Media Release

29 August 2024

Air New Zealand announces 2024 Annual Results and declares final dividend

Summary

- Earnings before taxation of $222 million
- Net profit after taxation of $146 million
- Passenger revenue of $5.9 billion
- Liquidity of $1.5 billion
- Unimputed final dividend of 1.5 cents per share declared, resulting in total ordinary dividends of 3.5 cents per share for the year

Air New Zealand today announced earnings before taxation for the 2024 financial year of $222 million compared to $574 million for the same period last year. This was an expected reduction on the prior year, when the airline recorded one of its highest ever results following the reopening of New Zealand's border. Net profit after taxation was $146 million.

While Air New Zealand reported a solid first half result, the second half of the financial year proved increasingly challenging as the impact of operational and economic headwinds became more pronounced.

The tougher economic backdrop in New Zealand drove a deterioration in domestic demand in the second half, particularly for corporate and government segments. Accelerated maintenance requirements for Pratt & Whitney PW1100 engines worldwide have meant that up to six of the airline's newest and most efficient Airbus neo aircraft have been out of service at times. Ongoing additional maintenance requirements on the Trent 1000 engines that power the existing Boeing 787 Dreamliner fleet and reduced levels of spares in the market have meant that up to three Dreamliners are also on the ground at times. These issues, alongside elevated competition from US carriers and the cumulative effect of high inflation, have had a significant impact on the airline's operational and financial performance for the 2024 financial year.

Passenger revenue increased 11 percent to $5.9 billion, driven by a 23 percent ramp-up in capacity, primarily across the international long-haul network. This was partially offset by the weaker demand environment and higher levels of competition. Also included within passenger revenue is $90 million of credit breakage for unused customer credits that were considered highly unlikely to be redeemed.

While average jet fuel prices were slightly lower for the year, total fuel costs increased by around $190 million, driven by capacity growth across the network. Non-fuel operating costs increased faster than revenue, also driven by the increase in capacity, as well as broad based inflation across the cost base.

Non-fuel operating cost inflation of approximately $225 million was a significant drag on the airline's financial performance. With landing charges, air navigation fees and engineering materials leading the increases, the non-fuel operating cost uplift of six percent for the year brings the cumulative impact of inflation across the past five years to 20 to 25 percent. While growth in the network has provided some scale benefits, productivity remains below the levels achieved pre-Covid as the airline carries extra costs to help manage ongoing disruptions in the supply chain.

Based on the airline's balance sheet strength and the result announced today, shareholders will receive a final unimputed ordinary dividend of 1.5 cents per share, taking the total ordinary dividends declared for the year to 3.5 cents per share. The dividend will be paid on 26 September, to shareholders on record as at 13 September.

Chair Dame Therese Walsh acknowledged the hard work and efforts of 11,700[1] Air New Zealanders who have risen to the raft of challenges the airline has faced.

[1] Refers to Full Time Equivalent employees

“It’s been a difficult year managing both macroeconomic and operational challenges. I’d like to thank the Air New Zealand whānau, not only for navigating these issues with great skill and manaaki, but also for never losing sight of what the organisation needs to do to be a future-fit airline.

“We know these challenges will pass, some faster than others, but they have had a significant impact on our financial performance this year. Today we announced earnings before taxation of $222 million and estimate earnings would have been around $100 million higher, net of compensation, had we been able to operate our aircraft and schedule as intended.”

Dame Therese went on to note that despite the near-term challenges, the airline remains focused on opportunities to improve returns, while staying true to its culture and commitment to provide a world-class travel experience for customers.

“Our balance sheet is robust, with capacity to prudently manage these headwinds while investing sensibly in the areas that matter for our people and our customers. We believe in the strength of our plan and our team and are excited about the opportunities ahead as we move out of this current cycle.”

In the face of extensive external disruptions, Chief Executive Officer Greg Foran thanked customers and Air New Zealanders alike for their ongoing support.

“I want to acknowledge the understanding and loyalty of our customers who were impacted by unavoidable scheduling changes while travelling with us this year. We do not take our customers choice to fly with Air New Zealand for granted and are grateful for the patience they have shown us.

“We took immediate action to minimise the disruption, leasing three Boeing 777-300ERs, securing additional spare engines and adjusting our network and schedule to deliver greater reliability. We are very proud of what our team managed to achieve, but we know it has been far from perfect for impacted customers.

“The challenges we are facing are not unique to Air New Zealand. Supply chain and aircraft delivery delays, growing costs and a shortage of labour in key areas like engineering are major issues facing many airlines across the global aviation industry. However, the reality is that while these issues continue to play out, Air New Zealand is expecting a challenging year ahead.”

Mr Foran went on to say that Air New Zealand was fundamentally well-positioned and would not let the current environment distract the airline from delivering on its purpose.

“As we continue to navigate this difficult environment, we remain focused on the big picture - controlling what we can, relentlessly focusing on our customers and our people, and investing for the future. Our Kia Mau strategy continues to serve us well, driving improvements in our core capabilities, and we’ve made considerable progress on many fronts.

“A key priority for us continues to be delivering excellent customer service and a range of competitive fares. This requires ongoing discipline around our cost base, and you will see us make targeted adjustments, including around a 2 percent reduction in headcount, as well as pursuing improvements in the controllable cost base.

“We remain committed to investing for the future, with expected aircraft-related capital expenditure of $3.2 billion over the next five years. This includes a significant, multi-year interior retrofit programme on our 14 existing Dreamliner aircraft. We anticipate delivery of the first new GE-powered Boeing 787-9 aircraft towards the end of the 2025 calendar year, which will provide options for continued growth, cost efficiencies and network expansion opportunities.”

Mr Foran went on to conclude that the airline is focused on operating effectively through the current economic and operating conditions, which are expected to continue through the first half of the 2025 financial year.

Outlook

Air New Zealand has outlined today a number of trading conditions that have significantly impacted the result for the second half of the 2024 financial year, in particular the tougher economic backdrop in New Zealand driving softness in demand, the cumulative impact of inflationary cost pressures, the impacts of aircraft availability issues and significant competition on its US network.

Air New Zealand expects these trading conditions to remain similar through the first half of the 2025 financial year. Given the ongoing uncertainty, the airline is not providing guidance at this time.

Supplementary table – Financial highlights

	1H 2024 $M	**2H 2024 $M**	**FY 2024[2] $M**
Operating revenue	3,474	3,278	6,752
Earnings before taxation	185	37	222
Net profit after taxation	129	17	146

	1H 2023 $M	**2H 2023 $M**	**FY 2023[2] $M**
Operating revenue	3,078	3,252	6,330
Earnings before taxation	299	275	574
Net profit after taxation	213	199	412

This announcement is authorised for release on the NZX and ASX by Jennifer Page, General Counsel and Company Secretary.

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[2] Per the 2024 audited consolidated financial statements contained in the 2024 Annual Report.

A STAR ALLIANCE MEMBER

AIR NEW ZEALAND

Annual Financial Results

Investor Presentation

2024

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Non-GAAP financial information

The following non-GAAP measures are not audited: Gearing, Net Debt, Gross Debt, and EBITDA. Amounts used within the calculations are derived from the audited Group annual financial statements and Five-Year Statistical Review contained in the 2024 Annual Report. 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.

Refer to slide 33 for a glossary of the key terms used in this presentation.

BUSINESS UPDATE

GREG FORAN
CHIEF EXECUTIVE OFFICER

2024 YEAR IN REVIEW

$222m
earnings before tax
includes $90m of unused credit breakage

16.5m
Passengers flown
Up 4% on last year

$459m
Cargo revenue
above pre-Covid levels despite increased competition

~$100m adverse impact to FY24 earnings
From aircraft availability challenges, net of compensation

On-time performance
improved to 79.4%
up from 76.8% with further improvements targeted

Customer satisfaction up at pre-Covid levels
Driven by improved onboard offerings and airport touchpoints

Awarded New Zealand's Most Attractive Employer
by Randstad for 2024

14% annual growth in Airpoints™ membership
Now over 4.6 million members worldwide

3.5cps
unimputed ordinary dividends
for the 2024 financial year

WE ARE FACING OUR CHALLENGES HEAD ON

PUTTING MITIGATIONS IN PLACE TO PROTECT OUR NETWORK AND SCHEDULE

Challenges with aircraft availability

- Swiftly negotiated leased aircraft and engines
- Increased inventory of parts and spares
- Network and schedule adjustments, including temporary suspension of Chicago

Economic slowdown in New Zealand

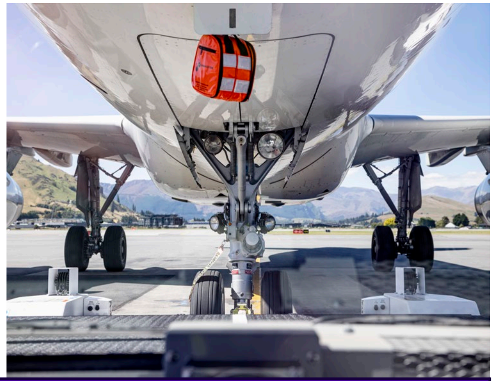
- Targeted capacity reductions
- Improved uptake of ancillary revenue products
- Monitoring revenue management settings to respond in real time to demand changes

Influx of competition on North America

- Targeted marketing activity to maintain strength in premium cabins
- Increasing cargo volumes to offset passenger demand softness
- Collaboration with Tourism New Zealand and alliance partners to improve customer reach

Cost inflation

- Productivity initiatives
- Targeted headcount reductions
- Review and negotiation of key supplier arrangements



We expect a continuation of these factors into FY25

CONTINUED FOCUS ON DELIVERY OF OUR KIA MAU STRATEGY

WILL UNLOCK FUTURE OPPORTUNITIES FOR THE AIRLINE

Grow domestic

- New and enhanced self-service offerings for customers
- Investment in new and efficient ground service equipment
- Two new domestic A321neos delivered

Elevate international

- Reinvigorated Seats to Suit offering
- Redesigned premium check-in at Auckland Airport
- Renewed Singapore Airlines alliance
- Refresh of 777 interiors

Lift loyalty

- Retail partnership ecosystem grew by four partners
- Airpoints dollar™ issuance by partners up 3 percent
- Prepared for launch of iFly platform

ENABLED BY STRONG CULTURE AND FOCUSED INVESTMENT

Brilliant basics

- Launched series of digital tools to support operational and customer service excellence
- Investment in infrastructure

People and safety

- 13 union agreements ratified
- New Mangōpare pilot cadetship launched
- Safeguard New Zealand Workplace Health & Safety Award

Sustainability

- Purchase of first battery powered, all electric aircraft due to be delivered in 2026
- Procurement of SAF, targeting uplift of 10% of total volumes by 2030

Digital

- Multiyear upgrade of digital platforms and tooling
- Artificial intelligence proof of concept trials

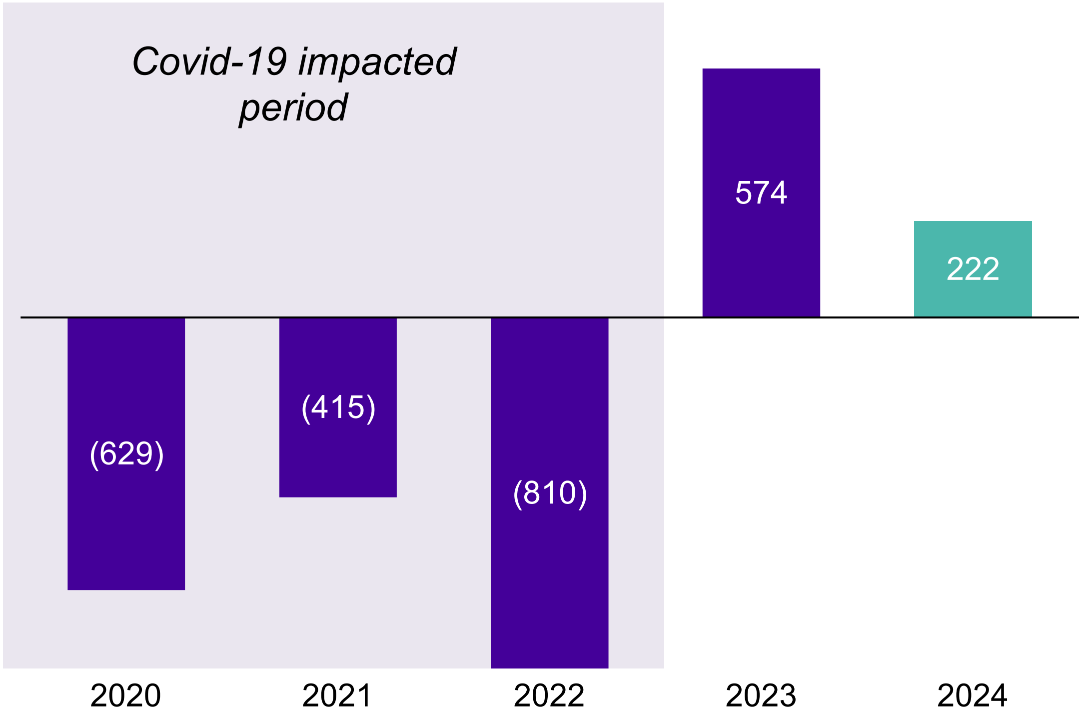
FINANCIAL UPDATE

RICHARD THOMSON
CHIEF FINANCIAL OFFICER

FINANCIAL SUMMARY

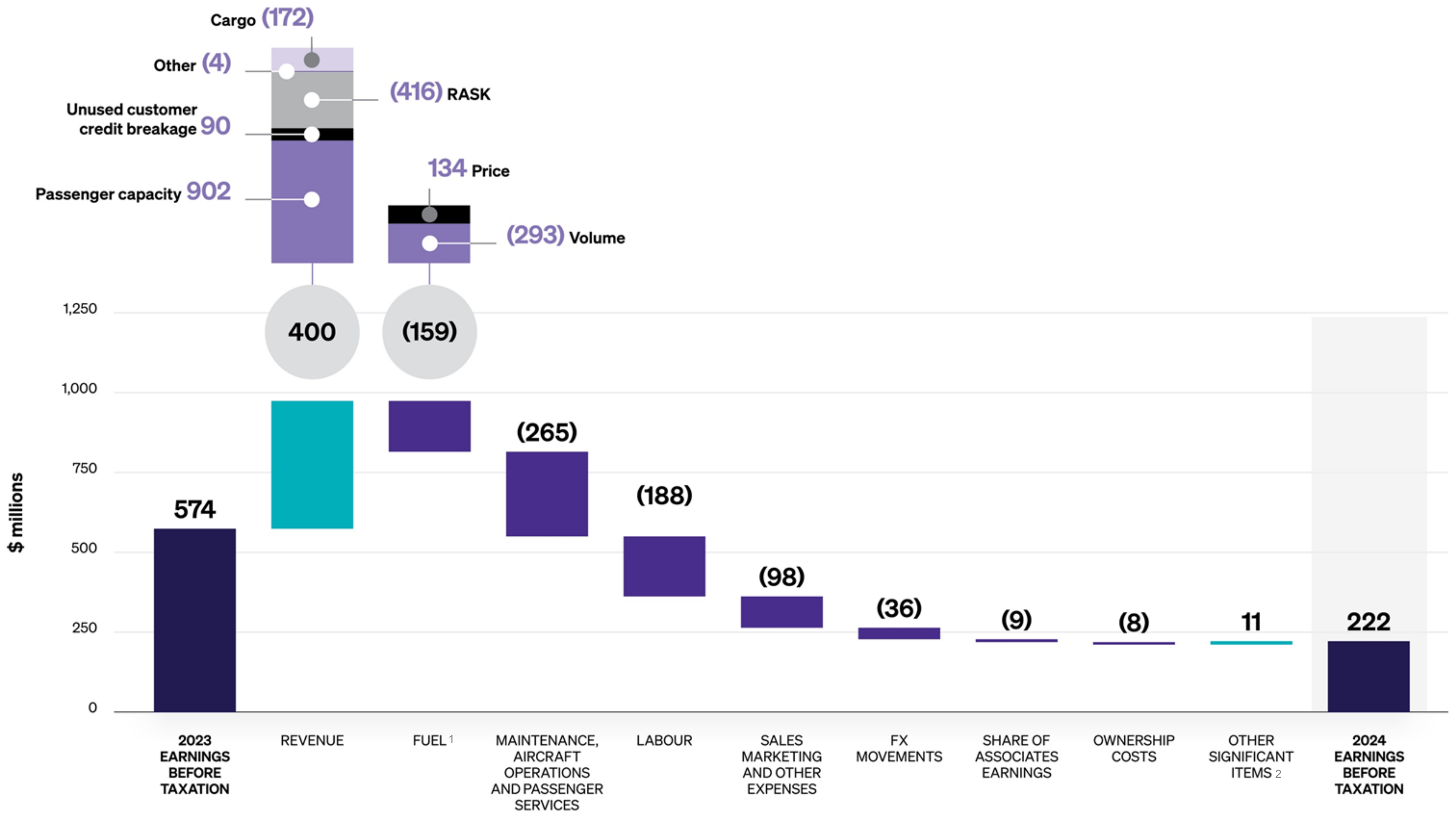
- Operating revenue of **$6.8 billion, up 7%**
- Passenger revenue of **$5.9 billion, up 11%**
- Cargo revenue of **$459 million, down 27%** on last year but **up 18% on pre-Covid**
- Earnings before taxation of **$222 million, down 61%**
- Net profit after taxation of **$146 million, down 65%**
- Liquidity of **$1.5 billion**[1]
- Net Debt to EBITDA of **0.8x**
- Full year unimputed ordinary dividends of **3.5 cents** per share[2]

Earnings/(Loss) Before Taxation
($ millions)



[1] Includes $1.3 billion cash and $250 million in undrawn funds under our new commercial Revolving Credit Facility (replacing the previous Crown Standby Facility which was undrawn).
[2] The airline's policy is to pay ordinary dividends equal to between 40% to 70% of underlying net profit after tax (underlying NPAT), subject to the Board's discretion. NPAT is calculated on a rolling twelve-month basis.

PROFITABILITY WATERFALL



[1] For further details on fuel cost movement, refer to slide 24.
[2] Relates to Other significant items in the prior year. Please refer to note 3 in the Group Annual financial statements for further information.

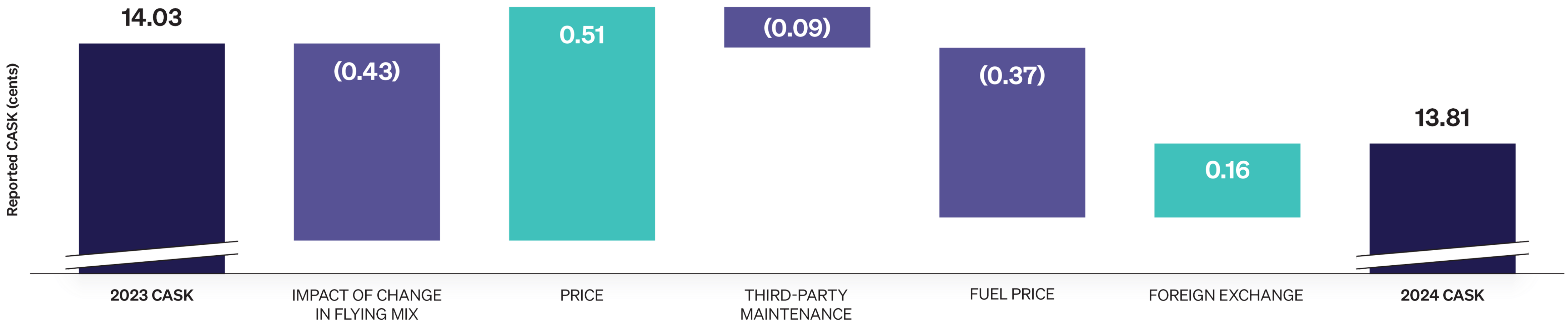
Additional commentary

- Significant activity increases when comparing to FY23 due to 17% growth in capacity
- Broad based inflation of 6% across the non-fuel cost base, a headwind of $225 million on the FY24 result
- Estimate that earnings would be ~$100 million higher, net of compensation, had the airline been able to operate aircraft and network as intended

AIRCRAFT AVAILABILITY AND COMPOUNDED INFLATION

DRIVING A DETERIORATION IN UNDERLYING CASK

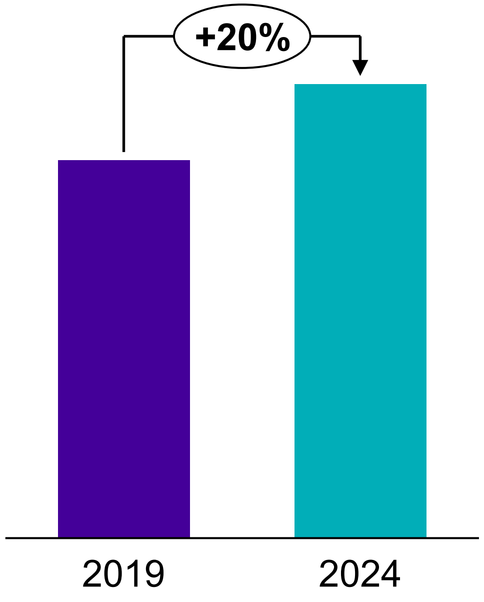
- **Reported** CASK **improved 1.6%** compared to last year, largely due to fuel price movements and mix of longer sector flying in the period, offset by the impact of inflation
- Excluding the impact of fuel price movements, foreign exchange, and third-party maintenance, **underlying** CASK **deteriorated 0.6%.** Underlying CASK has deteriorated due to non-fuel operating cost inflation of around 6% across the cost base
- Challenging CASK environment expected to continue into FY25, with limited anticipated capacity growth due to fleet constraints



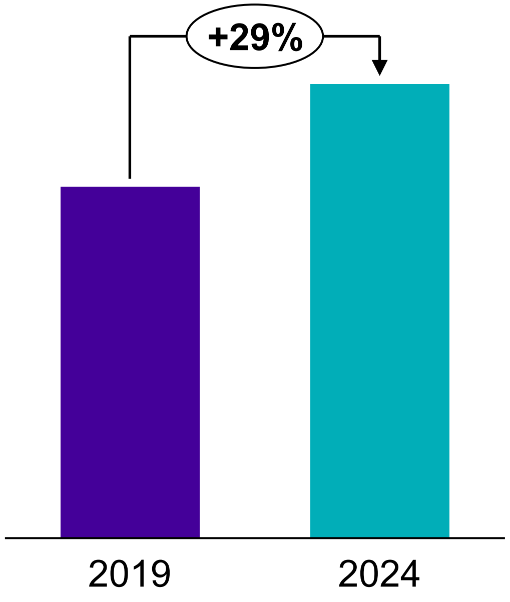
SIGNIFICANT COST INFLATION IN RECENT YEARS

EXPECTED TO CONTINUE INTO FY25

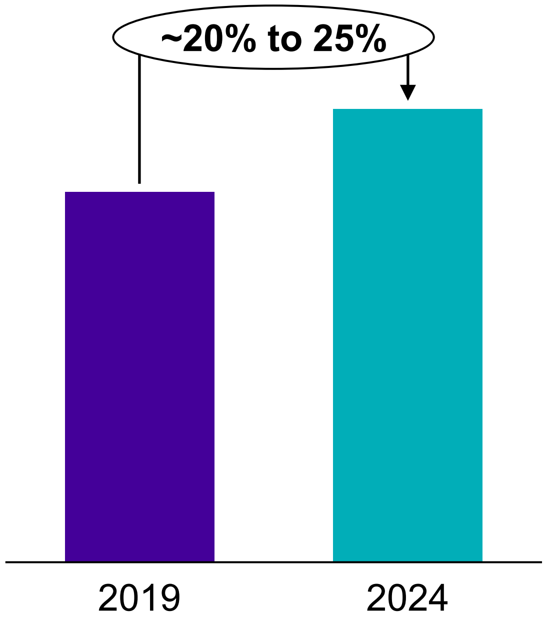
Direct labour[1] (price only)
($ millions)



Variable operating costs[2] (price only)
($ millions)



Total cost base[2] (price only)
($ millions)



Additional commentary

- Landing charges, air navigation fees and engineering materials driving inflationary uplift of 6% for FY24
- Rate only impact on key P&L lines as follows:

	2024 price change
Maintenance, aircraft operations and passenger services	8%
Labour	5%
Sales, marketing and other expenses	5%

[1] Includes pilots, crew, airports and engineering and maintenance.
[2] Excluding fuel.

MITIGATING FUEL PRICE AND FX VOLATILITY THROUGH HEDGING

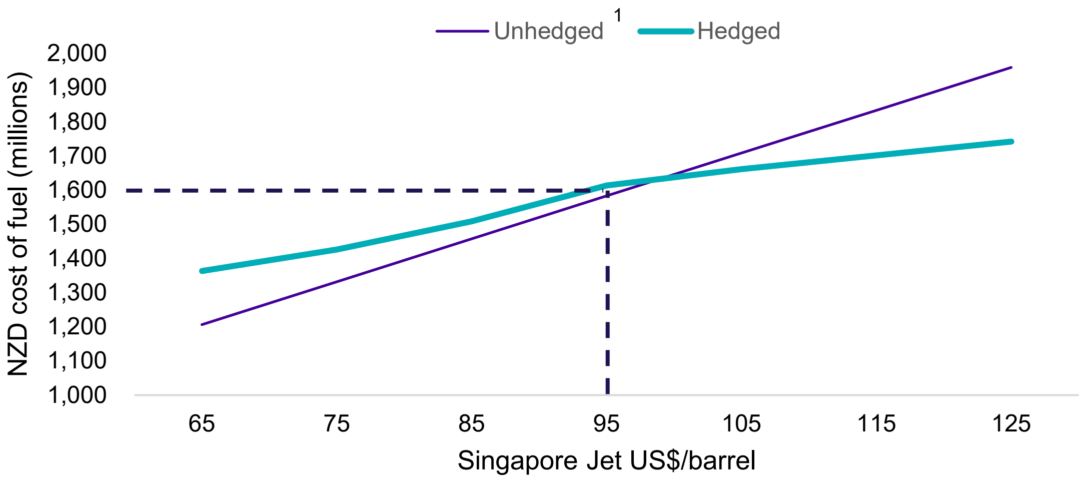
Fuel hedging

- Currently hedging Brent Crude only; exposed to pricing movements in the crack spread
- Hedged with collar structures, with focus on ensuring downside participation in price declines
- Assuming an average jet fuel price of US$95 per barrel for FY25, fuel cost would be ~$1.6 billion[1]
- FY25 hedges cover 73% of estimated volumes of ~8.2 million barrels[2]

Foreign exchange hedging

- US dollar is ~58% hedged for FY25 at 0.6106

2025 Fuel cost[3] sensitivity



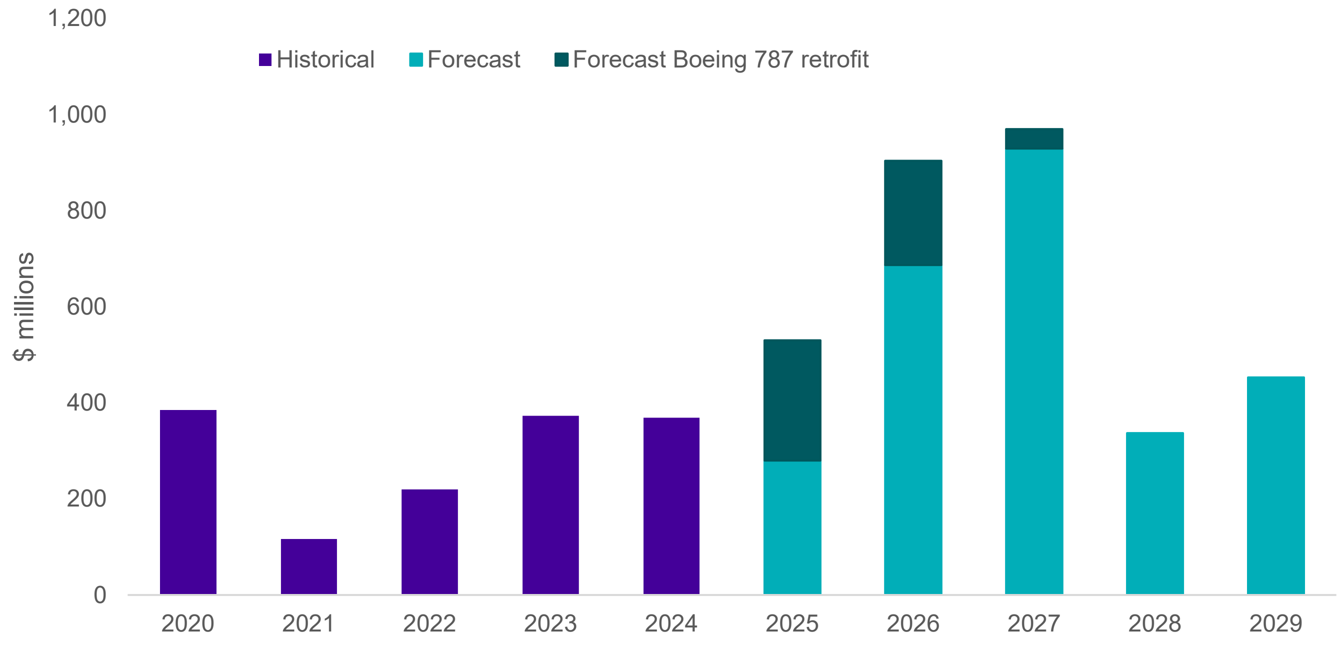
Fuel hedge position (as at 14 Aug 2024)			
Period	**Hedged volume (in barrels)**	**% hedged**	**Net compensation from hedging (USD)[4]**
1H FY25	3,500,000	86%	(~$4 million)
2H FY25	2,500,000	60%	(~$2 million)

1 Includes cost of carbon and the associated hedging portfolio, in addition to SAF purchases.
2 As at 14 Aug 2024
3 Assumes NZD/USD rate of 0.6000.
4 Net compensation from fuel hedges represents the unrealised gains/(losses) on fuel hedges, including the cost of the hedges and is in USD.

FLEET INVESTMENT UPDATE

FORECAST DELIVERY PROFILE STRETCHES 787 ORDER OUT TO FY29

Actual and forecast aircraft capital expenditure[1]



- Forecast investment of **$3.2 billion** in aircraft and associated assets through to 2029
- **Re-phasing of 787 order** updated from the profile provided at the 2024 Interim result[2]:
  - FY26: 2 aircraft instead of 4
  - FY27: 3 aircraft instead of 2
  - FY28: 1 aircraft instead of 2
  - FY29: 2 aircraft
- Chart includes the forecast cost of interior retrofit of 14 existing 787 aircraft from 2024
  - **Estimated cost of ~$500 million** phased over the next ~3 years
  - First retrofit currently expected to **be in-service from early calendar 2025**
- Relatively young widebody fleet age of ~9-10 years
  - Although existing 777-300 fleet (7 aircraft) could remain operational towards 2030

[1] Includes progress payments on aircraft and aircraft improvements (e.g. refurbishment); excludes engine maintenance. Please refer to slide 30 for fleet delivery table.
[2] Based on expected delivery dates, not contractual delivery dates.

OUR CAPITAL MANAGEMENT FRAMEWORK DRIVES FINANCIAL RESILIENCE AND SUSTAINABLE SHAREHOLDER VALUE

SOLID PROGRESS IN FY24 TO MOVE TOWARDS OUR TARGETS

Maintain financial resilience and flexibility

- Target liquidity range of $1.2 billion to $1.5 billion
- Net Debt to EBITDA ratio of 1.5x to 2.5x

Underpinned by our commitment to maintain investment grade credit rating metrics

Invest in core operations

- Fleet and infrastructure investments above WACC through the cycle
- Investment to support the airline's decarbonisation ambitions

Distributions

- Ordinary dividend pay-out ratio of 40% to 70% of underlying net profit after tax (NPAT)
- Return excess capital via special dividends or share buybacks

Growth capex

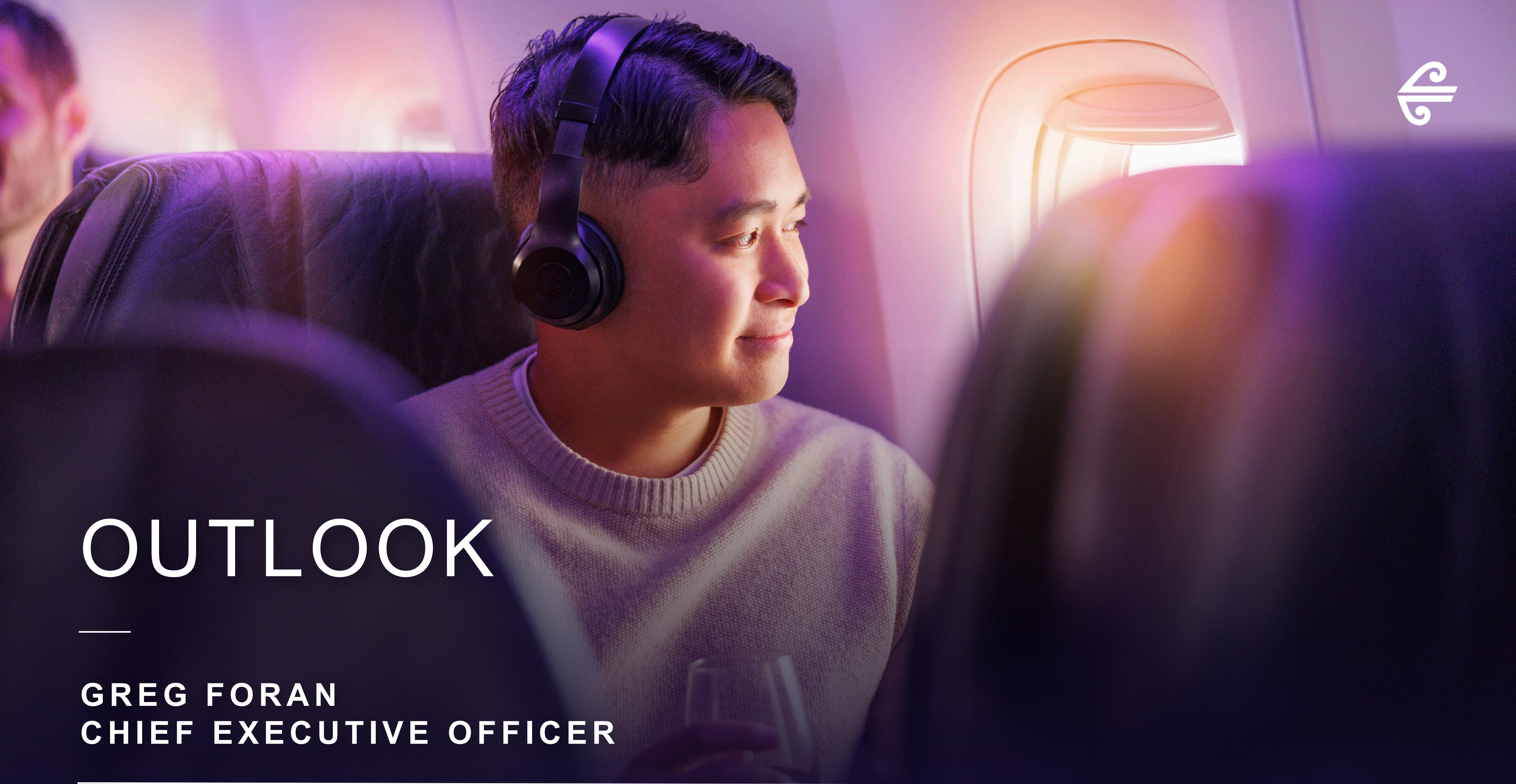
- Disciplined investment in value accretive capex
- Target ROIC above pre-tax WACC

PROGRESS MADE IN FY24

- Cash purchase of two domestic A321neo aircraft
- Establishment of new $250 million revolving credit facility to supplement liquidity, replacing unsecured committed Crown Standby Facility cancelled in Mar 24
- Early repayment of select aircraft debt

- Major progress on Auckland jet base and 787 interior programmes
- Investment in battery electric and hybrid ground service equipment (GSE)

- ~$200 million 2023 special dividend paid
- ~$70 million unimputed ordinary interim dividend paid
- ~$50 million unimputed ordinary final dividend declared



OUTLOOK

GREG FORAN
CHIEF EXECUTIVE OFFICER

FY25 CAPACITY TEMPORARILY CONSTRAINED BY AIRCRAFT AVAILABILITY

Sector	2024 ASKs (millions)	1H 2025 (vs 1H 2024)	2H 2025 (vs 2H 2024)	2025 Estimated Capacity[1]
Domestic	6,620	Flat	0% to 5% up	0% to 3% up
Tasman and Pacific Islands	11,655	Flat	0% to 5% up	0% to 3% up
International long-haul	23,792	0% to 5% down	0% to 3% up	0% to 3% down
Group	**42,067**	**0% to 3% down**	**0% to 3% up**	**Down 1% to flat**

Equates to ~92% of pre-Covid capacity

[1] Compared to FY24 levels. Based on expected delivery dates, not contractual delivery dates. Subject to a high degree of uncertainty based on the ongoing extended maintenance requirements on our A321neo and 787 fleet.

2025 OUTLOOK

We have outlined a number of trading conditions that have significantly impacted our result for the second half of the 2024 financial year, in particular the tougher economic backdrop in New Zealand driving softness in demand, the cumulative impact of inflationary cost pressures, the impacts of aircraft availability issues and significant competition on our US network.

We expect these trading conditions to remain similar through the first half of the 2025 financial year. Given the ongoing uncertainty, the airline is not providing guidance at this time.

AIR NEW ZEALAND

Thank you

A STAR ALLIANCE MEMBER

SUPPLEMENTARY INFORMATION

CARGO PERFORMANCE

- Cargo revenue of **$459 million**, **down 27%** on prior year but **up 18%** on pre-Covid levels. Key drivers include:
  - Volume up driven by significant capacity growth, particularly in international long-haul
  - No cargo-only flying in FY24
  - Prior year figure includes $98 million in Government supported cargo flights
  - Increased competition as international carriers returned to the market

Cargo revenue down 27% driven by:	
Volumes	19%
Yields	(30%)
Government support	(16%)

KEY CAPITAL MANAGEMENT METRICS

	30 Jun 2024	30 Jun 2023	Capital management targets (effective from FY24)[1]
Gross debt[2]	(2,816)	(3,335)	
Cash, restricted deposits and net open derivatives[2]	2,044	2,928	
Net debt[2]	(772)	(407)	
Gross debt/EBITDA	2.9x	2.5x	
Net debt/EBITDA	0.8x	0.3x	Net Debt to EBITDA ratio of 1.5x to 2.5x
Gearing	27.7%	16.4%	
Return on invested capital (ROIC)	9.7%	22.3%	Target ROIC above pre-tax WACC
Total liquidity[2]	1,529	2,627	Target liquidity range of $1.2 billion to $1.5 billion
Moody's rating	Baa1 stable (investment grade)	Baa2 stable (investment grade)	Investment grade
Shareholder distributions declared	2.0 cps interim and 1.5 cps final unimputed ordinary dividends	6.0 cps special dividend	Ordinary dividend payout ratio of 40% to 70% of underlying net profit after taxation (NPAT)[3]

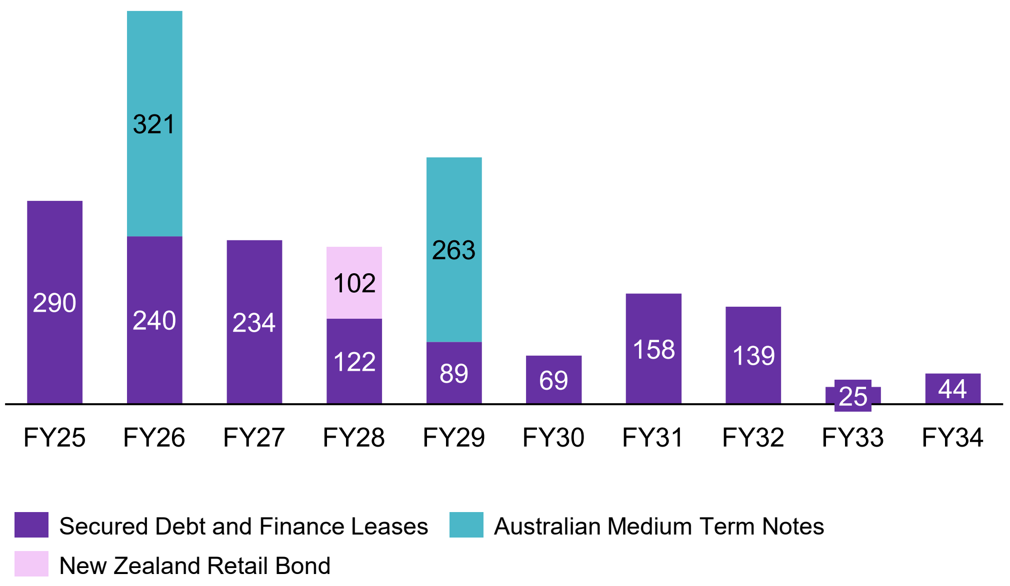
1 Please see slide14 for more information on the capital management framework.
2 In $ millions.
3 NPAT is calculated on a rolling twelve-month basis.

DEBT STRUCTURE AND MATURITY PROFILE

Capital structure as at 30 Jun 2024

- Gross Debt of $2.8 billion comprising:
  - ~$1.4 billion secured aircraft debt and finance leases[1]
  - $720 million operating leases[1]
  - $686 million unsecured NZD bond and AUD notes
- Cash of ~$1.3 billion, restricted deposits of $780 million and net open derivatives of ($15) million
- Net Debt of ~$0.8 billion
- Undrawn $250 million Revolving Credit Facility, expiring May 2027
- Weighted average debt and finance lease maturity of ~3.4 years[2]

Debt maturity profile as at 30 June 2024
($ millions)



[1] Finance leases are lease liabilities with purchase options. Operating leases are lease liabilities without purchase options.
[2] Weighted average life of secured aircraft debt, finance leases and unsecured debt. Excludes operating leases.

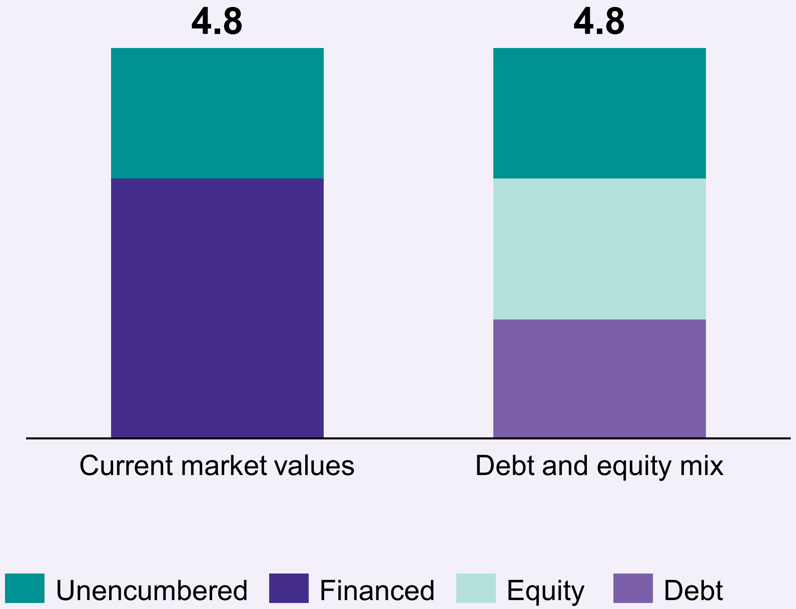
UNENCUMBERED AIRCRAFT OF ~$1.6 BILLION

Unencumbered aircraft as at 30 Jun 2024

777-300ER		1x
787-9		1x
A320/321neo		7x
A320ceo		11x
ATR72-600		6x
Q300		23x

Aircraft values and capital mix

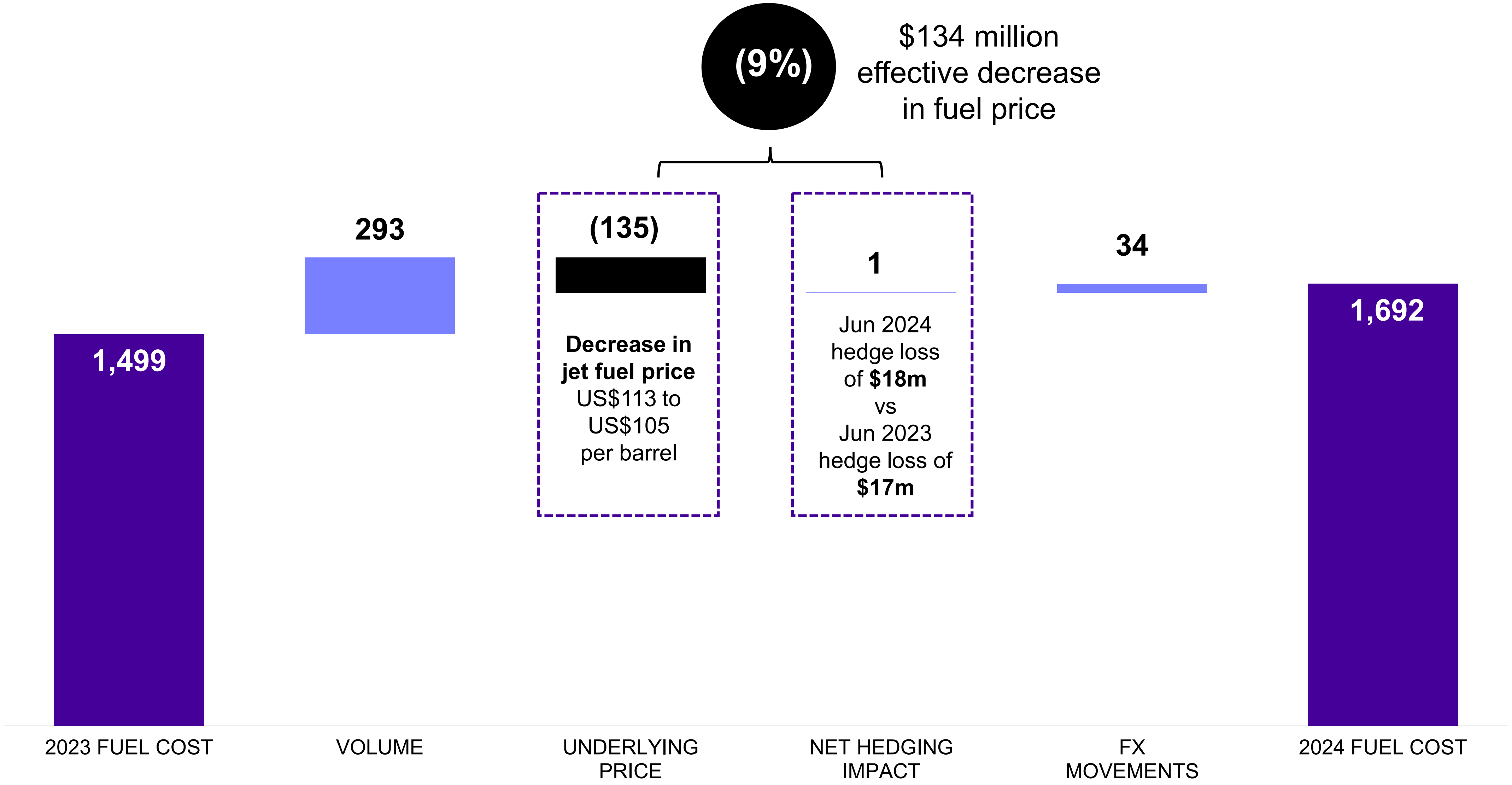
($ billions[2,3])



In addition to $1.6 billion in unencumbered aircraft, there is significant equity value within financing structures[1].

