while creating innovative ways to encourage Kiwis to travel for business and leisure. Importantly, digital will be at the core of all we do. Air New Zealand's customer experience of tomorrow must mirror that which consumers expect of a leading digital company, otherwise, we will not be relevant and we'll fail to meet our full potential.

So, Thrive

We, like many of you, are determined to get through the next 800 days, so that by August 2022 we hit the Thrive section of our plan, when we will be a digital company that monetises through aviation and tourism in a very sustainable manner. This will be a time where our customers, stakeholders, shareholders and all Air New Zealanders benefit from the hard work and innovation of the Survive and Revive phases of our journey.

As we Thrive we will not focus on size, but on quality. We will be smaller, flying fewer routes but we will not change our outstanding reputation for care, compassion and heart. The pride that comes with being our country's national carrier. These values stand us apart. We will also lead in areas relating to climate change, particularly carbon emissions.

Our airline will operate with precision and humanity. Our domestic jet and regional operations are highly efficient and need to be for our business customers. The Tasman and Pacific Islands offer the best value option for all our customers. International is focused on an excellent product offering and delivery for our business and premium leisure customers. Supported by best in class digital products across all fleets, allowing for seamless customer and staff interaction which improves the experience and reduces our costs. We will not only recognise our customers but understand them and know how they feel, which will allow us to offer world class service always and to exceed expectations wherever it matters most in their journey with us. If we can nail all that, I am hopeful we may even be a bit bigger than the 70% of our former size we are preparing for. And we owe it to all the Air New Zealanders who have left us through redundancy, or who are on furlough, or who are on reduced hours, to achieve that and to get them back into the airline full time. They are our whānau.

Every airline in the world has been stunned by the COVID-19 pandemic. This event is not a hiccup; very few airlines will return to the former ways of working. The survivors will be more focused, lower

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cost and provide better customer service. We want to thrive in this environment, realising our ambition to take care better than any other airline on earth. Together, we can make this happen.

Thank you for all you do and your ongoing support of our airline and each other in this difficult time.

Ngā mihi nui,
Greg

Ends.

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