[1] Excludes spare engine assets and operating leases (leases without a purchase option).
[2] Aircraft valuations based on Aircraft Value Analysis Company Limited (AVAC) as at 30 June 2024. Aircraft valuations are subject to market conditions, aircraft condition, FX rates, technology advancement and other factors.
[3] Aircraft values are in USD and converted to NZD at June 2024 balance sheet rate of 0.6080. Foreign currency denominated debt outstanding as at 30 June 2024 also converted to NZD at balance sheet rates (JPY: 97.75, EUR: 0.5690).

FUEL COST MOVEMENT



FINANCIAL OVERVIEW

	Jun 2024 $M	Jun 2023 $M	Movement $	Movement %
Operating revenue	6,752	6,330	422	7%
Earnings before taxation	222	574	(352)	(61%)
Net profit after taxation	146	412	(266)	(65%)
Operating cash flow	810	1,853	(1,043)	(56%)
Cash position	1,279	2,227	(948)	(43%)

GROUP PERFORMANCE METRICS

	Jun 2024	Jun 2023	Movement[1] %
Passengers carried ('000s)	16,460	15,776	4%
Available seat kilometres (ASKs, millions) – passenger flights	42,067	34,281	23%
Available seat kilometres (ASKs, millions) – passenger and cargo-only flights	42,067	35,961	17%
Revenue passenger kilometres (RPKs, millions)	34,285	29,032	18%
Load factor	81.5%	84.7%	(3.2 pts)
Passenger revenue per ASKs as reported (RASK, cents)	14.1	15.6	(10%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	14.1	15.6	(10%)
Passenger revenue per ASKs excluding FX and unused credit breakage (RASK, cents)[2]	13.9	15.6	(11%)

[1] Calculation based on numbers before rounding.
[2] This is RASK excluding $90 million in unused customer credit breakage which has been recognised within passenger revenue in FY24.

DOMESTIC

	Jun 2024	Jun 2023	Movement[1] %
Passengers carried (‘000s)	10,721	10,946	(2%)
Available seat kilometres (ASKs, millions) – passenger flights	6,620	6,685	(1%)
Revenue passenger kilometres (RPKs, millions)	5,571	5,679	(2%)
Load factor	84.2%	84.9%	(0.7 pts)
Passenger revenue per ASKs as reported (RASK, cents)	29.6	28.7	3%
Passenger revenue per ASKs, excluding FX (RASK, cents)	29.5	28.7	3%
Passenger revenue per ASKs excluding FX and unused credit breakage (RASK, cents)[2]	29.3	28.7	2%

[1] Calculation based on numbers before rounding.
[2] This is RASK excluding ~$15 million in unused customer credit breakage which has been recognised within passenger revenue in FY24.

TASMAN & PACIFIC ISLANDS

	Jun 2024	Jun 2023	Movement[1] %
Passengers carried ('000s)	3,811	3,352	14%
Available seat kilometres (ASKs, millions) – passenger flights	11,655	10,237	14%
Revenue passenger kilometres (RPKs, millions)	9,831	8,707	13%
Load factor	84.3%	85.1%	(0.8 pts)
Passenger revenue per ASKs as reported (RASK, cents)	13.0	14.4	(10%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	13.1	14.4	(9%)
Passenger revenue per ASKs excluding FX and unused credit breakage (RASK, cents)[2]	12.9	14.4	(10%)

[1] Calculation based on numbers before rounding.
[2] This is RASK excluding ~$17 million in unused customer credit breakage which has been recognised within passenger revenue in FY24.

INTERNATIONAL LONG-HAUL

	Jun 2024	Jun 2023	Movement[1] %
Passengers carried (‘000s)	1,928	1,478	30%
Available seat kilometres (ASKs, millions) – passenger flights	23,792	17,359	37%
Revenue passenger kilometres (RPKs, millions)	18,883	14,646	29%
Load factor	79.4%	84.4%	(5.0 pts)
Passenger revenue per ASKs as reported (RASK, cents)	10.4	11.3	(8%)
Passenger revenue per ASKs, excluding FX (RASK, cents)	10.3	11.3	(9%)
Passenger revenue per ASKs excluding FX and unused credit breakage (RASK, cents)[2]	10.0	11.3	(12%)

[1] Calculation based on numbers before rounding.
[2] This is RASK excluding ~$58 million in unused customer credit breakage which has been recognised within passenger revenue in FY24.

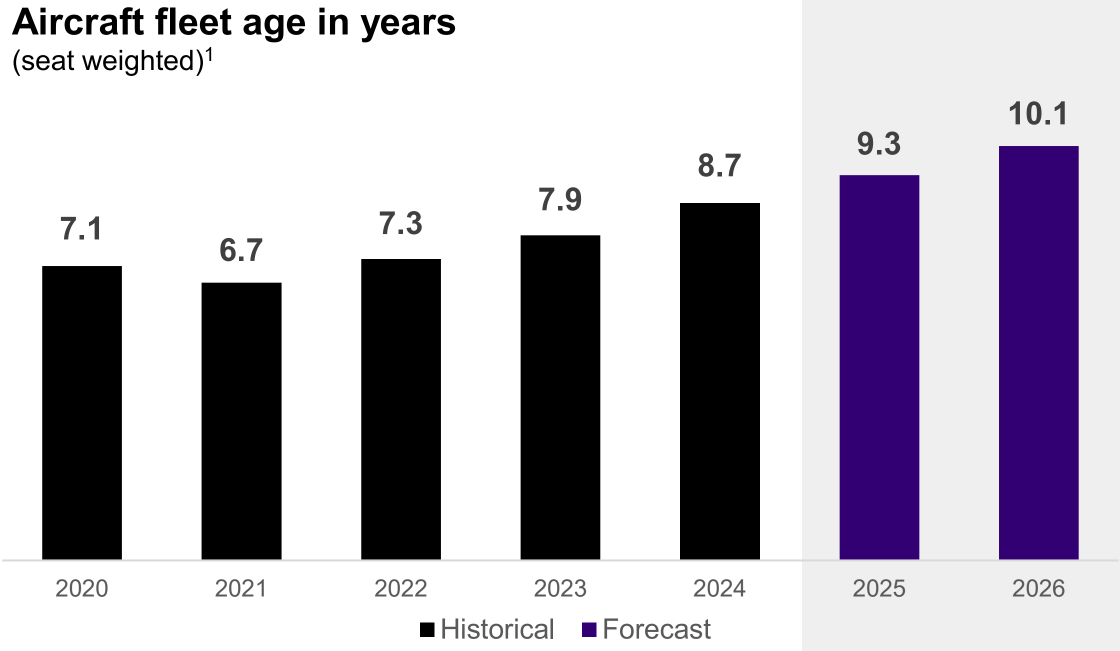
AIRCRAFT DELIVERY SCHEDULE

Aircraft delivery schedule (as at 30 June 2024)[1]

		Number in existing fleet	Number on order	Expected delivery dates (financial year)				
				2025	2026	2027	2028	2029
Owned Fleet on Order	Boeing 787	12	8	-	2	3	1	2
	Airbus A320neo / A321neo	13	2	-	-	2	-	-
	ATR 72-600	29	2	2	-	-	-	-
Operating Leased Aircraft	Boeing 777-300ER	5	1	1	-	-	-	-
	Airbus A320neo / A321neo	5	2	2	-	-	-	-

[1] Delivery table excludes the BETA ALIA CTOL, our first electric aircraft which will enter the fleet as a cargo-only commercial demonstrator from FY26. It should be noted that the table above is based on our assumed delivery schedule. This differs to the contractual delivery dates.

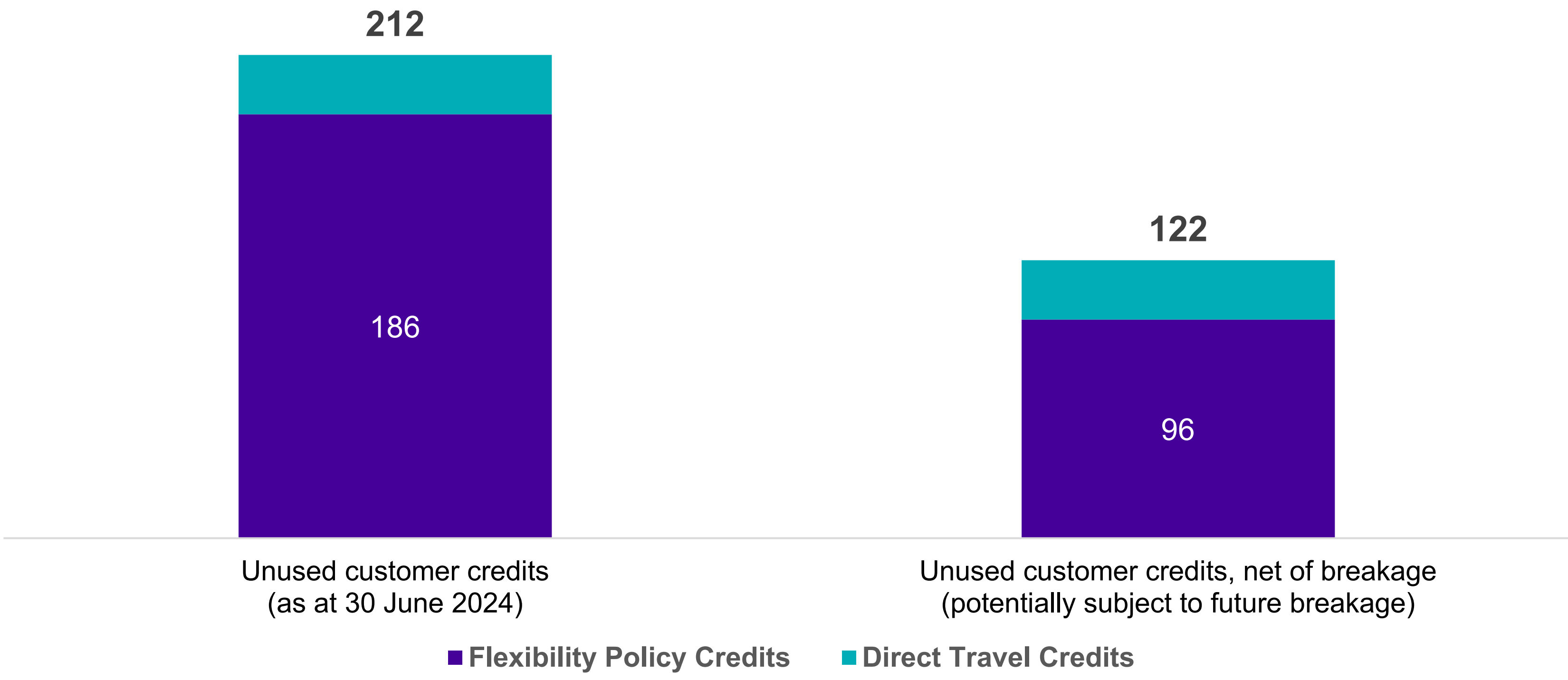
FLEET AGE UPDATE



Fleet type	2024	2025	2026
Boeing 777-300ER[2]	9	10	10
Boeing 787	14	14	16
Airbus A320	17	17	17
Airbus A320/A321neo	18	20	20
ATR72-600	29	31	31
Bombardier Q300	23	23	23
Total Fleet	**110**	**115**	**117**

[1] For 2021 and 2022, excludes the Boeing 777-200ER fleet. Does not include the BETA ALIA CTOL, our first electric aircraft which will enter the fleet as a cargo-only commercial demonstrator from FY26. Does not include three short-term leased 777-300ER aircraft.
[2] Includes the three short-term leased 777-300ER aircraft.

UNUSED CUSTOMER CREDITS



- As at 30 June 2024, $212 million of unused customer credits were included in Transportation Sales in Advance (compared with 30 June 2023 balance of $282 million)
- Within that $212 million, $186 million relate to a flexibility policy over the January 2020 to September 2022 period
- These outstanding customer credits have expiration dates up to 31 January 2026
- For the FY24 period, breakage of $90 million related to the Flexibility Policy Credits was recognised as Passenger Revenue
- Remaining Flexibility Policy Credits which could potentially be subject to further breakage either in FY25 or FY26 is $96 million

GLOSSARY OF KEY 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)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating earnings before depreciation and amortisation, net finance costs and taxation
Gross Debt	Interest-bearing liabilities and lease liabilities
Net Debt	Interest-bearing liabilities and lease liabilities less bank and short-term deposits, net open derivatives held in relation to interest-bearing liabilities and lease liabilities, and interest-bearing assets
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 revolving facility available to be drawn
Passenger Load Factor	RPKs as a percentage of ASKs
Passenger Revenue/ASK (RASK)	Passenger revenue for the period divided by the total ASKs on passenger flights for the period
Revenue Passenger Kilometres (RPKs)	Number of revenue passengers carried multiplied by the distance flown (demand)

The following non-GAAP measures are not audited: Gearing, Net Debt, Gross Debt and EBITDA. Amounts used within the calculations are derived from the audited Group financial statements and Five-Year Statistical Review contained in the 2024 Annual Report. 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.

FIND INFORMATION ON AIR NEW ZEALAND

Resources

Investor website: www.airnewzealand.co.nz/investor-centre

Monthly traffic updates: www.airnewzealand.co.nz/monthly-investor-updates

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

Sustainability: https://www.airnewzealand.co.nz/sustainability

Contact information

Email: investor@airnz.co.nz

Share registrar: enquiries@linkmarketservices.co.nz

AIR NEW ZEALAND

A STAR ALLIANCE MEMBER™

A STAR ALLIANCE MEMBER

AIR NEW ZEALAND

Annual Report 2024

Contents

About this Report

At Air New Zealand, we are proud of our role in supporting New Zealanders to succeed and thrive at home and around the world.

Since our first flight to Sydney in 1940, a nine-hour journey with just 10 passengers, Air New Zealand has connected millions of New Zealanders and their products to the world.

We have played a key role representing Aotearoa New Zealand on the global stage, with our authentic Kiwi service, operational excellence, and passion for innovation.

In this report, we share the story of our year. Of the innovation and investment, the collaboration and manaaki, and the commitment and professionalism of 11,700 Air New Zealanders. All made much more remarkable given the backdrop of operational and economic challenges that had a significant impact on our financial performance.

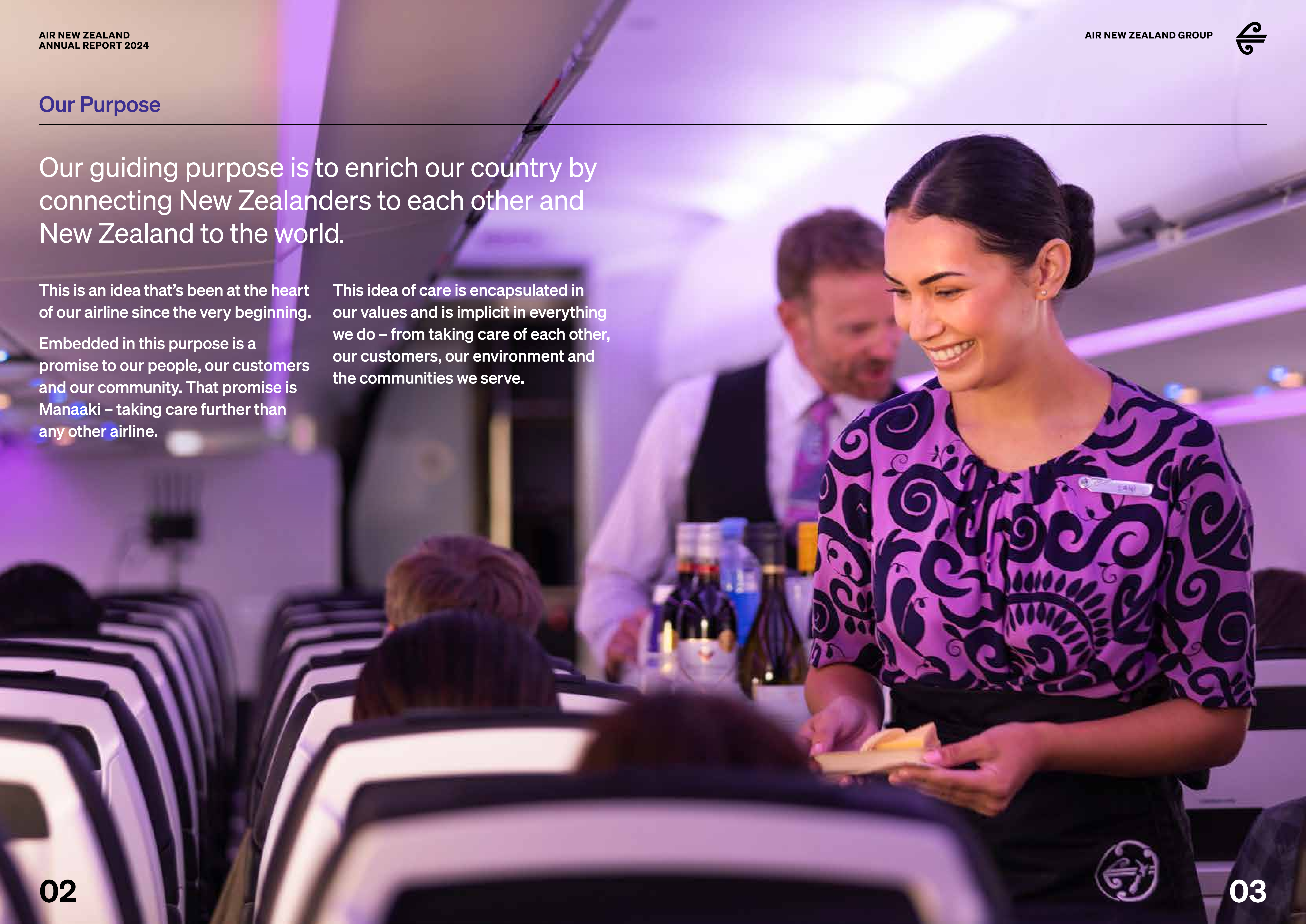
We welcome your feedback on this report. Please send any comments or suggestions to **investor@airnz.co.nz**. A digital version of this report, along with previous annual and interim reports is available at: **airnewzealand.co.nz/financial-information**.

This report covers the financial year ended 30 June 2024 and is dated 29 August 2024. It has been approved by the Board and is signed on behalf of the Air New Zealand Group by Dame Therese Walsh, Chair of the Board, and Greg Foran, Chief Executive Officer.

In conjunction with the Air New Zealand 2024 Climate Statement, this document constitutes the 2024 Annual Report to shareholders of Air New Zealand Limited.

Dame Therese Walsh
Chair

Greg Foran
Chief Executive Officer



Our Purpose

Our guiding purpose is to enrich our country by connecting New Zealanders to each other and New Zealand to the world.

This is an idea that's been at the heart of our airline since the very beginning.

Embedded in this purpose is a promise to our people, our customers and our community. That promise is Manaaki – taking care further than any other airline.

This idea of care is encapsulated in our values and is implicit in everything we do – from taking care of each other, our customers, our environment and the communities we serve.

Air New Zealand at a Glance

At Air New Zealand we provide world-class air passenger and cargo services to, from and within New Zealand.

We operate one of the most comprehensive domestic and regional networks in the world, flying to 20 destinations across New Zealand, offering more than 400 flights every day.

Internationally, our strategic focus and competitive advantage lie within the Pacific Rim where our network reach extends from New Zealand into Australia, the Pacific Islands, Asia and North America. Alongside key global alliance partners, including United Airlines, Singapore Airlines, Cathay Pacific and Air China, we connect New Zealand to more than 600 destinations worldwide.

Our network serves more than 16 million passengers a year and is operated by a fleet of 110 aircraft and around 11,700 employees globally.

* These routes are temporarily suspended.

Performance Highlights

$6.8b
Operating revenue
Up 7% on last year

$146m
Net profit after taxation
Down 65% on last year

$225m
Increase in non-fuel operating costs due to inflation
Up 6% on last year

$120m
Dividends
Declared for the 2024 financial year

0.8x
Net Debt to EBITDA
Compared to a target range of 1.5x to 2.5x

$222m
Earnings before taxation
Down from $574 million, as the cost environment and aircraft availability challenges constrained the result

~$100m
Adverse impact to earnings
Due to aircraft availability challenges, net of compensation

$1.5b
Liquidity
With a target range of $1.2 billion to $1.5 billion

Letter from the Chair and Chief Executive Officer

Dame Therese Walsh
Chair

Greg Foran
Chief Executive Officer

Kia ora koutou

Across the 2024 financial year, our team continued to demonstrate their ability to adapt and innovate, delivering results for our customers in an ever-changing environment.

Despite the near-term challenges, Air New Zealand rolled out new tools and digital enhancements, greater self-service capability and reinvigorated onboard offerings, never losing sight of what we need to do to be a future-fit airline.

Following an exceptional financial performance last year, when pent-up levels of demand and industry-wide capacity constraints drove one of the strongest results in our history, we knew that 2024 would be different.

And while the airline reported a solid result for the first half of the 2024 financial year, the second half proved increasingly challenging as the impact of operating and economic headwinds became more pronounced.

Across the second half, the revenue environment tightened further as the cost-of-living crisis and weaker New Zealand economy started to noticeably impact demand. At the same time, softer corporate and government spend on domestic travel compounded pressure on yields. Intense international competition on our North American network, which saw market capacity increase almost 50 percent for the year, and the cumulative effect of significant cost inflation, further impacted our financial performance.

These issues are each substantial in their own right but have been exacerbated by an unfortunate trifecta of challenges that we currently face with aircraft availability. The accelerated maintenance schedule for Pratt & Whitney PW1100 engines worldwide

Letter from the Chair and Chief Executive Officer (continued)

has meant that up to six of our newest and most efficient Airbus neo aircraft have been out of service at times, and we expect this to persist to some extent across the next 12 to 24 months. Ongoing maintenance requirements on the Trent 1000 engines that power our existing Boeing 787 fleet and reduced levels of spares in the market have meant that up to three of our Dreamliners are also on the ground at times. On top of this, the global aviation supply chain continues to struggle, and we acknowledge there may be some risk of further delivery delays of new 787 Dreamliners from Boeing. While these are not safety issues, they have resulted in more aircraft than anticipated on the ground, and large-scale operational inefficiencies.

We know these challenges are not unique to Air New Zealand. Supply chain and aircraft delivery delays, a lack of engine spares, growing costs and a shortage of key workgroups like aircraft engineers are major issues facing many airlines across the global aviation industry. While we expect these issues to largely resolve within the next two years, they have had a significant impact on our performance this financial year. We have announced earnings before taxation of $222 million for the 2024 financial year and estimate the result would have been around $100 million higher, net of compensation, had we been able to operate our aircraft and network schedule as intended.

We are incredibly proud of our team who quickly took action to limit the impact of these challenges on our customers. We leased three additional aircraft, no easy feat in a market where many carriers globally are searching for aircraft spares. We retrained pilots and crew to align with aircraft availability and made decisions to optimise routes, so we could make the best use of our constrained fleet. We also added resource to the contact centre to support customers as we made necessary adjustments to our schedule and rapidly reestablished the wet lease arrangement with WAMOS. These temporary actions came at a cost, but we know it was the right thing to do for our customers.

Despite the considerable distractions in the current environment, as a business we remain focused on the big picture – controlling what we can, relentlessly focusing on our customers and our people, and investing for the future. Our Kia Mau strategy continues to serve us well, driving improvements in our core capabilities, and we are proud of what has been achieved for our customers and our people so far.

Across the year we rolled out new tools in our digital app, such as the baggage tracking feature, and multiple booking management enhancements which place more self-service capability in our customers hands. Our recently launched Ops Collab platform, which enables instant communication between cabin crew, ground staff and operations control has been a gamechanger for improving our boarding and aircraft turn times. We redesigned check-in areas at Auckland Domestic and International airports, minimising queues and providing a better customer experience. We also rolled out a reinvigorated Seats to Suit product on our international short-haul network to give customers greater flexibility and to ensure we continue to provide good value across all ticket price points.

In the coming months we have some further exciting developments to share. We will be trialling digital bag tags, which will enable customers to track their baggage on a real time basis every step of their travel journey. We recently went live with our new loyalty platform iFly, which will form the foundation of the loyalty scheme of the future. Our new Auckland International Koru lounge design will be finalised, and we are excited to unveil a new world-class lounge offering to customers within the next two years. As aircraft availability issues start to resolve, we are also turning our minds to the network opportunities and potential new routes we may look to serve in the medium to longer term.

We know the last 12 months have been difficult and that our ability to effectively navigate these challenges is due to our incredible people, who are always willing to go the extra mile to deliver for our customers. We want to acknowledge and thank the 11,700[1] strong whānau of Air New Zealanders for their hard work and dedication.

Financial results

Turning to the results, Air New Zealand has delivered earnings before taxation of $222 million for the year. This was an expected decline on the prior year, which benefited from significant pent-up demand as New Zealand's borders reopened.

Passenger revenue increased to $5.9 billion, driven largely by a 23 percent increase in capacity, primarily across

1. Refers to Full Time Equivalent employees.

Letter from the Chair and Chief Executive Officer (continued)

the international long-haul network. Softness in domestic corporate and government demand was experienced from September 2023 and persisted across the remainder of the financial year. Also included within passenger revenue is $90 million of credit breakage for unused customer travel credits that were considered highly unlikely to be redeemed.

Operating costs, including fuel, grew 15 percent driven primarily by increased long-haul flying. US dollar fuel prices declined seven percent, however increased levels of flying and unfavourable foreign exchange movements saw overall fuel costs grow to $1.7 billion.

Cost inflation continues to challenge our productivity efforts, with approximately $225 million of additional non-fuel operating cost headwinds. This represents an uplift of six percent for the year and brings the cumulative impact of inflation across the past five years to around 20 to 25 percent. While growth in the network has provided some

scale benefits in parts of the cost base, productivity remains below the levels achieved pre-Covid as the airline carries extra costs to help manage ongoing disruptions in the supply chain.

Capital Management and Dividends

Management has made good progress this year to move the airline closer to our Capital Management targets. This includes the resumption of ordinary dividends, voluntary early repayment of debt and an increase in unencumbered aircraft.

Liquidity as at 30 June 2024 was $1.5 billion and net debt to EBITDA was 0.8x. In November 2023, Moody's upgraded the airline's investment grade credit rating from Baa2 to Baa1, reflecting the strength of the airline's recovery and reaffirming Air New Zealand's position as one of the highest credit-rated airlines in the world. Maintaining our investment grade rating provides us with continued access to capital at competitive rates, giving us flexibility and resiliency.

On the basis of our ongoing balance sheet strength and the result, the Board is pleased to declare an unimputed final ordinary dividend of 1.5 cents per share, which equates to a payout ratio of 69 percent of the prior 12 month's underlying net profit after taxation. This takes the total dividend to 3.5 cents per share for the year.

Sustainability

In July 2024, after careful consideration, we made the difficult decision to remove our 2030 science-based carbon intensity reduction target and to withdraw from the Science Based Targets initiative (SBTi).

Many of the levers needed to achieve the target, including the availability of new aircraft, the affordability and availability of alternative jet fuels, and global and domestic regulatory and policy support, are outside the airline's direct control and have become increasingly challenging.

Despite withdrawing from the initiative, the workstreams we set up to help us achieve the target continue, including trialing next generation aircraft and ongoing efforts to find cost effective sources of alternative jet fuels. Work has also begun to consider a new near-term carbon emissions reduction target that better reflects the challenges we face with respect to aircraft and alternative jet fuel availability.

Outlook

We have outlined a number of trading conditions that have significantly impacted our result for the second half of the 2024 financial year, in particular the tougher economic backdrop in New Zealand driving softness in demand, the cumulative impact of inflationary cost pressures, the impacts of aircraft availability issues and significant competition on our US network.

We expect these trading conditions to remain similar through the first half of the 2025 financial year. Given the ongoing uncertainty, the airline is not providing guidance at this time.

We remain focused on operating effectively through the current economic and operating conditions.

Our balance sheet is robust, with capacity to prudently manage these headwinds while investing sensibly for the future. We believe in the strength of our plan and our team and are excited about the opportunities ahead as we move out of this current cycle.

The actions we have taken across the year to deliver value for our customers will set us up well for the future, and you can expect both the Board and management to continue to focus on improving returns, while ensuring we stay true to our culture and our commitment to provide a world-class travel experience for our customers.

On behalf of the Board and management, we want to thank our shareholders for your continued support.

Ngā mihi nui.

TMWalsh

Dame Therese Walsh
29 August 2024

GForan

Greg Foran
29 August 2024

Business Highlights

Customer satisfaction

Now back at pre-Covid levels

Proud of our people

As they focus on creating a seamless, quality customer experience

Digital innovation

Making it easier for our team to work collaboratively and enhancing customer service

Record growth in Airpoints™ members

Up 14% to 4.6 million members

Investing in our future

With new fleet, aircraft hangars, digital tools and battery electric and hybrid ground service equipment (GSE)

Improved inflight experience

With new menus, snack selections and inflight entertainment

Reinvigorated Seats to Suit

Providing greater customer flexibility and value

Renewed Premium Check-in experience

With upgraded kiosk technology and improved customer flow in a modern, contemporary space

Leaning into our decarbonisation journey

With our first commitment to a next generation all-electric aircraft, and target for Sustainable Aviation Fuel (SAF)[2] uplift of 10% of our total fuel volumes by 2030

2. Sustainable aviation fuel is a form of alternative jet fuel referred to as SAF by the United Nations, national governments and the aviation industry. For further information on the definition of SAF, please refer to pages 27 and 49 of Air New Zealand's 2024 Climate Statement.

Elevating inflight dining

This year we kicked off a culinary journey to elevate our onboard dining experience. Our goal? To redefine inflight dining and showcase the very best of New Zealand's culinary scene to our passengers.

Our adventure started with the Great Kiwi Snack Off – a nationwide search for the tastiest onboard snacks. Over 400 Kiwi businesses answered the call, flooding us with delicious options. A panel of "snackperts" – chosen from thousands of applicants – tasted their way through the submissions, ensuring only the most exceptional snacks made it onboard. Chocolate dipped pretzels and almonds, tangy lemon meringue coated popcorn, and crunchy dried cheese are just a few of the delicious treats that are now tempting our passengers.

Our journey continued with the launch of "A Taste of Aotearoa," our premium inflight dining menu. This is a testament to the exceptional produce and ingredients grown here in New Zealand. From our exclusively New Zealand wine list to our carefully curated beverage menu showcasing local spirits and craft beer, every bite and sip is a celebration of Kiwi flavours.

The result – a refreshed inflight dining experience that celebrates New Zealand's culinary heritage and delights passengers. By showcasing the best of New Zealand's food and beverage offerings, we aim to provide our passengers with an unforgettable inflight experience.

Homegrown app streamlining airport operations

With more than 16 million passengers arriving and leaving on our flights each year, efficient communication is the key to ensuring a seamless and smooth operation.

The launch of Ops Collab, a new homegrown app, has revolutionised the way our airport teams connect with each other. Our people can now easily and instantly communicate via the app on their mobile device, co-ordinating plane arrival and departures, with passenger boarding and disembarking. The app eliminates the need for lengthy, multi-step communication processes and ensures everyone is on the same page.

Ops Collab is proving to be a game-changer for our people, reducing boarding times, improving customer service, and enhancing overall efficiency. By further leveraging the power of digital technology, we've transformed the way our teams work, resulting in a more efficient and customer-focused operation.

Business Highlights (continued)

A new check-in experience

The transformation of our check-in areas at Auckland International Airport is part of the airline's ongoing commitment to improving our customer experience.

With upgraded kiosk technology, more options to self-serve and improved flow, passengers can now enjoy a smoother check-in process. Not only that, a new one-click check-in option on the Air New Zealand app allows customers to complete as much of the check-in process as possible before leaving home. This not only saves time but also creates a more relaxed and enjoyable start to the travel experience.

The premium check-in area at Auckland International Airport has also undergone a complete redesign, creating a welcoming and sophisticated space that reflects the unique spirit of Aotearoa New Zealand. With natural elements like a living wall and a digital wall showcasing bespoke art and music, the area now feels larger and more inviting.

The refreshed check-in is the beginning of a new look and feel for Air New Zealand's physical spaces, expressing the unique diversity, vibrancy, and personality of our country.

Our Strategy

Our Strategy

Kia Mau

The strategy that guides us is called Kia Mau, which means "get ready and remain steadfast". The aviation sector is dynamic, with externalities such as competition, economic conditions and supply chain uncertainty driving the need for business agility. At the same time, customer expectations for seamless travel with excellent service are valued more than ever – and that is our opportunity.

The Kia Mau strategy outlines how we will step change our customer proposition to deliver sustainably stronger financial performance over the medium to long-term, and unlock our full potential.

The Kia Mau strategy has three drivers of profit enhancement – growing our domestic business, elevating our international business and lifting the value of our Airpoints™ loyalty programme. Supporting these drivers are four important enablers that guide our efforts – Brilliant Basics, Serious about Sustainability, Digital Dexterity, and Prioritising People and Safety.

Grow Domestic

Our domestic business is core to Air New Zealand's purpose and provides critical infrastructure to connect New Zealand. Through decades of investment in fuel efficient aircraft, modern lounges and innovative digital products, we have sustained strong market share of approximately 85 percent. We do not take our position as the national airline for granted, and continuing to grow our domestic network while delivering a world-class service is a key strategic priority.

Elevate International

Elevating our international business allows us to connect New Zealand with the world, by flying to destinations where our core New Zealand customers want to travel, and to markets that will enhance New Zealand's tourism and economic ambitions. Profitable international growth will leverage the considerable investment in aircraft, new product and service offerings on-board and strong alliance partnerships to ensure we are fulfilling our promise as a premium-leisure carrier. Cargo is a key component of our international network strategy.

Lift Loyalty

Our Airpoints™ loyalty programme is ubiquitous in New Zealand, with over 4.6 million members, which essentially means there is one Airpoints™ member for every New Zealand household. The popularity of our programme and our member engagement enables both increased airline revenue and additional profit streams from our valued partners.

To deliver the profit potential across these three areas, we are focused on continuously improving on four enablers:

Brilliant Basics

Brilliant operational execution is the foundation for an exceptional customer experience. For us, Brilliant Basics means world-class operational performance and service for our customers so they will choose to fly with Air New Zealand. To execute on this promise, we are building new proprietary digital tools, leveraging predictive maintenance technology across our fleet, developing more self-service options for customers via our app and implementing new ways of working for our airport teams which is focused on improving our on-time performance for customers.

Serious about Sustainability

Achieving our sustainability ambitions is critical to our long-term success, however we know that targeting net zero emissions will be incredibly challenging for the aviation industry. We are focused on investments in next generation and new generation aircraft, Sustainable Aviation Fuel (SAF), and operational efficiencies to reduce our fuel burn and waste.

Digital Dexterity

We aspire to be the world's leading digital airline. That means investing in innovations and digital infrastructure that make life easier for our customers and our people – from the moment they start planning their trip or turn up to work for their shift, to the moment they exit the aircraft.

One of the objectives of our cross-functional operating model is to embed digital capability and thinking across all parts of Air New Zealand.

Prioritising People and Safety

Our number one priority is ensuring that our customers get to and from their destinations safely and that the health, safety and wellbeing of our people is at the forefront of every decision we make.

Our people have proven time and time again to be the secret to our success. We have a strong legacy of Air New Zealanders who go the extra mile for our customers. This is what makes our service offering so unique and we will continue to drive a strong culture to sustain our world-class customer offering.

Progress to date

We are now two years into our strategy and have seen significant improvements to our core capabilities and delivery on our objectives.

The table to the right highlights our key opportunities across each of the drivers and provides detail on some of our achievements in the 2024 financial year.

Profit Drivers	Select 2024 Achievements	Looking ahead, opportunities on our strategic roadmap include:
Grow Domestic	• New and enhanced self-service offerings via the app • Investments in new and efficient ground service equipment • Purchase of two new domestic A321neos	• Offering our customers new and enhanced products • Driving lower costs for our customers through adding larger and more efficient fleet across the network • Growing our regional connectivity with additional services on high demand routes • Improved utilisation of our network schedule and aircraft to provide customers with more flying choices
Elevate International	• Reinvigorated Seats to Suit offering • Redesigned premium check-in at Auckland Airport • Renewed the Singapore Airlines alliance for a further 5 years • Refreshed the Boeing 777 interiors • Enhanced our inflight entertainment and onboard food offerings	• Retrofitting our 14 existing Boeing 787 Dreamliners with new interiors and an increased number of premium cabin seats • Delivery of new GE-powered Boeing 787 Dreamliners and A321neos • Offering new and improved products and services for our customers • Growing existing and new international markets with new fleet and in conjunction with alliance partners • Upgrade of our cargo management system
Lift Loyalty	• Retail partnership ecosystem grew by four partners • Growth in volume of products in store – now at 13,000 items • Finalise preparation for launch of iFly platform	• Investing further in the member experience, including enhanced benefits and increased personalisation of offers and services • Growing our portfolio of Airpoints™ proprietary offerings to customers such as the Airpoints™ Store • Enhancing the value customers realise through paying for flights with Airpoints Dollars™
Enablers	**Select 2024 Achievements**	**Looking ahead, opportunities on our strategic roadmap include:**
Brilliant Basics	• Launched a series of digital tools to support operational and customer service excellence, such as a new flight planning system and workforce collaboration tools to improve on-time performance • Investment in core airport and engineering infrastructure	• Further use of live chat channels for customers • Improved customer options in the event of flight disruptions • Optimising aircraft maintenance to improve schedule reliability • Upgrade of airport and engineering infrastructure
Serious about Sustainability	• Purchase of first battery-powered, all-electric aircraft • Procured 0.4 percent of annual fuel consumption from SAF, with a view to uplift 10 percent of 2030 fuel volumes	• Induction of the all-electric Alia aircraft, to carry select cargo on the Domestic network • Increase pricing and volume certainty for future SAF volumes through appropriate offtake agreements • Improved operational procedures to reduce fuel consumption across fleets
Digital Dexterity	• Multiyear upgrade of digital platforms and tooling • Over 50 artificial intelligence proof of concept trials undertaken	• Continued transition to modern and scalable digital infrastructure • Investment in further artificial intelligence applications
Prioritising People and Safety	• 13 union agreements ratified • New Mangōpare pilot cadetship launched • Winning the Safeguard New Zealand Workplace Health & Safety Award	• Increased investment in learning and training across the airline • Expand Mangōpare pilot cadetship programme • Building Air New Zealand's culture of health and wellbeing • Continued investment in our agile and lean operating model, including in operational areas

Our Financial Performance

Financial Commentary

Air New Zealand has reported earnings before taxation of $222 million for the 2024 financial year compared to $574 million last year.

The weaker economic backdrop in New Zealand drove a further deterioration in domestic demand in the second half, particularly for corporate and government segments. This decline in demand, together with the requirement for accelerated engine maintenance across the airline's Boeing 787 Dreamliner and Airbus A321neo fleets and elevated competition from US carriers, impacted the financial result this year. Net profit after taxation was $146 million.

Revenue

Operating revenue for the year increased 6.7 percent to $6.8 billion due to a significant ramp-up in capacity on the airline's international long-haul routes. Excluding the impact of foreign exchange, operating revenue increased 6.3 percent.

Total capacity (Available Seat Kilometres, ASK) increased 17 percent, reflecting the full resumption of flying including the Boeing 777-300ER fleet which was previously grounded due to Covid-19. Capacity, excluding cargo-only flying in the prior year, increased 23 percent. This capacity represents approximately 90 percent of the airline's pre-Covid network.

Passenger revenue grew 11 percent to $5.9 billion as a result of increased international flying. Demand (Revenue Passenger Kilometres, RPK) increased at a slower rate than capacity, resulting in a load factor of 81.5 percent, a decrease of 3.2 percentage points from the prior year. Revenue per Available Seat Kilometre (RASK) decreased 9.8 percent excluding foreign exchange, as both load factors and yields were impacted by the significant growth in international long-haul. This includes the impact of unused customer credit breakage of $90 million which was recognised within passenger revenue in the current financial year. Excluding credit breakage, RASK decreased 10.9 percent excluding foreign exchange.

Capacity across the international long-haul network increased by 37 percent, as the prior year was impacted by the phased return of grounded Boeing 777-300ER aircraft and the gradual removal of border restrictions for some Asian markets. Demand grew at a slower rate than capacity due to significantly increased market capacity growth particularly between New Zealand and the United States. This resulted in a 5.0 percentage point decline in international long-haul load factors to 79.4 percent. International long-haul RASK decreased by 11.5 percent excluding credit breakage and the impact of foreign exchange. Changes in foreign exchange resulted in a 0.7 percent improvement in reported RASK during the year.

International short-haul capacity increased by 14 percent, driven by more widebody flying to Australia and the Pacific Islands. This additional capacity, alongside increased competition, meant that total market capacity grew at a faster rate than demand. Load factors decreased 0.8 percentage points to 84.3 percent and RASK decreased 10.4 percent excluding credit breakage and the nominal impact of foreign exchange.

Domestic capacity decreased 1.0 percent for the year, with up to six jet aircraft removed from service for parts of the year due to the global Pratt & Whitney PW1100 accelerated engine maintenance requirements. Despite this, demand still decreased by more than capacity as macroeconomic conditions in New Zealand softened across the financial year, which significantly impacted the corporate and government customer segments. While load factors decreased 0.7 percentage points to 84.2 percent, Domestic RASK was up 2.1 percent excluding credit breakage and the nominal impact of foreign exchange, due to the reduction in capacity flown.

Cargo revenue was $459 million, a decrease of 27 percent. This was driven by the cessation of the New Zealand Government cargo subsidy scheme in March 2023, as well as an increase in total market cargo capacity into New Zealand as international carriers recommenced flying. Both factors resulted in an overall reduction in cargo yields, despite load factors improving. Foreign exchange had a nominal impact.

$222m
earnings before taxation
down 61% on last year

$90m
revenue benefit
from unused customer credit breakage

$5.9b
passenger revenue
up 11% on last year

Financial Commentary (continued)

Contract services and other revenue was $351 million, a decrease of 0.6 percent, due to reduced third-party maintenance revenue resulting from the closure of the Gas Turbines business, partially offset by increased passenger ancillary services. Foreign exchange had a nominal impact.

Expenses

Operating expenditure increased to $5.8 billion for the year as the airline further restored its international network. Reported costs per ASK (CASK) improved 1.6 percent as a result of lower fuel prices and the change in mix of flying, with a higher proportion of lower CASK long-haul flying compared to the prior year. This was largely offset by broad based inflationary pressure, which led to a $225 million increase in non-fuel operating costs compared to the prior year. Underlying CASK, which excludes the impact of fuel price, foreign exchange and third-party maintenance, deteriorated by 0.6 percent.

Labour costs were $1.6 billion, increasing by 13 percent compared to last year. Full-Time Equivalent labour (FTE) increased 2.0 percent to approximately 11,700. The increase in FTE was driven primarily by the need for increased levels of operational staff to support the return of international long-haul flying. To a lesser extent, extra resources to manage operational and supply chain disruptions also drove the FTE growth. Wage inflation of 5.3 percent contributed to higher labour costs, partly offset by lower provisions for short-term incentive payments in the current year.

Fuel costs were $1.7 billion, increasing 13 percent this year due to a 21 percent or $293 million increase in fuel consumption. The increase in fuel consumption was driven by a mix of greater overall network capacity and higher usage of the Boeing 777-300ER fleet on routes that would otherwise have been served by the more efficient Boeing 787 Dreamliners. A weaker New Zealand dollar also contributed $34 million to the overall increase in fuel costs, as did an increase in the cost of carbon offsets relative to the prior year. These increases were partially offset by a 7.1 percent, or $134 million decrease in the underlying US dollar Singapore Jet fuel price.

Aircraft operations, passenger services and maintenance costs increased $273 million, or 19 percent driven primarily by increased flying activity on international long-haul routes and price inflation, particularly airport charges, air traffic control providers and engineering material supplies. These increases were partially offset by reduced third-party maintenance costs following the wind-down and closure of the Gas Turbines operation.

Sales, marketing and other expenses increased $106 million, up 15 percent due to market development and related activities to support the increase in international flying, in addition to increased digital and contact centre costs.

Ownership costs were $749 million, an increase of $9 million or 1.2 percent from the prior year. Higher depreciation costs associated with new aircraft deliveries and capitalised engine maintenance activity were offset in part by lower net finance costs driven by higher interest rates on cash reserves.

There was an unfavourable movement in foreign exchange hedging resulting in a net $7 million negative impact on the Group result for the period.

Share of Earnings of Associates

Share of earnings of associates were $30 million, a $9 million decrease as supply chain disruptions impacted engine turn-around times and, therefore, earnings from the Christchurch Engine Centre, as well as unfavourable foreign exchange impact.

Cash and Financial Position

Cash on hand at 30 June 2024 was $1.3 billion, a decrease of $948 million on 30 June 2023. This was driven by a combination of lower operating cashflows in the year, scheduled debt and lease payments, dividends and capital management activities to manage cash levels towards the airline's target liquidity range of $1.2 billion to $1.5 billion.

Capital management activities included the purchase of unencumbered aircraft and the early repayment of several secured loans on aircraft during the year. At 30 June 2024 liquidity was $1.5 billion, reflecting cash balances as well as the new commercial revolving standby facility of $250 million, which is undrawn. The new commercial facility replaces the undrawn Crown Standby loan facility that was in put in place during Covid and subsequently cancelled in March 2024.

The airline's liquidity position does not include restricted cash, of which approximately $300 million is part of a commercial arrangement to provide security over New Zealand-based credit card obligations. The airline can choose to adjust the level of security at regular intervals during the year, which would result in an increase in cash on hand and overall liquidity.

Cashflow and Debt

Operating cash flows were $810 million, a decline of $1.0 billion on the prior year, reflecting both lower EBITDA[1] and adverse working capital movements driven by a reduction in revenue in advance. In the prior year, pent-up levels of demand and industry-wide capacity constraints drove high levels of revenue in advance. At the same time, operating costs were lower as the international network continued to ramp up. This resulted in higher operational cash flows in the prior year.

Net debt to EBITDA increased to 0.8x, which remains favourable to the airline's target leverage range of 1.5x to 2.5x. The Board will continue to review appropriate tools to prudently transition this metric into the target range.

Distributions

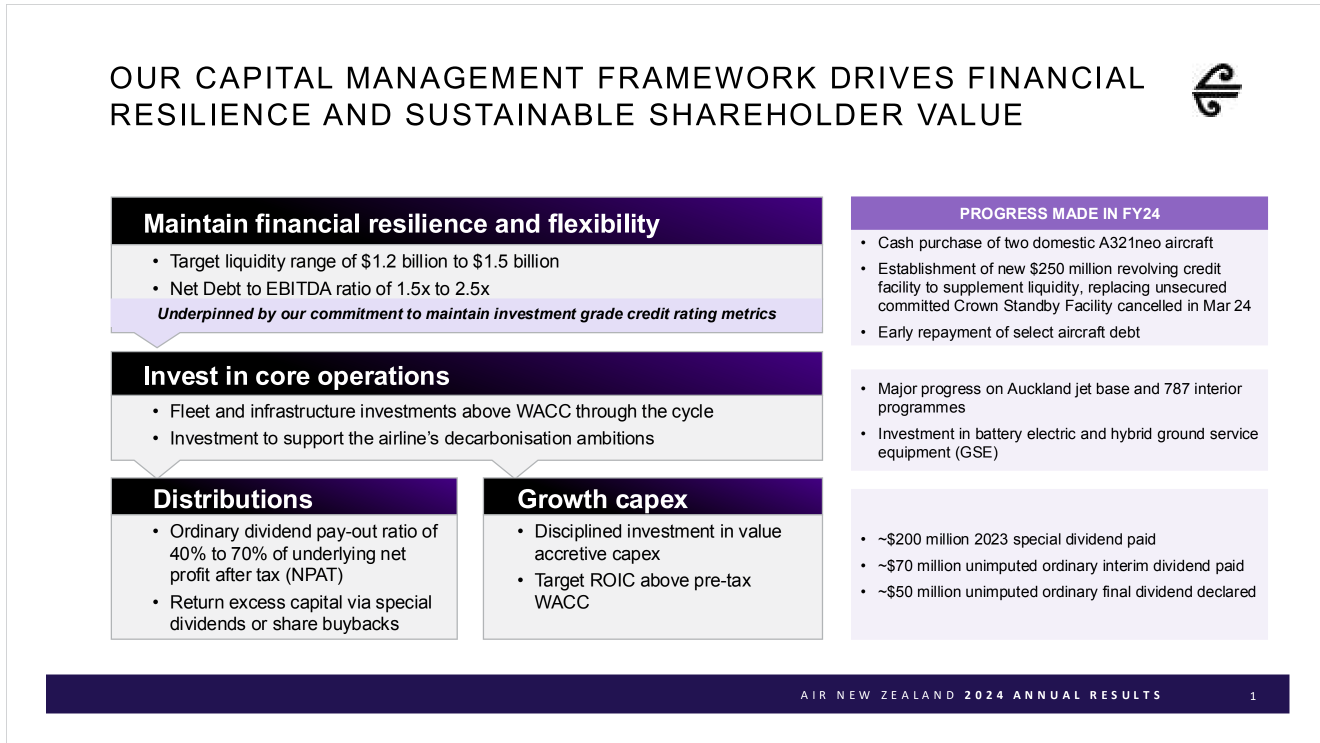
On the basis of the airline's balance sheet strength and result for the year, the Board has declared an unimputed ordinary final dividend of 1.5 cents per share, taking the total ordinary dividends declared for the year to 3.5 cents per share. The dividend will be paid on 26 September, to shareholders on record as at 13 September.

1.5cps
ordinary final unimputed dividend

Dividend record date
13 September 2024

Ex-dividend date
12 September 2024

Dividend payment date
26 September 2024



1. EBITDA refers to operating earnings before depreciation and amortisation, finance costs and taxation.

Financial Summary

	UNIT	2024	2023
Operating revenue	$m	6,752	6,330
Passenger revenue	$m	5,942	5,349
Operating expenditure	$m	5,811	5,044
Labour	$m	1,629	1,441
Fuel	$m	1,692	1,499
Depreciation and amortisation	$m	716	695
Earnings before taxation	$m	222	574
Net profit after taxation	$m	146	412
Basic and diluted earnings per share	cps	4.3	12.2
Dividends declared	cps	3.5	6.0
Dividends paid	$m	276	-
Net cash flow from operating activities	$m	810	1,853
Net cash flow used in investing activities	$m	822	916
Cash and cash equivalents at the end of the year	$m	1,279	2,227
Total assets	$m	8,548	9,195
Total liabilities	$m	6,538	7,116
Total equity	$m	2,010	2,079
Net debt to EBITDA	times	0.8	0.3

Change in Profitability

The key changes in earnings, after isolating the impact of foreign exchange movements, are set out in the table below[2]:

June 2023 earnings before taxation	**$574m**	
Passenger capacity	$902m	- Capacity increased by 23 percent (excluding cargo-only flights) due to the restart of the international network and return of widebody aircraft from storage following the removal of Covid-19 travel restrictions. Including cargo-only flights capacity increased by 17 percent. - Domestic capacity decreased 1 percent due to the impact of the global Pratt and Whitney engine issue on the A321neo fleet. - International short-haul capacity increased 14 percent following the restart of routes and greater widebody flying across the Tasman and the Pacific Islands as aircraft were returned from storage. - International long-haul capacity increased 37 percent as border restrictions were lifted and B773 aircraft capacity was returned to the network through higher aircraft utilisation and the return of aircraft from storage.
Passenger RASK	-$416m	- Overall Group Revenue per Available Seat Kilometre (RASK) decreased by 10.9 percent excluding foreign exchange and unused credit breakage due to growth in international long-haul flying. The comparative period was impacted by high passenger demand in a capacity constrained market following the Covid pandemic recovery. Load factors decreased by 3.2 percentage points to 81.5 percent. - Domestic RASK increased by 2.1 percent excluding foreign exchange and unused credit breakage with load factor decreasing 0.7 percentage points to 84.2 percent. RASK was impacted by a reduction in capacity flown as well as lower demand from corporate and government segments due to softening macroeconomic conditions and travel around the New Zealand general elections. - International short-haul RASK decreased by 10.4 percent excluding foreign exchange and unused credit breakage with load factor decreasing 0.8 percentage points to 84.3 percent. Fares moderated following a period of strong pent-up demand in the prior year along with a return of airline capacity to the market. - International long-haul RASK decreased by 11.5 percent excluding foreign exchange and unused credit breakage with load factors decreasing 5.0 percentage points to 79.4 percent. During the period there was a significant increase in market capacity along with customer demand returning to more normalised levels.
Unused credit breakage	$90m	- A breakage allowance was recognised in the current year for passenger unused travel credits for which it is considered the likelihood of those credits being utilised is remote.
Cargo revenue	-$172m	- Cargo subsidies provided under the New Zealand Government Maintaining International Air Connectivity (MIAC) scheme reduced by $98 million as the scheme ceased in March 2023. Yield declined as market capacity increased and this was partially offset by the airline increasing capacity as there were a greater number of flights following a recovery in passenger demand.
Contract services and other revenue	-$4m	- Reduced third-party maintenance work due to the wind-down and closure of the Gas Turbines operation in September 2023. This was partially offset by a recovery of ancillary revenue following an increase in customer activity, including Koru membership subscriptions, lounge revenue and commissions.
Labour	-$188m	- Higher labour costs due to an increase in operating activity as demand returned and wage inflation offset by lower staff performance incentives.
Fuel	-$159m	- Consumption increased by 21 percent ($293 million) compared to an increase in capacity of 17 percent. The average fuel price, net of hedging and carbon costs, decreased 9 percent compared to the prior year resulting in a decrease in costs of $134 million. MOPS price decreased by 7 percent.
Aircraft operations, passenger services and maintenance	-$265m	- Higher costs related to an increase in flying activity, higher utilisation of B773 aircraft and price inflation partially offset by reduced third-party maintenance following the closure of the Gas Turbines operation.
Sales and marketing and other expenses	-$98m	- Increase in market development and brand spend to support an increase in international flying and higher investment in digital and contact centre.
Ownership costs	-$8m	- Increase in depreciation with new aircraft deliveries and engine maintenance partially offset by lower net financing costs driven by higher cash reserves and an increase in deposit rates.
Net impact of foreign exchange movements	-$36m	- Unfavourable movements on operating revenue and costs as well as hedging losses due to market movements.
Share of earnings of associates	-$9m	- Decrease in earnings from the Christchurch Engine Centre due to supply chain disruptions and unfavourable foreign exchange movements.
Other significant items	$11m	- Prior year foreign exchange losses on uncovered debt offset by an impairment reversal on disposed widebody aircraft.
June 2024 earnings before taxation	**$222m**	

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

Our Sustainability Update

Sustainability

Letter from the Chief Sustainability and Corporate Affairs Officer

Tēnā koutou

Welcome to this year's sustainability update

Our purpose is to connect New Zealanders to each other and the world, but as part of an industry reliant on fossil fuels, this comes at a cost to both the environment and the communities who rely on it. Around half of New Zealand's Gross Domestic Product relies on nature. Our livelihood – food, trade and tourism – is built on the promise of the unique natural environment we call home.

Following a pilot last year, we have now established a Climate and Nature Fund, with around $9 million set aside this financial year to invest in accelerating our own decarbonisation, support New Zealand's energy transition, and to support biodiversity and nature. We are pleased to be supporting initiatives such as biodiversity projects on the Great Walks with the Department of Conservation, and the Halo Project with Trees That Count. We have also used the fund to invest in scaling SAF[1] supply through the United Airlines Ventures Sustainable Flight Fund, fund domestic SAF feasibility studies, and trial hydrogen-fuelled charging of battery-powered ground service equipment.

Aotearoa New Zealand relies on aviation for trade, tourism and connectivity. However, both our airline and the sector overall face climate-related risks as we transition to a lower emissions operating model. We have received one delivery of SAF into the country this financial year, as well as uplifted SAF from Los Angeles and signed an agreement with Neste for nine million litres of SAF produced in their Singapore refinery. While small in volume, these purchases are important to help us learn how to best integrate SAF into our supply chain both here in Aotearoa New Zealand and abroad. We are also testing Next Generation Aircraft (NGA) and have selected BETA's battery-powered all-electric aircraft ALIA CTOL as our first, which we expect to fly cargo on from 2026.

To further embed a focus on reduction of carbon emissions across the organisation, this financial year our short-term incentive programme included a performance measure relating to carbon emissions.

After careful consideration, Air New Zealand has decided to remove the 2030 science-based carbon intensity reduction target and withdraw from the Science Based Targets initiative. Unfortunately, many of the levers needed to meet the target, including the availability of new aircraft, the affordability and availability of SAF, and global and domestic regulatory and policy support, were outside the airline's direct control. In the last few months, potential delays to our fleet renewal plan posed additional risks to the target's achievability, meaning the airline needed to retract it. This does not impact our continued commitment to reaching our 2050 net zero carbon emissions target. Work has already begun to consider a new near-term carbon emissions reduction target that could better reflect the challenges relating to aircraft and SAF availability within the industry.

Finally, this year we farewelled the Chair of our Sustainability Advisory Panel, Sam Mostyn AO, due to her appointment as Governor-General of Australia. Her contribution to our business was immense, and we know her contribution to Australia will be remarkable. We also farewelled Dr Susanne Becken, Katherine Corich, and Nadine Toe Toe, as their terms with the Panel came to an end. Our deepest gratitude to each for their service and care. James Shaw, former Green Party Co-leader and Minister for Climate Change, and Matteo Mirolo, the Head of Policy and Strategy in the Aviation Contrails team at Breakthrough Energy, joined Professor Tim Jackson onto the Panel in 2024. We look forward to working with them on this critical mahi.

Ngā manaakitanga,

Kiri Hannifin
Chief Sustainability and Corporate Affairs Officer

1. As defined on page 12.

Sustainability (continued)

Governance

At Air New Zealand, governance of sustainability covers environmental and social matters. It is a broader concept than climate-related matters alone. Information about how climate-related risks and opportunities are governed is outlined in our Climate Statement, which can be found here.

Board of Directors

The Air New Zealand Board of Directors has overarching responsibility for sustainability – this includes, but is not limited to, climate-related matters.

Executive team

The Executive team is responsible for developing and implementing the airline's sustainability strategy. The Chief Sustainability and Corporate Affairs Officer (CSCAO) leads the Sustainability team, who provide expertise and advice to the airline about sustainability matters. The CSCAO reports directly to the Chief Executive Officer.

Sustainability Advisory Panel

The airline's independent Sustainability Advisory Panel meets twice a year to provide advice to the airline in relation to sustainability developments and initiatives. These meetings include sessions with the Board, the Executive and the Sustainability team.

Sustainability Framework

This report covers the 2024 financial year and progress against the current Sustainability Framework, which will end this year. We are continuing to evolve our sustainability strategy and intend to release a new strategy and framework next year to guide our activity to 2027. Our current Sustainability Framework can be found here.

Our reporting approach

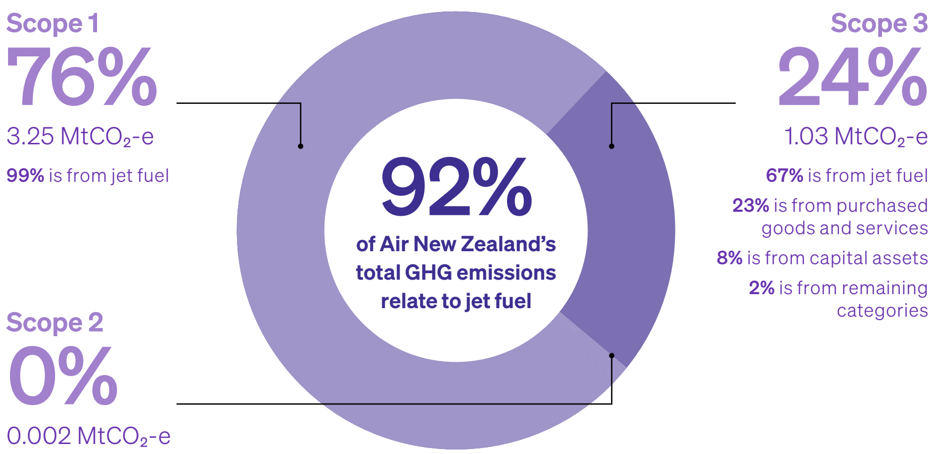
The following information provides an update on progress the airline has made against the metrics identified in its current Sustainability Framework. Data and commentary contained in this section relates to the financial year ended 30 June 2024, unless otherwise stated.

Air New Zealand's organisational boundary for sustainability reporting encompasses the companies listed on page 3 of Air New Zealand's 2024 Greenhouse Gas Emissions Inventory Report.

The following supporting information can be found on our website: Climate Statement; Greenhouse Gas Emissions Inventory Report; Workforce Profile; Gender Pay Report; Metrics Table.

Snapshot of our 2024 climate performance

For the 2024 financial year, Air New Zealand's total CO_2-e emissions were 4.3 million tonnes. This was an increase from 3.7 million tonnes in the 2023 financial year, largely driven by increased flying activity on international routes.



Climate Action

Our first Climate Statement

This year we published our first Climate Statement, as required by the Aotearoa New Zealand Climate Standards (NZ CS). The Climate Statement is structured around the four mandatory sections of the NZ CS, which are based on the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) framework that Air New Zealand has voluntarily reported against since the 2020 financial year.

Our Climate Statement provides information about the risks and opportunities that climate change presents for Air New Zealand across the short, medium, and long-term. It outlines how these risks and opportunities are governed, our risk management processes, how climate change impacts the airline today, and how it may impact us in the future. Climate-related metrics and targets that are most relevant to the airline are also provided.

The sections below include a snapshot of our 2024 climate performance, a summary of our material climate-related risks, and a high-level overview of our Transition Plan. Please note these are extracts only, and readers should refer to the Climate Statement, found here, for our full disclosure.

Our climate-related risks

During the 2024 financial year, we updated our assessment of the climate-related risks and opportunities that the airline faces. A summary of the most material risks is provided below.

Our Climate Statement also provides an overview of the current and anticipated impacts of climate change on the airline. For example, in the 2023 calendar year, Air New Zealand's cost to meet its domestic Emissions Trading Scheme obligation was $38 million, which increased from the 2022 calendar year due to increases in both the airline's emissions and the price we paid for New Zealand Units to meet the obligation.

Note that the airline has not identified any material 'opportunities' from climate change, as defined by the NZ CS. On balance, the effects of climate change create risks for the aviation sector, notwithstanding the opportunities to reduce the impact of those risks (for example, by reducing net emissions through new technology such as SAF and NGA, or reducing emissions costs or the costs of such technology through different mitigators). There may also be opportunities for the airline to differentiate itself competitively by moving faster or slower than peers to decarbonise, or to evolve its domestic network through the use of NGA in the future. However, the size and nature of these opportunities is not yet considered material.

CATEGORY OF RISK	SUMMARY OF SPECIFIC RISK (SEE CLIMATE STATEMENT FOR FURTHER DETAILS)	MATERIAL TIMEFRAMES		
		SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
PHYSICAL RISKS				
Acute and severe weather events	Climate change is expected to increase the magnitude and frequency of acute and severe weather events. This could cause delays and disruptions to the airline's operations, and potentially damage physical assets like aircraft, property, and ground service equipment.	*	◉	◉
Chronic climate change	Longer-term shifts in underlying climate patterns like average temperature, rainfall, and sea level rise could constrain the airline's network options, increase mitigation spending, and exacerbate the effect of increased acute and severe events.		◉	◉
TRANSITION RISKS FOR THE AIRLINE				
Changing demand	Climate change could affect underlying drivers of aviation demand, consumer preferences, and airline costs, which might affect demand for all global airline services, including Air New Zealand's.	◉	◉	◉
Competitive differentiation	In this context, competitive differentiation refers to the pace and cost at which Air New Zealand transitions to a lower emissions business model, compared to competitors. Both the airline's strategic choices around its Transition Plan, and similarities and differences in policy settings across markets, could affect the pace and cost of the airline's transition and competitive positioning relative to peers.	◉	◉	◉
Emissions pricing	Air New Zealand is currently a participant in two emissions pricing schemes: the New Zealand Emissions Trading Scheme (NZ ETS) and the International Civil Aviation Organization's (ICAO's) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Potential changes to the scope of emissions included in these schemes, the level and volatility of emissions pricing in the schemes, and the potential for new emissions pricing schemes to be developed, could increase the airline's cost base.	◉	◉	◉
Funding, insurance, and legal claims	Air New Zealand's ability to transition to a lower emissions business model, and its exposure to climate-related risks and regulation, may affect the airline's access to funding and insurance, and its legal exposure.		◉	◉
Supply chain disruption and cost increases	The resilience and adaptability of Air New Zealand's supply chain to climate-related risks could affect the airline's ongoing operations. This includes airports and suppliers of other infrastructure, air traffic management services, aircraft, fuel and fuelling infrastructure, and spare parts and engines for aircraft.	◉	◉	◉
TRANSITION RISKS RELATING TO THE TRANSITION PLAN				
Availability and price of SAF	Acquiring the required volumes of SAF at commercial prices is a material success factor for the airline's achievement of its Transition Plan. The airline's ability to do this relies on external developments in production, technology, certification, costs and policy support, which are all evolving rapidly and so carry significant uncertainty and risks for the airline.	◉	◉	◉
Carbon removal supply and cost	In the longer term, Air New Zealand anticipates relying on carbon removals to address residual emissions and achieve its 2050 Target. This includes 'nature-based' removals, for example, enhancements to natural systems or ecosystems that sequester and store carbon on a certified, additional, and enduring basis, and 'engineered' removals, for example, using technology to capture CO_2 directly from the air. However, the availability, cost and credibility of both nature-based and engineered removals represent material uncertainties and risks to the airline's achievement of its Transition Plan.		◉	◉
Conventional fleet renewal	Replacement of the current fleet with more efficient and / or innovatively designed conventional aircraft is critical to achievement of the airline's Transition Plan but relies on global suppliers to deliver affordable aircraft on expected timelines. These suppliers are already severely constrained and development and commercialisation timeframes are uncertain.	◉	◉	◉
NGA adoption	Air New Zealand expects NGA to play a role in achieving the 2050 Target. However, significant progress by third-parties is required for this to be viable. Delays in the medium to long-term could impact the delivery of the airline's Transition Plan.		◉	◉

* Note on short-term impacts: while acute and severe weather events can occur in the short-term, the contribution of climate change to exacerbating the impact of these events is difficult to attribute, and the associated financial impact is unlikely to be material to Air New Zealand, so the risk posed to Air New Zealand is assessed as not material in the short-term. Air New Zealand nonetheless acknowledges that these events would likely be material and potentially devastating to impacted communities.

Sustainability (continued)

Our Transition Plan

Like all airlines globally, Air New Zealand relies on fossil jet fuel to operate its passenger and cargo services. As such, the aviation industry emits significant amounts of greenhouse gases. Aviation is widely recognised as a hard-to-abate sector due to the limited alternatives of suitably energy intense and light weight fuels. Air New Zealand plans to reduce its carbon emissions over time, acknowledging the substantial industry changes, technology development and policy support required to do so. The airline's Transition Plan helps to demonstrate potential paths to make these reductions over time.

Air New Zealand's Transition Plan has been developed with reference to its 2050 Target. During the 2024 financial year, the Transition Plan was also guided by the 2030 Target, though the airline removed this target in July 2024.

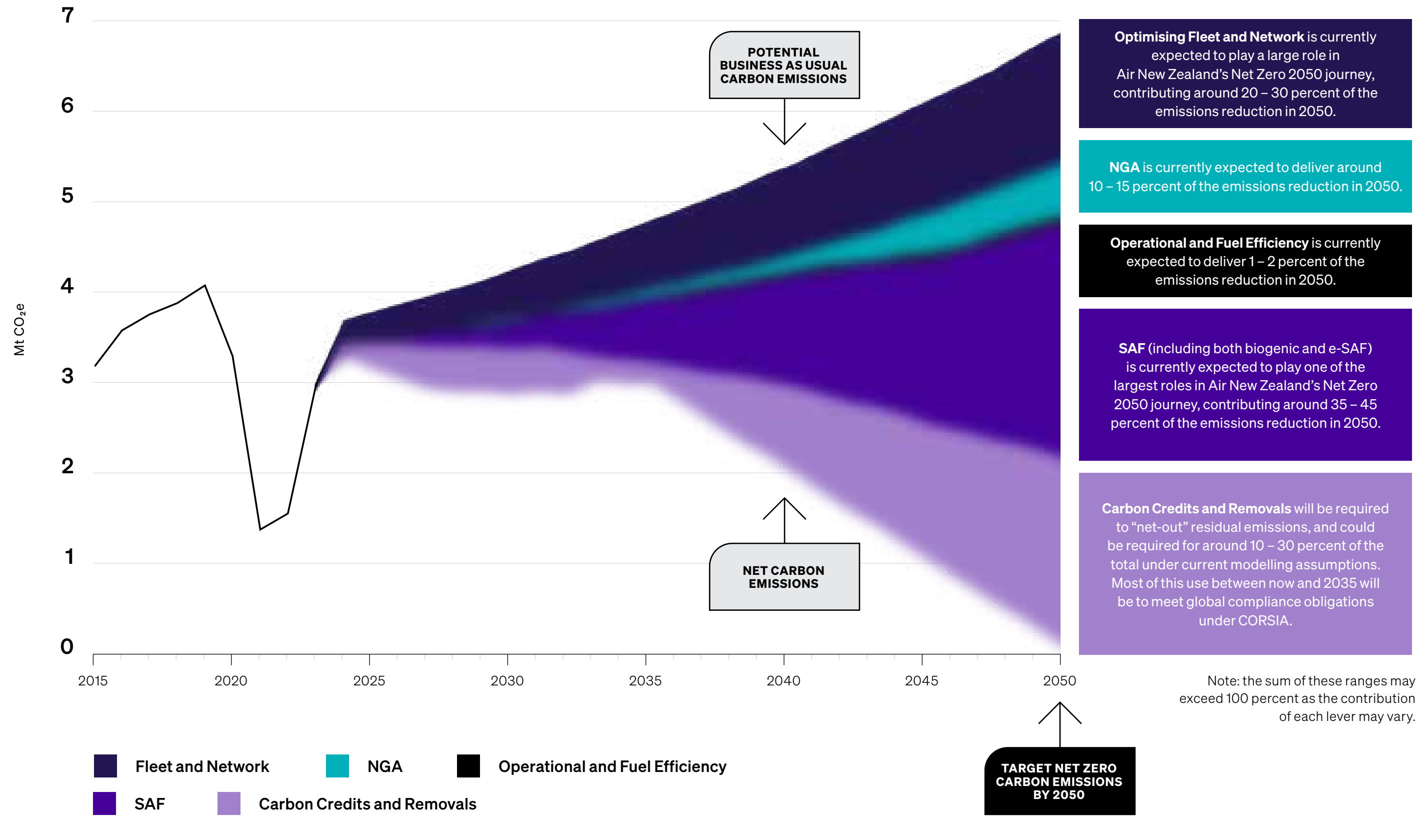
The airline has developed roadmaps and governance structures that monitor and support the delivery of the Transition Plan. These roadmaps and governance structures are dynamic in the sense that they are regularly reviewed and assessed to ensure they remain fit for purpose. The airline therefore expects them to change over time. The Transition Plan will also evolve over time.

Air New Zealand's strategy for delivering its 2050 Target is currently designed to:

- Reduce emissions through using more efficient aircraft, adopting NGA, and improving operational efficiency, where reasonably possible;
- Reduce emissions through increasing use of SAF (with emissions being reduced due to the biogenic nature of SAF that is explained on page 27 of the Climate Statement, despite producing similar emissions as fossil jet fuel when combusted); and
- Thereafter selectively using eligible carbon credits and removals to address residual emissions in the period to 2050.

Some actions necessary to enable the airline to achieve the 2050 Target are within the control of the airline, but most rely on third-parties and governments to take material actions, within assumed timeframes.

Air New Zealand illustrative roadmap



Roadmap

One hypothetical 'roadmap' is shown above, which illustrates Air New Zealand's view of how a series of measures could make varying contributions to help the airline potentially reach net zero carbon emissions over the period to 2050.

The roadmap illustrates various scenarios that could apply through to the 2050 Target. It is possible that the 2050 Target could be achieved through a different combination of factors or not achieved in full if, for example, the required technology and policy developments do not eventuate as illustrated above. Primary users should not infer from these roadmaps that achievement of the 2050 Target is certain to eventuate. See pages 21 - 24 of the Climate Statement for more information.

Two overarching assumptions shape the Transition Plan roadmap. First, a long-term growth rate for aviation sector demand of 2.5 percent per annum to 2050, measured in Revenue Tonne Kilometres (RTK) and based on Boeing's *Commercial Market Outlook* for the regions in which Air New Zealand operates. This is represented as 'Potential business as usual carbon emissions' on Air New Zealand's illustrative roadmap, which shows what emissions could be if demand grew at this rate and the airline's emissions intensity was fixed at 2019 levels. Second, the assumption that Air New Zealand will meet this demand by adopting a portfolio of lower carbon technology when the airline is feasibly and commercially able to do so, and through continued fossil jet fuel-powered air travel in the meantime.

The roadmap is not a guarantee of future performance or the actual contributions made by any of the components of the Transition Plan. Actual results, developments or contributions may differ materially from those presented. Air New Zealand intends to update roadmaps like this internally and update this public view annually. In some cases, for example certain NGA concepts and carbon removal solutions, the contributions relate to technologies that have not yet been developed or sufficiently scaled, and the estimated contributions in the roadmaps may evolve materially.

Sustainability (continued)

Sustainability partnerships

Voluntary Emissions Contribution Programme (VECP)

Passengers booking a flight on our website can opt in to our VECP and buy carbon credits from certified international projects in an amount based on their flight's estimated emissions. Our VECP also supports biodiversity here in Aotearoa New Zealand by partnering with Trees That Count. Native trees and plants are planted across a range of selected projects which restore, regenerate and protect our unique natural environment.

- In the 2024 financial year, customers booking through the Air New Zealand website purchased 58,488 tonnes of carbon credits[2], and contributed $988,000 to Trees That Count (resulting in 123,502 trees being planted, supporting biodiversity outcomes across Aotearoa New Zealand).
- 3.4 percent of bookings made through online storefronts where the VECP is available contributed to the programme[3].

In March 2024, we introduced an emissions reporting platform for Corporate, Government, and Cargo partners, to provide visibility of emissions estimates including by route and seat class where applicable. Customers can purchase carbon credits from certified projects based on their emissions data through our carbon credits partner, CHOOOSE. To date, more than 14 cargo and 221 corporate customers have signed up to the platform.

Climate and Nature Fund

In 2023, Air New Zealand piloted an internal carbon charge on its flagship ultra long-haul route, Auckland to New York, which creates a dedicated revenue or investment stream which we have ring-fenced for investment in sustainability initiatives. This year, the charge was expanded to include operations between Auckland, Chicago and Houston. Together with the profits from Air New Zealand's loyalty partnership with Z Energy, the charge generated around $9 million in the 2024 financial year. These funds have been distributed across four key categories, with implementation, progress and outcomes to be undertaken and reported in the 2025 financial year.

- Scaling SAF
- Mitigating emissions
- Growing renewable energy supply
- Organisational improvements

Partnering for better biodiversity outcomes

This year we have expanded our support of the Department of Conservation (DOC) and Trees That Count.

DOC

Continued to support biodiversity projects alongside five Great Walks, including 41,457 hectares of sustained predator control and threatened species monitoring; and confirmed future funding to support biodiversity projects alongside the Whanganui River Journey Great Walk. We also flew more than 200 threatened species and conservation dogs.

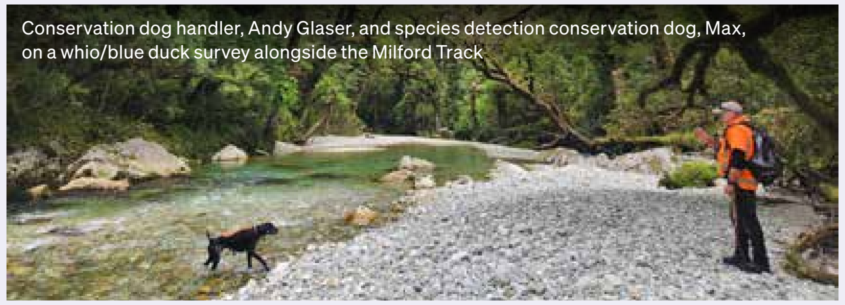
Trees That Count

Confirmed funding for the Halo Project enabling land and habitat restoration of degraded and threatened ecosystems in Ōtepoti, Dunedin.

Welcoming a new breed of conservation experts

In October 2023, we announced the expansion of our DOC partnership to include the Conservation Dogs Programme (CDP), which provides leadership of conservation dogs trained to detect New Zealand's protected species and unwanted pests.

The funding provided by Air New Zealand helps the CDP to mentor, certify and support dog-handler teams. It has enabled 50 days for undertaking mentoring work; 462 field days for undertaking biosecurity checks, incursion responses, surveillance and species detection work; and 24 advocacy events. In addition, 33 pest and species detection dogs received full certification and 27 received interim certification.

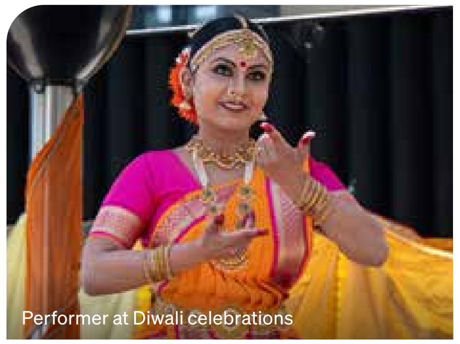

Conservation dog handler, Andy Glaser, and species detection conservation dog, Max, on a whio/blue duck survey alongside the Milford Track

Caring for New Zealanders

Air New Zealand is committed to the role we play in connecting people and communities, and we strive to be a place where everyone can feel included and supported. The airline was named New Zealand's most attractive employer for 2024 by Randstad, and while we missed our target employee engagement score of 79 (we achieved 70), we are continuing to see our engagement trend stay steady.

We also launched a new engagement measure this year, "*I feel a sense of belonging at Air New Zealand*" to bring an outcomes-focused approach to our employee engagement and as a measure of progress for our Diversity Equity & Inclusion (DE&I) work.

Target	2024	2023
Air New Zealand's employee engagement score[4] being in Glint's Global Top Engagement Index benchmark of 79[5]	70 as at June 2024	71 as at June 2023
I feel a sense of belonging at Air New Zealand – target 75[6]	72	69
Grow access to and use of employee assistance support tools (including Employee Assistance Programme, Peer Support Network and Bullying and Harassment Contacts)[7]	The utilisation rate of support tools was 16.0% in financial year 2024	The utilisation rate of support tools was 14.7% in financial year 2023
Double our spend with Māori and Pasifika owned businesses and social enterprises to $24 million, and double our diverse sourcing relationships to at least 50 suppliers by the end of financial year 2024	$16 million was spent with diverse suppliers across 39 suppliers	$12 million was spent with diverse suppliers across 26 suppliers
Better connecting Aotearoa New Zealand exporters to the world by increasing cargo load factors on our widebody international network to 85%[8] by financial year 2025 (from 67% in financial year 2019)	63% load factor for financial year 2024 on our widebody international network	67% load factor for financial year 2023 on our widebody international network


Performer at Diwali celebrations

Creating better connections through greater diversity and learning

We were proud to support a range of events to celebrate and highlight our diversity at Air New Zealand this year. These included celebrating Matariki, with a market organised by the Manu Network, our KASIA Network celebrating Diwali and Lunar New Year, our Women's Network's panel holding a discussion to celebrate International Women's Day, and our Pride Network returning to the Auckland Rainbow Parade. We also established a new partnership with Pride Pledge to support us and our commitment to the safety, visibility, and inclusion of the Rainbow community.

Rautaki Kanorau, Tautika & Kauawhi – He huānga au
Diversity, Equity & Inclusion – I Belong

Working alongside and valuing the voices of Air New Zealanders with diverse perspectives and experiences makes us more innovative and supports better decision-making. Our refreshed DE&I strategy was developed in partnership with our diverse teams and we are focusing on working with them to bring the strategy to life.

This year we have continued to see progress on our key DE&I metrics. For an update on our key DE&I targets, see page 39 of our Corporate Governance Statement.

Mangōpare Air New Zealand Pilot Cadetship

In June 2024, we launched the airline's first-ever Mangōpare Pilot Cadetship, designed to inspire more people to pursue a career as a pilot by reducing financial barriers, encouraging greater diversity. The cadetship complements existing pilot pathways to help ensure we can continue to meet future demand and avoid possible pilot shortages.

With an initial commitment of 30 pilots, the all-inclusive training programme accelerates the journey to becoming a commercial pilot from the typical 24-36 months to approximately 14 months. Successful cadets will commence training in small cohorts from September 2024, with the majority of costs, including training and living expenses, funded by Air New Zealand.

2. 28,707 of these credits have already been retired on behalf of Air New Zealand. 29,781 of these credits need to be retired on behalf of Air New Zealand. 3. Changes made to the VECP at the start of the 2024 financial year, such as including radiative forcing by default, resulted in the amount of carbon measured per person through the programme increasing and as such, the price charged to the customer also increasing. The reduced contribution rate in the year is thought to be due to the increased price.

4. This score is out of 100 and based on the responses to two questions in our Employee Survey which is run quarterly on the Glint platform – *'How happy are you working at Air New Zealand'* and *'I would recommend Air New Zealand as a great place to work'*. Responses are measured on a 5-point scale. 5. As at December 2023, the Glint Global Top 25% engagement threshold was an Engagement Index score of 79. 6. This score is out of 100 and based on the response to the statement in our Employee Survey - *'I feel a sense of belonging at Air New Zealand'*. Responses are measured on a 5-point scale. 7. The utilisation numbers may include people who seek support through multiple channels, due to the confidentiality and/or anonymity of individual data. This includes Peer Support, where an individual may seek support from a Peer Support Network volunteer over several quarters. Financial year 2024 data also differs from previous reporting, in that EAP usage includes new and existing users (rather than just new users), and utilisation rate is calculated by total employee numbers rather than FTE less those on Leave Without Pay (LWOP). Overall, Air New Zealand aims to maintain a utilisation rate of support services above 10 percent to illustrate proactive use as well as reactive support. 8. Based on the volumetric utilisation of available belly capacity (including passenger bags) unless a 100% gross weight load factor is achieved sooner.

Sustainability (continued)

Supporting our Supply Chain

Critical to the success of our operations is ensuring we have a strong, capable and responsible supply chain. Air New Zealand is committed to social and environmental responsibility, ethical conduct, and to maintaining operational integrity and safety at all times. In December, Air New Zealand published its 2023 Modern Slavery Statement which can be found here.

We are also finalising changes to our Supplier Code of Conduct to provide greater focus on modern slavery and responsible sourcing due diligence and will release this in the first half of the 2025 financial year.

Flourish Café providing great coffee and even greater opportunities

In November 2023, with the support of Air New Zealand's Enable Network, Flourish Café opened its doors at our Auckland Hub. This is the second café for Project Employ, an organisation focused on ensuring young people with intellectual or learning disabilities and differences are not just included, but thrive in meaningful, paid employment.

Ka Rere: helping develop a supply chain that reflects Aotearoa New Zealand

Air New Zealand's focus on supplier diversity aims to promote and increase the participation of diverse suppliers in our procurement process, and better reflect the communities where we live, work and fly.

Our initial focus has been to grow the number of Māori and Pasifika-owned businesses, as well as social enterprises, that we work with. While we did increase our spend to $16 million across 39 diverse suppliers in the 2024 financial year, there is still work to do to increase supplier diversity at Air New Zealand.

In January 2024, we launched Ka Rere, a diverse business accelerator programme. More than 250 businesses applied, with Air New Zealand selecting three businesses as part of a 12-week mentoring round.

- Kenai, a Māori-owned ESG-focused construction company;
- Beyond Soap, a Pasifika-owned company that sells locally made plastic and palm-oil free hand, body and haircare bars; and
- Tūāpae, a Māori-owned vineyard on Waiheke Island focusing on regenerative viticulture.

In addition to a $20,000 cash grant to invest in and grow their business, the three businesses were able to access a range of skills, knowledge, and experience from within the Air New Zealand team. In turn, we are also learning from these businesses, and the many more that applied, about how we can grow and support a more diverse supplier base. We are looking to undertake a second round of Ka Rere in early 2025.

KENAI beyond. TŪĀPAE

Cabin Crew Sustainability Activators

To harness the passion of our Cabin Crew in taking sustainability action, in October 2023 we launched the Cabin Crew Sustainability Activators. Made up of cabin crew from across our turboprop, narrowbody and widebody fleets, the Activators initiate and deliver sustainability initiatives.

Cabin Crew Sustainability Activators

Driving towards a circular economy

Target	2024	2023
65% of total solid waste diverted from landfill by financial year 2023	47.5% diverted from landfill	40.4% diverted from landfill

Getting wise about waste

Preventing and reducing waste is a key concern for Air New Zealand. This year Air New Zealand diverted 1,011 tonnes of waste from landfill. This represented 47.5 percent of total waste[9] across the airline's Domestic ground sites, and airports serviced by our main waste provider. It also included waste data from our Auckland and Christchurch lounges which has been provided by our cleaning provider.

- 842 tonnes of waste was recycled
- 169 tonnes of waste was composted
- 1,116 tonnes of waste was sent to landfill

We were disappointed not to meet our waste diversion target, and to help provide more focus across the business, we have undertaken detailed waste audits across our operations and developed a new Circular Economy strategy and targets for 2025-2027, which we will release in the 2025 financial year.

Setting a new strategy for Circular Economy

The waste audits identified the need for both systemic and behaviour change, with a large proportion of waste going to landfill being products that could otherwise be diverted. However, waste from each business unit varies significantly, and these differences can also skew performance when using total landfill diversion as a waste measurement. For example, Cargo handles heavy materials like wood so recyclable waste tends to be heavy whereas in other parts of the business recyclable waste tends to be lightweight plastic.

The new Circular Economy strategy sets business unit specific targets and will roll out in two phases.

Phase One focuses on getting the basics right and improving processes around operational waste, removing unnecessary waste streams, and re-establishing our onsite waste champions. It also includes introducing a short-term incentive scheme target for eligible team members, to further highlight, embed and engage our team around waste.

Phase Two will focus on circular inputs and outputs regarding procurement and customer engagement.

Waste audits of Air New Zealand's waste

Single-use cups – a case study

We have now removed single-use cups from our New Zealand[10], Australia, Fiji, and Cook Islands' lounges.

This will eliminate nearly one million single-use cups from our waste stream each year. In March 2024, Air New Zealand also ran six single-use cup free Domestic trial flights where we encouraged passengers to bring their own cup and provided reusable cups onboard. Around 10 percent of customers brought a reusable cup, and there was overwhelming support to move to a reusable cup offering. We will be continuing our work to understand how we can reduce inflight single-use cups, including how we can further encourage passengers to bring their own cups.

Single-use cup free flight trial

9. These totals exclude hazardous waste, international inflight biosecurity waste, building and construction waste, and other Air New Zealand waste managed by airport companies. 10. Excludes Christchurch Regional Express.

Sustainability (continued)

Sustainable tourism

Target	2024	2023
Increase annual growth in bookings for Qualmark-awarded operators on Air New Zealand's website by 100% by financial year 2023 from a financial year 2021 baseline	47%	85%
30%[11] of New Zealanders aware of Tiaki Promise by June 2025	24%	23%

Connecting New Zealanders to each other and to the world

Air New Zealand is proud to play our part in a successful and thriving tourism industry for Aotearoa New Zealand.

This year we have continued to invest in key markets, including working in partnership with Tourism New Zealand to market New Zealand. In May 2024, we were again the Premier Sponsor of TRENZ in Wellington and in June we were the Airline Partner for Meetings 2024. Air New Zealand also partnered with New Zealand Māori Tourism to enable buyers attending TRENZ to experience some of our best Māori tourism in the Bay of Plenty, Rotorua, Northland and Taupō regions.

In addition, we encouraged New Zealanders to explore their own backyard through domestic marketing, including promoting a range of domestic destinations and promoting events such as the Hokitika Wildfoods Festival.

Air New Zealand also works closely with a range of regional tourism operators and organisations to help promote the regions in both local and international markets. This year, partnership campaigns showcased Wellington, Auckland, the West Coast, Nelson, Rotorua and Invercargill.

Bringing the Tiaki Promise to life

The Tiaki Promise is a commitment to protect and preserve Aotearoa New Zealand's natural environment, respect local culture, and travel responsibly.

This year we continued to support the Tiaki Promise through promotion and education, partnership activity, and our work to reduce our environmental footprint and support conservation efforts.

Members of our Manu Network performing at the Matariki Market

Proud to support sustainable tourism businesses

Supporting tourism businesses that are committed to making Aotearoa New Zealand a world-class and sustainable visitor destination is a key part of supporting sustainable tourism for the future.

Highlights from our partnership with Qualmark this year include development of a new video that is screened on Air New Zealand's inflight entertainment on domestic jet aircraft and advertising in Kia Ora magazine promoting Qualmark.

Setting our sights on a thriving tourism industry long-term

In the 2024 financial year we participated on the Industry Development Group for Tourism 2050, a strategic initiative led by Tourism Industry Aotearoa (TIA), aimed at shaping the future of Aotearoa New Zealand's tourism industry. For Air New Zealand, the success of tourism is intrinsically linked to both our purpose and our own success. We look forward to being part of this collaborative work going forward.

Bringing Kia Rite to life

Our new Māori strategy Kia Rite outlines opportunities and business drivers to grow our Māori workforce, embed te ao Māori and forge partnerships with Māori entities. Focusing on growing Māori participation into the business through talent acquisition and development of current employees, as well as increasing procurement of goods and services from Māori businesses, brings te ao Māori thinking into the operations of the airline and grows connections with communities. In the 2024 financial year we have worked hard to embed principles of te ao Māori into the selection criteria around Ka Rere, our new diverse business accelerator programme, and as part of the brief for our domestic SAF feasibility studies.

11. New target set by Te Kāhui Tautiaki in September 2023.

Our Corporate Governance Statement

Corporate Governance Statement

Effective corporate governance is at the heart of the Air New Zealand Board's agenda, and the Board considers its governance practices to be consistent with the Principles of the NZX Corporate Governance Code dated 1 April 2023.

This Corporate Governance Statement was approved by the Board on 28 August 2024 and is current as at that date.

Our Governance Structure

The Board
The Board is responsible for guiding the corporate strategy and direction of Air New Zealand and has overall responsibility for decision making.

Audit & Risk Committee (ARC)
Advises and assists the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices of Air New Zealand, and oversight of key risks including climate and cybersecurity.
Chair: Alison Gerry
Claudia Batten
Laurissa Cooney
Dame Therese Walsh

People, Remuneration & Diversity Committee (PRDC)
Advises and assists the Board in discharging its responsibilities with respect to oversight of the People Strategy of Air New Zealand.
Chair: Laurissa Cooney
Dean Bracewell
Paul Goulter
Dame Therese Walsh

Health, Safety & Security Committee (HSSC)
Advises and assists the Board in discharging its responsibilities with respect to health, safety and security matters arising out of activities within and by Air New Zealand including oversight of health, safety and security risks.
Chair: Dean Bracewell
Larry De Shon
Alison Gerry
Paul Goulter
Dame Therese Walsh

External Sustainability Advisory Panel
External advisory panel providing advice to the Board and Management on Sustainability matters.

External Audit

Head of Internal Audit
Reports functionally to the Audit & Risk Committee and administratively to the Chief Financial Officer.

Chief Executive Officer
Delegated responsibility for implementing the Board's strategy and for managing the operations.

Chief Financial Officer
Manages the Internal Audit function. Responsible for managing the financial affairs of Air New Zealand.

General Counsel & Company Secretary
Secretary to the Board and accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Disclosure Committee
Facilitates the provision of timely and appropriate market disclosure in accordance with the Continuous Disclosure Policy.

Board / Committee meeting attendance – 1 July 2023 to 30 June 2024

	Board	Audit & Risk Committee	People, Remuneration & Diversity Committee	Health, Safety & Security Committee
	Attendance[1]	Attendance[1]	Attendance[1]	Attendance[1]
Dame Therese Walsh	10/10	4/4	5/5	3/4
Claudia Batten	10/10	4/4		
Dean Bracewell	10/10		5/5	4/4
Laurissa Cooney	10/10	4/4	5/5	
Larry De Shon	9/10			4/4
Alison Gerry	9/10	3/4		2/4
Paul Goulter	9/10		5/5	4/4
Jonathan Mason	3/3	0/1	2/2	

1. The attendance is the number of meetings attended/number of meetings for which the director was a member. Jonathan Mason retired from the Board on 30 September 2023.

Current Directors

Dame Therese Walsh
DNZM, BCA, FCA
Independent Non-Executive Director
(Appointed 1 May 2016)
Chair

Claudia Batten
LLB(Hons), BCA
Independent Non-Executive Director
(Appointed 28 October 2021)

Dean Bracewell
Independent Non-Executive Director
(Appointed 20 April 2020)
Health, Safety & Security Committee Chair

Laurissa Cooney
BMS(Hons), FCA, CMInstD
Independent Non-Executive Director
(Appointed 1 October 2019)
People, Remuneration & Diversity Committee Chair

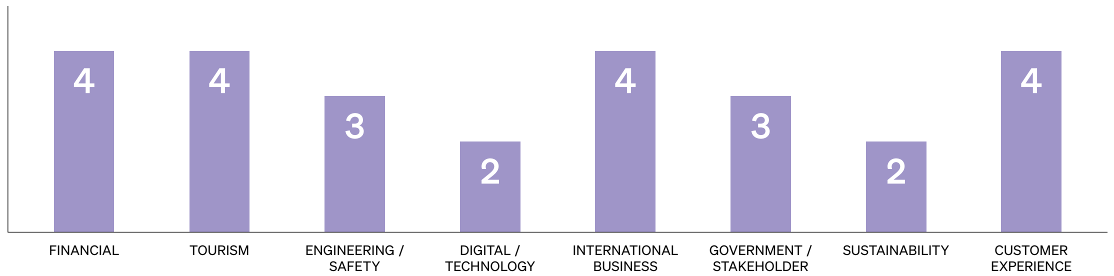
Larry De Shon
BA Communications, BA Sociology
Independent Non-Executive Director
(Appointed 20 April 2020)

Alison Gerry
BMS(Hons), MAppFin
Independent Non-Executive Director
(Appointed 28 October 2021)
Audit & Risk Committee Chair

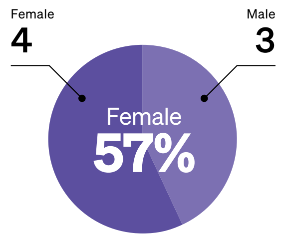
Paul Goulter
LLB, MA(Hons), BA
Independent Non-Executive Director
(Appointed 28 October 2021,
and retiring late September 2024)

Details of directors' skills and experience can be found at:
airnewzealand.co.nz/air-new-zealand-board

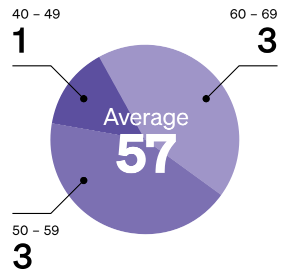
Board skills and diversity



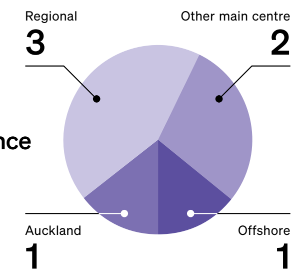
Gender



Age



Residence



Corporate Governance Statement (continued)

Independence

The Board has identified criteria in its Charter, against which it evaluates the independence of directors in line with the NZX Listing Rules. These are designed to ensure directors are not unduly influenced in their decisions and activities by any personal, family or business interests.

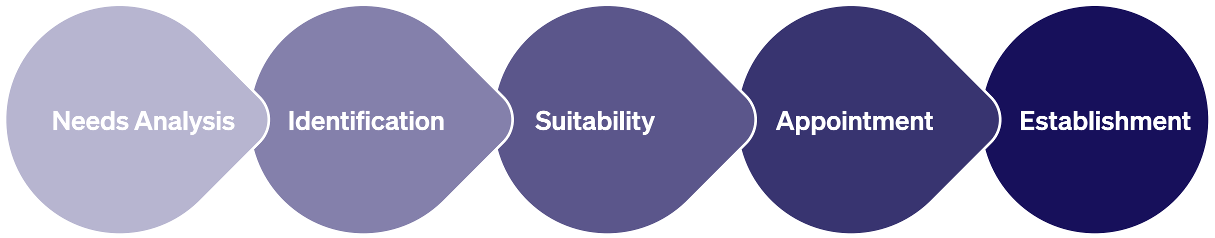
All directors have been determined to be Independent Directors under these criteria, and for the purposes of the NZX Listing Rules. Directors are required to inform the Board of all relevant information which may affect their independence such that the Board continually considers the independence of its members.

The Board Charter makes explicit that the Chair and the Chief Executive Officer roles are separate.

Director Appointments

There have been no new directors appointed during the 2024 financial year.

The Board's approach to appointing directors is depicted below. The Board as a whole considers the requirement for additional or replacement directors.



Needs Analysis
- Assessment of existing and desirable skills on the Board to fulfil its governance role and contribute to the long-term strategic direction of the Company
- Diversity considerations

Identification
- Identification of suitable candidates
- External consultants may be engaged

Suitability
- Ensure constitutional requirements are met
- Ensure relevant independence criteria (including NZX Code) are satisfied
- Interviewing and reference checking

Appointment
- Formal letter of appointment outlining key terms and conditions of appointment
- Shareholder approval at next Annual Shareholders' Meeting

Establishment
- Induction
- Disclosure of Interests and agree conflicts management plans where relevant
- Committee assignments.
- Ongoing evaluation and development

Directors are expected to acquire a shareholding in the Company equivalent to 50 percent of the annual base director fee within 3 years of appointment. Dame Therese Walsh, Dean Bracewell, Laurissa Cooney, Alison Gerry, Paul Goulter and Larry De Shon have all met this threshold. Claudia Batten is expected to do so by the end of the 2025 financial year.

Key Governance documents are available on the Air New Zealand website. These include:

- The **Company's Code of Conduct and Ethics**, stating the guiding principles of ethical and legal conduct, applicable to everyone working at or for Air New Zealand – directors, executives, employees, contractors and agents;
- **Charters for the Board and each of its Committees**, detailing authorities, responsibilities, membership and operation;
- The **Securities Trading Policy**, identifying behaviours that could be illegal for individuals, or otherwise unacceptable or risky in relation to dealings in Air New Zealand's securities by directors, employees or their associated persons;
- The **Continuous Disclosure Policy**, addressing compliance with continuous disclosure obligations and the timely treatment of Material Information.

Air New Zealand's key Governance documents can be found at:
airnewzealand.co.nz/corporate-governance

Diversity, Equity & Inclusion

The Company's Diversity, Equity & Inclusion strategy recognises the value of a diverse workforce which is proudly representative of Aotearoa New Zealand, and aims to create an open, inclusive environment for our people, customers, whānau and communities to thrive. Overall, the Board considers the Company's performance against this strategy has been consistent. The Board has also had input into and endorsed the recently refreshed strategy and will continue to regularly evaluate progress.

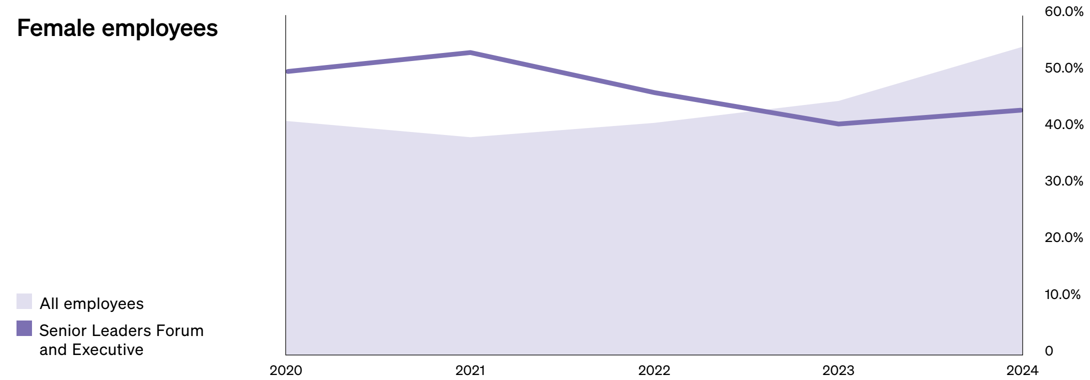
Diversity is considered across a number of measures, including gender, ethnicity, disability, age, and sexual identity. There is a focus on recruitment practices that promote the retention and attraction of diverse talent, as well as a broad range of employee initiatives to reflect, support and develop the diversity we have across the airline. Air New Zealand's 10 Employee Networks play a key role in supporting and advocating for employees and ensuring the success of the airline's Diversity, Equity & Inclusion strategy.

With a target of 50 percent women in the senior leaders forum (which includes the Executive), the Company achieved 42 percent as at 30 June 2024. The Board will continue to monitor this and is comfortable that the recent decline is not reflective of any systemic issues, and that recruitment, retention and management of talent pipelines are all operating well. The 50 percent target will be maintained for the 2025 financial year and there will be a continued focus on building a pipeline of women leaders at all levels of leadership to help us achieve this.

gendertick

Accessibility Tick
Committed to Accessibility

Female employees



Air New Zealand also has a target of 21 percent of the Company's people leadership roles being held by Māori and Pasifika employees by 2025; as at 30 June 2024 the result was 17 percent. The 21 percent target will be maintained for the 2025 financial year, with ongoing support for our graduates of our Mangōpare leadership development programme, and continued focus on initiatives that support the recruitment, retention and development of Māori and Pasifika talent.

AS AT 30 JUNE	2024	2023
Directors (female:male:gender diverse)	4:3:0	4:4:0
Executive team (female:male:gender diverse)*	4:6:0	4:6:0

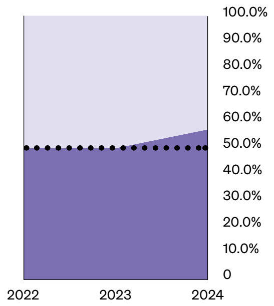
*The Executive Team comprises the Chief Executive Officer and direct reports to the Chief Executive Officer, and corresponds to "Officers" as defined in the Listing Rules.

Laurissa Cooney discusses the activities of the People, Remuneration & Diversity Committee:
https://youtu.be/dw9CsF7I-tA

Corporate Governance Statement (continued)

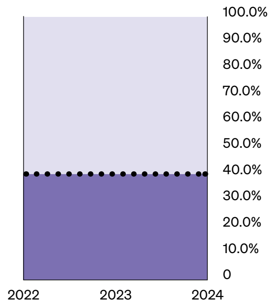
Gender balance – Board

● 3 year average
Male
Female



Gender balance – Executive

● 3 year average
Male
Female

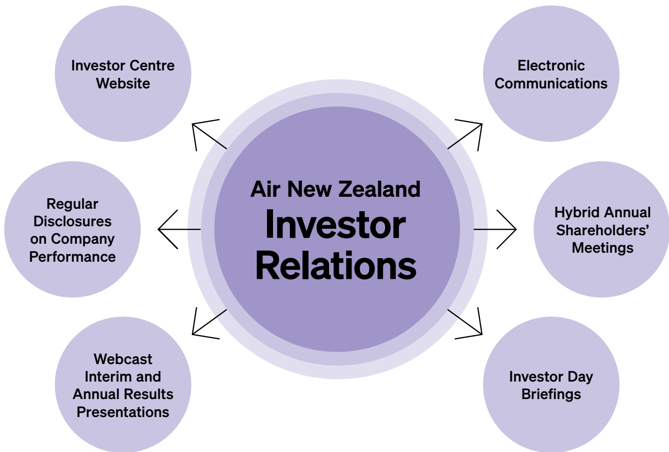


Shareholder Engagement

Air New Zealand is committed to regular dialogue and engagement with shareholders and utilises a number of channels to communicate relevant information.

Disclosure of material information is made first and foremost through announcements to the NZX and ASX. In accordance with legislation, the Constitution and the Listing Rules, Air New Zealand also refers any significant matters to shareholders for approval at a shareholder meeting. The airline maintains an investor centre, which can be found on the Air New Zealand website. This contains many resources for shareholders including information about the airline's operations, its current and historical financial performance, shareholder meeting materials as well as key governance information and group policies. This year's Annual Report can also be found on this website including, effective from 29 August 2024, Air New Zealand's first annual Climate Statement.

Air New Zealand's Investor Centre can be found at:
airnewzealand.co.nz/investor-centre



A comprehensive frequently asked questions section is maintained on the investor centre to assist shareholders with common questions. In addition, all shareholders can make enquiries regarding their investment via a dedicated Investor Relations email (investor@airnz.co.nz). Shareholders also have the option to sign-up to receive email notifications of investor news via the investor centre website.

The Company operates an investor relations programme with a dedicated Investor Relations team who manage scheduled interactions with investors, analysts and relevant market stakeholders throughout the year. Twice a year at the interim and annual results announcement, the CEO and CFO host an investor-focused conference call and answer questions raised by analysts and investors. A transcript of the investor call is made available on the investor centre to enable full transparency to all stakeholders. The Company also participates in bi-annual podcasts for existing and prospective retail shareholders, which provides an opportunity to ask questions related to the financial results, as well as the Company strategy.

Shareholders are actively encouraged to attend the Company's annual meetings and vote on major decisions. Air New Zealand posts any Notices of Shareholder Meetings on its website as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting. The Company has been holding a hybrid form Annual Shareholders' Meeting since 2016, which enables wide participation by shareholders both in person and online.

In addition to shareholders, Air New Zealand maintains open channels of communication with a wide range of other stakeholders including brokers, the broader investment community, the New Zealand Shareholders' Association (NZSA), and regulators.

Differences in Practice to NZX Code

The Board has not set protocols to be followed in the event of a takeover offer. The Board considers a takeover offer to be extremely unlikely in light of the Crown's continued majority shareholding in the Company. Should circumstances change and a takeover offer was received, Air New Zealand would have adequate time to implement protocols and procedures, and communicate those to shareholders. On that basis, the Board considers it reasonable and appropriate for Air New Zealand not to follow Recommendation 3.6 of the Code at this time. Notwithstanding this, the Board agrees with the principles behind this recommendation, being good communication with shareholders and independent directors leading matters that require appropriate independence.

Board Activities

The Board continues to focus on the future position of the Company, and what that means for stakeholders including customers, employees and investors, despite global supply challenges impacting fleet and causing unprecedented levels of disruptions.

The Board approved strategy, Kia Mau, continues to provide a robust framework as the Company focuses on the future and continuing to deliver service excellence to its customers as a key part of driving Air New Zealand's success. During the year there were 10 Board meetings and 7 Board Strategy sessions. There were also 13 Committee meetings (4 ARC, 4 HSSC and 5 PRDC).

Key areas of activity during the year include:

Kia Mau

Guiding the Company's strategy, ensuring it is refined and monitoring progress towards achievements, is central to the Board's activities. As part of this, the Board was involved in the strategy refresh that was undertaken in the 2024 financial year. For more information on our Kia Mau strategy, please refer to pages 16 and 17 of this report.

Capital Management

In August 2023 the Board approved a revised capital management framework, following an extensive review of the Company's approach to liquidity levels, leverage targets and shareholder distribution parameters. Comparisons to global airline industry peers was an important consideration in the review. Core to the capital management framework is the Board's commitment to maintaining targets that support an investment grade credit rating.

Capital management activities undertaken during the 2024 financial year included payment of a 6.0 cent per share special dividend to reflect the strong performance in the prior financial period, purchasing two new A321neo aircraft with cash to build up the unencumbered fleet portfolio, early repayment of approximately $70 million of secured debt and reinstating the first ordinary dividend since Covid, starting with the 2024 interim dividend of 2.0 cents per share.

In May 2024, the Company established a new, three year, $250 million unsecured, syndicated revolving credit facility, which replaced the previous $400 million unsecured committed Crown Standby Facility which was cancelled on 21 March 2024, having never been drawn upon. The new syndicated revolving credit facility is undrawn as at 30 June 2024.

Corporate Governance Statement (continued)

Sustainability

A successful and sustainable future requires ongoing commitment by the Company to advancing its sustainability initiatives and the Board is focused on ensuring progress in managing and reporting on climate change impacts. To achieve this, the Board has collaborated with management to establish climate scenarios and models, both to meet climate disclosure requirements and to inform and shape the Company's responses and strategies. Directors have endorsed efforts to enhance the availability and sourcing of alternative jet fuel, as well as approving the purchase of a new battery electric 'demonstrator' aircraft, which is expected to operate a single short-haul cargo route from 2026.

The Company's transition plan to guide its transition to a low emissions operating model has been a focus for the Board given the challenges the airline industry faces. In 2022, the Company set a near-term target for 2030 in line with the aviation sector methodology designed by the SBTi to reduce its carbon emissions intensity by 28.9 percent against a 2019 baseline. After careful consideration, Air New Zealand retracted this target and withdrew from the SBTi in July 2024. This was driven by two main factors. Many of the levers needed to meet the target, including the availability of new aircraft, the affordability and availability of alternative jet fuels, and global and domestic regulatory and policy support, are outside the airline's direct control and remain challenging. More recently delays to the airline's fleet renewal plan due to global manufacturing and supply chain issues that could potentially slow the introduction of newer, more fuel-efficient aircraft into the fleet posed an additional risk to the target's achievability.

The Board's focus on sustainability is not limited to climate change, as demonstrated in the Sustainability section of this report. Sustainability issues are also expected to be discussed in all relevant Board papers to drive improvement in, and focus on, their identification, measurement and management.

Kia Rite

The airline continues its journey to realise and embed an authentic te ao Māori approach for the Company. In September 2023, the Board approved a refreshed Māori strategy Kia Rite (updated from the February 2023 Māori strategy) which presents three core opportunities to enable Air New Zealand to be the leading airline in authentic indigenous relationships in the world. The calls to action are: Grow Māori Workforce, embed te ao Māori and Lift Māori Connections.

Authenticity has also been a focus for the Board during 2024. The uniform project has benefited greatly from understanding the importance of Māori design skillsets steeped in whakapapa, tikanga and authentic narrative. These were key criteria in the designer selection process and will also inform other design initiatives in future years.

Furthering connections with the Māori economy during the year through the annual Board visit programme gave the Board a deeper awareness of the value that te ao Māori brings to an organisation. The Board's visit to Rotorua included a formal pōwhiri (welcome) at Te Puia (New Zealand Māori Arts and Crafts Institute), and a tour of the now iwi-owned business. Engagements held with the business community in Rotorua and in Tauranga revealed the extent of Māori investment across the region and the important role that Air New Zealand plays in connecting iwi, hapū (clans or descent groups), and Māori entities to domestic and international markets.

Customer Initiatives

Initiatives which improve and innovate the customer journey have been of keen interest to the Board, including inflight food offerings, innovative aircraft layouts including the new Skynest™ (which will debut on the new Boeing 787 aircraft due to enter the fleet in late calendar year 2025), an enhanced Air New Zealand app and the launch of our new loyalty platform iFly. Biometric boarding is progressively being introduced across United States ports, with Los Angeles being the first. The Board receive regular updates on the Airpoints™ programme, noting members have grown to 4.6 million this year.

Customer satisfaction has improved across the year, including how disruptions are handled. Ongoing global supply chain pressure for aircraft components (resulting in more frequent grounding of aircraft), has meant periods of disruption to the network, schedule adjustments, and increased workload for our personnel as well as pauses on some routes due to global engine issues with Pratt & Whitney and Rolls-Royce.

Significant process and tooling improvements, and additional resources have been added to the contact centre and customer care teams, which has markedly improved customer response times. Live Chat was introduced on a 24/7 basis and has been well received. There has been an ongoing focus on self-service, from online capabilities to check-in via the mobile app and airport kiosks.

The continued care our people demonstrate to our customers has been a major factor in the Company's success in external awards and industry recognition. Over the year these have included:

- **Safest Airline of the Year** – AirlineRatings.com
- **Best Economy Class** – AirlineRatings.com for innovations including Skynest™ and Economy SkyCouch™
- **Best Premium Economy Class** – AirlineRatings.com
- **New Zealand's Most Attractive Employer 2024** – Randstad Award
- **Most Family Friendly Airline in Australia and Pacific** – Skytrax
- **Air New Zealand's international lounge at Auckland, Best Business Class Lounge in Australia and Pacific** – Skytrax

Further Afield

This year the Board visited parts of Air New Zealand's global operations in Japan and Singapore to meet stakeholders, get to know local employees and to undertake health and safety reviews. These meetings focused on highlighting Air New Zealand, as well as tourism and business opportunities in New Zealand's wider economy.

Regional Initiatives

Air New Zealand is committed to supporting the growth and prosperity of regional New Zealand and the Board has been active in this effort. The Board visited Rotorua and Tauranga on their annual regional visit, meeting local leaders, tourism operators, business communities and local airport teams while gaining a deeper understanding of local issues and initiatives.

In August 2023, Air New Zealand and the Nelson Marlborough Institute of Technology/Te Pūkenga announced a partnership to work together in responding to the country's skill needs for aviation engineering. The initiative will strengthen the foundation for trainees to move into Air New Zealand's apprenticeship programmes, and followed on from the Air New Zealand Board's visit to the Nelson/Marlborough region earlier in 2023.

As Directors have visited different ports over the year, they have also taken the time to engage with local employees and recognise their mahi in improving the customer experience.

Air New Zealand Board members in Rotorua

Left to right: Larry De Shon, Laurissa Cooney, Claudia Batten, Dame Therese Walsh (Chair), Dean Bracewell, Alison Gerry and Paul Goulter.

Infrastructure

Having safe, efficient and future-proof supporting infrastructure is critical, both operationally and for our customers. Auckland International Airport is the airline's main base and 60 percent of domestic journeys and 80 percent of international journeys go through the Auckland domestic or international terminals.

As a regulated supplier Auckland International Airport undertakes a price setting event every five years, which is informed by the airport's multi-decade airport redevelopment programme. The Board has been closely involved with the airline's response to the 2023 airport price setting consultation and the overall redevelopment plans, given that the airport's plans are a generational shift in investment and are likely to have an adverse impact on airline ticket prices and customer demand. The airline continues to recognise the need for some level of investment in site development and improved terminal facilities at Auckland airport but considers there are more affordable alternatives to some of the current proposals.

Employees

The Board considers Air New Zealand employees to be the airline's most valuable asset and was proud to see the airline again recognised as New Zealand's Most Attractive Employer by Randstad in 2024. The Board takes great pride in being our nation's airline. It's important to the Board that Air New Zealand reflects the diversity of the people and cultures in Aotearoa New Zealand, and we are actively working to embed that even further. The Board supports our Māori Development strategy, Kia Rite as the airline works to grow our Māori workforce through a partnered recruitment model with iwi and hapū and developing our Māori employees into leadership positions. The Board considers diversity more broadly than just race or ethnicity. This past year it has been encouraging to see customers, employees and others with disabilities supported through the Enable Network, the use of New Zealand Sign Language onboard our flights and enhanced training for our employees, and the establishment of the Flourish Café in our head office staffed by young people with intellectual or learning disabilities.

The Board supports the talent management and leadership development programmes so the Company maintains a pipeline of great talent for the longer term. This was demonstrated by the launch of the Pilot Cadetship programme aiming to lessen some of the financial barriers to entry.

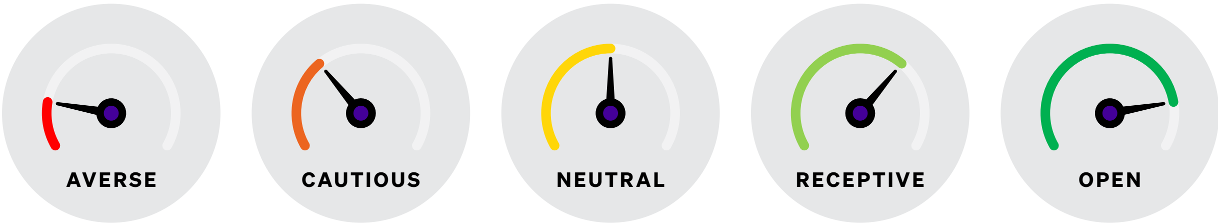
Corporate Governance Statement (continued)

Risk Appetite

The Board's Risk Appetite Statement (RAS) gives clarity to decision makers across the airline about which risks, and how much of each, can be taken in pursuing its strategy. The Risk Appetite aligns to the Strategic Risks set out on pages 45 - 48. The Board periodically refines the Statement to respond to changes, and to ensure the settings remain appropriate. At a minimum, the Board formally reviews it once a year along with their review of the airline's top Strategic Risks. This review was last undertaken in December 2023. The Board expects the Risk Appetite to be explicitly addressed in matters presented to it.

Risk Appetite ranges from 'Averse' for risks such as operational or people safety to 'Open' for innovation reflecting its ambition to embrace risk to lead innovation in customer experience and technology, whilst being clear that there is no appetite for innovation to create safety or compliance risks.

5 Point Risk Appetite



Safety

The safety of our customers, employees and our operations remains paramount for the airline and the Board. Safety performance, risk, and capability is subject to continual management review and Board governance to achieve assurance and to identify opportunities for continuous improvement. These safety activities align with our Kia Mau strategy and promise of Manaaki – taking care further than any other airline.

Given the dynamic nature of aviation, a competitive market, and our reliance on global supply chains, the airline has faced several challenges in recent times. These include difficulties in obtaining or overhauling aircraft and engine components, resulting in aircraft grounding until the airworthiness requirements can be achieved. To minimise disruption to our customers the airline has leased additional aircraft to replace some of those not currently operating. We have also had to make the difficult decision to pause some routes until the supply chain can catch up with our needs. Increased frequency and intensity of weather events has further challenged our schedules.

Dean Bracewell discusses the activities of the Health, Safety & Security Committee:
https://youtu.be/HW_0PKcNmL0

The challenges above have been addressed using our safety management systems. Proactive management of risk is a pillar of our systems, supported by new technology and personnel training. A suite of robust safety risk controls with associated safety leadership and supervision help to ensure the risk remains at an acceptable level. The quarterly Group Safety Review Board provides a good forum for assurance, common risk awareness, and management decision-making and action. Our airline's safety guardrails and quarterly planning processes are designed to ensure safety is factored into business initiatives and is appropriately resourced, while optimising the performance of our business.

A key feature of our safety approach is how we support our people, including assistance with the pressures brought on by the challenges above. The airline has a focus on employee wellbeing, which includes a mature Peer Support Network, Employee Assistance Programme, confidential Speak Up line, and our other 10 Employee Networks. Maintaining and further developing a safety and security culture through effective training is a priority.

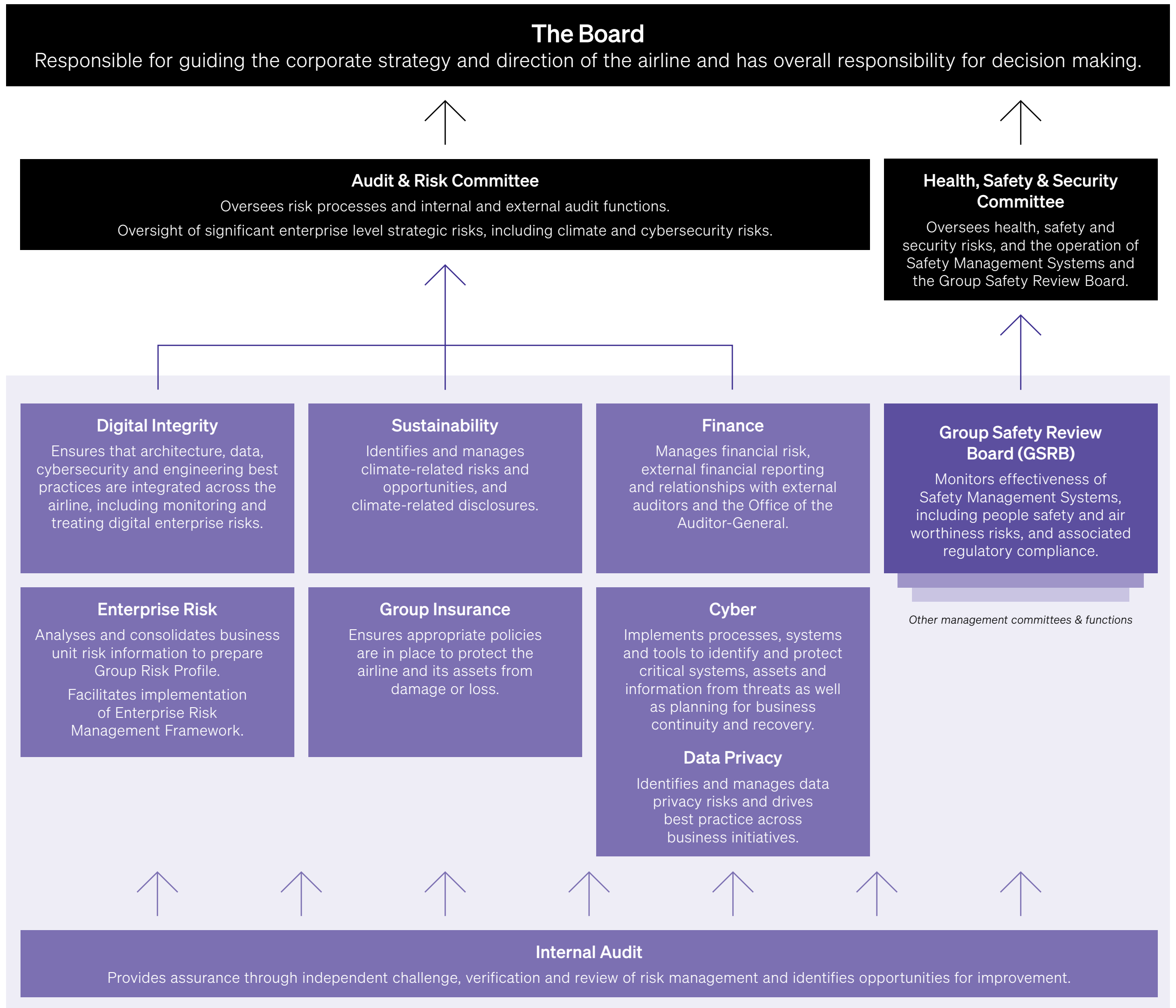
The airline has a comprehensive safety investigation and internal audit programme. The Civil Aviation Authority conducts routine monitoring and inspection activities, which provides another layer of review and opportunity for improvement. The airline benchmarks against health and safety standards through participation in the ACC Partnership Programme and the IATA Operational Safety Audit programme. The latter involves assessment against the latest industry safety standards for airline operations, with the next audit planned for October 2024.

The Board's Health, Safety & Security Committee (HSSC) provides governance of the airline's safety management. The HSSC meets quarterly and engages with management and representatives of our front-line workforce to review operational risk and safety performance. These meetings include the consideration of detailed reporting against safety metrics as well as spending time in the operations of the airline. The Committee has also met with key stakeholders whom the airline works closely with to ensure safe operating practices. Directors visit several domestic and offshore ports over the year to meet with employees and observe the operation.

The Board was pleased with the repeated success of the airline in the NZ Workplace Health & Safety Awards, recognising industry leadership in health and safety. In 2024 the airline was again voted the World's safest airline by AirlineRatings.com.

Risk Management/Strategic Risks

Our complex operating environment means that we are inherently exposed to a range of strategic, financial, legal and regulatory and operational risks which cannot always be eliminated. It is important to the Board that material risks are identified, and appropriate risk mitigation strategies are implemented to avoid unintended consequences and more effectively deliver our strategy.



Note: Only principal management relationships are depicted.

Risks are identified through both top-down and bottom-up processes and informed with enterprise wide insights from specialist risk functions. There is a regular cadence of reporting to relevant management, Board Committees and the Board.

Strategic risks presented on Air New Zealand's Group Risk Profile are confirmed by the Audit & Risk Committee every six months, and ranked based on risk rating. Risk ratings reflect an assessment of the likelihood and the impact of an event, after considering the effectiveness of existing mitigations.

Alison Gerry discusses the activities of the Audit & Risk Committee:
https://youtu.be/FKD6vABWSCg

Corporate Governance Statement (continued)

Given their significance, strategic risks are assigned to members of the Executive as Risk Owners, who ensure appropriate management of the risk.

The Board continues to give particular attention to climate risks and cybersecurity, drawing on a range of internal and external advice from experts. Risks associated with the current economic and geopolitical environment, which are deeply interconnected with the risks of supply chain disruption and legal and regulatory compliance, are also being closely monitored. The effects of innovation and business transformation on our workforce and the Company's competitive position are also of ongoing interest to the Board.

The Company's strategic risks are tabulated below and mapped to our strategic focus areas under our Kia Mau strategy. The Board and its Committees focus on areas of significant risk including through targeted deep dives every six months on specific risks.

Strategic Risk Area	Description	Principal Mitigants
Climate change	Transition risks combined with physical climate change risks may constrain travel demand, operational and financial performance and network growth, adversely impacting investor expectations and Air New Zealand's social licence.	Various workstreams implementing decarbonisation levers. Engagement with regulators and legislators on carbon reduction, climate and policy. Transparent disclosure, and provision of options for customer emissions reporting. Response teams, training and toolkits for responding to crises, emergency and business disruption. Business Continuity Plans and testing combined with operational procedures, flight planning and weather tools.
Global uncertainty	Heightened economic, geopolitical and market uncertainties could affect the ability to accurately plan for future travel demand, adversely impacting supply planning and the ability to meet revenue optimisation and growth targets.	Predictive monitoring of economic activity and indicators. Continuous review of revenue projections including demand and supply forecasting and financial modelling. Disciplined capacity management. Use of fuel price hedging.
Technology lifecycle	Failure to manage technology hardware and software lifecycle may introduce cyber vulnerabilities, operational overhead, impede transformation/innovation and lead to digital/business disruption.	Technology Roadmap for technical debt reduction; Vulnerability Management and System Lifecycle management. Implementation of MACH (Microservices based, API-first, Cloud-native, and Headless) Framework for continuous improvement of system architecture.
Cybersecurity	A sub-optimal response to a cyberattack or misuse of systems may lead to significant data breach, loss of integrity/availability of information or of a control system, compromised personal information and widespread disruption resulting in financial loss, reputational damage and regulatory fines or sanctions.	Comprehensive Cybersecurity programme delivered by a dedicated Cybersecurity function, complemented by appropriate cybersecurity measures, testing and evaluation and insurance. Privacy management, including training and awareness, and Breach Response processes.
Agile transition and change management	Ineffective culture change management and associated low employee buy-in may constrain the ability to embed new ways of working and impede the ability to achieve Kia Mau strategic objectives.	Dedicated functions supporting Agile initiatives. Focused training and education for key roles and leader immersions. Continuous improvement through external benchmarking and feedback mechanisms.
Legal and regulatory compliance	Rapidly changing and complex legal or regulatory obligations globally (for example consumer laws, greenwashing, human rights/modern slavery and artificial intelligence) create significant operational and commercial complexity potentially resulting in non-compliance and resultant legal, financial and reputational impacts.	Active monitoring and communication of regulatory changes, alignment of internal standards, procedures and conformance monitoring. Frequent engagement with regulators and use of external law firms for legal and regulatory updates. Targeted training of high-risk areas, including annual Company-wide Code of Conduct and Ethics training to promote awareness. Systematic safety management, including active safety promotion and operational risk management.
Innovation	Air New Zealand's failure to pursue innovation in response to stakeholder expectations may threaten competitiveness and impact strategic achievement to brand and reputation.	Quarterly Business Review enables capability development, alignment and prioritisation of initiatives to strategy. Research and analysis of customer behaviour. Monitoring of productivity improvements from, and customer responses to, delivered innovations. Assess proof of concepts for innovative technology before activating.
Supply chain	Global supply chain challenges (aircraft parts, engines, raw material shortages and labour availability), increase in supplier Environmental, Social and Governance (ESG) risks (compliance with Modern Slavery and Carbon emissions standards) and historic under-investment in ground service equipment may result in operational disruption and reputational damage.	Robust integrated business planning and monitoring of supplier risk. Supplier Code of Conduct confirmations supplemented by supplier relationship management, performance monitoring and social practice audits. Alternative supply arrangements established as appropriate.
Safety	Capability, capacity and culture constrains the ability to successfully execute safety policies and management systems, potentially resulting in harm to Air New Zealand's people, assets and environment resulting in a compliance breach and reputational damage.	Implementation of comprehensive airline's safety management systems. Governance and oversight of significant issues provided by the Board's Health, Safety & Security Committee, including Empowerment Framework Safety Guardrails and the Quarterly Business Review process ensures a focus on safety risk management. Monitoring and reporting on safety performance and ongoing training and awareness.

Kia Mau pillars and enablers

Grow Domestic · Elevate International · Lift Loyalty · Brilliant Basics · Serious about Sustainability · Digital Dexterity · Prioritising People & Safety

Kia Mau pillars and enablers

Grow Domestic · Elevate International · Lift Loyalty · Brilliant Basics · Serious about Sustainability · Digital Dexterity · Prioritising People & Safety

Corporate Governance Statement (continued)

Strategic Risk Area	Description	Principal Mitigants
Competition	Growing other airline capacity, a change to alliance relationships and/or a disruption to the airline/customer relationship, may increase the risk of competition, negatively impacting Air New Zealand's growth prospects and profitability.	Competitive analysis and pricing strategy. Customer research and investment in technology. Strategic relationship management with key stakeholders and alliance partners. Brand development, marketing and communication, and loyalty programme.
Aeronautical infrastructure and systems constraints	Lack of prudent investment in aeronautical infrastructure (including airspace, air traffic management, security, baggage systems, hangars, renewable energy storage, generation and new technology) constrains the future growth and financial performance of Air New Zealand.	Strategic planning process to understand current and future infrastructure demand. Capital investment planning to support infrastructure development in line with growth objectives.
Workforce	Industry disruption, talent pipeline technical skills and the inability to right size the workforce, or a deterioration in union relationships may lead to capability gaps and the potential for significant operational disruption, constraining the ability to deliver strategy.	Sustainable job strategy combined with talent review, career development initiatives and succession planning for critical roles. Productive union relationships based on collaboration principles. Quarterly engagement surveys and rewards and recognition programme.
Social licence and corporate reputation	Continuing operational and fleet challenges and/or lack of support from stakeholders/interest groups and partners may constrain the airline's ability to manage customer/stakeholder expectations and erode Air New Zealand's social licence, brand strength and corporate reputation resulting in diminished competitiveness and growth.	Proactive stakeholder management and communication programme for central and regional government and other stakeholders including media. Investment in brand strategy and monitoring of advocacy, sentiment and reputation to identify key issues impacting Air New Zealand, including opportunities through international channels. Cultural authenticity through Board approved Māori strategy.
Business disruption	A significant event threatens our customers, people, property, operations or the external environment resulting in financial, social licence and reputational impacts.	Crisis, Emergency and Business Resilience framework, including Emergency Response teams, training and plans which are tested through exercises. Business Continuity Plans are maintained and tested to assess the effectiveness of plans and identify areas for improvement.

Kia Mau pillars and enablers

Grow Domestic · Elevate International · Lift Loyalty · Brilliant Basics · Serious about Sustainability · Digital Dexterity · Prioritising People & Safety

Internal Audit

The internal audit function helps the Board and management maintain accountability and transparency of risk management and internal control processes through independent assurance activity. This group objectively and systematically assess, assures and recommends enhancements to the business's management of risk, contributing to the overall robustness of the airline's corporate governance.

Internal audit acts for the Board and reports to the Audit & Risk Committee. Recommendations made by internal audit, and the status of management's adoption of these is reported to and monitored by the Audit & Risk Committee.

External Audit

As a Public Entity, Air New Zealand is subject to the Public Audit Act 2001. The Auditor-General is the auditor but may appoint an independent auditor to conduct the audit process. Melissa Collier of Deloitte Limited has been appointed in this respect, from the 2022 financial year.

The Audit & Risk Committee liaises with the Auditor-General on the appointment and re-appointment of the external auditors, to ensure the independence of the external auditor is maintained, and to approve the performance of any non-audit services in accordance with the Audit Independence Policy.

Air New Zealand requires the external auditor to rotate its lead audit partner at least every five years, with suitable succession planning to ensure consistency.

On a regular basis the Audit & Risk Committee meets with the external auditor to discuss any matters that either party believes should be discussed confidentially. The Chair of the Audit & Risk Committee will call a meeting of that Committee if so requested by the external auditor.

The appointed external auditor has historically attended the Annual Shareholders' Meeting and is available to answer relevant questions from shareholders at that meeting.

Remuneration

Director Remuneration

In accordance with the Constitution, shareholder approval must be sought for any increase in the pool available to pay directors' fees. Approval was last sought in 2015, when the pool limit was set at $1,100,000 per annum. This approval was based on 7 directors; with a Board comprising 8 directors the pool limit is $1,232,333 per annum consistent with NZX Listing Rule 2.11.3.

Where the pool permits, the Board may amend the actual fees paid to reflect market conditions or other relevant factors. The Board has determined the following allocation of the pool.

	Position	Fees (Per Annum)
Board of Directors	Chair[1]	$270,000
	Member	$100,000
Audit & Risk Committee	Chair	$40,000
	Member	$20,000
Health, Safety & Security Committee	Chair	$40,000
	Member	$20,000
People, Remuneration & Diversity Committee	Chair	$30,000
	Member	$10,000

1. The Chair receives no additional committee fees.

Air New Zealand's Independent Non-Executive Directors do not participate in any executive remuneration scheme or employee share schemes; nor do they receive options, bonus payments or any incentive-based remuneration. Directors are entitled to be reimbursed by Air New Zealand for reasonable travelling, accommodation and other expenses they may incur whilst travelling to and from meetings of the directors or committees. Directors have an entitlement to a limited number of free of charge flights for each year served as a director as set out in a director travel policy.

Corporate Governance Statement (continued)

Remuneration and benefits of directors and former directors in the reporting period are tabulated below.

	Board Fees	ARC	HSSC	PRDC	Total Fees	Value of Travel Entitlement[1, 3]
Dame Therese Walsh (Chair)	$270,000	-	-	-	$270,000	$18,681
Claudia Batten	$100,000	$20,000	-	-	$120,000	$16,207
Dean Bracewell	$100,000	-	$40,000 (Chair)	$10,000	$150,000	$11,885
Laurissa Cooney[2]	$100,000	$20,000	-	$17,500 (Chair)	$137,500	$7,564
Larry De Shon	$100,000	-	$20,000	-	$120,000	-
Alison Gerry	$100,000	$40,000 (Chair)	$20,000	-	$160,000	$17,787
Paul Goulter	$100,000	-	$20,000	$10,000	$130,000	$10,933
Jonathan Mason	$25,000	$5,000	-	$5,000	$35,000	$4,774
Total	**$895,000**	**$85,000**	**$100,000**	**$42,500**	**$1,122,500**	**$87,831**

Amounts stated as FBT and GST exclusive where applicable.

1. Includes value of travel benefits for related parties and benefits accrued in prior years utilised in current year.
2. Laurissa Cooney became PRDC Chair 1 October 2023.
3. The value of the travel entitlements utilised by former directors during the 2024 financial year, using the taxable value of subsided transport as provided in the Income Tax Act 2007 and reported to Inland Revenue, was as follows:

Jonathan Mason (served as a director until 30 September 2023) ($16,834), Paul Bingham ($20,594), Jan Dawson ($760), Rob Jager ($13,909), Linda Jenkinson ($12,894), Tony Carter ($9,810), Roger France ($2,419) and John Palmer ($8,480).

In addition to the director remuneration provisions above, Air New Zealand's employee remuneration policy and the remuneration of the Chief Executive Officer are discussed in the remuneration report.

Employee Remuneration

	Total remuneration paid in the 2024 financial year[1]	
	New Zealand Management	Aircrew, Engineering, Overseas and Other
100,000 - 110,000	237	505
110,000 - 120,000	225	403
120,000 - 130,000	163	297
130,000 - 140,000	164	267
140,000 - 150,000	155	215
150,000 - 160,000	159	210
160,000 - 170,000	125	181
170,000 - 180,000	100	174
180,000 - 190,000	75	157
190,000 - 200,000	74	137
200,000 - 210,000	69	135
210,000 - 220,000	43	145
220,000 - 230,000	37	124
230,000 - 240,000	31	78
240,000 - 250,000	42	49
250,000 - 260,000	22	57
260,000 - 270,000	34	42
270,000 - 280,000	12	39
280,000 - 290,000	13	31
290,000 - 300,000	11	55
300,000 - 310,000	11	51
310,000 - 320,000	6	36
320,000 - 330,000	4	20
330,000 - 340,000	5	28
340,000 - 350,000	7	30
350,000 - 360,000	7	40
360,000 - 370,000	6	46
370,000 - 380,000	6	20
380,000 - 390,000	4	25
390,000 - 400,000	3	19
400,000 - 410,000	4	7
410,000 - 420,000	-	8
420,000 - 430,000	1	10
430,000 - 440,000	4	7
440,000 - 450,000	1	12
450,000 - 460,000	1	22
460,000 - 470,000	-	20
470,000 - 480,000	-	20
480,000 - 490,000	3	20
490,000 - 500,000	-	10
500,000 - 510,000	3	10
510,000 - 520,000	3	10
520,000 - 530,000	3	12
530,000 - 540,000	-	17
540,000 - 550,000	-	8
550,000 - 560,000	3	5
560,000 - 570,000	1	9
570,000 - 580,000	-	3
580,000 - 590,000	-	8
590,000 - 600,000	-	6
600,000 - 610,000	1	1
610,000 - 620,000	-	2
620,000 - 630,000	-	1
630,000 - 640,000	-	3
640,000 - 650,000	1	2
650,000 - 660,000	-	3
660,000 - 670,000	-	2
670,000 - 680,000	3	5
680,000 - 690,000	-	2
690,000 - 700,000	-	2
700,000 - 710,000	1	-
710,000 - 720,000	-	1
720,000 - 730,000	-	3
740,000 - 750,000	1	2
750,000 - 760,000	1	-
760,000 - 770,000	1	-
770,000 - 780,000	1	-
780,000 - 790,000	1	-
840,000 - 850,000	-	1
850,000 - 860,000	1	-
870,000 - 880,000	1	-
1,180,000 - 1,190,000	1	-
1,290,000 - 1,300,000	1	-
1,330,000 - 1,340,000	1	-
1,380,000 - 1,390,000	1	-
1,420,000 - 1,430,000	1	-
1,470,000 - 1,480,000	1	-
1,510,000 - 1,520,000	1	-
3,950,000 - 3,960,000	1	-
Total	**1,898**	**3,870**

1. This information is provided under the Companies Act 1993, section 211.1(g). These numbers reflect total remuneration and benefits received in the financial year including base salary; short-term incentive payments for the 2023 financial year performance paid in the 2024 financial year; travel benefits; superannuation employer contributions; the value of long-term incentives which vested in the financial year; and any other cash payment received in the year. The Company no longer includes in these numbers the value of any long-term incentive rights issued in the financial year which have not vested, and therefore remain at risk.

The 2024 financial year contained 27 pay periods compared to the usual 26 pay periods as reported in prior years.

Remuneration Report

Key highlights from the People, Remuneration and Diversity Committee

The role of the People, Remuneration and Diversity Committee (PRDC) is to advise and assist the Board in discharging its responsibilities with respect to oversight of our People strategy. As part of that role, the Board has generally delegated authority for rewards and remuneration to the PRDC.

Air New Zealand's remuneration philosophy is aligned with its recruitment, leadership development philosophies and performance management approaches to ensure the attraction, development, and retention of key talent. The PRDC is kept appraised of relevant market information and best practice, obtaining advice from external advisors where necessary. Remuneration levels are reviewed annually for market competitiveness and alignment with strategic priorities and Company performance objectives.

In the 2024 financial year, the PRDC reviewed both the short and long-term incentives as well as the Diversity, Equity & Inclusion (DE&I) strategy:

- **Short-term incentive (STI):** The PRDC introduced a sustainability measure relating to carbon emissions intensity into the STI scorecard for the 2024 financial year, comprising 15 percent of the overall STI value for participants. This climate-related component will be awarded if the prescribed annual emissions intensity reduction target for the year is achieved, or partially awarded if a minimum milestone is achieved. The carbon intensity data provides a measure (in grams) of emissions generated (CO_2-e) for each kilogram of payload flown and each available seat. Payload carriage is expressed as Revenue Tonne Kilometres (RTK) and seat availability is measured in ASK.
- **Long-term incentive (LTI):** The PRDC, supported by independent consultants, undertook a review of the LTI plan, which has been in place since 2014. This was to compare the plan to best practice and ensure alignment to market and key peers. This review determined that the current LTI plan is generally effective in aligning shareholder and senior management interests and recognised some opportunities to bring the LTI plan more in line with current market practices. The PRDC approved the adoption of a slightly revised LTI plan from the 2024 financial year. More information about the LTI plan rules and details of the Share Rights allocation for the CEO are set out on pages 53 and 54.
- **Diversity:** We are proud to highlight our ongoing commitment to diversity, equity, and inclusiveness which led to the review and implementation of our refreshed DE&I strategy this year. Through extensive research, including internal focus groups and external discussions, our goal was to elevate our DE&I strategy to represent best in class. The resulting strategy is anchored by a vision to drive an open, inclusive environment for our people, customers, whānau and communities to thrive. This vision is supported by our ambitions to create an environment free from discrimination, leaders who are reflective of Aotearoa New Zealand, and fair and equitable experiences for everyone.

Executive remuneration

CEO and Executive remuneration packages comprise both fixed and variable components.

- Fixed remuneration consists of base salary and superannuation contributions, which are matched by an employer superannuation contribution of up to 4 percent of gross taxable earnings. Fixed remuneration is reviewed periodically based on market data from external independent remuneration sources. The PRDC approves the proposed remuneration packages for the CEO and the Executive team. The proposed budget for the annual remuneration review and changes to salaries (if any) are approved by the PRDC.
- Variable pay consists of a STI and LTI. Both of these incentive schemes are performance-based in accordance with the schemes' terms. These discretionary payments are awarded only if specific financial and non-financial metrics are achieved and are at the discretion of the PRDC. More details about the terms can be found below.

STI and outcomes for 2024

The STI performance targets are the same for all participants and consist of a broad range of measures designed to promote collaboration through shared objectives

For the 2024 financial year, 50 percent of the incentive related to Group financial targets and the remaining 50 percent comprised measures for customer, people safety, on-time performance and sustainability. The PRDC's review determined that customer satisfaction and people safety targets were met, but the sustainability target was not met. The Group financial and on-time performance targets were only partially met to varying degrees. The STI outcome for the year as approved by the PRDC is summarised as follows:

Performance measure	Weighting	Target[7]	2024 performance	2024 STI % Outcome versus weighting[7]	Commentary
Return on Invested Capital (ROIC)[1]	25%	13%	9.7%	10% of the 25%	Minimum threshold met Target partially achieved
Controllable Cost / Revenue[2]	25%	58%	59%	82% of the 25%	Minimum threshold met Target partially achieved
Customer Satisfaction[3]	15%	84%	84%	100% of the 15%	Target achieved
People Safety[4]	10%	87%	89%	120% of the 10%	Target exceeded
On-time Performance[5]	10%	83%	79%	28% of the 10%	Minimum threshold met Target partially achieved
Sustainability[6]	15%	817g	889g	0% of the 15%	Target not achieved
Total	100%			50%	

STI and outcomes for 2024 (continued)

1. ROIC is the return the Company earns on capital invested. A full definition of ROIC can be found on page 114 of the Five Year Statistical Review.
2. Controllable Cost are costs the Company can control such as catering and ground handling costs. This excludes fuel and foreign exchange. A percentage that is lower than the target percentage indicates stronger performance.
3. Customer Satisfaction is measured via the MyVoice Customer Survey, an optional post-flight survey completed by passengers via an email link.
4. People Safety is comprised of Risk Control Effectiveness (RCE) which focusses on our critical people safety risks and ensuring the Company has the controls in place to operate safely.
5. On-time-performance is measured through Arrival 15 (the percentage of on-time arrivals within 15 minutes) and Departure Zero controllable (the percentage of Airline controllable on-time departures within zero minutes). To achieve this measure the minimum threshold for the RCE target must be achieved (which it was, as shown in the STI outcomes table on page 52) before a payment for on-time-performance can trigger a payment.
6. Sustainability is measured via CO_2-e per RTK and ASK. To achieve a payment for this measure, the CO_2-e per RTK and ASK target range was 817g (target) to 848g (minimum).
7. The result of each performance measure is compared to a range of minimum, target and maximum values set by the PRDC and used to calculate the payout for each measure which is then multiplied by the weighting of the measure to give the percentage payout for each performance measure.

2025 STI target

Each year, the PRDC reviews the STI scorecard to ensure alignment with annual business priorities. For the 2025 financial year the PRDC has determined that the performance measures and weightings as set out in the table for 2024 on page 52 will be retained.

LTI

The LTI plan is designed to align the interests of the CEO and Executives with those of our shareholders and to incentivise participants in the plan (**Participants**) to enhance long-term shareholder value. Additionally, offering participation seeks to motivate and retain top talent. Participation in any year is by annual invitation at the discretion of the PRDC. Details on how this plan works and the outcomes for the 2024 financial year are set out below. Details of how this plan worked in prior financial years can be found in previous Annual Reports.

Share Rights

Participants are eligible to receive a grant of share rights, which gives them the right to receive ordinary shares in the Company subject to certain vesting conditions being achieved over a three-year performance period (**Share Rights**). Grant of Share Rights is at the discretion of the PRDC, but in the normal course of events, is expected to equate to a value of 55 percent of fixed remuneration for the CEO and 40 percent of fixed remuneration for Executives. The number of Share Rights to be allocated to Participants is determined by an independent valuation of the share rights each year at the time of issue.

Share Rights are divided into two equal tranches each measured against a separate performance hurdle. No testing against those hurdles will occur unless Total Shareholder Return (TSR) over the three-year performance period is greater than zero. If TSR is zero or negative, the Share Rights will lapse without the two performance hurdles being tested and no value will accrue to the Participants.

If the TSR hurdle is achieved, the number of vesting Share Rights will depend on Air New Zealand's TSR relative to (i) the NZX 50 index for the first tranche, and (ii) the Bloomberg World Airline index for the second tranche.

In each of the two tranches, 50 percent of Share Rights will vest if the Company's TSR has matched the comparison index over the performance period. For each 1 percent the TSR outperforms the comparison index, a further 2.5 percent of share rights will vest up to a maximum of 100 percent.

Mandatory Shareholding

Participants must hold a specified amount of shares through vesting of Share Rights. The amount is set at a value of 55 percent of the fixed remuneration for the CEO, and 40 percent of fixed remuneration for Executives. Participants are not required to purchase shares outside of the LTI to satisfy this mandatory shareholding requirement.

Until this mandatory shareholding is reached, any shares issued to Participants from vested rights must be retained. This holding must be maintained while still employed.

Vesting of the 2020 LTI

Rights issued under the LTI in September 2020 partially vested in late calendar year 2023, based on external validation undertaken by PwC in the applicable testing period. This resulted in 57.2 percent of the 2020 performance share rights vesting, with the balance lapsing with no further testing.

CEO Retention Plan

This year the Board approved a cash-based retention plan for the CEO for the 2024 to 2026 financial years (CEO Plan). The rationale for the CEO Plan is to maintain stable leadership and incentivise delivery of key strategic priorities which are critical to the execution of the Kia Mau strategy.

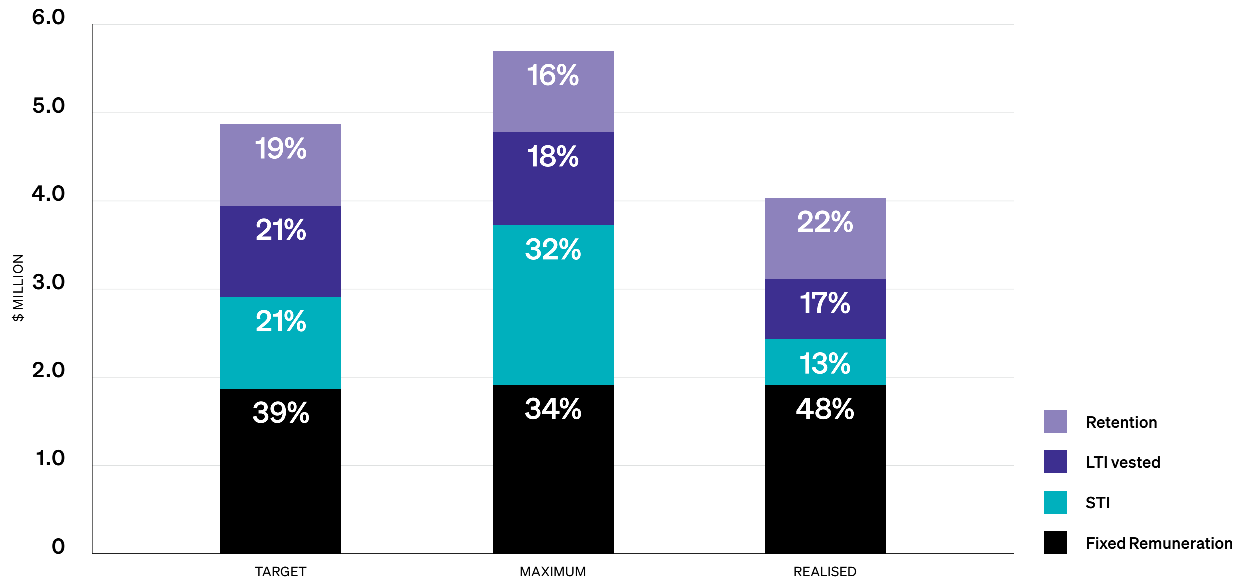
The CEO Plan will consist of three equal payments of up to $900,000 (gross) payable for each of those three financial years. Each payment will be subject to (i) PRDC approval, (ii) the CEO not having given notice by 30 June and maintaining standards of performance and conduct; and (iii) the CEO's actual remuneration not exceeding 130 percent of the total target remuneration (including the retention payment).

Remuneration Report (continued)

CEO remuneration

CEO Remuneration Structure for the 2024 financial year

The CEO remuneration structure is consistent with the executive management remuneration structure described above. The chart below depicts the total remuneration mix for the CEO (excluding benefits) at target, maximum and the amount realised for the 2024 financial year.



CEO Remuneration Outcomes

	Fixed Remuneration		Short-term Incentive			Long-term Incentive		Retention Plan		
Financial Year	Base Salary	Benefits[1]	Target STI	STI Earned[2]	STI Earned as % of Target	Shares vested[4]	Market value at vesting	Retention Earned[5]	Total Earned	Share Rights allocated and at risk[3]
2024	$1,928,478	$162,484	$1,037,850	$518,925	50%	1,003,976	$677,684	$900,000	**$4,187,571**	2,471,072
2023	$1,839,029	$171,239	$990,000	$1,123,650	113.5%	-	-		**$3,133,918**	2,408,759
2022	$1,657,169	$76,733	$915,464	$613,361	67%	-	-		**$2,347,263**	953,256

1. Benefits include superannuation and travel. As a member of the Group's superannuation scheme, the CEO is eligible to contribute and receive a matching Company contribution of up to 4 percent of gross taxable earnings (including STI). The CEO and eligible beneficiaries are entitled to an agreed number of trips for personal purposes at no cost to the individual.
2. STI earned in the reporting period reflects the cash value of amounts received following achievement of performance measures related to the current period.
3. LTI Share Rights allocation refers to the number of Share Rights issued in January 2024 for the 2023 year and remaining at risk.
4. LTI Share Rights issued in 2020 partially vested (57.2 percent) and converted to Ordinary Shares in the 2024 financial year as the performance conditions were partly met. The value is based on the closing price on 1 November 2023 ($0.675) and consistent with the value reported to the Inland Revenue.
5. Retention earned in the reporting period was paid in July 2024 based on the achievement of the relevant criteria. See CEO Retention Plan section above.

Interests Register

No disclosures were made of interests in transactions under s140(1) of the Companies Act 1993.

Directors have made general disclosures of interests in accordance with s140(2) of the Companies Act. Current interests, and those which ceased during the year, are tabulated below.

Dame Therese Walsh	Antarctica New Zealand	Director
	ASB Bank Limited	Chair
	Institute of Directors' Chapter Zero – Steering Committee	Chair
	Climate Change Commission – nomination panel	Chair
	On Being Bold Limited	Director and Shareholder
	Therese Walsh Consulting Limited	Director and Shareholder
	Wellington Homeless Women's Trust	Ambassador
Claudia Batten	Pyper Vision Limited	Shareholder
	Serko Limited	Chair
	Vista Group International Limited	Director
	Wonderful Investments Limited	Director and Shareholder
Dean Bracewell	Ara Street Investments Limited	Director and Shareholder
	Dean Bracewell Limited	Director and Shareholder
	Freightways Limited	Shareholder
	Halberg Trust	Director
	Port of Tauranga Limited	Director
	Property for Industry Limited	Chair
	Tainui Group Holdings Limited (ceased 31 March 2024)	Director
Laurissa Cooney	Accordant Group Limited (ceased on 29 May 2024)	Director
	Chapter Zero Steering Group Institute of Directors	Member
	GMT Bond Issuer Limited	Director
	Goodman (NZ) Limited	Director
	Goodman Property Aggregated Limited	Director
	Goodman Property Services (NZ) Limited	Director
	Ngāi Tai ki Tāmaki Charitable Investment Trust	Audit Committee Chair
	The Aotearoa Circle Trust	Trustee and Co-Chair
Larry De Shon	The Hartford Financial Services Group, Inc	Director
	United Rentals, Inc	Director
	The Hartford's Finance, Investment, Risk Management Committee	Chair
	Nominating and Governance Committee for United Rentals International	Chair
Alison Gerry	ANZ Bank New Zealand Limited	Director
	Glendora Avocados Limited	Director and Shareholder
	Glendora Holdings Limited	Director and Shareholder
	Infratil Limited	Chair
	On Being Bold Limited	Director and Shareholder
	Sharesies AU Group Limited	Director
	Sharesies Financial Limited	Director
	Sharesies Group Limited	Chair
	Sharesies Investment Management Limited	Director
	Sharesies Limited	Director
	Sharesies Nominee Limited	Director
Paul Goulter	New Zealand Nurses Organisation Incorporated	Officer

There have been no interest register entries in respect of use of Company information by directors.

Directors' Interests in Air New Zealand Securities

Directors had relevant interests in shares as at 30 June 2024 as below:

	Interest	Shares
Claudia Batten	-	-
Dean Bracewell[1]	Beneficial	125,000
Laurissa Cooney[2]	Beneficial	146,570
Larry De Shon	Beneficial	1,002,514
Alison Gerry[3]	Beneficial	84,393
Paul Goulter[3]	Beneficial	76,401
Dame Therese Walsh	Beneficial	650,000

1. Dean Bracewell holds his interest through an associated entity, Ara Street Investments Limited.
2. Laurissa Cooney has an interest in 107,570 shares through a Craigs' KiwiSaver Scheme, and 39,000 shares personally held.
3. Alison Gerry and Paul Goulter hold their respective interests via Sharesies Nominees Limited.

Indemnities and Insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Air New Zealand has entered into deeds of access, insurance and indemnity with the directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company within the Group. Insurance cover extends to directors and officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

Subsidiary Companies

The following people were directors of Air New Zealand's subsidiary companies in the financial year to 30 June 2024. These companies are New Zealand incorporated companies except where otherwise indicated.

No director of any subsidiary received beneficially any director's fees or other benefits except as an employee.

Air Nelson Limited	Jennifer Page, Michael Williams
Air New Zealand Aircraft Holdings Limited	Jennifer Page, Baden Smith, Richard Thomson
Air New Zealand Associated Companies Limited	Jennifer Page, Leila Peters, Richard Thomson
Air New Zealand Express Limited	Jennifer Page, Richard Thomson
Air New Zealand Regional Maintenance Limited	Hamish Curson, Brendon McWilliam
ANNZES Engines Christchurch Limited	Jennifer Page, Richard Thomson
Mount Cook Airline Limited	Jennifer Page, Michael Williams
TEAL Insurance Limited	Katrina Meredith, Jennifer Page, Hannah Ringland
Air New Zealand (Australia) Pty Limited (incorporated in Australia)	Kathryn O'Brien, Jennifer Page

Other Disclosures

Donations

The Air New Zealand Group has made donations totalling $110,833 in the financial year to 30 June 2024. No donations were made to any political party. It is Air New Zealand's policy not to make donations, in cash or in kind, or to provide free of charge travel to political parties.

Substantial product holders

The following information is provided in compliance with Section 293 of the Financial Markets Conduct Act 2013 and is stated as at 30 June 2024. The total number of listed Ordinary shares of Air New Zealand Limited at that date was 3,368,464,315.

Substantial Product Holder	Quoted voting products in the Company in which a relevant interest is held
The Sovereign in Right of New Zealand acting by and through the Minister of Finance	1,717,916,801 ordinary shares as reported in the Substantial Security Holder notice dated 11 May 2022

In 1989, the Crown issued a Notice that arises through its holding of a special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to this share is set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholders' meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

Operating Fleet Statistics

As at 30 June 2024

Boeing 777-300ER

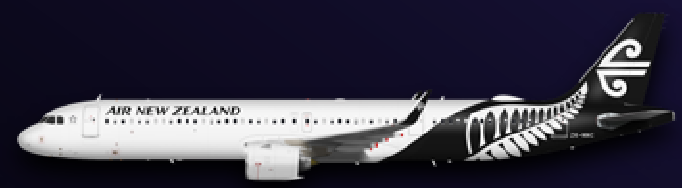
Number: 9
Average Age: 12.5 years
Maximum Passengers: 342
Cruising Speed: 910 km/hr
Average Daily Utilisation: 14.14 hrs

Boeing 787-9 Dreamliner

Number: 14
Average Age: 7.8 years
Maximum Passengers: 302 or 275
Cruising Speed: 910 km/hr
Average Daily Utilisation: 14.23 hrs

Airbus A321neo

Number: 12
Average Age: Short-haul: 5.3 years
Domestic: 1.1 years
Maximum Passengers: Short-haul: 214
Domestic: 217
Cruising Speed: 850 km/hr
Average Daily Utilisation: Short-haul: 10.57 hrs
Domestic: 3.20* hrs



Airbus A320neo

Number: 6
Average Age: 4.3 years
Maximum Passengers: 165
Cruising Speed: 850 km/hr
Average Daily Utilisation: 10.44 hrs

Airbus A320ceo

Number: 17
Average Age: 10.4 years
Maximum Passengers: 171
Cruising Speed: 850 km/hr
Average Daily Utilisation: 7.38 hrs

ATR 72-600

Number: 29
Average Age: 7.3 years
Maximum Passengers: 68
Cruising Speed: 518 km/hr
Average Daily Utilisation: 6.30 hrs

Bombardier Q300

Number: 23
Average Age: 17.4 years
Maximum Passengers: 50
Cruising Speed: 520 km/hr
Average Daily Utilisation: 5.43 hrs

*A321neo domestic operations have been severely affected by the Pratt & Whitney PW1100 Geared Turbo Fan engine issues and lack of engine availability. Air New Zealand's A321neo domestic fleet has been parked for the majority of the 2024 financial year. Utilisation has been adjusted to reflect available aircraft and actual months flown. Air New Zealand configuration. Short-term leased 777-300ER aircraft have either 294 or 368 seats.

Securities Statistics

Top Twenty Shareholders – as at 1 August 2024

Investor Name	Number of Ordinary Shares	% of Ordinary Shares
The Sovereign in Right of New Zealand acting by and through their Minister of Finance	1,717,916,801	51.00
New Zealand Depository Nominee	218,484,030	6.49
HSBC Nominees (New Zealand) Limited	116,920,171	3.47
Citibank Nominees (NZ) Ltd	77,459,842	2.30
BNP Paribas Nominees NZ Limited Bpss40	71,136,737	2.11
HSBC Nominees (New Zealand) Limited	66,268,443	1.97
JPMORGAN Chase Bank	48,885,197	1.45
Citicorp Nominees Pty Limited	35,443,219	1.05
BNP Paribas Nominees NZ Limited	28,038,882	0.83
Tea Custodians Limited	21,743,416	0.65
Public Trust	19,864,791	0.59
HSBC Custody Nominees (Australia) Limited	18,192,096	0.54
Private Nominees Limited	13,672,529	0.41
Xinwei Investment (NZ) Limited	13,164,081	0.39
J P Morgan Nominees Australia Pty Limited	12,950,482	0.38
Accident Compensation Corporation	12,783,638	0.38
FNZ Custodians Limited	7,823,385	0.23
BNP Paribas Nominees (NZ) Limited	7,580,496	0.23
Ping Luo	7,146,838	0.21
Custodial Services Limited	7,141,028	0.21
Total	**2,522,616,102**	**74.89**

Shareholder Statistics – as at 1 August 2024

Size of Holding	Investors[1]	% Investors	Shares	% Issued
1-1,000	17,428	34.57	7,924,951	0.24
1,001-5,000	15,404	30.55	39,148,211	1.16
5,001-10,000	6,003	11.91	44,887,327	1.33
10,001-50,000	8,715	17.28	196,204,335	5.83
50,001-100,000	1,497	2.97	106,873,213	3.17
100,001 and Over	1,371	2.72	2,973,426,278	88.27
Total	**50,418**	**100.00**	**3,368,464,315**	**100.00**

1. The above investor numbers relate to the number of shareholdings held directly on the register. As such it does not include the number of underlying beneficial owners within Custodial or Institutional accounts.

Securities Statistics (continued)

Top Twenty Bondholders – as at 1 August 2024

Investor Name	Number of Bonds	% of Bonds
Forsyth Barr Custodians Limited	45,350,000	45.35
FNZ Custodians Limited	6,264,000	6.26
HSBC Nominees (New Zealand) Limited	4,830,000	4.83
Investment Custodial Services Limited	4,335,000	4.34
Private Nominees Limited	2,895,000	2.90
Forsyth Barr Custodians Limited	2,698,000	2.70
BNP Paribas Nominees NZ Limited Bpss40	2,345,000	2.35
Mt Nominees Limited	2,070,000	2.07
JBWERE (NZ) Nominees Limited	2,064,000	2.06
Forsyth Barr Custodians Limited	1,472,000	1.47
Custodial Services Limited	1,336,000	1.34
HSBC Nominees (New Zealand) Limited	661,000	0.66
Pin Twenty Limited	525,000	0.53
Forsyth Barr Custodians Limited	460,000	0.46
Citibank Nominees (NZ) Ltd	408,000	0.41
I J Investments Limited	400,000	0.40
Malaghan Institute Of Medical Research Trust Board	400,000	0.40
JBWERE (NZ) Nominees Limited	300,000	0.30
Karl Leopold Zuba & Hedwig Zuba	250,000	0.25
Adminis Custodial Nominees Limited	249,000	0.25
Total	**79,312,000**	**79.31**

Bondholder Statistics – as at 1 August 2024

Size of Holding	Holders	% Holders	Bonds	% Issued
1-1,000	-	-	-	-
1,001-5,000	62	9.24	310,000	0.31
5,001-10,000	136	20.27	1,273,000	1.27
10,001-50,000	370	55.14	9,891,000	9.89
50,001-100,000	60	8.94	4,559,000	4.56
100,001 and Over	43	6.41	83,967,000	83.97
Total	**671**	**100.00**	**100,000,000**	**100.00**

On-market share buybacks

There is no current share buyback in the market.

General Information

Stock exchange listings

Air New Zealand's Ordinary Shares have been listed on the NZX Main Board (ticker code AIR) since 24 October 1989. It also has bonds listed on the NZX Debt Market (ticker code AIR030).

Air New Zealand's Ordinary Shares are listed on ASX (ticker code AIZ) as a Foreign Exempt Listing. The Foreign Exempt Listing means that Air New Zealand is expected to comply primarily with the Listing Rules of the NZX Main Board (being the rules of its home exchange) and is exempt from complying with most of ASX's Listing Rules.

Neither NZX nor ASX has taken any other disciplinary action against the Company during the financial year ended 30 June 2024. In particular there was no other exercise of powers by NZX under NZX Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Air New Zealand during the reporting period.

On 20 July 2017, Air New Zealand launched a sponsored Level 1 American Depositary Receipt (ADR) programme. Air New Zealand's American Depositary Shares, each representing five Ordinary Air New Zealand shares and evidenced by ADRs, are traded over-the-counter in the United States (ticker code ANZLY).

Place of incorporation

New Zealand

In New Zealand, the Company's Ordinary Shares are listed with a "non-standard" (NS) designation. This is due to particular provisions of the Company's Constitution, including the rights attaching to the Kiwi Share[2] held by the Crown and requirements regulating ownership and transfer of Ordinary Shares.

New Zealand Exchange

Waivers:

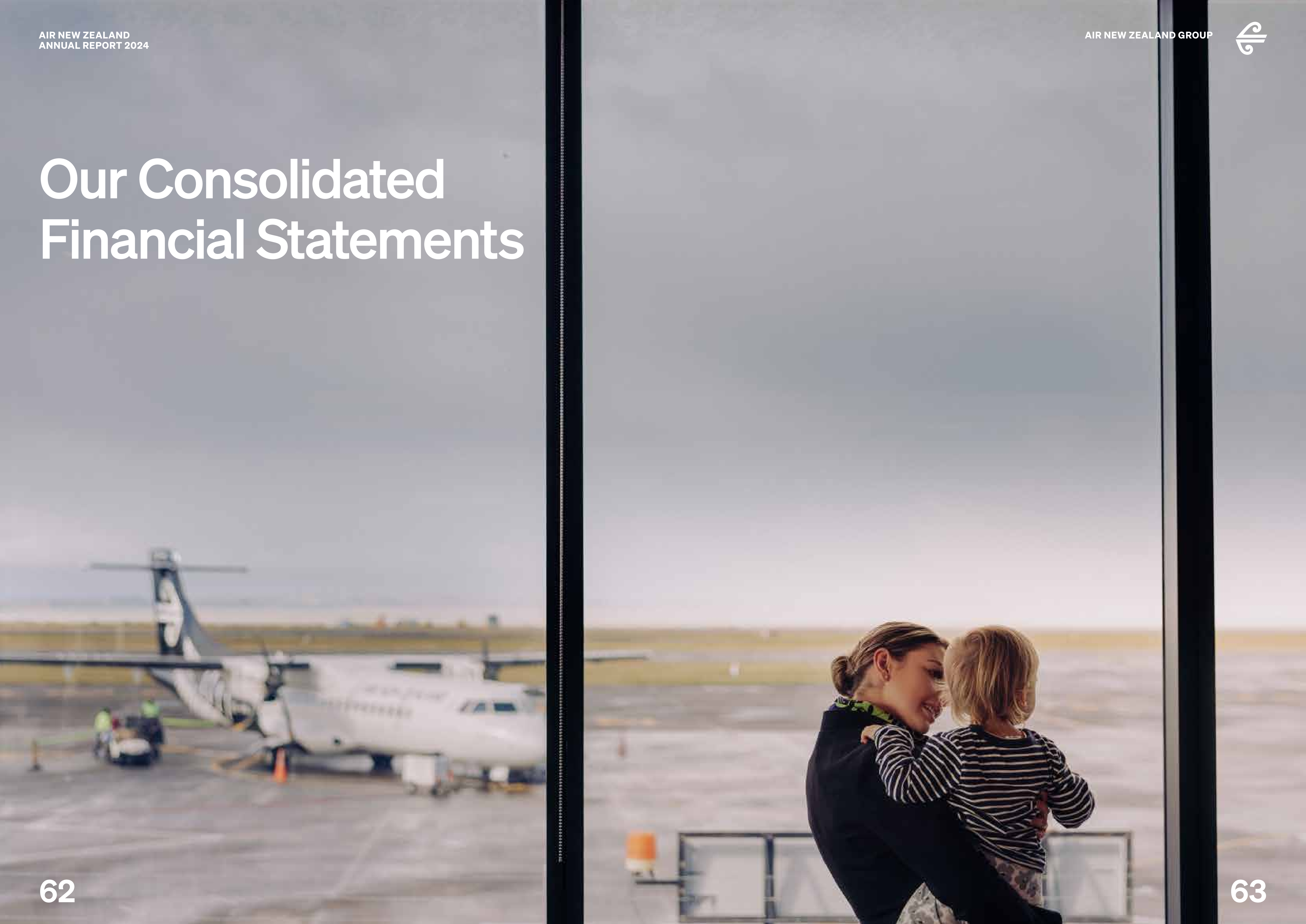
Waivers from the NZX Listing Rules granted to the Company or relied upon by the Company during the financial year ended 30 June 2024 may be found at www.airnz.co.nz/nzx-waivers.

Compliance with Listing Rules:

For the purposes of ASX Listing Rule 1.15.3, Air New Zealand Limited confirms the Company continues to comply with the NZX Listing Rules.

2. In 1989, the Crown issued a Notice that arises through its holding of a special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to this share is set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholders' meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

Our Consolidated Financial Statements



Directors' Statement

The directors of Air New Zealand Limited are pleased to present to shareholders the Annual Report and financial statements for Air New Zealand and its controlled entities (together the "Group") for the year to 30 June 2024.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2024 and the results of the Group's operations and cash flows for the year ended on that date.

The directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept in accordance with the requirements of the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

This Annual Report is signed on behalf of the Board by:

Dame Therese Walsh
Chair
29 August 2024

Alison Gerry
Director

Statement of Financial Performance

For the year ended 30 June 2024

	NOTES	2024 $M	2023 $M
Operating Revenue			
Passenger revenue		5,942	5,349
Cargo		459	628
Contract services		89	133
Other revenue		262	220
	1	6,752	6,330
Operating Expenditure			
Labour		(1,629)	(1,441)
Fuel		(1,692)	(1,499)
Maintenance		(481)	(395)
Aircraft operations		(812)	(694)
Passenger services		(403)	(334)
Sales and marketing		(324)	(291)
Foreign exchange (losses)/gains		(3)	4
Other expenses		(467)	(394)
	2	(5,811)	(5,044)
Operating Earnings (excluding items below)		941	1,286
Depreciation and amortisation		(716)	(695)
Earnings Before Finance Costs, Associates, Other Significant Items and Taxation		225	591
Finance income		153	119
Finance costs		(186)	(164)
Share of earnings of associates (net of taxation)	13	30	39
Earnings Before Other Significant Items and Taxation	27	222	585
Other significant items	3	-	(11)
Earnings Before Taxation		222	574
Taxation expense	4	(76)	(162)
Net Profit Attributable to Shareholders of Parent Company		146	412
Per Share Information:			
Basic and diluted earnings per share (cents)	5	4.3	12.2
Dividends declared per share for the financial year (cents)	19	3.5	6.0

The accompanying accounting policies and notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 30 June 2024

	NOTE	2024 $M	2023 $M
Net Profit for the Year		146	412
Other Comprehensive Income/(Loss):			
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains on defined benefit plans		(3)	3
Taxation on above reserve movements	4	1	(1)
Total items that will not be reclassified to profit or loss		(2)	2
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		98	17
Transfers to net profit from cash flow hedge reserve		(33)	(28)
Transfers to asset carrying value from cash flow hedge reserve		(5)	-
Net translation gain on investment in foreign operations		-	1
Changes in cost of hedging reserve		15	(13)
Taxation on above reserve movements	4	(21)	7
Total items that may be reclassified subsequently to profit or loss		54	(16)
Total Other Comprehensive Income/(Loss) for the Year, Net of Taxation		52	(14)
Total Comprehensive Income for the Year, Attributable to Shareholders of the Parent Company		198	398

The accompanying accounting policies and notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2024

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2023		3,377	(59)	(9)	(1,230)	2,079
Net profit for the year		-	-	-	146	146
Other comprehensive income for the year		-	54	-	(2)	52
Total Comprehensive Income for the Year		-	54	-	144	198
Transactions with Owners:						
Equity-settled share-based payments (net of taxation)	20	7	-	-	-	7
Equity settlements of staff share award obligations	20	(5)	-	-	-	(5)
Dividends on Ordinary Shares	19	-	-	-	(269)	(269)
Total Transactions with Owners		2	-	-	(269)	(267)
Balance as at 30 June 2024		3,379	(5)	(9)	(1,355)	2,010

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2022		3,373	(42)	(10)	(1,644)	1,677
Net profit for the year		-	-	-	412	412
Other comprehensive loss for the year		-	(17)	1	2	(14)
Total Comprehensive Income for the Year		-	(17)	1	414	398
Transactions with Owners:						
Equity-settled share-based payments (net of taxation)	20	6	-	-	-	6
Equity settlements of staff share award obligations	20	(2)	-	-	-	(2)
Total Transactions with Owners		4	-	-	-	4
Balance as at 30 June 2023		3,377	(59)	(9)	(1,230)	2,079

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2024

	NOTES	2024 $M	2023 $M
Current Assets			
Bank and short-term deposits	6	1,279	2,227
Trade and other receivables	7	538	496
Inventories	8	131	119
Derivative financial assets	24	88	90
Intangible assets	12	40	35
Income taxation		28	2
Interest-bearing assets	9	326	275
Other assets		10	25
Total Current Assets		2,440	3,269
Non-Current Assets			
Trade and other receivables	7	33	23
Property, plant and equipment	10	3,608	3,261
Right of use assets	11	1,520	1,687
Intangible assets	12	188	172
Investments in other entities	13	205	190
Derivative financial assets	24	92	122
Deferred taxation	4	-	8
Interest-bearing assets	9	454	457
Other assets		8	6
Total Non-Current Assets		6,108	5,926
Total Assets		8,548	9,195
Current Liabilities			
Trade and other payables		849	780
Revenue in advance	14	1,831	2,050
Interest-bearing liabilities	15	157	193
Lease liabilities	16	331	352
Derivative financial liabilities	24	76	76
Provisions	17	53	65
Income taxation		7	7
Other liabilities	18	295	313
Total Current Liabilities		3,599	3,836
Non-Current Liabilities			
Revenue in advance	14	220	185
Interest-bearing liabilities	15	1,236	1,485
Lease liabilities	16	1,092	1,305
Derivative financial liabilities	24	101	137
Provisions	17	174	133
Deferred taxation	4	81	-
Other liabilities	18	35	35
Total Non-Current Liabilities		2,939	3,280
Total Liabilities		6,538	7,116
Net Assets		2,010	2,079
Equity			
Share capital	20	3,379	3,377
Reserves	21	(1,369)	(1,298)
Total Equity		2,010	2,079

Dame Therese Walsh
Chair

Alison Gerry
Director

For and on behalf of the Board, 29 August 2024

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2024

	NOTES	2024 $M	2023 $M
Cash Flows from Operating Activities			
Receipts from customers		6,512	6,635
Payments to suppliers and employees		(5,653)	(4,729)
Income tax (paid)/refunded		(26)	3
Interest paid		(179)	(145)
Interest received		156	89
Net Cash Flow from Operating Activities	6	810	1,853
Cash Flows used in Investing Activities			
Disposal of property, plant and equipment, intangibles and assets held for sale		3	27
Distribution from associates	13, 26	12	16
Acquisition of property, plant and equipment, right of use assets and intangibles		(791)	(602)
Interest-bearing assets		(47)	(357)
Investment in other entities		1	-
Net Cash Flow used in Investing Activities		(822)	(916)
Cash Flows used in Financing Activities			
Interest-bearing liabilities drawdowns		-	100
Lease liabilities drawdowns	16	-	186
Rollover of foreign exchange contracts*		(14)	31
Redemption of redeemable shares	26	-	(200)
Equity settlements of staff share award obligations	20	(5)	(2)
Interest-bearing liabilities payments		(265)	(250)
Lease liabilities payments	16	(376)	(368)
Dividends on Ordinary Shares	19	(276)	-
Net Cash Flow used in Financing Activities		(936)	(503)
(Decrease)/Increase in Cash and Cash Equivalents		(948)	434
Cash and cash equivalents at the beginning of the year		2,227	1,793
Cash and Cash Equivalents at the End of the Year	6	1,279	2,227

*Relates to gains/losses on rollover of foreign exchange contracts that hedge exposures in other financial periods.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Accounting Policies

For the year ended 30 June 2024

Reporting entity

The consolidated financial statements ("financial statements") presented are for the parent Company Air New Zealand Limited ('the Company") and its subsidiaries (together referred to as "the Group" or "Air New Zealand"), and the Group's interest in joint ventures and associates.

Air New Zealand's primary business is the transportation of passengers and cargo on scheduled airline services.

Statutory base

Air New Zealand is a profit-oriented entity that is domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The Group prepares its financial statements in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). NZ GAAP consists of New Zealand equivalents to IFRS Accounting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate to profit-oriented entities. These financial statements comply with NZ IFRS and International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards").

The financial statements were approved by the Board of Directors on 29 August 2024.

Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain items as identified in specific accounting policies and are presented in New Zealand Dollars, which is the functional currency.

Use of accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results in the future may differ from judgements and estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed within the specific accounting policy or note as shown below:

Area of estimate or judgement	Note	
Revenue in advance	Note 1	Revenue Recognition and Segmental Information
	Note 14	Revenue in Advance
Aircraft lease return provisions	Note 17	Provisions
Estimated recoverable amount of non-financial assets	Note 10	Property, Plant and Equipment
	Note 11	Right of Use Assets
Residual values and useful lives of aircraft related assets	Note 10	Property, Plant and Equipment
	Note 11	Right of Use Assets
Taxation	Note 4	Taxation

Significant estimates and judgements are designated by an e symbol in the notes to the financial statements.

Statement of Accounting Policies (continued)

For the year ended 30 June 2024

Impact of climate change on financial reporting

Air New Zealand recognises that climate change presents a significant issue for the aviation industry and is committed to reducing its emissions to meet its net-zero 2050 target. The 2050 target was announced by the Group in 2020 and aligns with the industry commitment via the International Air Transport Association (IATA).

The following initiatives are expected to contribute to Air New Zealand's progress towards its 2050 target:

- Alternative jet fuel
- Next generation aircraft technologies – potential use of novel propulsion technologies; including battery electric, hydrogen fuel cell and/or hybrid concepts
- Continued fleet renewal – rollover of the current fleet to newer aircraft that achieve greater fuel efficiency
- Operational efficiency – optimising carbon efficiency from flight and ground operations
- Carbon removal solutions

In preparing the financial statements, management considers climate-related risks, particularly in relation to financial reporting judgements and estimates, where these could potentially impact reported amounts materially. The areas in which climate-related risks have been assessed in the 2024 financial year are disclosed within Note 4 - Taxation, Note 10 - Property, Plant and Equipment and Note 11 - Right of Use Assets.

Material accounting policy information

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a symbol.

The material accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented, except as detailed below.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current period.

New accounting standards, amendments and interpretations adopted during the year

The Group adopted NZ IFRS 17 *Insurance Contracts* on 1 July 2023. The Standard provides consistent principles for all aspects of accounting for insurance contracts. Adoption of the standard did not have a significant impact on the financial statements.

The Group adopted *Disclosure of Accounting Policies - Amendments to NZ IAS 1 Presentation of Financial Statements* on 1 July 2023. The amendments require disclosure of material accounting policy information rather than their significant accounting policies, and provide guidance and examples to help entities apply materiality judgements to the accounting policy disclosures included in the financial statements. Adoption of the amendments did not have a significant impact on the financial statements.

New and Revised IFRSs, Narrow Scope Amendments to IFRSs and IFRS Interpretations not yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods beginning after 30 June 2024. Management is still evaluating and does not expect any such pronouncements to have a significant impact on the financial statements upon adoption, other than on the presentation of the financial statements.

The material accounting policies that are pervasive throughout the financial statements are set out below. Other material accounting policies that are specific to certain transactions or balances are set out within the particular note to which they relate.

Basis of consolidation

The consolidated financial statements include those of Air New Zealand Limited and its subsidiaries, accounted for using the acquisition method, and the results of its associates and joint ventures, accounted for using the equity method.

All material intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealised gains on transactions between the Group, joint ventures and its associates are eliminated to the extent of the Group's interest in the joint ventures and associates.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the Statement of Financial Performance.

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions and balances

Foreign currency transactions are converted into the relevant functional currency using exchange rates approximating those at transaction date. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange gains or losses are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Statement of Accounting Policies (continued)

For the year ended 30 June 2024

Foreign currency translation (continued)

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities are translated at the closing rate at the reporting date;

(b) income and expenses are translated at exchange rates approximating those at transaction date; and

(c) all resulting exchange differences are recognised as a separate component of equity and in Other Comprehensive Income (within Foreign Currency Translation Reserve).

Exchange differences arising from the translation of borrowings and other currency instruments designated as hedges of investments in foreign entities, are taken to equity within Foreign Currency Translation Reserve.

Impairment

Non-financial assets are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. If any such indicators exist, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence of impairment. Where necessary, provisions are recognised for expected credit losses based on 12-month or lifetime losses, depending whether there has been a significant increase in credit risk since initial recognition. Reasonable and supportable information that is relevant and available without undue cost or effort is considered in performing the assessment. This includes both quantitative and qualitative information, based on Air New Zealand's historical experience and informed credit assessment, including forward-looking information.

Notes to the Financial Statements

For the year ended 30 June 2024

1. Revenue Recognition and Segmental Information

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Air New Zealand and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable. Specific accounting policies are as follows:

Passenger and cargo revenue

Passenger and cargo sales revenue is recognised in revenue in advance at the fair value of the consideration received and allocated to each flight sector based on industry agreements. Amounts for each sector of the ticket are transferred to revenue in the Statement of Financial Performance when the actual carriage is performed. Unused tickets and passenger credits are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket or credit, and historical trends.

Air New Zealand operates various code share and alliance arrangements. Revenue under these arrangements is recognised when the carriage is performed or otherwise, when all relevant contractual commitments are fulfilled.

Where one or more sectors are operated by another carrier the amount of the consideration received from the customer less any amount payable to the other carrier is recognised in revenue on a net basis unless Air New Zealand has primary responsibility for providing the service. Where Air New Zealand has primary responsibility for providing the service, the amounts are recognised gross within revenue and expenses.

Government grants that provide financial support to maintain certain transportation services are recognised within revenue in the Statement of Financial Performance when the service is provided and the grant conditions are satisfied.

Loyalty programmes

Revenue associated with the award of Airpoints Dollars™ to Airpoints™ members as part of the initial sales transaction is determined by reference to the relative standalone selling prices. These revenues as well as consideration received in respect of sales of Airpoints Dollars™ to third-parties is deferred to revenue in advance (net of estimated expiry) until such time as the Airpoints™ member has redeemed their points. The estimate of expiry is based upon historical experience, assessments of changes in customer behaviour and availability of redemption opportunities and is recognised in net passenger revenue in proportion to the pattern of rights exercised by the customer.

Contract services revenue

Where contract related services are performed over a contractually agreed period, and the amount of revenue and related costs can be reliably measured, revenue is recognised based on the proportion of contract costs for work performed to date relative to the estimated total costs. Other contract related revenue is recognised as services are performed.

Other revenue

Other revenue includes lounge revenue, Koru membership subscriptions, commissions and fees and is recognised at the time the service is provided. Claims or liquidated damages in relation to loss of earnings or income are recognised within other revenue in the Statement of Financial Performance when a contractual entitlement exists.

Finance income

Interest revenue from investments and fixed deposits is recognised as it accrues, using the effective interest method where appropriate.

Cargo revenue – Government grants

The Group was awarded grants to supply international airfreight services by the New Zealand Government (through the Ministry of Transport) as part of its efforts to ensure the supply of critical imports and maintain economic benefits of high value New Zealand exports during the Covid-19 pandemic. The arrangements were in place for the period from 30 April 2020 through to 31 March 2023 and were negotiated on an arm's length basis using standard commercial terms. The Group recognised $98 million for the year ended 30 June 2023 in relation to these arrangements within 'Cargo Revenue' in the Statement of Financial Performance. No amounts were recognised during the year ended 30 June 2024. All conditions attached to the grants were satisfied at the time the revenue was recognised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

1. Revenue Recognition and Segmental Information (continued)

Segmental information

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group's financial result.

	2024 $M	2023 $M
Analysis of revenue by geographical region of original sale		
New Zealand	4,120	3,873
Australia and Pacific Islands	770	838
Asia, United Kingdom and Europe	903	710
America	959	909
Total operating revenue	6,752	6,330

The principal non-current assets of the Group are the aircraft fleet which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

2. Expenses

Additional information in respect of expenses included within the Statement of Financial Performance is as follows:

	2024 $M	2023 $M
Superannuation expense	66	55

Remuneration to auditors

	2024 $000	2023 $000
Audit of financial statements		
Audit and review of financial statements*	1,382	1,363
Other services		
Other assurance services		
Student fee protection	6	6
Passenger facility charge	-	28
Greenhouse gas emissions inventory review	132	30
Other non-assurance services		
Climate-related disclosures assurance readiness	56	-
Taxation services**	14	14
	1,590	1,441

* The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

** Taxation services relate to administrative and other advisory services for the Corporate Taxpayer Group of which Air New Zealand, alongside a number of organisations, is a member.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

3. Other Significant Items

Other significant items are items of revenue or expenditure which due to their size and nature, warrant separate disclosure to assist with the understanding of the underlying financial performance of the Group. In categorising such items consideration has been given to the principle of consistency as well as the circumstance and ongoing nature of items.

	2024 $M	2023 $M
Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities	-	(23)
Aircraft impairment reversal	-	12
	-	(11)

Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities

Group policy is to manage foreign currency exposures arising from foreign currency denominated liabilities. Due to a significant decline in forecast foreign currency revenue as a result of the Covid-19 pandemic, the Group was required to de-designate revenue hedges in the 2020 financial year, which resulted in certain foreign currency debt and lease obligations becoming unhedged. Foreign currency translation gains/losses arising on these obligations were recognised in the Statement of Financial Performance.

Following the phased reopening of borders into New Zealand and other overseas ports, and recovery of international passenger demand, in November 2022 the Group established new USD and EUR forecast foreign currency revenue hedges, and in April 2023 the Group established new JPY forecast foreign currency revenue hedges. From the date of designation of these hedges, the translation gains/losses arising on the obligations were recognised in Other Comprehensive Income and accumulated within the cash flow hedge reserve. Amounts accumulated in the cash flow hedge reserve will be transferred to Earnings at the time of the respective interest-bearing liabilities and lease liabilities repayments.

Aircraft impairment reversal

As a result of the Covid-19 pandemic, Air New Zealand significantly reduced its network capacity following border closures and international travel restrictions. Due to the severe impact that the pandemic had on global demand for international air travel during the pandemic years, the Boeing 777-200ER fleet was grounded for an indefinite period into the future. Four owned Boeing 777-200ER aircraft and related assets were disposed of in the 2023 financial year and an impairment reversal of $12 million was recognised in the Statement of Financial Performance in relation to these assets.

4. Taxation

Current and deferred taxation are calculated on the basis of tax rates enacted or substantively enacted at reporting date, and are recognised in the income statement except when the tax relates to items charged or credited to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

Deferred income taxation is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and unused tax losses are only recognised to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences and losses.

Judgements are required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of current and deferred tax assets and liabilities recognised in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Financial Performance. Assumptions underlying the forecast of future taxable income that supports the recoverability of deferred tax assets consider the financial impacts of Air New Zealand's decarbonisation strategy.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

4. Taxation (continued)

	2024 $M	2023 $M
Deferred taxation expense		
Origination of temporary differences	25	(34)
Unused tax losses	(101)	(128)
	(76)	(162)
Total taxation expense recognised in earnings	(76)	(162)
Reconciliation of effective tax rate		
Earnings before taxation	222	574
Taxation at 28%	(62)	(161)
Adjustments		
Non-deductible expenses	(4)	(3)
Non-taxable income	1	1
Under provided in prior periods	(1)	(1)
Foreign tax paid	(1)	(1)
Changes in tax depreciation on building assets	(9)	-
Other	-	3
Taxation expense	(76)	(162)

The Group has $3 million of imputation credits as at 30 June 2024 (30 June 2023: $48 million).

Deferred taxation

	2024 $M	2023 $M
Movement during the year:		
Opening deferred taxation asset	(8)	(164)
Taxation expense	76	162
Amounts recognised directly in equity reserves	20	(6)
Foreign investor tax credit carried forward	(7)	-
Closing deferred taxation liability/(asset)	81	(8)
Comprised of:		
Non-aircraft assets	(17)	(19)
Aircraft assets	225	225
Right of use assets	122	124
Lease liabilities	(24)	(2)
Provisions and accruals	(71)	(70)
Financial instruments	(7)	(26)
Pension obligations	(1)	-
Equity settlement	(1)	(1)
Unused tax losses/tax credits	(145)	(239)
	81	(8)

Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position where they relate to entities within the same taxation authority.

The Group is carrying forward $493 million of tax losses (30 June 2023: $854 million) that are available indefinitely for offsetting against future taxable income. A deferred tax asset of $138 million (30 June 2023: $239 million) has been recognised in respect of these losses as there are taxable temporary differences against which the tax losses can be offset.

The Organisation of Economic Co-operation and Development's (OECD's) Pillar Two rules were introduced into New Zealand law by the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act 2024. The rules will be effective from Air New Zealand's 2026 financial year. It is not expected that there will be any significant impact on Air New Zealand.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to shareholders of the Parent by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

	2024 $M	2023 $M
Earnings for the purpose of basic and diluted earnings per share:		
Net Profit attributable to shareholders	146	412
Weighted average number of shares (in millions of shares)		
Weighted average number of Ordinary Shares for basic earnings per share	3,368	3,368
Effect of dilutive ordinary shares:		
- Performance rights	1	9
Weighted average number of Ordinary Shares for diluted earnings per share	3,369	3,377
Basic and diluted earnings per share	4.3	12.2

6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, current accounts in banks net of overdrafts and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are included in the Statement of Cash Flows net of Goods and Services Tax.

Cash and cash equivalents, as stated in the Statement of Cash Flows, are reconciled to the Bank and short-term deposits balance in the Statement of Financial Position as follows:

	2024 $M	2023 $M
Cash balances	141	103
Short-term deposits and short-term bills	1,138	2,124
Total cash and cash equivalents	1,279	2,227
Reconciliation of Net Profit Attributable to Shareholders to Net Cash Flows from Operating Activities:		
Net Profit attributable to shareholders	146	412
Plus/(less) non-cash items:		
Depreciation and amortisation	716	695
Loss on disposal of property, plant and equipment, intangibles and assets held for sale	12	10
Impairment expense/(reversal) on property, plant and equipment, right of use assets, intangibles and assets held for sale	-	(14)
Fair value adjustments on investments held at fair value through profit or loss	3	-
Share of earnings of associates	(30)	(39)
Movements on fuel derivatives	9	(15)
Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities	-	23
Foreign exchange losses	26	20
Other non-cash items	7	11
	889	1,103
Net working capital movements:		
Assets	(73)	(122)
Revenue in advance	(184)	381
Liabilities	178	491
	(79)	750
Net cash flow from operating activities	810	1,853

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

7. Trade and Other Receivables

Trade and other receivables are recognised at cost less any provision for lifetime expected credit losses. Bad debts are written-off when they are considered to have become uncollectable.

	2024 $M	2023 $M
Current		
Trade and other receivables	457	422
Prepayments	81	74
	538	496
Non-current		
Prepayments	33	23
	33	23

Expected credit loss provisions of $2 million were recognised as at 30 June 2024 (30 June 2023: $1 million).

8. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

	2024 $M	2023 $M
Engineering expendables	97	93
Consumable stores	34	26
	131	119
Held at cost	117	105
Held initially at cost	61	69
Less provision for inventory obsolescence	(47)	(55)
Held at net realisable value	14	14
	131	119

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

9. Interest-Bearing Assets

Interest-bearing assets

Interest-bearing assets are measured at amortised cost using the effective interest method, less any impairment.

	2024 $M	2023 $M
Current		
Interest-bearing assets	326	275
	326	275
Non-current		
Interest-bearing assets	454	457
	454	457

Interest-bearing assets include fixed rate Term Deposits and floating rate Certificates of Deposit that have been provided as security over credit card obligations incurred by Air New Zealand, and standby letters of credit and other financial guarantees issued to third-parties. Certain deposits are subject to offsetting under a security deed and remain in force until specifically released by the secured party. In addition, the Group holds Euro fixed rate deposits that mature between September 2030 and September 2031 held as part of aircraft financing arrangements. Fixed interest rates in the year to 30 June 2024 were between 3.1% and 6.5% per annum (30 June 2023: 0.6% to 6.1% per annum). The fair value of interest-bearing assets as at 30 June 2024 was $783 million (30 June 2023: $729 million).

10. Property, Plant and Equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and in bringing the asset to the location and working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. A portion of the cost of an acquired aircraft is attributed to its service potential (reflecting the maintenance condition of its engines) and is depreciated over the shorter of the period to the next major inspection event, overhaul, or the remaining life of the asset. The cost of major engine overhauls for aircraft owned by the Group is capitalised and depreciated over the period to the next expected inspection or overhaul.

Capital work in progress includes the cost of materials, services, labour and direct production overheads.

Manufacturing credits

Where the Group receives credits and other contributions from manufacturers in connection with the acquisition of certain aircraft and engines, these are either recorded as a reduction to the cost of the related aircraft and engines, or offset against the associated operating expense, according to the reason for which they were received.

Depreciation

Depreciation is calculated to write down the cost of assets on a straight line basis to an estimated residual value over their economic lives as follows:

Airframes	18 – 25 years
Engines	6 – 15 years
Engine overhauls	period to next overhaul
Aircraft specific plant and equipment (including simulators and spares)	10 – 25 years
Buildings	50 – 100 years
Non-aircraft specific leasehold improvements, plant, equipment, furniture and vehicles	2 – 10 years

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

10. Property, Plant and Equipment (continued)

	AIRFRAMES, ENGINES AND SIMULATORS $M	SPARES $M	PLANT AND EQUIPMENT $M	LAND AND BUILDINGS $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
2024						
Carrying value as at 1 July 2023	2,718	93	105	173	172	3,261
Additions	478	37	5	3	192	715
Disposals	(48)	(8)	-	-	(7)	(63)
Depreciation	(300)	(13)	(28)	(31)	-	(372)
Transfers of capital work in progress	37	-	34	12	(83)	-
Transfers from right of use assets	67	-	-	-	-	67
Carrying value as at 30 June 2024	2,952	109	116	157	274	3,608
Represented by:						
Cost	5,207	198	547	568	274	6,794
Accumulated depreciation	(2,252)	(89)	(431)	(401)	-	(3,173)
Provision for impairment	(3)	-	-	(10)	-	(13)
Carrying value as at 30 June 2024	2,952	109	116	157	274	3,608

	AIRFRAMES, ENGINES AND SIMULATORS $M	SPARES $M	PLANT AND EQUIPMENT $M	LAND AND BUILDINGS $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
2023						
Cost	4,403	156	502	550	79	5,690
Accumulated depreciation	(1,680)	(75)	(389)	(341)	-	(2,485)
Provision for impairment	(3)	-	-	(12)	-	(15)
Carrying value as at 1 July 2022	2,720	81	113	197	79	3,190
Additions	207	31	3	-	142	383
Disposals	(13)	(9)	-	-	(1)	(23)
Depreciation	(277)	(10)	(28)	(33)	-	(348)
Impairment reversal	-	-	-	2	-	2
Transfers of capital work in progress	24	-	17	7	(48)	-
Transfers from right of use assets	57	-	-	-	-	57
Carrying value as at 30 June 2023	2,718	93	105	173	172	3,261
Represented by:						
Cost	4,744	174	511	554	172	6,155
Accumulated depreciation	(2,023)	(81)	(406)	(371)	-	(2,881)
Provision for impairment	(3)	-	-	(10)	-	(13)
Carrying value as at 30 June 2023	2,718	93	105	173	172	3,261

	2024 $M	2023 $M
Airframes, engines and simulators comprise:		
Owned airframes, engines and simulators	2,714	2,502
Progress payments	238	216
	2,952	2,718
Land and buildings comprise:		
Leasehold properties	147	162
Freehold properties	10	11
	157	173

Certain aircraft and aircraft related assets with a carrying value of $1,329 million as at 30 June 2024 are pledged as specific security over secured borrowings (30 June 2023: $1,546 million).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

10. Property, Plant and Equipment (continued)

Impairment

Assets are required to be carried at no more than their recoverable amount either through use or sale of the asset. No indicators of impairment were identified that required a formal impairment test to be undertaken.

Fleet

The recoverability of aircraft assets was supported by the market values which were above the carrying values. A value-in-use model was not required to be prepared in either the 2024 or 2023 financial years as no indications of impairment were identified.

Land and buildings

Air New Zealand Gas Turbines (ANZGT) provided overhaul services to aero derivative engines that are applied to energy production and marine industries. ANZGT's operations ceased on 30 September 2023. During the year ended 30 June 2023 the assets were assessed for impairment based on a value-in-use discounted cash flow valuation. Key assumptions applied in the value-in-use model included the timing of realisation of cash flows. Given the proximity to closure of the business and realisation of the cash flows, the projections were not discounted. The cash flow valuation supported a reversal of impairment of $2 million for the year ended 30 June 2023.

Residual values and useful lives

Estimates and judgements are applied by management to determine the expected useful lives of aircraft related assets. The useful lives are determined based on the expected service potential of the asset and lease term for leasehold improvements. The residual value, at the expected date of disposal, is estimated by reference to external projected values and is influenced by external changes to economic conditions, demand, competition and new technology. Residual values are denominated in United States dollars and are therefore sensitive to exchange fluctuations as well as movements in projected values. The impact of decarbonisation and climate-related risks on the Group's aircraft related assets has also been considered when assessing residual values and useful lives. Residual values and useful lives are reviewed each year to ensure they remain appropriate. During the year ended 30 June 2024 the residual values of the aircraft were reassessed and depreciation expense was decreased by $4 million (30 June 2023: increased by $13 million).

11. Right of Use Assets

Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group is likely to exercise a purchase option. In that case, the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

	AIRFRAME AND ENGINES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINES WITH NO PURCHASE OPTION $M	LAND AND BUILDINGS $M	TOTAL $M
2024				
Carrying value as at 1 July 2023	987	426	274	1,687
Additions	54	77	79	210
Disposals	(6)	-	-	(6)
Depreciation	(122)	(125)	(57)	(304)
Transfers to property, plant and equipment	(67)	-	-	(67)
Carrying value as at 30 June 2024	846	378	296	1,520
Represented by:				
Cost	1,864	1,017	542	3,423
Accumulated depreciation	(1,018)	(613)	(246)	(1,877)
Provision for impairment	-	(26)	-	(26)
Carrying value as at 30 June 2024	846	378	296	1,520

*Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

11. Right of Use Assets (continued)

	AIRFRAME AND ENGINES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINES WITH NO PURCHASE OPTION $M	LAND AND BUILDINGS $M	TOTAL $M
2023				
Cost	2,000	806	382	3,188
Accumulated depreciation	(977)	(387)	(140)	(1,504)
Provision for impairment	-	(67)	-	(67)
Carrying value as at 1 July 2022	1,023	352	242	1,617
Additions	155	199	85	439
Disposals	(7)	-	-	(7)
Depreciation	(127)	(124)	(53)	(304)
Impairment expense	-	(1)	-	(1)
Transfers to property, plant and equipment	(57)	-	-	(57)
Carrying value as at 30 June 2023	987	426	274	1,687
Represented by:				
Cost	1,978	940	465	3,383
Accumulated depreciation	(991)	(488)	(191)	(1,670)
Provision for impairment	-	(26)	-	(26)
Carrying value as at 30 June 2023	987	426	274	1,687

* Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

Certain aircraft and aircraft related assets with a carrying value of $839 million as at 30 June 2024 (30 June 2023: $960 million) are pledged as security over lease liabilities.

Impairment

An impairment provision was recognised during the Covid-19 pandemic for two Boeing 777-300ER aircraft that were not expected to return to service. The aircraft were subsequently reactivated. An impairment provision of $26 million was held for the aircraft representing the period of time in which the aircraft were not expected to return to service.

Residual values and useful lives

Estimates and judgements are applied by management to determine the expected useful lives of aircraft related assets. The useful lives are determined based on the expected service potential of the asset and lease term. The residual value, at the expected date of disposal, is estimated by reference to external projected values and are influenced by external changes to economic conditions, demand, competition and new technology. Residual values are denominated in United States dollars and are therefore sensitive to exchange fluctuations as well as movements in projected values. The impact of decarbonisation and climate-related risks on the Group's leased assets has been considered when assessing residual values and useful lives. Residual values and useful lives are reviewed each year to ensure they remain appropriate. During the year ended 30 June 2024 the residual values of the aircraft were reassessed and depreciation expense was decreased by $6 million (30 June 2023: increased by $1 million).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

12. Intangible Assets

Computer software acquired, which is not an integral part of a related hardware item, is recognised as an intangible asset. The costs incurred internally in developing computer software are also recognised as intangible assets where the Group has a legal right to use the software and the ability to obtain future economic benefits from that software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Cloud based software as a service arrangements are recognised as an asset where the Group has the right to use and the ability to control and obtain future economic benefits. These assets have a finite life and are amortised on a straight-line basis over their estimated useful lives of two to ten years.

Carbon credit units are recognised at cost less accumulated impairment losses. The assets are based on a first-in, first-out cost method. Carbon credits are classified as current assets where they are expected to be used to offset obligations under the Emissions Trading Scheme within 12 months of balance date.

	INTERNALLY DEVELOPED SOFTWARE $M	EXTERNALLY PURCHASED SOFTWARE $M	CAPITAL WORK IN PROGRESS $M	CARBON CREDITS $M	OTHER $M	TOTAL $M
2024						
Carrying value as at 1 July 2023	120	-	17	69	1	207
Additions	-	-	57	42	-	99
Disposals	-	-	-	(38)	-	(38)
Amortisation	(39)	(1)	-	-	-	(40)
Transfers of capital work in progress	39	8	(47)	-	-	-
Carrying value as at 30 June 2024	120	7	27	73	1	228
Represented by:						
Cost	608	159	27	73	1	868
Accumulated depreciation	(488)	(152)	-	-	-	(640)
Carrying value as at 30 June 2024	120	7	27	73	1	228
Current assets	-	-	-	40	-	40
Non-current assets	120	7	27	33	1	188
Carrying value as at 30 June 2024	120	7	27	73	1	228

	INTERNALLY DEVELOPED SOFTWARE $M	EXTERNALLY PURCHASED SOFTWARE $M	CAPITAL WORK IN PROGRESS $M	CARBON CREDITS $M	OTHER $M	TOTAL $M
2023						
Cost	524	151	27	48	1	751
Accumulated depreciation	(406)	(150)	-	-	-	(556)
Carrying value as at 1 July 2022	118	1	27	48	1	195
Additions	-	-	35	48	-	83
Disposals	-	-	(1)	(27)	-	(28)
Amortisation	(42)	(1)	-	-	-	(43)
Transfers of capital work in progress	44	-	(44)	-	-	-
Carrying value as at 1 July 2023	120	-	17	69	1	207
Represented by:						
Cost	569	152	17	69	1	808
Accumulated depreciation	(449)	(152)	-	-	-	(601)
Carrying value as at 30 June 2023	120	-	17	69	1	207
Current assets	-	-	-	35	-	35
Non-current assets	120	-	17	34	1	172
Carrying value as at 30 June 2023	120	-	17	69	1	207

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

13. Investments in Other Entities

An associate company is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and rights to the net assets. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of an entity.

Investments in associates and joint ventures are accounted for using the equity method and are measured in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets, less dividends.

If the carrying amount of the equity accounted investment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate or joint venture equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

	2024 $M	2023 $M
Investments in associates	202	184
Investments in other entities	3	6
	205	190

Subsidiaries

Significant subsidiaries comprise:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION
Air Nelson Limited	Aviation services	New Zealand
Air New Zealand Aircraft Holdings Limited	Aircraft leasing and financing	New Zealand
Air New Zealand Associated Companies Limited	Investment	New Zealand
Air New Zealand Regional Maintenance Limited	Engineering services	New Zealand
Mount Cook Airline Limited	Aviation services	New Zealand
TEAL Insurance Limited	Captive insurer	New Zealand

All subsidiary entities above have a balance date of 30 June and are 100% owned.

Associates

Significant associates comprise:

NAME	% OWNED	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	BALANCE DATE
Christchurch Engine Centre (CEC)	49	Engineering services	New Zealand	31 December
Drylandcarbon One Limited Partnership	21	Carbon credit generation	New Zealand	30 June

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

13. Investments in Other Entities (continued)

Summary financial information of associates

	CEC 2024 $M	DRYLAND 2024 $M	TOTAL 2024 $M	CEC 2023 $M	DRYLAND 2023 $M	TOTAL 2023 $M
Assets and liabilities of associates are as follows:						
Current assets	458	11	469	485	15	500
Non-current assets	63	107	170	58	101	159
Current liabilities	(137)	(4)	(141)	(197)	(3)	(200)
Non-current liabilities	(20)	-	(20)	(18)	-	(18)
Net identifiable assets (100% share)	364	114	478	328	113	441
Group share of net identifiable assets	179	23	202	161	23	184
Carrying value of investment in associates	179	23	202	161	23	184
Results of associates						
Revenue	1,234	1	1,235	1,169	4	1,173
Earnings after taxation	61	1	62	79	1	80
Total comprehensive income (100% share)	61	1	62	79	1	80
Group share of net earnings after taxation	30	-	30	39	-	39
Group share of total comprehensive income	30	-	30	39	-	39
Reconciliation to carrying amounts:						
Opening carrying value	161	23	184	134	24	158
Share of net earnings after taxation	30	-	30	39	-	39
Distributions received	(12)	-	(12)	(16)	(1)	(17)
Foreign currency movements	-	-	-	4	-	4
Closing carrying value	179	23	202	161	23	184

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

14. Revenue in Advance

Transportation sales in advance (including held in credit balances) includes consideration received in respect of passenger and cargo sales for which the actual carriage has not yet been performed. It also includes amounts due for sectors operated by other carriers for which Air New Zealand collects consideration from the customer and makes payments to the other carrier based on industry agreements at the time the carriage is performed.

Loyalty programme revenue in advance includes revenues associated with both the award of Airpoints Dollars™ to Airpoints™ members as part of the initial sales transaction and with sales of Airpoints Dollars™ to third-parties, net of estimated expiry (non-redeemed Airpoints Dollars™), in respect of which the Airpoints™ member has not yet redeemed their points.

Other revenue in advance includes membership subscriptions and contract related services revenue which relate to future periods.

Unused Travel Credits

At 30 June 2024, Air New Zealand recognised $212 million in Transportation Sales in Advance in respect of unused travel credits (30 June 2023: $282 million). The travel credits were issued due to disrupted flights as well as a flexibility policy provided over the period January 2020 to September 2022. Outstanding travel credits have expiration dates up to 31 January 2026.

For the year ended 30 June 2023, no breakage was recognised on the unused travel credits; however, given the availability of sufficient historical data due to redemption levels normalising across several customer segments, Air New Zealand commenced recognising breakage on certain travel credits during the 2024 financial year. The value of travel credits not expected to be used prior to expiry was estimated using a Monte Carlo simulation model which included inputs of historical redemption patterns and expected future redemptions. The estimated value was recognised as 'Passenger revenue' when it could be reasonably determined that there will not be a significant reversal of this revenue in future periods. For the year ended 30 June 2024, breakage of $90 million was recognised in the Statement of Financial Performance.

Applying additional breakage at a rate of 5% would result in a reduction to Revenue in Advance of $9 million, with an offsetting adjustment to increase 'Passenger revenue' in the year.

For the travel credits included in Transportation sales in advance at balance date, the expected availment profile of the travel credits was used in determining the term allocation of the liability. Key judgements included assumptions around passenger demand, forecasted operating capacity and revenue per available seat kilometre.

	2024 $M	2023 $M
Current		
Transportation sales in advance	1,557	1,793
Loyalty programme	252	232
Other	22	25
	1,831	2,050
Non-current		
Transportation sales in advance	84	21
Loyalty programme	130	158
Other	6	6
	220	185

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

15. Interest-Bearing Liabilities

Borrowings, medium term notes and bonds are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method, with changes in market interest rates on certain interest-bearing liabilities measured at fair value. Medium term notes and an unsecured bond were designated in fair value hedge relationships, which results in changes in market interest rates being reflected in fair value adjustments of those liabilities.

Borrowings, medium term notes and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the balance date.

	2024 $M	2023 $M
Current		
Secured borrowings	157	193
	157	193
Non-current		
Secured borrowings	550	805
Medium term notes	584	578
Unsecured bonds	102	102
	1,236	1,485
Interest rates basis:		
Fixed rate	734	741
Floating rate	659	937
At carrying amount	1,393	1,678
At fair value	1,437	1,721

Non-cash movements in interest-bearing liabilities during the year ended 30 June 2024 included foreign exchange gains of $24 million (30 June 2023: losses of $4 million) and fair value hedge adjustments of $4 million (30 June 2023: $19 million).

The fair value of interest-bearing liabilities for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest for similar liabilities at reporting date.

Secured borrowings with third-parties are secured over aircraft and are subject to both fixed and floating interest rates. Fixed interest rates were 1.0% per annum (30 June 2023: 1.0% per annum).

The Group has issued AUD550 million of unsecured, unsubordinated Australian Medium Term Notes in two tranches. The first tranche, of AUD300 million, is a four year fixed rate note maturing on 25 May 2026 with a fixed coupon of 5.7% per annum payable semi-annually. The second tranche, of AUD250 million, comprises seven year fixed rate bonds maturing on 25 May 2029 with a fixed coupon of 6.5% per annum payable semi-annually.

On 27 October 2022, the Group issued $100 million of unsecured, unsubordinated fixed rate bonds with a maturity date of 27 April 2028 and an interest rate of 6.61% per annum payable semi-annually.

16. Lease Liabilities

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from the use of the asset throughout the lease term.

The Group recognises a right of use asset and a lease liability at the lease commencement date. Details regarding right of use assets are set out in Note 11.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

16. Lease Liabilities (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. The liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate and if the Group revises its assessment as to whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in the Statement of Financial Performance if the carrying amount of the right of use asset has been reduced to zero.

Leases are classified as current liabilities when the lease payments are due to be settled within twelve months after the reporting period. The Group classifies all other lease liabilities as non-current.

Determination of lease term

The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise / not exercise an option. This may include the existence of large penalties for early termination, the incurrence of significant maintenance costs in meeting early return obligations or consideration as to whether leasehold improvements still carry significant value. Such assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is within the control of the Group. Certain property leases, for which there is no readily identifiable alternative property available, include an additional renewal period where one is available under the lease contract.

Determination of incremental borrowing rate

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the term and currency of the lease and the type of asset being leased.

Short-term leases

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases. Short-term leases are leases with a lease term of 12 months or less without a purchase option. The Group recognises the lease payments associated with the leases as an expense (recognised within 'Other expenses' in the Statement of Financial Performance) on a straight-line basis over the lease term.

Variable lease payments not included in the measurement of the lease liability

Variable lease payments that do not depend on an index or a rate are excluded from the measurement of the lease liability and recognised as an expense in the period in which the event or condition that triggers those payments occurs. These typically arise from the Group's property leases where lease payments are calculated based on usage.

Leasing activities

The Group's leases are mainly comprised of aircraft, spare engines, airport lounges, offices and hangars, other office buildings and storage space. Aircraft leases are typically for 12 to 14 years with a series of early termination options. Rent is either fixed or reset periodically based on an index or rate. Property leases are typically 3 to 5 years, with a number of renewal options, together with a small number of longer term strategic leases. Rent may increase on the basis of annual fixed percentage increases, CPI movements, rent negotiations or market reviews. Extension and termination options are used to maximise operational flexibility.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

16. Lease Liabilities (continued)

Movements in lease liabilities during the year, are presented below.

	AIRFRAME AND ENGINE LEASES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINE LEASES WITH NO PURCHASE OPTION $M	BUILDING LEASES WITH NO PURCHASE OPTION $M	TOTAL $M
2024				
Carrying value as at 1 July 2023	903	462	292	1,657
Additions	-	91	75	166
Interest cost	-	16	14	30
Capitalised interest	6	-	-	6
Repayments**	(177)	(164)	(65)	(406)
Foreign currency movements	(29)	-	(1)	(30)
Carrying value as at 30 June 2024	703	405	315	1,423
Represented by:				
Current	133	155	43	331
Non-current	570	250	272	1,092
Carrying value as at 30 June 2024	703	405	315	1,423

	AIRFRAME AND ENGINE LEASES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINE LEASES WITH NO PURCHASE OPTION $M	BUILDING LEASES WITH NO PURCHASE OPTION $M	TOTAL $M
2023				
Carrying value as at 1 July 2022	869	399	257	1,525
Additions	186	199	86	471
Interest cost	-	14	11	25
Capitalised interest	7	-	-	7
Repayments**	(172)	(158)	(63)	(393)
Foreign currency movements	13	8	1	22
Carrying value as at 30 June 2023	903	462	292	1,657
Represented by:				
Current	178	134	40	352
Non-current	725	328	252	1,305
Carrying value as at 30 June 2023	903	462	292	1,657

*Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

**The principal amount of $376 million (30 June 2023: $368 million) is presented in the Statement of Cash Flows within 'Financing Activities', and interest payments of $30 million (30 June 2023: $25 million) are presented in 'Operating Activities'.

	2024 $M	2023 $M
Interest rates basis:		
Fixed rate	999	1,088
Floating rate	424	569
At amortised cost	1,423	1,657

Lease liabilities with purchase options which are reasonably certain of being exercised are secured over aircraft and are subject to both fixed and floating interest rates. Fixed interest rates ranged from 0.3% to 3.6% per annum (30 June 2023: 0.3% to 3.6% per annum). The weighted average discount rates used for leases which have no purchase option, or one which is not likely to be exercised, is 4.1% per annum (30 June 2023: 3.7% per annum).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

16. Lease Liabilities (continued)

	2024 $M	2023 $M
Amounts recognised in earnings (within 'Other expenses')		
Expenses relating to short-term leases	5	4
Expenses relating to variable lease payments, not included in the measurement of lease liabilities	4	4
	9	8

17. Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the provision can be reliably measured.

	AIRCRAFT LEASE RETURN COSTS $M	RESTRUCTURING $M	OTHER $M	TOTAL $M
Balance as at 1 July 2023	183	4	11	198
Amount provided	61	3	7	71
Utilised during the year	(35)	(5)	(1)	(41)
Amount released	-	-	(1)	(1)
Balance as at 30 June 2024	209	2	16	227
Represented by:				
Current	44	2	7	53
Non-current	165	-	9	174
Balance as at 30 June 2024	209	2	16	227

Nature and purpose of provisions

Aircraft lease return costs

Where a commitment exists to maintain aircraft held under lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is calculated taking into account a number of variables and assumptions including the number of future hours or cycles expected to be operated, the expected cost of maintenance and the lifespan of limited life parts. The estimate of the provision is based upon historical experience, manufacturers' advice and, where appropriate, contractual obligations in determining the present value of the estimated future costs of major airframe inspections and engine overhauls by making appropriate charges to the Statement of Financial Performance, calculated by reference to the number of hours or cycles operated during the year. The provision is expected to be utilised at the next inspection or overhaul.

Restructuring

Restructuring provisions are recognised when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Costs relating to ongoing activities are not provided for.

Other

Other provisions include insurance provisions and make good provisions. Insurance provisions are expected to be utilised within 12 months and are based on historical claim experience. Make good provisions are based on cost estimates provided by third-party suppliers and are expected to be utilised within three years (30 June 2023: two years).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

18. Other Liabilities

Employee entitlements

Liabilities in respect of employee entitlements are recognised in exchange for services rendered during the accounting period that have not yet been compensated as at reporting date. These include annual leave, long service leave, retirement leave and accrued compensation.

Defined benefit pension

Air New Zealand's net obligation in respect of defined benefit pension plans is calculated by an independent actuary, by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan's assets. The discount rate reflects the yield on government bonds that have maturity dates approximating the terms of Air New Zealand's obligations.

When the calculation results in an asset, the value of the asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions from the plan.

	2024 $M	2023 $M
Current		
Employee entitlements	289	307
Amounts owing to associates	-	1
Other liabilities (including defined benefit liabilities)	6	5
	295	313
Non-current		
Employee entitlements	17	15
Other liabilities	18	20
	35	35

The Group operates one defined benefit plan for qualifying employees in New Zealand which is closed to new members. Defined benefit plans provide a benefit on retirement or resignation based upon the employee's length of membership and final average salary. Each year an actuarial calculation is undertaken using the Projected Unit Credit Method to calculate the present value of the defined benefit obligation and the related current service cost. A liability was recognised of $2 million (30 June 2023: $1 million). The current service cost recognised through earnings was $1 million (30 June 2023: $1 million).

19. Distributions to Owners

	2024 Cents per share	2024 $M	2023 Cents per share	2023 $M
Distributions recognised				
Interim dividend on ordinary shares	2.0	67	-	-
Special dividend on ordinary shares	6.0	202	-	-
		269	-	-
Distributions paid				
Interim dividend on ordinary shares	2.0	67	-	-
Special dividend on ordinary shares	6.0	209	-	-
		276		-

A 2024 interim dividend of 2.0 cents per Ordinary Share was paid on 21 March 2024. No imputation credits were attached and supplementary dividends were not paid to non-resident shareholders.

A 2023 special dividend of 6.0 cents per Ordinary Share was paid on 21 September 2023. Imputation credits were attached and supplementary dividends paid to non-resident shareholders.

On 29 August 2024, the Board of Directors declared a final dividend for the 2024 financial year of 1.5 cents per Ordinary Share, payable on 26 September 2024 to registered shareholders at 13 September 2024. The total dividend payable will be $51 million. No imputation credits will be attached and supplementary dividends will not be paid to non-resident shareholders. The dividend has not been recognised in these financial statements.

The dividend reinvestment plan is currently suspended.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

20. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of taxation, from the proceeds.

When shares are acquired by a member of the Group, the amount of consideration paid is recognised directly in equity. Acquired shares are classified as treasury stock and presented as a deduction from share capital. When treasury stock is subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury stock is reversed and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised within Share Capital.

Where the Group funds the on-market purchase of shares to settle obligations under staff share awards or long-term incentive plans the total cost of the purchase (including transaction costs) is deducted from Share Capital.

	2024 $M	2023 $M
Share Capital comprises:		
Authorised, issued and fully paid in capital	3,344	3,347
Equity-settled share-based payments (net of taxation)	35	30
	3,379	3,377
Balance at the beginning of the year	3,377	3,373
Equity settlements of staff share award obligations*	(5)	(2)
Equity-settled share-based payments	7	6
Balance at the end of the year	3,379	3,377

* During the year ended 30 June 2024 the Group funded the on-market purchase of 6,831,839 shares (30 June 2023: 2,016,383). The shares were used to settle obligations under staff share award schemes.

	2024	2023
Number of Ordinary Shares authorised, fully paid and on issue		
Balance at the beginning of the year	3,368,464,315	3,368,464,315
Balance at the end of the year**	3,368,464,315	3,368,464,315

** Includes treasury stock of 93 shares (30 June 2023: 34,183 shares).

Restrictions on dividend declarations on Ordinary Shares

Air New Zealand was restricted from paying dividends on its Ordinary Shares if there were amounts drawn under a Crown unsecured committed revolving facility ('CSF2 Loan Facility'). Further details of the CSF2 Loan Facility are contained in Note 26 - Related Parties. The CSF2 Loan Facility was cancelled in March 2024. No amounts were ever drawn under the Facility.

Kiwi Share

One fully paid special rights convertible share (the Kiwi Share) is held by the Crown. While the Kiwi Share does not carry any general Voting Rights, the consent of the Crown as holder is required for certain prescribed actions of the Company as specified in the Constitution.

Non-New Zealand nationals are restricted from holding or having an interest in 10% or more of voting shares unless the prior written consent of the Kiwi Shareholder is obtained. In addition, any person that owns or operates an airline business is restricted from holding any shares in the Company without the Kiwi Shareholder's prior written consent.

Voting rights

On a show of hands or by a vote of voices, each holder of Ordinary Shares has one vote. On a poll, each holder of Ordinary Shares has one vote for each fully paid share. All Ordinary Shares carry equal rights to dividends and equal distribution rights on wind up.

APPLICATION OF TREASURY STOCK METHOD

Share repurchase

The Group utilises treasury stock acquired under a buy-back programme to fulfil obligations under employee share-based compensation plans. Treasury stock of 34,090 shares was utilised in the 2024 financial year (30 June 2023: Nil). No treasury stock remained as at 30 June 2024 (30 June 2023: 34,090 shares).

Staff Share Scheme

Unallocated shares of the Air New Zealand Staff Share Schemes are accounted for under the Treasury Stock method, and deducted from Ordinary Share capital on consolidation. The number of unallocated shares as at 30 June 2024 was 93 (30 June 2023: 93).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

20. Share Capital (continued)

Share-Based Payments

The fair value (at grant date) of share rights granted to employees is recognised as an expense, within the Statement of Financial Performance, over the vesting period of the rights, with a corresponding entry to 'Share Capital'. The amount recognised as an expense is adjusted at each reporting date to reflect the extent to which the vesting period has expired and management's best estimate of the number of rights that will ultimately vest.

The total expense recognised in the year ended 30 June 2024 in respect of equity-settled share-based payment transactions related to share rights was $5 million (30 June 2023: $4 million). An additional $2 million of expense was recognised in relation to an Exceptional Contributor incentive scheme (30 June 2023: $2 million).

Share rights

Share rights have been offered to a number of senior executives on attainment of predetermined performance objectives.

	2024	2023
Number outstanding		
Outstanding at beginning of the year	22,993,171	12,421,918
Granted during year	16,204,950	14,788,362
Forfeited during year	(3,621,293)	(4,217,109)
Outstanding at the end of the year	35,576,828	22,993,171
Fair value of rights granted in year ($M)	6.8	6.1
Unamortised grant date fair value ($M)	7.4	6.4

The People, Remuneration & Diversity Committee of the Board will adjust share-based arrangement terms, if necessary, to ensure that the impact of share issues, share offers or share structure changes is value neutral as between participants and shareholders.

Key inputs and assumptions

The general principles underlying the Black Scholes pricing models have been used to value these rights using a Monte Carlo simulation approach. The key inputs for rights and options granted in the relevant year were as follows:

Share rights	WEIGHTED AVERAGE SHARE PRICE (CENTS)	EXPECTED VOLATILITY OF SHARE PRICE (%)	EXPECTED VOLATILITY OF PERFORMANCE BENCHMARK INDEX (%)	CORRELATION OF VOLATILITY INDICES	CONTRACTUAL LIFE (YEARS)	RISK FREE RATE (%)
2024	83	36	18	0.42	3.0	5.40
2023	67	37	16	0.59	3.5	3.76
2022	155	37	16	0.59	3.5	1.34
2021	135	40	16	0.55	3.5	0.31
2020	280	23	12	0.34	3.5	0.84

Air New Zealand has undertaken a stock settled share rights scheme. Share rights for a specified value are granted at no cost to the holder. For each share right that vests, one share will be issued for the 2022 to 2024 grant years and 1.6323 shares will be issued for the 2021 grant year. The number granted is determined by an independent valuation of the fair value at the date of issue. Vesting of share rights is subject to the holder remaining an employee. If vesting is not achieved on the third anniversary of the issue date, 50% of performance rights will lapse. For the remaining 50%, there will be a further 6 month opportunity for the performance rights to vest. If they have not vested at the end of this period they will lapse.

For the 2024 share rights, vesting occurs where Air New Zealand's Total Shareholder Return is positive over a period of three years after the issue date and exceeds the Total Shareholder Return of the Bloomberg Worldwide Airline Index or exceeds the Total Shareholder Return of the NZX 50. The share rights were allocated 50:50 into two tranches, with each measured separately against each index.

For the 2020 to 2023 performance share rights, vesting occurs when the Air New Zealand share price adjusted for distributions made over the period outperforms a comparison index over a period of three years (or up to a maximum of three and a half years) after the issue date. The index was made up of 50:50 of the NZX All Gross Index and the Bloomberg Worldwide Airline Total Return Index (adjusted for dividends).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

21. Reserves

The Group's reserves as at the reporting date, are set out below:

	2024 $M	2023 $M
Cash flow hedge reserve	(3)	(46)
Costs of hedging reserve	(2)	(13)
Hedge reserves	(5)	(59)
Foreign currency translation reserve	(9)	(9)
General reserves	(1,355)	(1,230)
Total Reserves	(1,369)	(1,298)

The nature and purpose of reserves is set out below:

HEDGE RESERVES

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cumulative change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Costs of hedging reserve

The costs of hedging reserve contains the cumulative change in the fair value of time value on fuel options, forward points on foreign exchange contracts and currency basis on cross-currency interest rate swaps, which are excluded from hedge designations.

Foreign currency translation reserve

The foreign currency translation reserve contains foreign exchange differences arising on consolidation of foreign operations together with the translation of foreign currency borrowings designated as a hedge of net investments in those foreign operations.

General reserves

General reserves include the retained deficit net of dividends recognised, remeasurements in respect of the defined benefit liabilities and the Group's share of equity accounted associates' reserves.

22. Commitments

Capital commitments shown are for those asset purchases authorised and contracted for but not provided for in the financial statements, converted at the year end exchange rate. Where lease arrangements have not yet commenced, lease commitments are disclosed below.

Capital commitments:

	2024 $M	2023 $M
Aircraft and engines	2,579	2,855
Other property, plant and equipment and intangible assets	110	147
	2,689	3,002

Capital commitments include eight Boeing 787 aircraft (contractual delivery from 2025 to 2028 financial years), two Airbus A321neo aircraft (delivery in the 2027 financial year) and two ATR aircraft (delivery in the 2025 financial year).

Lease commitments:

	2024 $M	2023 $M
Aircraft	232	181
	232	181

Lease commitments include one Boeing 773 aircraft (delivery in 2025 financial year) and two Airbus A321neo aircraft (delivery in the 2025 financial year).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

23. Contingent Liabilities

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

	2024 $M	2023 $M
Letters of credit	30	20

All significant legal disputes involving probable loss that can be reliably estimated have been provided for in the financial statements.

There are no other significant contingent liability claims outstanding at balance date.

The Group has a partnership agreement with Pratt and Whitney in relation to the Christchurch Engine Centre (CEC) (Note 13). By the nature of the agreement, joint and several liability exists between the two parties. Total liabilities of the CEC are $157 million (30 June 2023: $215 million).

24. Financial Risk Management

The Group is subject to credit, foreign currency, interest rate, fuel price and liquidity risks. These risks are managed with various financial instruments, using a set of policies approved by the Board of Directors. Compliance with these policies is reviewed and reported monthly to the Board of Directors and is included as part of the internal audit programme. Group policy is not to enter, issue or hold financial instruments for speculative purposes.

In the current financial year, the Group reviewed the policies and approved a number of revisions. A key amendment to the policies is a change to the primary objective for managing foreign currency risk. The objective for managing foreign currency risk under the revised policies is to protect the Group against economic risk, including forecasting certainty of cash flows.

CREDIT RISK

Credit risk is the risk of the potential loss from a transaction in the event of default by a counterparty during the term of the transaction or on settlement of the transaction. The Group incurs credit risk in respect of trade receivable transactions and other financial instruments in the normal course of business. The maximum exposure to credit risk is represented by the carrying value of financial assets and contract work in progress balances.

The Group places cash, short-term deposits and derivative financial instruments with good credit quality counterparties, having a minimum Standard and Poor's credit rating of A- or minimum Moody's' credit rating of A3. Limits are placed on the exposure to any one financial institution.

Credit evaluations are performed on all customers requiring direct credit. The Group is not exposed to any concentrations of credit risk within receivables, other assets and derivatives. The Group does not require collateral or other security to support financial instruments with credit risk. A significant proportion of receivables are settled through the International Air Transport Association (IATA) clearing mechanism which undertakes its own credit review of members. Over 92% of trade and other receivables are current, with only 0.5% past due by more than 90 days (30 June 2023: over 95% current and less than 1.3% due after more than 90 days). No impairment expense was recognised in relation to financial assets (30 June 2023: Nil).

MARKET RISK

FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss to the Group arising from adverse fluctuations in exchange rates.

The Group has exposure to foreign exchange risk through transactions denominated in foreign currencies, arising from normal trading activities, foreign currency borrowings and foreign currency capital commitments, purchases and sales. Prior to November 2023, the documented risk management approach was to manage forecast foreign currency operating revenues and expenditures and foreign currency denominated balance sheet items. Hedges of foreign currency capital transactions were only undertaken if they are not funded in the currencies of transactions and there is a large volume of forecast capital transactions over a short period of time.

From November 2023, the revised risk management approach for managing foreign currency risk (as approved by the Board of Directors) is to manage the impact of foreign currency risk on the Group's financial results and cash flows. During the 2024 financial year there was no impact on Air New Zealand's financial performance or financial position as a result of the application of the revised risk management approach.

The Group has maintained hedging in-line with the documented policies throughout the year.

Forecast operating transactions

Foreign currency operating cash inflows are primarily denominated in Australian Dollars, British Pounds, Chinese Renminbi, Canadian Dollars, Euro, Hong Kong Dollars, Japanese Yen, and United States Dollars. Foreign currency operating cash outflows are primarily denominated in United States Dollars.

Highly probable forecast revenue transactions denominated in foreign currencies are designated in cash flow hedge relationships with debts and lease liabilities denominated in relevant currencies (revenue hedges). To the extent a foreign currency gain or loss is incurred, and the cash flow hedge is deemed effective, foreign currency gains or losses on debts and lease liabilities are deferred in the cash flow hedge reserve until the revenue is realised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Balance sheet exposures

Foreign currency denominated liabilities

Where the Group is exposed to foreign currency risk arising on debts and lease liabilities denominated in foreign currencies, foreign exchange derivative instruments are used to hedge the foreign currency risk.

Where changes in the fair value of a derivative provide an offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. Foreign currency translation gains or losses on lease return provisions and certain non-hedge accounted foreign currency denominated interest-bearing liabilities are recognised in the Statement of Financial Performance within 'Foreign exchange (losses)/gains'. Fair value gains or losses on non-hedge accounted foreign currency derivatives provide an offset to these foreign exchange movements, and are also recognised within 'Foreign exchange (losses)/gains'.

In addition, a certain proportion of United States Dollar denominated interest-bearing liabilities remain unhedged to provide an offset to foreign currency movements within depreciation expense, resulting from revisions made to aircraft residual values during the year.

To the extent the Group has financial assets in the same foreign currency as the borrowing, the Group has a reduced exposure to foreign exchange risk. Foreign exchange gains and losses relating to these balances are offset in the Statement of Financial Performance.

Foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising on the net assets of certain Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Capital transactions

Under the revised risk management approach, the Group has entered into foreign exchange contracts to manage the exposure arising from forecast foreign currency purchases of property, plant and equipment, primarily purchases of aircraft in United States Dollars.

Foreign currency exposure

With the exception of foreign currency denominated working capital balances, which together are immaterial to foreign currency fluctuations, the Group's exposure to foreign exchange risk arising on items recognised in the Statement of Financial Position at reporting date, and the extent to which that exposure has been managed is summarised below. Derivative financial instruments are excluded from this table as they are specifically used to manage risk and do not create an initial exposure.

Forecast foreign currency revenue and expenditure transactions, and forecast foreign currency capital expenditure to occur in the future are not included below. The effect of foreign currency risk arising on forecast transactions and how this is managed is detailed over the following pages.

Foreign currency exposure of items recognised at reporting date, before hedging

	NZD $M	USD $M	AUD $M	EUR $M	JPY $M	OTHER $M	TOTAL $M
As at 30 June 2024							
Investments in other entities	24	181	-	-	-	-	205
Interest-bearing assets	622	-	-	158	-	-	780
Lease liabilities	(272)	(739)	(9)	(183)	(217)	(3)	(1,423)
Interest-bearing liabilities	(102)	(424)	(584)	(68)	(215)	-	(1,393)
Provisions	(21)	(206)	-	-	-	-	(227)
	251	(1,188)	(593)	(93)	(432)	(3)	(2,058)
Hedged by:							
Derivatives	-	661	584	25	168	-	1,438
Cash flow hedges of forecast revenue	-	482	9	68	264	-	823
Unhedged	251	(45)	-	-	-	(3)	203
As at 30 June 2023							
Investments in other entities	24	166	-	-	-	-	190
Interest-bearing assets	576	-	-	156	-	-	732
Lease liabilities	(304)	(873)	(9)	(186)	(282)	(3)	(1,657)
Interest-bearing liabilities	(102)	(630)	(578)	(96)	(272)	-	(1,678)
Provisions	(15)	(183)	-	-	-	-	(198)
	179	(1,520)	(587)	(126)	(554)	(3)	(2,611)
Hedged by:							
Derivatives	-	678	587	42	216	-	1,523
Cash flow hedges of forecast revenue	-	793	-	84	336	-	1,213
Unhedged	179	(49)	-	-	(2)	(3)	125

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Hedging foreign currency risk

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement is recognised immediately in the Statement of Financial Performance, unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition of gain or loss in the Statement of Financial Performance depends on the nature of the designated hedge relationship.

Hedge accounted financial instruments

Where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship, as follows:

Cash flow hedges

Changes in the fair value of hedging instruments designated as cash flow hedges are recognised within Other Comprehensive Income and accumulated in equity within the cash flow hedge reserve to the extent that the hedges are deemed effective. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the Statement of Financial Performance. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative changes in fair value of the hedged item.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss recognised in the cash flow hedge reserve remains there until the forecast transaction occurs. After discontinuation, once the hedged cash flows occur, the cumulative gain or loss is accounted for depending on the nature of the underlying transaction as described below. If the underlying hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in the cash flow hedge reserve is immediately transferred to the Statement of Financial Performance.

Where the hedge relationship continues throughout its designated term, the amount recognised in the cash flow hedge reserve is transferred to the Statement of Financial Performance in the same period that the hedged item is recorded in the Statement of Financial Performance, or, when the hedged item is a non-financial asset, the amount recognised in the cash flow hedge reserve is transferred to the carrying amount of the asset when it is recognised.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve within equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the Statement of Financial Performance.

On disposal of the foreign operations, the cumulative gain or loss recognised in equity is transferred to the Statement of Financial Performance.

Costs of hedging

The change in fair value of a hedging instrument relating to forward points of foreign exchange forward contracts and the foreign currency basis component of cross-currency interest rate swaps is accounted for depending on the hedge relationship as described below.

Impact of hedging foreign currency risk

The impact of the foreign currency hedging strategies (both hedge accounted and non-hedge accounted) on the financial statements during the year is set out below, by type of hedge.

CASH FLOW HEDGES OF FOREIGN CURRENCY RISK

Forecast operating transactions

The Group uses foreign exchange forward contracts to manage the net foreign currency exposure arising on forecast operating transactions. The amounts designated as the hedged item in cash flow hedges mirror the amounts designated as hedging instruments. Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the forward contracts.

The forecast revenue and expenditure transactions designated in cash flow hedges in place at reporting date, are expected to occur over the next 12 months (30 June 2023: 12 months). Forward contracts mature within 12 months (30 June 2023: 12 months).

Forecast operating transaction hedges are of spot foreign exchange risk. Forward points are excluded from the hedge designation. Changes in fair value gain or loss of the forward exchange contracts relating to forward points are recognised within 'Finance costs' in the Statement of Financial Performance. The hedge ineffectiveness is recognised in 'Foreign exchange (losses)/gains' in the Statement of Financial Performance. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange (losses)/gains' in the Statement of Financial Performance when the forecast transactions occur.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

	2024 NZ$M	2023 NZ$M
Hedging instruments used		
Derivative financial instruments		
NZD	(616)	(480)
USD	930	828
AUD	(200)	(158)
EUR	(9)	(23)
JPY	8	(14)
CNH	(41)	(30)
GBP	(3)	(40)
Other	(62)	(66)
Hedge accounted foreign currency derivatives	7	17

Forecast revenue transactions

The Group has established revenue hedges. The amount and frequency of repayment of the debts and lease liabilities and the forecast revenue transactions is aligned to ensure the hedge effectiveness. The hedge ineffectiveness arises if the amount of the forecast revenue transactions falls below the amount of the designated hedging instruments.

The debts and lease liabilities designated in revenue hedges in place at reporting date have a maturity between one and ten years. 'Interest-bearing liabilities' and 'Lease liabilities' on the Statement of Financial Position as at reporting date include debts and lease liabilities designated in revenue hedges totalling $186 million and $637 million, respectively (30 June 2023: $343 million and $870 million, respectively). The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange (losses)/gains' in the Statement of Financial Performance.

Balance sheet exposures

Australian Dollar Medium Term Notes

Cross-currency interest rate swaps recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position were designated in cash flow hedges and fair value hedges. The amount and maturity of the cross-currency interest rate swaps and Australian Dollar denominated medium term notes is aligned. Hedge ineffectiveness arises if the amount and maturity of the hedged debt falls below the amount and maturity of the cross-currency interest rate swaps.

The cash flow hedges were established to manage Australian dollar/New Zealand dollar foreign currency risk arising on future principal and interest settlements on Australian Dollar denominated medium term notes. Currency basis risk is excluded from the hedge designation. Changes in the fair value gain or loss of cross-currency interest rate swaps relating to currency basis risk are accumulated in the costs of hedging reserve within 'Hedge reserves' until such time as the related hedge accounted cash flows affect profit or loss. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange (losses)/gains' in the Statement of Financial Performance when the hedged future cash flows affect profit or loss.

Fair value hedges were established to manage foreign currency interest risk arising on future interest settlements on the Australian Dollar denominated medium term notes. Changes in the fair value gain or loss on the fair value component of cross-currency interest rate swaps are recognised in 'Finance costs' in the Statement of Financial Performance. The change in the fair value of the hedged risk is recorded as part of the carrying value of the Australian Dollar medium term notes. This revaluation of Australian Dollar medium term notes is recognised within 'Finance costs' in the Statement of Financial Performance to offset the mark to market revaluation of the fair value component of the cross-currency interest rate swaps.

The volume hedged, together with contract rates and maturities are set out below. Fair value gains or losses are those used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on cash flow and fair value hedges during the year (30 June 2023: Nil).

	2024	2023
Net fair value of derivative financial liabilities (NZ$M)	(26)	(32)
Volume (AUD M)	550	550
Weighted average contract rate, AUD/NZD (%)	6.1% / floating	6.1% / floating
Weighted average contract maturities (years)	3.3	4.3

Foreign currency debts and lease liabilities

The Group entered into foreign exchange contracts to manage the foreign currency exposure arising from foreign currency denominated debts and lease liabilities. The amount and maturity of the foreign exchange contracts and foreign currency denominated debts and lease liabilities is aligned. Hedge ineffectiveness arises if the amount and maturity of the hedged debt falls below the amount and maturity of the foreign exchange contracts.

As at reporting date, the forward contracts designated in cash flow hedges totaling $1 million (30 June 2023: not applicable) were included within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Foreign currency debts and lease liabilities (continued)

Cash flow hedges are of spot foreign exchange risk. Forward points are excluded from the hedge designation. Changes in fair value gain or loss of the forward exchange contracts relating to forward points are recognised within the costs of hedging reserve in the Hedging reserves. No hedge ineffectiveness arose in the current financial year (30 June 2023: not applicable). The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange gains/losses' in the Statement of Financial Performance when the underlying transactions are recognised in profit or loss. The amount of gain or loss accumulated in the costs of hedging reserve is transferred to 'Finance Costs' in the Statement of Financial Performance on a systematic basis over the life of the hedge.

Capital transactions

The Group uses foreign exchange forward contracts to manage the foreign currency exposure arising on forecast capital transactions. The amount designated as a hedged item in cash flow hedges mirrors the amount designated as the hedging instrument. Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amounts of the forward contracts.

The forecast capital transactions designated in cash flow hedges in place at reporting date are expected to occur over the next 12 months (30 June 2023: next 12 months). Forward contracts mature within 12 months (30 June 2023: within 12 months). As at reporting date, the forward contracts designated in cash flow hedges totalling $1 million (30 June 2023: $1 million) were included within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position.

Forecast capital transaction hedges are of spot foreign exchange risk. Forward points are excluded from the hedge designation. Changes in fair value gain or loss of the forward exchange contracts relating to forward points are recognised within the costs of hedging reserve in the Hedging reserves. No hedge ineffectiveness arose in the current financial year (30 June 2023: no ineffectiveness). The amount of gain or loss accumulated in the cash flow hedge reserve and costs of hedging reserve is transferred to the carrying amount of the asset when the capital transaction is recognised as an asset on the Statement of Financial Position.

Impact of hedge accounting

The effective portion of changes in the fair value of foreign currency hedging instruments which were accumulated in the cash flow hedge reserve (within 'Hedge Reserves') during the year are set out below, together with transfers to either earnings or the asset carrying value (as appropriate) when the underlying hedged item occurs.

	2024 NZ$M	2023 NZ$M
Recognised in Statement of Changes in Equity		
Hedge reserves		
Balance at the beginning of the year	(50)	(67)
Change in fair value of hedging instruments*	58	25
Transfers to foreign exchange losses as hedged transactions occur	(8)	2
Transfer to asset carrying value	(5)	-
Changes in costs of hedging reserve	(1)	(3)
Taxation on reserve movements	(12)	(7)
Balance at the end of the year	(18)	(50)
Represented by:		
Forecast transactions	(20)	(63)
Future principal and interest settlements	(3)	(4)
Tax effect	5	17
Balance at the end of the year	(18)	(50)

*The change in fair value of the hedging instrument is used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (30 June 2023: Nil). Forward points and currency basis excluded from the hedge designation were gains of $3 million (30 June 2023: gains of $2 million) and losses of $3 million (30 June 2023: losses of $3 million), respectively.

The weighted average contract rates of hedge accounted foreign currency derivatives outstanding as at reporting date are set out below:

	2024	2023
USD	0.6116	0.6107
AUD	0.9204	0.9980
CAD	0.8242	0.8324
EUR	0.5640	0.5907
JPY	96.53	85.68
CNH	4.40	4.33
GBP	0.4667	0.5188

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

NET INVESTMENT HEDGE

Investments designated in a net investment hedge are included within 'Investments in other entities' on the Statement of Financial Position. The hedging instrument is included within 'Interest-bearing liabilities'. Hedge ineffectiveness arises if the carrying amount of the net investment falls below the amount of the designated borrowings.

	2024 NZ$M	2023 NZ$M
Hedged amount of United States Dollar investment	148	140
Hedged by: United States Dollar interest-bearing liabilities	(148)	(140)

The effective portion of changes in fair value of both the hedged item and the hedging instrument are recognised in the foreign currency translation reserve, as set out below.

	2024 NZ$M	2023 NZ$M
Foreign currency translation reserve		
Balance at the beginning of the year	(9)	(10)
Translation gains on hedged investment**	(1)	3
Translation losses on hedging interest-bearing liabilities**	1	(3)
Translation gains on unhedged investments	-	1
Balance at the end of the year	(9)	(9)

** Translation gains/losses are those used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on net investment hedges during the year (30 June 2023: Nil).

HEDGED, BUT NOT HEDGE ACCOUNTED

Where changes in the fair value of a derivative provide an offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. The following foreign currency derivatives were recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position as at reporting date and were not designated in a hedge relationship.

	2024 NZ$M	2023 NZ$M
Hedging instruments		
Derivative financial instruments		
NZD	(849)	(1,030)
USD	631	747
AUD	(2)	9
EUR	36	54
JPY	170	219
Not hedge accounted foreign currency derivatives	(14)	(1)

The changes in fair value of hedged items and hedging instruments during the year offset within 'Foreign exchange (losses)/gains' within the Statement of Financial Performance, are set out below.

	2024 $M	2023 $M
Foreign currency gains/(losses) on:		
Lease liabilities	2	1
Interest-bearing liabilities	23	(14)
Provisions	-	(4)
Derivative financial assets/(liabilities)	(24)	15
	1	(2)

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Sensitivity analysis

The sensitivity analyses that follow are hypothetical and should not be considered predictive of future performance. They only include financial instruments (derivative and non-derivative) and do not include the future forecast hedged transactions. As the sensitivities are only on financial instruments, the sensitivities ignore the offsetting impact on future forecast transactions that many of the derivatives are hedging. Changes in fair value can generally not be extrapolated because the relationship of change in assumption to change in fair value may not be linear. In addition, for the purposes of the below analyses, the effect of a variation in a particular assumption is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, sensitivities to specific events or circumstances will be counteracted as far as possible through strategic management actions. The estimated fair values as disclosed should not be considered indicative of future earnings on these contracts.

Foreign currency sensitivity on financial instruments

The following table demonstrates the sensitivity of financial instruments at reporting date to a reasonably possible appreciation/depreciation in the United States Dollar against the New Zealand Dollar. Other currencies are evaluated by converting first to United States Dollars and then applying the above change against the New Zealand Dollar. All other variables are held constant. This analysis does not include future forecast hedged operating transactions.

Appreciation/depreciation (US cents):	2024 NZ$M +5c	2024 NZ$M -5c	2023 NZ$M +5c	2023 NZ$M -5c
Impact on earnings before taxation:				
USD	-	-	-	1
EUR	(1)	1	(1)	2

	2024 NZ$M +5c	2024 NZ$M -5c	2023 NZ$M +5c	2023 NZ$M -5c
Impact on equity:				
USD	(38)	45	(7)	8
AUD	15	(18)	13	(14)
EUR	6	(7)	8	(9)
JPY	19	(23)	27	(31)
CNH	3	(4)	2	(3)
GBP	-	-	3	(4)
Other	5	(6)	5	(6)

The above would be deferred within equity and then offset by the foreign currency impact of the hedged item when it occurs.

	2024	2023
Significant foreign exchange rates used at balance date for one New Zealand Dollar are:		
USD	0.608	0.607
AUD	0.914	0.917
CAD	0.833	0.804
CNY	4.42	4.40
EUR	0.569	0.558
JPY	97.8	87.9
GBP	0.482	0.481

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

FUEL PRICE RISK

Fuel price risk is the risk of loss to the Group arising from adverse fluctuations in fuel prices.

The Group enters into fuel derivatives to reduce the impact of price changes on fuel costs in accordance with the policy approved by the Board of Directors.

Crude oil hedging instruments such as fuel options and fuel swaps are designated as a hedge of the price risk in the crude oil component of highly probable jet fuel purchases. There is a 1:1 hedging ratio of the hedging instrument to the crude oil component identified as the hedged item. The Group considers the crude component to be a separately identifiable and reliably measurable component of jet fuel even though it is not contractually specified. The relationship of the crude oil component to jet fuel as a whole varies in line with the published crude oil and jet fuel price indices.

The amount and maturity of the fuel derivatives and forecast fuel purchases are aligned. Ineffectiveness is only expected to arise where the index of the hedging instrument differs to that of the underlying hedged item.

Cash flow hedges in respect of fuel derivatives include only the intrinsic value of fuel options. Time value on fuel options is excluded from the hedge designation. Changes in fair value gain or loss of the fuel options relating to time value are accumulated within the costs of hedging reserve within 'Hedge Reserves' until such time as the hedged transactions affect profit or loss. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Fuel' in the Statement of Financial Performance. The amount of gain or loss accumulated in the costs of hedging reserve is recognised in 'Fuel' in the Statement of Financial Performance.

Impact of hedging fuel price risk

CASH FLOW HEDGES OF FUEL PRICE RISK

Forecast fuel purchase transactions are not recognised in the financial statements until the transactions occur. The number of barrels hedged is set out in the table below. Fuel derivative contracts mature within 15 months of reporting date (30 June 2023: 12 months).

Fuel derivatives were recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position as at reporting date and were designated as the hedging instrument in cash flow hedges.

Statement of Financial Position	2024 $M	2023 $M
Net fair value of derivative financial assets	35	13

The effective portion of changes in the fair value of fuel hedging instruments that were accumulated in the cash flow hedge reserve (within 'Hedge Reserves') during the year are set out below, together with transfers to earnings when the underlying hedged item occurs, or upon de-designation of the hedge where the underlying forecast transaction is no longer expected to occur.

	2024 $M	2023 $M
Hedge reserves		
Balance at the beginning of the year	(9)	26
Change in fair value of hedging instruments*	40	(8)
Transfers to fuel	(25)	(30)
Changes in costs of hedging reserve	16	(11)
Taxation on reserve movements	(9)	14
Balance at the end of the year	13	(9)

*The change in fair value recognised in the cash flow hedge reserve excludes ineffectiveness which is recognised through earnings. No ineffectiveness arose on cash flow hedges of fuel price risk during the year (30 June 2023: Nil).

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Weighted average strike prices of fuel derivatives	2024 USD	2023 USD
Weighted average collar ceiling (Brent)	81	80
Weighted average collar floor (Brent)	68	60
Weighted average bought calls (Brent)	81	87
Weighted average Jet-Brent crack spread price	17	-
Barrels hedged (millions of barrels)	6.3	3.8

Fuel price sensitivity on financial instruments

The sensitivity of the fair value of these derivatives as at reporting date to a reasonably possible change in the price per barrel of crude oil is shown below. This analysis assumes that all other variables remain constant and the respective impacts on profit or loss before taxation and equity are dictated by the proportion of effective/ineffective hedges. In practice, these elements would vary independently. This analysis does not include the future forecast hedged fuel transactions.

Price movement per barrel:	2024 $M +USD 30	2024 $M -USD 30	2023 $M +USD 30	2023 $M -USD 30
Impact on cash flow hedge reserve (within equity)	132	(193)	124	(55)

Amounts affecting the cash flow hedge reserve would be accumulated within equity and then offset by the fuel price impact of the hedged item when it occurs.

INTEREST RATE RISK

Interest rate risk is the risk of loss to the Group arising from adverse fluctuations in interest rates.

The Group's exposure to interest rates relates primarily to its interest-bearing borrowings. The carrying amount of interest-bearing liabilities is disclosed in Note 15. The exposure to movements in interest rates arising from cash and cash equivalent and interest-bearing assets is disclosed in Note 6 and Note 9.

Borrowings issued at variable interest rates expose the Group to changes in interest rates (cash flow risk). Borrowings issued at fixed rates expose the Group to changes in the fair value of the borrowings (fair value risk).

It is the Group's policy to manage its interest rate exposure using a mix of floating and fixed rate debts.

Hedging interest rate risk

Fair value hedges

Changes in the fair value of hedging instruments designated as fair value hedges are recognised in the Statement of Financial Performance. The changes in fair value of hedged items attributable to the risk being hedged are recorded as part of the carrying value of the hedged item and offset changes in the fair value of hedging instruments in the Statement of Financial Performance.

For fair value hedges relating to items carried at amortised cost, an adjustment to carrying value is amortised through the Statement of Financial Performance over the remaining term of the hedge using the effective interest rate method.

FAIR VALUE HEDGES OF INTEREST RATE RISK

Interest rate swaps and cross-currency interest rate swaps were used to achieve an appropriate mix of fixed and floating rate exposure to the interest rate risk.

The Group has entered into an interest rate swap to receive fixed rate interest and pay variable rate interest. The interest rate swap was recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position. The interest rate swap was designated in a fair value hedge of the future interest rate cash flows on an unsecured bond recognised within 'Interest-bearing liabilities'. Hedge ineffectiveness is not expected to arise if the amount and maturity of the bond falls below the amount and maturity of the interest rate swap.

The changes in fair value gain or loss on the interest rate swap are recognised in 'Finance costs' in the Statement of Financial Performance. The changes in the fair value of the hedged risk are attributed to the carrying value of the unsecured bond and the revaluation is recognised within 'Finance costs' in the Statement of Financial Performance to offset the mark to market revaluation of the interest rate swap.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

Impact of hedging interest rate risk

	2024	2023
Net fair value of interest rate swap (NZ$M)	1	1
Volume (NZD M)	100	100
Weighted average contract rate (%)	6.61% / floating	6.61% / floating
Weighted average contract maturity (years)	3.8	4.8

Fair value gains/(losses) are used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on fair value hedges of interest risk during the year (30 June 2023: Nil).

Interest rate sensitivity on financial instruments

Earnings are sensitive to changes in interest rates on the floating rate element of borrowings and lease obligations. Their sensitivity to a reasonably possible change in interest rate with all other variables held constant, is set out as per table below. This analysis assumes that the amount and mix of fixed and floating rate debt, including lease obligations, remains unchanged from that in place at reporting date, and that the change in interest rates is effective from the beginning of the year. In reality, the fixed/floating rate mix will fluctuate over the year and interest rates will change continually.

Cash and cash equivalents and interest bearing assets are excluded from the sensitivity analysis. The table below also does not take into consideration of the impact of hedge accounting.

Interest rate change:	2024 $M +150 bp*	2024 $M -150 bp*	2023 $M +150 bp*	2023 $M -150 bp*
Impact of earnings before taxation/equity	(16)	16	(22)	22

**bp = basis points*

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group manages the risk through a target liquidity range, ensuring long-term commitments are managed with respect to forecast available cash inflow and by managing maturity profiles. The Group holds significant cash reserves and has available an unsecured committed revolving credit facility of $250 million to enable it to meet its liabilities as they fall due and to sustain operations in the event of unanticipated external factors or events.

The Group ensures that sufficient cash reserves and committed loan facilities exist to meet its short-term business requirements, taking into account its anticipated cash flows from operations.

The following table sets out the contractual, undiscounted cash flows for non-derivative financial liabilities and derivative financial instruments:

	STATEMENT OF FINANCIAL POSITION $M	CONTRACTUAL CASH FLOWS $M	< 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	5+ YEARS $M
As at 30 June 2024						
Trade and other payables	849	849	849	-	-	-
Secured borrowings	707	808	187	202	302	117
Medium term notes	584	692	36	357	299	-
Unsecured bonds	102	128	7	7	114	-
Lease liabilities*	1,423	1,681	374	283	397	627
Total non-derivative financial liabilities	3,665	4,158	1,453	849	1,112	744
Foreign exchange derivatives						
– Inflow		2,038	1,969	68	-	-
– Outflow		(2,045)	(1,977)	(68)	-	-
	(7)	(7)	(7)	-	-	-
Fuel derivatives	35	35	34	1	-	-
Interest rate derivatives	(25)	(31)	(13)	(11)	(7)	-
Total derivative financial instruments	3	(3)	14	(10)	(7)	-

*Lease liabilities recognised within 5+ years include $223 million related to four properties with lease terms ranging between 10-25 years.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

24. Financial Risk Management (continued)

	STATEMENT OF FINANCIAL POSITION $M	CONTRACTUAL CASH FLOWS $M	< 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	5+ YEARS $M
As at 30 June 2023						
Trade and other payables	780	780	780	-	-	-
Secured borrowings	998	1,137	234	226	496	181
Medium term notes	578	741	36	36	389	280
Unsecured bonds	102	135	7	7	121	-
Lease liabilities**	1,657	1,863	375	313	496	679
Redeemable shares	1	1	1	-	-	-
Total non-derivative financial liabilities	4,116	4,657	1,433	582	1,502	1,140
Foreign exchange derivatives						
– Inflow		1,970	1,970	-	-	-
– Outflow		(1,953)	(1,953)	-	-	-
	17	17	17	-	-	-
Fuel derivatives	13	13	13	-	-	-
Interest rate derivatives	(31)	(45)	(18)	(11)	(10)	(6)
Total derivative financial instruments	(1)	(15)	12	(11)	(10)	(6)

**Lease liabilities recognised within 5+ years include $206 million related to three properties with lease terms ranging between 10-19 years.

FAIR VALUE ESTIMATION

Financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy as described below. Financial instruments are either carried at fair value or amounts approximating fair value, with the exception of interest-bearing liabilities, for which the fair values are disclosed in Note 15 - Interest-Bearing Liabilities. This equates to "Level 2" of the fair value hierarchy defined within NZ IFRS 13 - Fair Value Measurement. The fair value of derivative financial instruments is based on published market prices for similar assets or liabilities or market observable inputs to valuation at balance date ("Level 2" of the fair value hierarchy). The fair value of foreign currency forward contracts is determined using forward exchange rates at reporting date. The fair value of fuel swap and option agreements is determined using forward fuel prices at reporting date. The fair value of interest rate swaps is determined using forward interest rates as at reporting date.

Capital risk management

Capital risk is managed for the Air New Zealand Group as a whole.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to continue to generate shareholder value and benefits for other stakeholders, and to provide an acceptable return for shareholders by removing complexity, reducing costs and pricing the Group's services commensurately with the level of risk. The Group is not subject to any externally imposed capital requirements.

The Group's capital structure is managed in the light of economic conditions, future capital expenditure profiles and the risk characteristics of the underlying assets. The Group's capital structure may be modified by adjusting the amount of dividends paid to shareholders, initiating dividend reinvestment opportunities, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

The Group monitors capital primarily using a net leverage ratio. The ratio is calculated as net debt over last over last 12-months EBITDA. Net debt is calculated as total borrowings, bonds, medium term notes, lease liabilities and redeemable shares (including net open derivatives on these instruments) less cash and cash equivalents and interest-bearing assets. Gross debt is calculated as total borrowings, bonds, medium term notes, lease liabilities and redeemable shares.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

25. Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Amounts subject to potential offset

For financial instruments subject to enforceable master netting arrangements, each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities. In the absence of such election, settlement occurs on a gross basis, however each party will have the option to settle on a net basis in the event of default of the other party.

The following table shows the gross amounts of financial assets and financial liabilities which are subject to enforceable master netting arrangements and similar agreements, as recognised in the Statement of Financial Position. It also shows the potential net amounts if offset were to occur.

	STATEMENT OF FINANCIAL POSITION 2024 $M	AMOUNTS NOT OFFSET 2024 $M	NET AMOUNTS IF OFFSET 2024 $M	STATEMENT OF FINANCIAL POSITION 2023 $M	AMOUNTS NOT OFFSET 2023 $M	NET AMOUNTS IF OFFSET 2023 $M
Financial assets						
Bank and short-term deposits	1,279	(47)	1,232	2,227	(31)	2,196
Derivative financial assets	180	(141)	39	212	(182)	30
Financial liabilities						
Derivative financial liabilities	(177)	188	11	(213)	213	-

Letters of credit and security deposits held within 'Interest-bearing assets' are also subject to master netting arrangements. The amounts are disclosed in Note 9 and Note 23.

26. Related Parties

Crown

The Crown, the majority shareholder of the Parent, owns 51% of the issued capital of the Company (30 June 2023: 51%).

Crown standby revolving facility

On 30 March 2022, Air New Zealand entered into an unsecured committed standby revolving facility (the "CSF2 Loan Facility") with the Crown for up to $400 million for a period through to 30 January 2026. The purpose of the CSF2 Loan Facility was to provide additional liquidity, if required, as the airline recovered from the effects of the Covid-19 pandemic. The CSF2 Loan Facility was negotiated on an arms' length basis, with each party having been independently advised. Under the terms of the arrangement, various representations, warranties and undertakings, including regular reporting on operational and financial performance, were undertaken.

On 25 March 2024, Air New Zealand cancelled the CSF2 Loan Facility, ending the period of Covid-19 financial support provided by the Crown. The CSF2 Loan Facility was never drawn down.

A commitment fee of 1.0% per annum was payable on the committed facility limit. For the year ended 30 June 2024, the Group recognised commitment fees of $3 million (30 June 2023: $4 million) in relation to the CSF2 Loan Facility.

Redeemable Shares

In connection with the Covid-19 financial support package, Redeemable Shares were issued to the Crown between April and May 2022. These shares were redeemable at the option of Air New Zealand and all shares were redeemed by November 2022. No further redeemable shares are available to be issued under the agreement. Dividends of $6 million were recognised within Finance costs in the Statement of Financial Performance during the year ended 30 June 2023.

Transactions with Crown entities

Air New Zealand enters into numerous airline transactions with Government Departments, Crown Agencies and State Owned Enterprises on an arm's length basis. All transactions are entered into in the normal course of business.

Details of government grants received in the year ended 30 June 2023 in respect of international airfreight capacity are outlined in Note 1. Covid-19 wage subsidies of $2 million were also received during the year ended 30 June 2023.

Notes to the Financial Statements (continued)

For the year ended 30 June 2024

26. Related Parties (continued)

Key management personnel

Compensation of key management personnel (including directors) was as follows:

	2024 $M	2023 $M
Short-term employee costs	13	14
Directors' fees	1	1
Share-based payments	3	2
	17	17

Certain key management personnel (including directors) have relevant interests in a number of companies (including non-executive directorships) to which Air New Zealand provides aircraft related services in the normal course of business, on standard commercial terms.

Staff share purchase schemes and Executive share rights plans

Shares held by the Staff Share Purchase scheme and Executive share rights plans are detailed in Note 20.

Bank set-off arrangements

The Group has a set-off arrangement on certain Bank of New Zealand balances, allowing the offset of overdraft amounts against in-fund amounts.
The following entities are included in the set-off arrangement:

Air Nelson Limited

Air New Zealand Limited

Air New Zealand Regional Maintenance Limited

Mount Cook Airline Limited

Associate companies

Transactions between the Group and its associates are conducted on normal terms and conditions.

The Christchurch Engine Centre (CEC) undertakes maintenance on certain V2500 engines. The Group receives revenue for contract and administration services performed for the CEC. During the year CEC paid total distributions to the Group of $12 million (30 June 2023: $16 million).

Non-cash distributions from Drylandcarbon One Limited Partnership were received of $1 million for the year ended 30 June 2023.

	2024 $M	2023 $M
During the year, there have been transactions between Air New Zealand and its associates as follows:		
Operating revenue	1	1
Operating expenditure	-	(1)
Balances outstanding at the end of the year are unsecured and on normal trading terms:		
Amounts owing to associates	-	1

Other related party disclosures

Other balances and transactions with related parties are not considered material to Air New Zealand and are entered into in the normal course of business on standard commercial terms. There have been no related party debts forgiven during the year.

27. Current Developments

During the financial year Air New Zealand entered into a confidential arrangement with a supplier for compensation associated with current engine shortages.

Independent Auditor's Report

Deloitte.

To the Shareholders of Air New Zealand Limited

Auditor-General	The Auditor-General is the auditor of Air New Zealand Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Melissa Collier, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.
Opinion	We have audited the consolidated financial statements of the Group on pages 65 to 107, that comprise the Statement of Financial Position as at 30 June 2024, the Statement of Financial Performance, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include material accounting policies and other explanatory information. In our opinion the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards and IFRS Accounting Standards. Our audit was completed on 29 August 2024. This is the date at which our opinion is expressed. The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the consolidated financial statements, we comment on other information, and we explain our independence.
Basis for opinion	We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the consolidated financial statements* section of our report. We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Audit materiality	We consider materiality primarily in terms of the magnitude of misstatement in the consolidated financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the consolidated financial statements as a whole to be $23 million which was determined with reference to a number of factors and taking into account the cyclical nature of the airline industry. $23 million represents 10.4% of profit before tax, 1.1% of total equity and 0.3% of operating revenue.
Key audit matters	Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter and the results of our work
Passenger revenue recognition	
The Group's revenue consists of passenger revenue which totalled $5,942 million (2023: $5,349 million). Passenger revenue is complex due to the various fare rules that may apply to a transaction, and as tickets are typically sold prior to the day of flight. Complex IT systems and processes are required to correctly record these sales as transportation sales in advance and then as revenue when the actual carriage is performed. Historical trend information is also used to estimate the proportion of credits which are expected to expire (referred to as breakage) which are released to revenue. We have included revenue recognition as a key audit matter due to the magnitude of revenue in relation to the financial statements and the substantial dependence on complex IT systems and the estimations involved in predicting breakage.	In performing our procedures we: • Evaluated the systems, processes and controls in place over passenger revenue and passenger revenue in advance, which includes the key account reconciliation processes; • Tested the IT environment in which passenger sales occur and interface with other relevant systems; • Assessed the quality of information produced by these systems and tested the accuracy and completeness of reports generated by these systems which are used to recognise or defer passenger revenue; • Performed an analysis of passenger revenue and passenger revenue in advance and created expectations of revenue based on our knowledge of the Group, the industry and key performance measures, including airline capacity and available seat kilometres. We have compared this to the Group's revenue and obtained appropriate evidence for significant differences; • Agreed a sample of passenger revenue and passenger revenue in advance to supporting documentation; and • Assessed the Group's approach to estimating the travel credits breakage by assessing the methodology applied and challenging key assumptions. This included: - comparing projected redemption profiles against historical experience, including testing a sample of historical redemptions to confirm usage, and - working with modelling specialists to build our own breakage model which we then compared against the Group's Monte Carlo simulation with significant differences investigated. We are satisfied that revenue has been appropriately recognised.

Independent Auditor's Report (continued)

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Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented in accordance with NZ IFRS Accounting Standards and IFRS Accounting Standards.

The Board of Directors is responsible on behalf of the Group for such internal control as it determines is necessary to enable the Group to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Deloitte.

Responsibilities of the auditor for the audit of the consolidated financial statements (continued)

- We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibility arises from section 15 of the Public Audit Act 2001.

Other information

The Board of Directors is responsible on behalf of the Group for all other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report, and the Climate Statement. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the *Auditor-General's Auditing Standards* which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to the audit we carried out other engagements including a review of the interim financial statements, and assurance services relating to compliance with student fee protection rules and greenhouse gas emissions reported in the greenhouse gas emissions inventory report and in the Climate Statement. We also provide non-assurance services in the form of a climate-related disclosure pre-assurance readiness assessment and services to the Corporate Taxpayers Group for which Air New Zealand is a member, along with a number of other organisations. These services are compatible with those independence requirements. In addition to these engagements, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. These engagements and trading activities have not impaired our independence as auditor of the Group. Other than the audit and these engagements and trading activities, we have no relationship with, or interests in the Group.

Melissa Collier
for Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand

Historical Summary of Financial Performance

Five Year Statistical Review

For the year to 30 June

	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Operating Revenue					
Passenger revenue	5,942	5,349	1,476	1,470	3,942
Cargo	459	628	1,016	769	449
Contract services	89	133	117	161	216
Other revenue	262	220	125	117	229
	6,752	6,330	2,734	2,517	4,836
Operating Expenditure					
Labour	(1,629)	(1,441)	(976)	(830)	(1,197)
Fuel	(1,692)	(1,499)	(560)	(311)	(1,022)
Maintenance	(481)	(395)	(259)	(254)	(441)
Aircraft operations	(812)	(694)	(412)	(350)	(575)
Passenger services	(403)	(334)	(116)	(84)	(258)
Sales and marketing	(324)	(291)	(131)	(73)	(253)
Foreign exchange (losses)/gains	(3)	4	(3)	(29)	18
Other expenses	(467)	(394)	(281)	(252)	(326)
	(5,811)	(5,044)	(2,738)	(2,183)	(4,054)
Operating Earnings (excluding items below)	941	1,286	(4)	334	782
Depreciation and amortisation	(716)	(695)	(668)	(715)	(840)
Earnings/(Loss) Before Finance Costs, Associates, Other Significant Items and Taxation	225	591	(672)	(381)	(58)
Finance income	153	119	14	8	34
Finance costs	(186)	(164)	(94)	(90)	(103)
Share of earnings of associates (net of taxation)	30	39	27	19	39
Earnings/(Loss) Before Other Significant Items and Taxation	222	585	(725)	(444)	(88)
Other significant items	-	(11)	(85)	29	(541)
Earnings/(Loss) Before Taxation	222	574	(810)	(415)	(629)
Taxation (expense)/credit	(76)	(162)	219	123	174
Net Profit/(Loss) Attributable to Shareholders of Parent Company	146	412	(591)	(292)	(455)

Historical Summary of Cash Flows

Five Year Statistical Review

For the year to 30 June

	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Net Cash Flow from operating activities	810	1,853	574	323	222
Net Cash Flow used in investing activities	(822)	(916)	(355)	(182)	(534)
Net Cash Flow (used in)/from financing activities	(936)	(503)	1,308	(313)	(305)
(Decrease)/Increase in Cash and Cash Equivalents	(948)	434	1,527	(172)	(617)
Total cash and cash equivalents	1,279	2,227	1,793	266	438

Certain comparatives within the five year statistical review have been reclassified to ensure consistency with the current year. Following the IFRS Interpretations Committee issuing a final agenda decision in April 2021 on *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38), certain costs in respect of configuring or customising a supplier's application software in a Software as a Service ("SaaS") arrangement were no longer able to be capitalised and were required to be recognised as an operating expense. The agenda decision was applied retrospectively and comparatives restated accordingly.

Historical Summary of Financial Position

Five Year Statistical Review

As at 30 June

	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Current Assets					
Bank and short-term deposits	1,279	2,227	1,793	266	438
Other current assets	1,161	1,042	704	560	571
Total Current Assets	2,440	3,269	2,497	826	1,009
Non-Current Assets					
Property, plant and equipment	3,608	3,261	3,190	3,128	3,336
Other non-current assets	2,500	2,665	2,663	2,730	3,193
Total Non-Current Assets	6,108	5,926	5,853	5,858	6,529
Total Assets	8,548	9,195	8,350	6,684	7,538
Current Liabilities					
Debt[1]	488	545	590	907	513
Other current liabilities	3,111	3,291	2,581	1,446	1,589
Total Current Liabilities	3,599	3,836	3,171	2,353	2,102
Non-Current Liabilities					
Debt[1]	2,328	2,790	2,978	2,401	3,188
Other non-current liabilities	611	490	524	832	934
Total Non-Current Liabilities	2,939	3,280	3,502	3,233	4,122
Total Liabilities	6,538	7,116	6,673	5,586	6,224
Net Assets	2,010	2,079	1,677	1,098	1,314
Total Equity	2,010	2,079	1,677	1,098	1,314

1. Debt is comprised of secured borrowings, bonds, medium term notes, lease liabilities and redeemable shares.

Historical Summary of Debt

Five Year Statistical Review

As at 30 June

	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Debt					
Secured borrowings	707	998	1,185	1,497	1,413
Unsecured bonds	102	102	50	50	50
Medium term notes	584	578	608	-	-
Lease liabilities	1,423	1,657	1,525	1,761	2,238
Redeemable shares	-	-	200	-	-
	2,816	3,335	3,568	3,308	3,701
Bank and short-term deposits	(1,279)	(2,227)	(1,793)	(266)	(438)
Net open derivatives held in relation to interest-bearing liabilities and lease liabilities[1]	15	31	(23)	(13)	37
Interest-bearing assets	(780)	(732)	(360)	(324)	(334)
Net Debt	772	407	1,392	2,705	2,966

1. Unrealised gains/losses on open debt derivatives.

Key Financial Metrics

Five Year Statistical Review

		2024	2023	2022	2021	2020
Profitability and Capital Management						
EBITAS[1]/Operating Revenue	%	3.3	9.3	(24.6)	(15.1)	(1.2)
EBITDASA[2]/Operating Revenue	%	13.9	20.3	(0.1)	13.3	16.2
Passenger Revenue per Revenue Passenger Kilometre (Yield)	cents	17.3	18.4	20.7	24.9	13.3
Passenger Revenue per Available Seat Kilometre (RASK)[3]	cents	14.1	15.6	13.9	14.3	10.8
Cost per Available Seat Kilometre (CASK)[4]	cents	13.8	14.0	13.7	12.5	10.5
Return on Invested Capital Pre-tax (ROIC)[5]	%	9.7	22.3	(21.2)	(8.2)	(13.3)
Liquidity ratio[6]	%	18.9	35.2	65.6	10.6	9.1
Net debt/EBITDA	times	0.8	0.3	(22.5)	7.1	10.6
Gearing (incl. net capitalised aircraft operating leases)[7]	%	27.7	16.4	45.4	71.1	69.3
Shareholder Value						
Basic Earnings per Share[8]	cps	4.3	12.2	(40.8)	(26.0)	(40.5)
Operating Cash Flow per Share[8]	cps	24.0	55.0	17.0	28.8	19.8
Ordinary Dividends Declared per Share[8]	cps	3.5	-	-	-	-
Special Dividend Declared per Share[8]	cps	-	6.0	-	-	-
Net Tangible Assets per Share[8]	$	0.55	0.55	0.39	0.86	1.10
Closing Share Price 30 June	$	0.53	0.78	0.57	1.55	1.32
Weighted Average Number of Ordinary Shares	m	3,368	3,368	1,449	1,123	1,123
Total Number of Ordinary Shares	m	3,368	3,368	3,368	1,123	1,123
Total Market Capitalisation	$m	1,785	2,627	1,920	1,740	1,482
Total Shareholder Returns[9]	%	(17.7)	(14.9)	(19.5)	0.7	(5.3)

1. Earnings/(Loss) before interest and taxation (EBIT) excluding share of earnings of associates (net of taxation) and other significant items
2. EBITDA excluding share of earnings of associates (net of taxation) and other significant items
3. Passenger revenue per passenger flights Available Seat Kilometre
4. Operating expenditure (excluding other significant items) per ASK
5. EBIT/average capital employed (Net Debt plus Equity) over the period
6. (Bank and short-term deposits and interest-bearing assets (excluding restricted cash))/Operating Revenue
7. Net Debt (including capitalised aircraft operating leases)/(Net Debt plus Equity)
8. Per-share measures based upon Ordinary Shares. Net tangible assets exclude 'Intangible assets' and 'Deferred taxation' reported on the face of the Statement of Financial Position
9. Return over five years including the change in share price and dividends received (assuming dividends are reinvested in shares on ex dividend date)

Key Operating Statistics

Five Year Statistical Review
For the year to 30 June

	2024	2023	2022	2021	2020
Passengers Carried (000)					
Domestic	10,721	10,946	6,836	8,191	8,821
International					
Australia and Pacific Islands	3,811	3,352	734	386	2,889
Asia	1,026	697	51	32	765
America and Europe	902	781	124	40	1,050
Total	5,739	4,830	909	458	4,704
Total Group	16,460	15,776	7,745	8,649	13,525
Available Seat Kilometres (M)					
Domestic	6,620	6,685	4,929	5,480	5,619
International					
Australia and Pacific Islands	11,655	10,237	2,665	2,214	9,419
Asia	10,911	7,423	1,229	1,572	8,336
America and Europe	12,881	9,936	1,828	1,038	12,961
Total	35,447	27,596	5,722	4,824	30,716
Total passenger flights	42,067	34,281	10,651	10,304	36,335
Cargo-only flights	-	1,680	9,368	7,106	2,151
Total Group	42,067	35,961	20,019	17,410	38,486
Revenue Passenger Kilometres (M)					
Domestic	5,571	5,679	3,452	4,244	4,552
International					
Australia and Pacific Islands	9,831	8,707	1,937	964	7,472
Asia	8,967	6,128	445	292	6,736
America and Europe	9,916	8,518	1,312	408	10,808
Total	28,714	23,353	3,694	1,664	25,016
Total Group	34,285	29,032	7,146	5,908	29,568
Passenger Load Factor (%)					
Domestic	84.2	84.9	70.1	77.4	81.0
International					
Australia and Pacific Islands	84.3	85.1	72.7	43.5	79.3
Asia	82.2	82.6	36.2	18.6	80.8
America and Europe	77.0	85.7	71.8	39.3	83.4
Total	82.8	84.7	65.5	36.5	81.4
Total Group	81.5	84.7	67.1	57.3	81.4
GROUP EMPLOYEE NUMBERS (Full Time Equivalents)	11,702	11,474	8,863	7,840	9,988

New Zealand, Australia and Pacific Islands represent short-haul operations. Asia, America and Europe represent long-haul operations. Certain comparatives within the operating statistics have been reclassified, to ensure consistency with the current year.

Shareholder Directory

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Australia

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Investor Relations

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New Zealand
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Fax: (64 9) 336 2664
Email: investor@airnz.co.nz
Website: airnzinvestor.com

Annual Shareholders' Meeting

Date: 26 September 2024
Time: 2:00pm
Venue: Tekapo Room
The Novotel
30 Durey Road
Christchurch Airport

Current Credit Rating

Moody's rate Air New Zealand Baa1

Auditor

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Board of Directors

Dame Therese Walsh – Chair
Claudia Batten
Dean Bracewell
Laurissa Cooney
Larry De Shon
Alison Gerry
Paul Goulter

Chief Executive Officer
Greg Foran

Chief Financial Officer
Richard Thomson

General Counsel and Company Secretary
Jennifer Page

AIR NEW ZEALAND

A STAR ALLIANCE MEMBER

A STAR ALLIANCE MEMBER

AIR NEW ZEALAND

Climate Statement

2024

Contents

This Climate Statement is structured around the four mandatory sections of the *Aotearoa New Zealand Climate Standard 1 – Climate-related Disclosures* (NZ CS 1), which are based on the recommendations of the *Task Force on Climate-Related Financial Disclosures* (TCFD) that Air New Zealand has reported against in previous years. The order of the disclosures in the Strategy section differs from the order in NZ CS 1 for the purpose of readability.

About this Climate Statement

1.1 Reporting entity

This Climate Statement is for the parent company Air New Zealand Limited (the Parent) and its subsidiaries (together referred to as 'Air New Zealand', 'the Group', or 'the airline'). The Parent is a Climate Reporting Entity under the Financial Markets Conduct Act 2013.

This Climate Statement has been prepared for the year ended 30 June 2024. The scope of the reporting entity aligns with that used for the Group's 2024 Consolidated Financial Statements.

1.2 Compliance statement and statement regarding adoption provisions

This is the Parent's first reporting period under the Aotearoa New Zealand Climate Standards (NZ CS). In relation to the adoption provisions outlined in those Standards, Air New Zealand has applied:

- **Adoption provision 1 (Current financial impacts):** This adoption provision provides an exemption from disclosing the current financial impacts of the physical and transition impacts identified and from disclosing an explanation of why Air New Zealand is unable to disclose this information (if applicable);
- **Adoption provision 2 (Anticipated financial impacts):** This adoption provision provides an exemption from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity and from disclosing an explanation of why Air New Zealand is unable to disclose this information (if applicable). It also provides an exemption from disclosing a description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur;
- **Adoption provision 3 (Transition planning) (only in relation to paragraph 16(c) of NZ CS 1):** This adoption provision provides an exemption from disclosing the extent to which Transition Plan aspects of Air New Zealand's strategy is aligned with its internal capital deployment and funding decision-making processes;
- **Adoption provision 5 (Comparatives for Scope 3 greenhouse gas emissions (except where indicated)):** This adoption provision provides an exemption from disclosing, for each disclosed Scope 3 greenhouse gas (GHG) emission metric, comparative information for the immediately preceding two reporting periods;
- **Adoption provision 6 (Comparatives for metrics (except where indicated)):** This adoption provision provides an exemption from disclosing, for each disclosed metric, comparative information for the immediately preceding two reporting periods; and
- **Adoption provision 7 (Analysis of trends (except where indicated)):** This adoption provision provides an exemption from disclosing an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

With those adoption provisions applied, this Climate Statement complies with the NZ CS.

This Climate Statement was approved by the Board of Directors of Air New Zealand (the Board) on 29 August 2024.

About this Climate Statement (continued)

1.3 Forward-looking statements and the uncertainty inherent in climate change

Climate change is an evolving challenge, with high levels of uncertainty, particularly over long-term horizons. Descriptions of the impacts of climate change on the Group necessarily involve estimates and uncertain projections. Risks and opportunities may be more or less significant than anticipated.

There are many factors that could cause the Group's actual results, performance or achievement of climate-related metrics, including targets, to differ materially from that described. These include economic and technological viability, and climatic, government, legal, consumer and market factors outside of the Group's control.

This Climate Statement contains disclosures that rely on evolving assessments of current and forward-looking information, incomplete or estimated data, and related judgements, opinions and assumptions. Air New Zealand has sought to provide accurate information but would caution against reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions.

Air New Zealand has based the contents of this Climate Statement on the strategies and information it has at the date of publication. It does not:

- Represent that those statements and opinions will not change or will remain correct after publishing this Climate Statement;
- Undertake to revise or update those statements and opinions if events or circumstances change or unanticipated events happen after publishing this Climate Statement, other than as required by law; or
- Give any representation, guarantee, warranty or assurance about its future business performance, or that the outcomes expressed or implied in any forward-looking statement made in this Climate Statement, including its performance against climate-related targets, will occur.

Forward-looking statements can generally be identified by the use of words such as "may", "should", "will", "plan", or similar expressions. Forward-looking statements regarding the Group's business operations, market conditions, sustainability objectives, climate-related targets and risk management practices necessarily involve assumptions, forecasts and projections about the Group's present and future operating environment and strategies which are inherently uncertain and subject to contingencies outside the Group's control.

Risks and opportunities described in this Climate Statement, and Air New Zealand's strategies to achieve its targets, may not eventuate or may be more or less significant than anticipated. While Air New Zealand has made every effort to fairly present this Climate Statement, it gives no representation, guarantee, warranty or assurance about its future business performance, or that the outcomes expressed or implied in any forward-looking statement made in this document, including its performance against climate-related targets, will occur.

To the extent permitted by law, the Group does not accept any liability whatsoever for any loss arising directly or indirectly from any use of, or reliance upon, the information contained in this Climate Statement. Nothing in this Climate Statement should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance.

1.4 Materiality

The Group has followed the guidance set out in Aotearoa New Zealand Climate Standard 3 - General Requirements for Climate-related Disclosures (NZ CS 3) in relation to the application of materiality. Information is considered material where 'omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures'. The primary users of this report are expected to be potential and existing investors, lenders and insurers, and other creditors.

To help with understanding the terminology used throughout this Climate Statement, a glossary of key terms is included on page 49.

1.5 Enquiries

If you have any questions or comments regarding this Climate Statement, please contact investor@airnz.co.nz.

Governance

2.1 Oversight by the Board of Directors

This section describes governance of climate-related risks and opportunities at Air New Zealand. It includes five sections: the identity of the governance body, the process and frequency of updates, how the Board ensures sufficient skills and competencies are available, the integration of climate into strategy, and how the Board sets and monitors climate-related metrics and targets.

Governance body

The primary responsibility of Air New Zealand's Board is to exercise their individual and collective judgement to act in what they believe to be the best interests of the Group and its shareholders. This includes active engagement in directing and approving the strategic planning of the airline, including in relation to climate matters, and responsibility for oversight of climate-related risks and opportunities.

The Board-approved strategy, Kia Mau, provides a strategic framework for the airline. Embedded within this is the airline's sustainability enabler, which includes climate-related matters.

The Audit & Risk Committee (ARC) is the Board subcommittee which oversees financial reporting, compliance, and risk management practices. As part of its role, the ARC oversees key risks for the Group including climate change risks.

Governance process and frequency

The Board receives information regarding climate-related matters through three primary channels: strategy sessions, regular board paper reporting, and standalone approval requests and information updates from Management.

In terms of regular board paper reporting, the Board receives the following updates:

- **Monthly** tracking of the sustainability-related component of the annual Short-Term Incentive (STI) award in a monthly update delivered by the Chief Financial Officer (CFO);
- **Monthly** updates in the period leading up to year-end reporting on the process, progress and content of this Climate Statement from a cross-functional management-level Climate-Related Disclosures Steering Committee;
- **Twice-yearly** compliance updates on domestic and international emissions obligations from the Sustainability and Corporate Finance teams;
- **Twice-yearly** updates on the airline's top strategic risks, including climate-related risks, from the Enterprise Risk team;
- **Twice-yearly** updates on the airline's Transition Plan (since May 2024) from the Transition Plan Governance Forum; and
- **Annual** review and approval of the airline's Sustainability Report, Greenhouse Gas Emissions Inventory Report, and Climate Statement from the cross-functional management-level Climate-Related Disclosures Steering Committee.

Some examples of standalone climate-related approval requests and information updates from Management that have been considered by the Board in the 2024 financial year include the purchase of a Next Generation Aircraft (NGA) and the scope of uses for the airline's Climate and Nature Fund. The Board also considers the sustainability, including climate-related, impacts and exposures of new business cases that it reviews where relevant, and balances these impacts with other considerations when making approval decisions.

Board skills and competencies

The Board ensures that appropriate climate-related skills and competencies are available to provide oversight of climate-related risks and opportunities through:

Board appointments: A wide range of skills and competencies are considered as part of the process of selecting new Directors. Balanced and complementary skill sets across a wide variety of areas and experience is a key focus for Board appointments. This can include climate-related skills and competencies.

Training: Some Directors participate in training on climate-related topics. During the 2024 financial year, one Director completed the Advanced Directors' Course delivered by the New Zealand Institute of Directors. Four further Directors enrolled in the Climate Change Governance Essentials course during the 2024 financial year and plan to complete it during the 2025 financial year. All Directors of the Board are also members of Chapter Zero New Zealand.

Management delegations: Responsibility for implementing the strategy and for managing day-to-day operations is delegated to the Chief Executive Officer (CEO) and, through that role, the Executive team, which includes the Chief Sustainability and Corporate Affairs Officer (CSCAO). These delegations cover responsibility for developing a plan for the airline's sustainability strategy, securing appropriate resourcing and keeping the Board updated as needed. This includes appointing people with appropriate experience, qualifications, skills and competencies on climate-related matters into relevant positions, and making the Sustainability team's expertise available across the business as required. This is described in more detail in section 2.2 The role of Management.

Governance (continued)

External experts: Air New Zealand engages external expertise to supplement internal skills and competencies where necessary. This includes twice-yearly meetings with the Sustainability Advisory Panel which comprises external experts providing independent advice to Air New Zealand in relation to sustainability developments and initiatives. These meetings include sessions with the Board, the Executive team and the Sustainability team. Details about the panel are available on Air New Zealand's website. The dynamic environment in which the airline operates may result in changes to the role of the panel or its composition in the future.

The following Directors have specific external governance roles regarding climate-related risks and opportunities which expose them on an ongoing basis to the latest climate-related developments:

- Dame Therese Walsh is Chair of the Chapter Zero New Zealand Steering Committee. She is also Chair of the Nominating Committee for He Pou a Rangi, the New Zealand Climate Change Commission; and
- Laurissa Cooney is also a member of the Chapter Zero New Zealand Steering Committee and is Co-Chair of The Aotearoa Circle.

Chapter Zero New Zealand is the New Zealand chapter of the Climate Governance Initiative, hosted by the New Zealand Institute of Directors. The Climate Governance Initiative builds on the World Economic Forum's Principles for Effective Climate Governance and has a mission to mobilise, connect, educate and equip directors and boards to make climate appropriate governance decisions, thereby creating long-term value for both shareholders and stakeholders.

He Pou a Rangi, the New Zealand Climate Change Commission is an independent Crown entity that advises the New Zealand Government on climate change policy and monitors the government's progress towards New Zealand's emission reduction goals.

The Aotearoa Circle is a public private partnership, whose purpose is to restore natural capital in New Zealand.

Integration of climate change into Air New Zealand's Kia Mau Strategy

Key climate-related risks were considered when Air New Zealand's Kia Mau strategy was first formed and approved by the Board in 2020. Management and the Board oversee implementation of the strategy through periodic reviews of progress and updates where required. As part of these reviews and updates, the Board considers climate-related risks and opportunities.

On an annual basis the Board reviews the airline's five-year financial plan and formally approves its annual budget, both of which include consideration of climate-related risks and opportunities.

Setting, monitoring, and overseeing climate-related metrics and targets

The Board approves climate-related metrics and targets following advice from Management. The airline's targets are briefly discussed on the following page and outlined in detail in sections 3.5 Transition Plan and 5.3 Targets used to manage climate-related risks and opportunities.

Once set, the Board formally monitors progress against the targets in its monthly updates on metrics from the CFO, twice-yearly Transition Plan update, and as otherwise required. This monitoring includes consideration of the ongoing reasonableness and achievability of the targets.

Governance (continued)

2050 Target

As a member of the International Air Transport Association (IATA), Air New Zealand has set a target to achieve 'net zero' carbon emissions by 2050 (the 2050 Target). This involves:

- Reducing emissions through using more efficient aircraft, adopting NGA, and improving operational efficiency (noting that the airline expects to continue to use fossil jet fuel for its fleet through and beyond 2050);
- Reducing emissions through increased use of Sustainable Aviation Fuel (SAF) (with emissions being reduced due to the biogenic nature of SAF that is explained in the box SAF - biogenic emissions on page 27, despite producing similar emissions as fossil jet fuel when combusted); and
- Thereafter, selectively using eligible carbon credits and removals to address residual emissions in the period to 2050.

The methods and pathways for endeavouring to meet the 2050 Target constitute the 'Transition Plan' aspects of Air New Zealand's strategy. The Transition Plan is difficult to achieve and is dependent on numerous external factors including policy and technology developments, as well as cost and other commercial constraints on the ability to decarbonise. The 2050 Target and the airline's Transition Plan to achieve it are described in detail in sections 3.5 Transition Plan and 5.3 Targets used to manage climate-related risks and opportunities.

2030 Target

In August 2022, Air New Zealand set a near-term target for 2030 in line with the aviation sector methodology designed by the Science-Based Targets initiative (SBTi) to reduce its carbon emissions intensity by 28.9 percent against a 2019 baseline (the 2030 Target).

After careful consideration, Air New Zealand retracted this target and withdrew from the SBTi in July 2024.

This was driven by two main factors. Many of the levers needed to meet the target, including the availability of new aircraft, the affordability and availability of SAF, and global and domestic regulatory and policy support, are outside the airline's direct control and remain challenging. More recently, delays and potential ongoing delays to the airline's fleet renewal plan due to global manufacturing and supply chain issues that could potentially slow the introduction of newer, more fuel efficient aircraft into the fleet posed an additional risk to the target's achievability.

The 2030 Target as it stood during the 2024 financial year is described in detail in section 5.3 Targets used to manage climate-related risks and opportunities and some of the challenges associated with its achievement are outlined in section 3.3 Current impacts and anticipated impacts of climate-related risks and opportunities.

Work has begun to consider a new near-term carbon emission reduction target that reflects these challenges.

In addition to this ongoing work, Air New Zealand remains a signatory to the World Economic Forum's Clean Skies for Tomorrow Ambition Statement, which the airline signed in October 2021. This has been reported in previous years' Sustainability reports. That Ambition Statement requires signatories to target using 10 percent SAF (as a percentage of their total fuel) in 2030.

Governance (continued)

2.2 The role of Management

Management-level responsibilities

Management is responsible for identifying and managing Air New Zealand's climate-related risks and opportunities. This responsibility is delegated and shared across different groups.

The CSCAO leads the Sustainability team, who provide expertise and advice to the airline about climate mitigation and adaptation. The CSCAO reports directly to the CEO and leads the sustainability enabler of the Group's strategy.

The Executive team is responsible for delivery of the Transition Plan, with each Executive overseeing climate risk and opportunities relevant to their business units. The Transition Plan is governed by the quarterly Transition Plan Governance Forum, which is chaired by the CEO, and includes the Executive team and other relevant senior leaders.

The Sustainability team delivers climate-related priorities, top-down physical and transition risk analysis, climate-related advocacy, and leadership of key climate projects. It also manages the Transition Plan Governance Forum and supports all business units to understand the sustainability, including climate-related, impacts of proposals considered in the airline's investment decision-making processes.

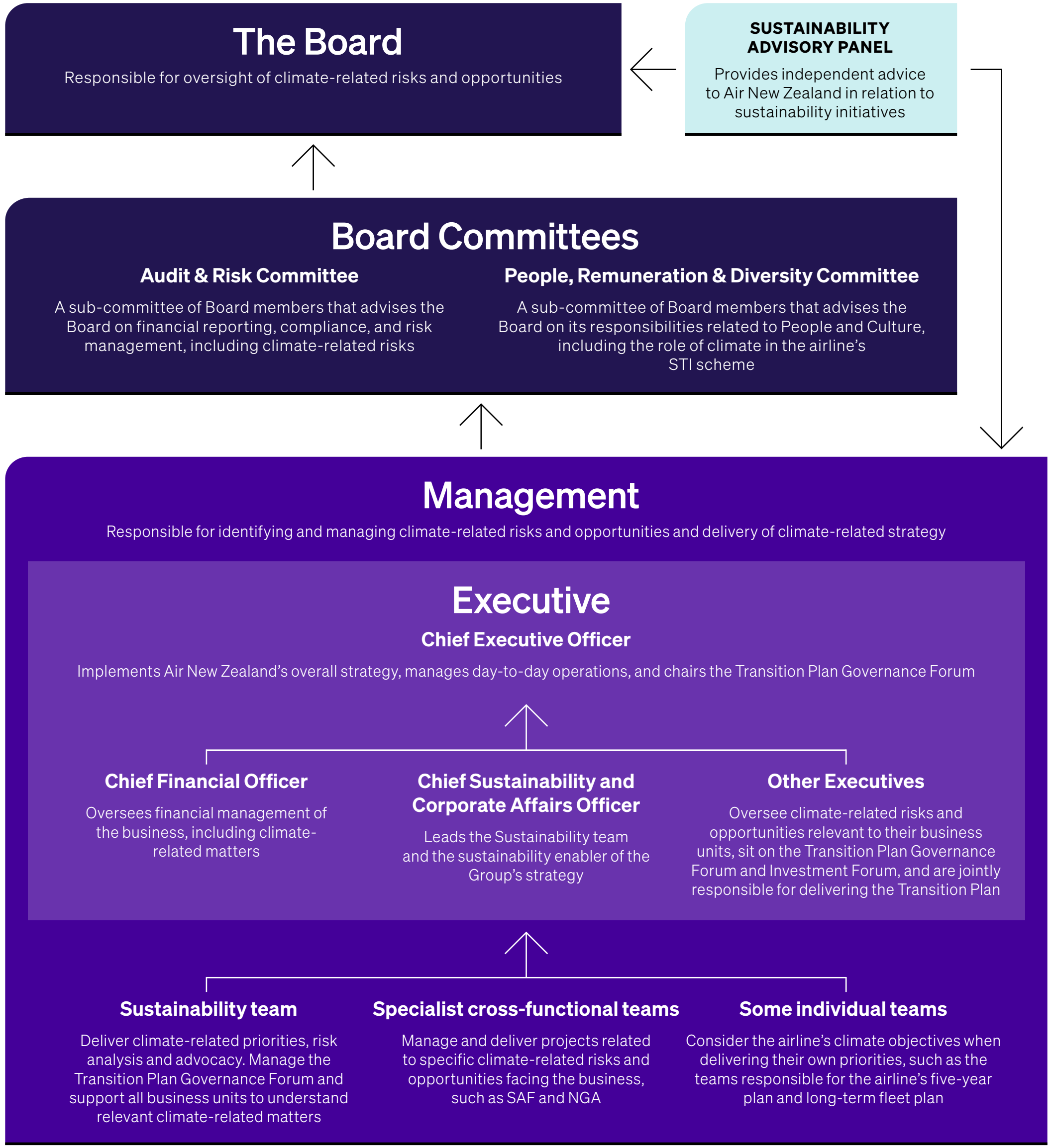
Senior leaders across the business oversee climate risk and opportunities relevant to their business units through divisional risk profiles and progress reporting against climate-related performance indicators in their respective business units.

Specialist cross-functional teams focus on specific climate-related risks and opportunities facing the business. These include teams for SAF, NGA, customer emissions reporting and operational integrity. The teams responsible for the airline's five-year financial plan and long-term fleet plan also consider the airline's climate objectives when developing these plans. Members of the Sustainability team join these teams to provide advice and support as required.

The frequency with which management-level positions or committees engage with the governance body is described in section 2.1 Oversight by the Board of Directors.

Organisational structure

The organisational structure, showing relevant management-level positions and committees relevant to climate-related matters, is illustrated on the right.



Governance (continued)

Process and frequency of climate-related updates to Management

Climate-related updates are regularly communicated to the Executive team and senior management through various internal channels. These are reported on the right. In addition to these regular updates, other frequent ad hoc updates are provided, including updates by the Sustainability team at management meetings, Steering Committee meetings on climate-related topics, and internal planning meetings.

Update	Description	Frequency
Airline-wide business planning	Each quarter the Executive team sets priorities for the next quarter to give effect to the airline's strategy. Sustainability items, including climate matters, are regularly included which helps ensure access to sufficient resources to execute, and elevate the priority of, identified sustainability workstreams. Ahead of monthly sessions where the Executive team review performance against these priorities, they also review reporting on climate-related metrics, amongst other things, and business decisions may be made at these sessions.	Priorities set quarterly Updates received monthly
Transition Plan Governance Forum	Each quarter, the Executive team meets with senior leaders across the business to monitor planning for, and delivery of, the airline's Transition Plan. This Forum is chaired by the CEO.	Quarterly
Investment Forum	Each month, the Executive team sits on a forum that considers for approval any significant investment proposals, which must include an assessment of potential climate-related impacts, where relevant.	Monthly
CSCAO updates	At the Executive team's weekly meeting, the CSCAO provides an update on climate-related matters, where relevant.	Weekly

Strategy

3.1 Scenario analysis

Air New Zealand conducted climate-related scenario analysis in the 2023 and 2024 financial years. This section outlines the goals of that analysis, explains the process and governance of the analysis, describes the senarios used, and outlines the methods and timelines it adopted.

Climate scenarios are not forecasts or probabilistic, they are illustrative and designed to highlight potential risks, opportunities, and dynamics. The process is theoretical and involves significant uncertainty. Future climate patterns, socioeconomic responses to climate change, energy development pathways, New Zealand specific impacts, aviation sector technology, and customer and competitive dynamics are all highly uncertain and necessarily driven by assumptions and hypotheses. While scenario analysis is helpful for identifying climate-related risks and opportunities and testing the resilience of the airline's strategy, it does not provide an indication of probable outcomes.

The airline plans to periodically refresh the scenario analysis depending on sector developments, the emergence of additional relevant data that could produce materially new insights, such as the latest climate science, and stakeholder feedback. Air New Zealand intends to update its scenario analysis in the 2025 financial year to align it with the latest policy trajectories, take advantage of increasingly mature scenario analysis methodologies, and take account of any new significant information including industry developments and updated research about aviation's climate mitigation options.

More detail about the scenarios is available in Appendix A: Details of scenario analysis.

Goals of scenario analysis

Air New Zealand developed a set of goals and principles to guide its scenario analysis. The goals were to:

- Identify climate-related risks and opportunities;
- Test the resilience of the airline's decarbonisation strategy; and
- Meet obligations under the NZ CS.

To meet these goals, the airline sought to meet three principles: to select plausible, internally consistent scenarios; to ensure scenarios were sufficiently differentiated to produce insights on a breadth of plausible futures; and to adopt at least three scenarios, including one 1.5°C aligned, one >3°C and at least one other scenario.

Process and governance

Air New Zealand's scenario analysis consisted of the following five steps:

1. Convene a management-level Steering Committee;
2. Agree goals for analysis;
3. Define scenarios;
4. Identify transition and physical risks across scenarios; and
5. Assess resilience of the airline's strategy.

The scenario analysis was a standalone process but its outputs have been used in a number of ways, including insights from the work influencing the evolution of the airline's Transition Plan, and outputs of the work serving as inputs to the airline's assessment of climate-related risks and opportunities in its usual risk management process, described in section 4. Risk Management.

The Steering Committee was the primary governance mechanism for the scenario analysis. The Steering Committee consisted of the CSCAO, the Chief Operational Integrity and Safety Officer, and senior leaders from the Legal, Finance, Network Strategy and Sustainability teams. The Steering Committee oversaw steps 2 through 5. A working team facilitated the overall process and undertook the analysis. This included external consulting support from WSP New Zealand, Accenture New Zealand, and Risk Frontiers. This process included input and oversight from the Board, including approval of the scenarios for analysis.

Strategy (continued)

Description of scenarios

The three scenarios Air New Zealand used for its scenario analysis are described below. The starting point for each scenario is one of the Intergovernmental Panel on Climate Change's (IPCC's) Shared Socioeconomic Pathways (SSPs), which are a set of illustrative emissions scenarios developed in the IPCC's 6th Assessment Report.[1]

These scenarios refer to possible future states of the world developed by the airline to test the resilience of its current business model and strategy, and identify potential climate-related risks and opportunities. The scenarios do not represent predictions or forecasts. That means the 'Ambitious' scenario, for example, refers to a hypothetical scenario with ambitious global action on climate change mitigation and adaptation, rather than an ambitious set of outcomes for Air New Zealand specifically.

SCENARIO 1: 'Ambitious' scenario

The airline's first climate scenario is aligned to SSP1-1.9 and is consistent with 1.5°C of global warming by 2100, where global GHG emissions are managed down to levels consistent with the Paris Agreement.

This scenario limits physical damage through substantial global policy support, successful collaboration to accelerate technology development, accelerated renewable electricity adoption, and accelerated green hydrogen and SAF development and adoption time frames.

In this scenario, New Zealand will experience accelerated renewable energy adoption and highly responsive financial markets that reward businesses adopting science-based decarbonisation pathways.

The aviation sector will see rapid technology development, highly supportive policy environments, and lower corporate, cargo and passenger demand than in the other scenarios.

This scenario will require the collective global community to rapidly decarbonise and follow through with the investment and adoption necessary to achieve reduction targets.

TEMPERATURE	SSP	POLICY AMBITION AND SUPPORT	TECHNOLOGY DEVELOPMENT	CUSTOMER DEMAND
1.5°C	SSP 1-1.9	Highly supportive	Rapid	Lowest

SCENARIO 2: 'Steady' scenario

The airline's second climate scenario is aligned to SSP2-4.5 and is consistent with 2.7°C of global warming by 2100.

Air New Zealand considers that this scenario is most in line with existing global decarbonisation policies[2] and actions, and represents moderate GHG emissions from more gradual global renewable energy and technology development and adoption.

Compared to the 'Ambitious' scenario, the global energy pathway includes less abundant renewables and more widespread barriers to green hydrogen and SAF development and adoption, and lower renewable energy adoption and less responsive financial markets in New Zealand.

In this scenario, the aviation sector will see less successful technology development and less government support for decarbonisation than the 'Ambitious' scenario, while corporate, cargo, and passenger demand is higher.

TEMPERATURE	SSP	POLICY AMBITION AND SUPPORT	TECHNOLOGY DEVELOPMENT	CUSTOMER DEMAND
2.7°C	SSP 2-4.5	Less government support	Gradual, less successful	Lower

SCENARIO 3: 'Delayed' scenario

The airline's third climate scenario is aligned to SSP3-7.0 and is consistent with 3.6°C of global warming by 2100.

Air New Zealand considers this scenario to represent a weakening of global targets, policies, and actions, and meets the NZ CS requirements to model at least one >3.0°C scenario.

It would see global GHG emissions continue to increase through this century due to limited cooperation on policy and technology, and less renewable energy development and adoption.

New Zealand would see significantly more extreme weather, less adoption of new renewable energy technology, and slow market and business responses.

In the aviation sector, technology development would be slow and there would be limited government support. Corporate, cargo and passenger demand will be the highest of the three scenarios, driven by fewer restrictions and policies discouraging demand.

TEMPERATURE	SSP	POLICY AMBITION AND SUPPORT	TECHNOLOGY DEVELOPMENT	CUSTOMER DEMAND
3.6°C	SSP 3-7.0	Limited cooperation and support	Slow	Highest

1. UN IPCC (2023), 'Synthesis report', via https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf 2. Climate Action Tracker (2023), 'Warming Projections Global Update', via https://climateactiontracker.org/documents/1187/CAT_2023-12-05_GlobalUpdate_COP28.pdf

Strategy (continued)

Method and time horizons

Air New Zealand's scenario analysis involved defining scenarios across four sets of parameters and developing two key models to identify risks and test the airline's strategy. The scenarios considered the time frame from 2024 – 2100 and were developed with reference to the IPCC's SSPs, which use the year 2100 as an end point.

The scenarios were developed by making selections across four sets of parameters: global climate and socioeconomic pathways; global energy pathways; New Zealand-specific impacts; and aviation-specific developments. More detail about the scenarios is available in Appendix A: Details of scenario analysis.

Two key models were developed to support the airline's scenario analysis:

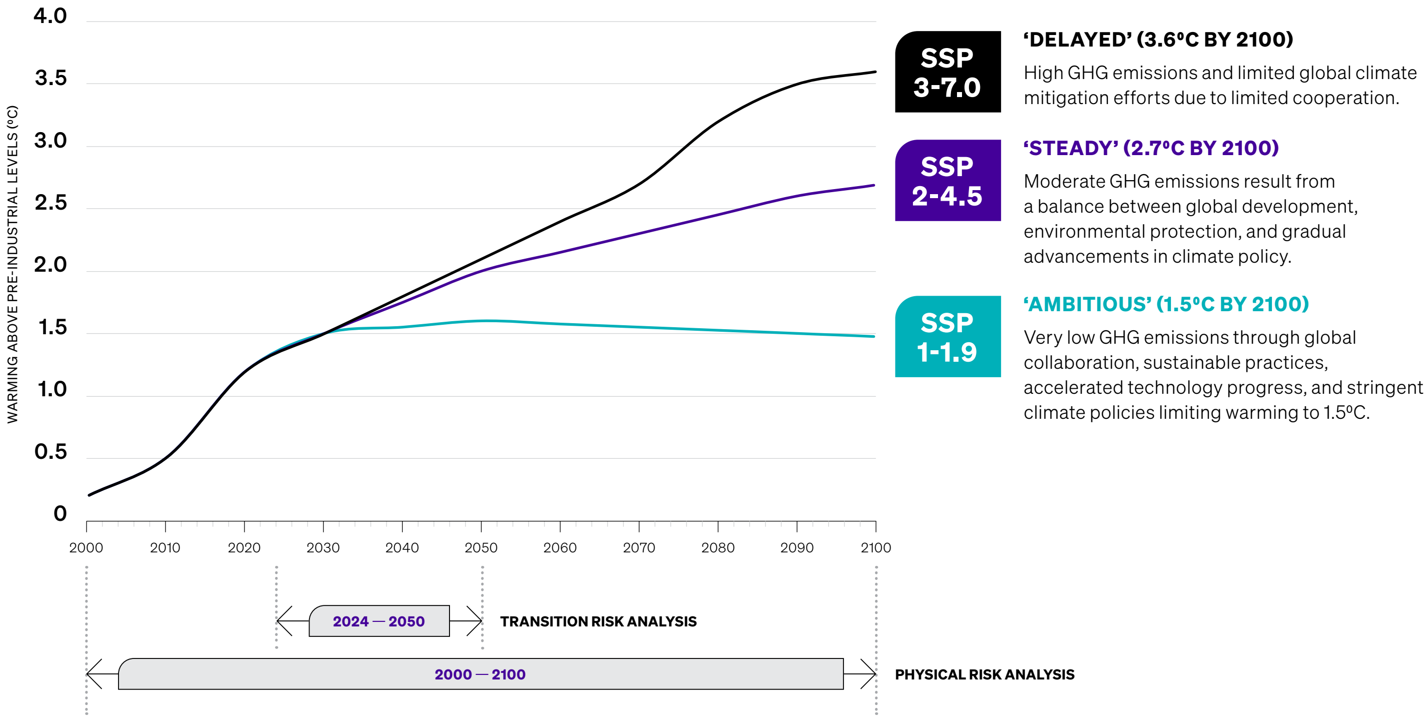
A physical risk model

This analysed the future frequency and severity of acute weather events at the domestic and international airports which Air New Zealand flies to. This included the frequency of severe heat, fog, wind, thunderstorms, rain, ice and snow that has occurred each year since 1990, and projected occurrences out to 2100.

The physical risk model was considered appropriate and relevant to assessing the resilience of Air New Zealand's business model and strategy to climate-related risks and opportunities because it combined data from a range of external, peer-reviewed models. This combination of models was chosen for several reasons, including that they: include a range of possible temperature changes for a given amount of carbon dioxide emissions; are produced by reputable research groups; are independent from one another; provide access to a range of scenarios; and include a range of relevant and detailed variables required for physical climate risk analysis in the aviation sector. The physical risk model also met the airline's goals and principles for the scenario analysis.

SSP time horizons are defined based on a 2100 endpoint

IPCC Scenarios: Shared Socioeconomic Pathways (SSPs), aligned with Representative Concentration Pathways (RCPs).



Air New Zealand also commenced engagement with Auckland International Airport to share respective findings regarding physical risks identified at Auckland airport, given it is the airline's main operational hub.

A transition risk model

This analysed the potential risks and opportunities from further emissions pricing, changes to NGA and SAF adoption time frames, and competitive impacts of airfare pricing changes. The purpose of this model was to test the resilience of the airline's 2050 Target and pathway under the different scenarios.

The model was deemed appropriate and relevant to assessing the resilience of Air New Zealand's business model and strategy to climate-related risks and opportunities because it leveraged leading independent data sources, and it was aligned with the airline's scenario analysis goals and principles.

Strategy (continued)

3.2 Climate-related risks and opportunities

This section describes the climate-related risks and opportunities identified by the airline, and associated time frames.

Climate-related opportunities

Air New Zealand has not identified any material 'opportunities' from climate change, as they are defined by NZ CS 1. On balance, the effects of climate change create risks for the aviation sector, notwithstanding the opportunities to reduce the impact of those risks (for example, by reducing emissions through new technology such as SAF and NGA or reducing emissions costs or the costs of such technology through different mitigators). This is discussed further in this section and in section 3.3 Current impacts and anticipated impacts of climate-related risks.

There may also be opportunities for the airline to differentiate itself competitively by moving faster or slower than peers to decarbonise, or to evolve its Domestic network through the use of NGA in the future. However, the size and nature of these opportunities is not yet considered material.

This lack of material opportunities is largely driven by the airline's current reliance on fossil jet fuel, its decarbonisation targets and Transition Plan, and the uncertainty of future technological, customer, competitive, policy, regulatory and other developments.

Climate-related risks, including whether physical or transition

Air New Zealand has identified 11 categories of material climate-related risks, summarised in the table on page 13. These risks were identified through bottom-up business unit level risk management processes, dedicated cross-functional workshops, scenario analysis, supplementary analysis by the Sustainability team, and ongoing operational work on climate-related projects such as SAF and NGA. The risks described in the table are gross risks before factoring in mitigations.

These risks are interrelated and correlated. They link to each other across categories and if one materialised it could change the likelihood and / or possible magnitude of others.

Time frames

The identified climate-related risks are described as likely to occur over the following short, medium, or long-term time frames:

- **Short-term:** 0-5 years, which aligns with strategic and network planning time horizons for the airline's five-year financial plan, which incorporates capital deployment plans;
- **Medium-term:** 5-18 years, which aligns with decisions about fleet planning and aircraft lease and purchases, and generally represent the airline's longest capital deployment horizons, excluding property;
- **Long-term:** 18 years and beyond, which would include the airline's 2050 Target time frame and the time-period over which the airline expects the greatest physical impacts of climate change to occur.

Strategy (continued)

CATEGORY OF RISK	SUMMARY OF SPECIFIC RISK (SEE FOLLOWING SECTION FOR FURTHER DETAILS)	MATERIAL TIME FRAMES		
		SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
PHYSICAL RISKS				
1 Acute and severe weather events	Climate change is expected to increase the magnitude and frequency of acute and severe weather events. This could cause delays and disruptions to the airline's operations, and potentially damage physical assets like aircraft, property, and ground service equipment.	*	◉	◉
2 Chronic climate change	Longer-term shifts in underlying climate patterns like average temperature, rainfall, and sea level rise could constrain the airline's network options, increase mitigation spending, and exacerbate the effect of increased acute and severe events.		◉	◉
TRANSITION RISKS FOR THE AIRLINE				
3 Changing demand	Climate change could affect underlying drivers of aviation demand, consumer preferences, and airline costs, which might affect demand for all global airline services, including Air New Zealand's.	◉	◉	◉
4 Competitive differentiation	In this context, competitive differentiation refers to the pace and cost at which Air New Zealand transitions to a lower emissions business model, compared to competitors. Both the airline's strategic choices around its Transition Plan, and similarities and differences in policy settings across markets, could affect the pace and cost of the airline's transition and competitive positioning relative to peers.	◉	◉	◉
5 Emissions pricing	Air New Zealand is currently a participant in two emissions pricing schemes: the New Zealand Emissions Trading Scheme (NZ ETS) and the International Civil Aviation Organization's (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Potential changes to the scope of emissions included in these schemes, the level and volatility of emissions pricing in the schemes, and the potential for new emissions pricing schemes to be developed, could increase the airline's cost base.	◉	◉	◉
6 Funding, insurance and legal claims	Air New Zealand's ability to transition to a lower emissions business model, and its exposure to climate-related risks and regulation, may affect the airline's access to funding and insurance, and its legal exposure.		◉	◉
7 Supply chain disruption and cost increases	The resilience and adaptability of Air New Zealand's supply chain to climate-related risks could affect the airline's ongoing operations. This includes airports and suppliers of other infrastructure, air traffic management services, aircraft, fuel and fuelling infrastructure, and spare parts and engines for aircraft.	◉	◉	◉
TRANSITION RISKS RELATING TO THE TRANSITION PLAN				
8 Availability and price of SAF	Acquiring the required volumes of SAF at commercial prices is a material success factor for the airline's achievement of its Transition Plan. The airline's ability to do this relies on external developments in production, technology, certification, costs and policy support, which are all evolving rapidly and so carry significant uncertainty and risks for the airline.	◉	◉	◉
9 Carbon removal supply and cost	In the longer term, Air New Zealand anticipates relying on carbon removals to address residual emissions and achieve its 2050 Target. This includes 'nature-based' removals, for example, enhancements to natural systems or ecosystems that sequester and store carbon on a certified, additional, and enduring basis, and 'engineered' removals, for example, using technology to capture CO_2 directly from the air. However, the availability, cost and credibility of both nature-based and engineered removals represent material uncertainties and risks to the airline's achievement of its Transition Plan.		◉	◉
10 Conventional fleet renewal	Replacement of the current fleet with more efficient and / or innovatively designed conventional aircraft is critical to achievement of the airline's Transition Plan but relies on global suppliers to deliver affordable aircraft on expected timelines. These suppliers are already severely constrained and development and commercialisation time frames are uncertain.	◉	◉	◉
11 Next Generation Aircraft adoption	Air New Zealand expects NGA to play a role in achieving the 2050 Target. However, significant progress by third parties is required for this to be viable. Delays in the medium to long-term could impact the delivery of the airline's Transition Plan.		◉	◉

* Note on short-term impacts: while acute and severe weather events can occur in the short-term, the contribution of climate change to exacerbating the impact of these events is difficult to attribute, and the associated financial impact is unlikely to be material to Air New Zealand, so the risk posed to Air New Zealand is assessed as not material in the short-term. Air New Zealand nonetheless acknowledges that these events would likely be material and potentially devastating to impacted communities.

Strategy (continued)

3.3 Current impacts and anticipated impacts of climate-related risks

This section includes information about the current and anticipated impacts of Air New Zealand's climate-related risks. They refer to gross risks before factoring in mitigations, not residual risks.

Physical risks

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
*	◉	◉

1 Acute and severe weather events

Description	**Climate change is expected to increase the magnitude and frequency of acute and severe weather events. This could cause delays and disruptions to the airline's operations, and potentially damage physical assets like aircraft, property, and ground service equipment.**
Current impact	No material current impacts.
Anticipated impact	**More frequent and significant acute and severe weather events could increase operational delays and disruptions.** Specifically, external climate modelling suggests increased frequency of thunderstorms and rain and decreased frequency of fog and ice across the Domestic network. Similarly, across the international network, external climate modelling suggests an increase in exposure to extreme heat, extreme rainfall, thunderstorms, and maximum wind speeds at most locations. Modelling also suggests a reduction in cold-related hazards at most locations, including ice, snow, and fog. The airline's ability to manage its business to mitigate the effect of the potential increased frequency of these events will determine how they impact delays and disruptions. Greater disruptions could affect the airline's revenue, costs and reputation. **The risk of weather-related damage to 'immovable' physical assets could increase due to the combination of more frequent and / or severe weather events, potentially increasing costs.** This is most likely to occur where rising sea levels increase flood risk and damage the airline's 'immovable' physical assets like buildings and contents. The locations with the greatest 'immovable' physical asset values and currently assessed as having high exposure to these risks are Auckland, Wellington, and Nelson airports. Depending on insurance coverage of these assets, the airline's revenue or costs could be impacted. **Increased frequency and severity of storms may also increase the likelihood of damage to aircraft, potentially increasing maintenance costs and disrupting scheduling.** Air New Zealand's largest fixed assets by value are its aircraft. In many cases, aircraft are movable when damaging weather events are anticipated. However, there is some risk that climate change brings more frequent and / or severe storms that could damage aircraft in the air or on the ground, including through hail and lightning strikes. This could increase maintenance costs and require aircraft to be out of service during repairs. This could disrupt scheduling, which may result in reduced revenue and reputational damage. **Greater acute and severe weather events could require more employee training and protection measures to mitigate any increases to Occupational Health & Safety (OH&S) risks.** Greater thunderstorms, heat waves, and other acute and severe weather events may increase OH&S risks for Air New Zealand's staff and require the airline to increase investment to mitigate those risks.

* Note on short-term impacts: while acute and severe weather events can occur in the short-term, the contribution of climate change to exacerbating the impact of these events is difficult to attribute, and the associated financial impact is unlikely to be material to Air New Zealand, so the risk posed to Air New Zealand is assessed as not material in the short-term. Air New Zealand nonetheless acknowledges that these events would likely be material and potentially devastating to impacted communities.

Strategy (continued)

2 Chronic climate change

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
	◉	◉

Description	**Longer-term shifts in underlying climate patterns such as average temperature, rainfall and sea level rise could constrain the airline's network options and exacerbate the effect of increased acute and severe events.**
Current impact	No material current impacts.
Anticipated impact	**Chronic climate change and increased risks of physical asset damage could increase the airline's mitigation spending.** For example, as the expected magnitude and frequency of acute and severe weather events increases, those locations that are also vulnerable to chronic climate change might need greater spending to strengthen or protect physical assets from the impacts of these events. This could raise costs for the airline. **Chronic climate change could constrain network choices and create uncertainty in network planning in the long-term.** Network planning includes decisions about destinations, aircraft choice, and frequency. Significant increases in average temperatures, rainfall, or sea level rise could affect the long-term viability of some airports or desirability of destinations in Air New Zealand's International network in particular. While the airline can generally adjust its network in response to impacts on its network, this may involve deploying aircraft on higher cost or lower revenue routes than they otherwise might operate on, potentially affecting overall profitability.

Strategy (continued)

Transition risks for the airline

3 Changing demand

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

Description	**Climate change could affect underlying drivers of aviation demand, consumer preferences, and airline costs, which might affect demand for all global airline services, including Air New Zealand's.**
Current impact	No material current impacts. Air New Zealand's customer research suggests some customers are starting to consider changing their air travel behaviour for climate-related reasons, but it is difficult to identify the impact of this on bookings.
Anticipated impact	Note that the airline's financial performance is highly sensitive to small changes in revenue, so small changes in these demand drivers could materially affect profitability. **Changes to underlying aviation demand drivers could increase or decrease demand for Air New Zealand's services.** These underlying drivers of aviation demand include factors like the state of the domestic economy, tourism levels, migration rates, and export demand and supply. Climate change could affect these drivers in different ways. For example, physical changes to New Zealand's environment might reduce tourism demand, while New Zealand's net migration might increase as global populations shift to avoid the worst physical impacts of climate change. **More climate conscious customers could increase or decrease demand for Air New Zealand's services.** For example, some customers might seek to reduce their overall flying, while others might fly more or less with Air New Zealand depending on whether the airline is seen as more or less sustainable than its competitors. **Climate change might increase Air New Zealand's cost base, which could increase ticket prices and decrease demand for the airline's services.** Aviation costs have increased over time due to inflation and rising input costs and this trend is expected to continue. The transition to low emissions flying and responding to the physical impacts of climate change is also likely to increase costs, which could make flying less affordable for some customers and reduce demand for the airline's services.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

4 Competitive differentiation

Description	**In this context, competitive differentiation refers to the pace and cost at which Air New Zealand transitions to a lower emissions business model, compared to competitors. Both the airline's strategic choices around its Transition Plan, and similarities and differences in policy settings across markets, could affect the pace and cost of the airline's transition and competitive positioning relative to peers.**
Current impact	**The impact on Air New Zealand's competitive positioning in 2024 from its signalling about the pace and cost of its Transition Plan was unclear.** The airline published information about its Transition Plan in its 2023 Sustainability Report and issued updates throughout the year on its expectations for SAF and NGA developments. Overall, the impact of these messages on the airline's competitive positioning is not clear. **Uneven emissions pricing regimes and SAF policy support disadvantaged Air New Zealand compared to competitors throughout the year.** Unlike Air New Zealand, many of the airline's competitors do not face emissions trading scheme obligations in their domestic markets and therefore face lower operating costs, all else being equal. Similarly, SAF policy support was in place in California, Illinois, the USA more generally, and British Columbia which effectively lowered the cost of SAF in these markets. While Air New Zealand can uplift some SAF from these markets, it cannot benefit from the policy support to the same extent as airlines with more of their operations in those locations.
Anticipated impact	**Ongoing strategic choices that the airline makes about the pace and cost of its Transition Plan could affect its competitive positioning.** If the airline moves more quickly than competitors, it could create opportunities to stand out to customers and build expertise but potentially face higher costs if there is no 'first mover' cost advantage with low emissions aviation technologies. If the airline moves more slowly than competitors, it may reduce its comparative costs, but give competitors opportunities to differentiate themselves from Air New Zealand with customers. **Uneven policy settings across markets are expected to continue, which is likely to have a mixed impact on Air New Zealand relative to competitors.** Global approaches to emissions pricing and policy support for sustainable aviation technology are likely to continue to differ between markets. If these different policy settings negatively affect Air New Zealand compared to its competitors, such as through higher emissions costs or more limited access to aviation technology support, the airline's ability to compete and its financial performance could be adversely impacted. Examples of potential uneven policy settings in future include: • Potential expansion of the NZ ETS to include some or all international aviation emissions, as discussed in the Emissions pricing risk below; • Continued policy support for SAF in other airlines' domestic markets but not in New Zealand; • The possible introduction of regulations that restrict, levy or reduce aviation sector growth in specific markets; and • The continued uneven rollout of mandates for SAF, which can require airlines to uplift SAF in specific markets, or levies for SAF, which impose a charge on operations within specific markets, could require Air New Zealand to incur higher SAF-related costs than if the airline were to uplift SAF from the cheapest locations globally. In destinations Air New Zealand services, mandates or levies to drive SAF uplift have been announced in British Columbia, Japan, and Singapore, and are expected to be announced in Australia, California, China, Hong Kong, Indonesia, South Korea, and Taiwan by the end of 2025. Brazil, Chile, the European Union, India, Malaysia, Thailand, the United Arab Emirates, and the United Kingdom have also announced similar policies.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

5 Emissions pricing

Description	Air New Zealand is currently a participant in two emissions pricing schemes: the New Zealand Emissions Trading Scheme (NZ ETS) and ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). **Potential changes to the scope of emissions included in these schemes, the level and volatility of emissions pricing in the schemes, and the potential for new emissions pricing schemes to be developed or applicable, could increase the airline's cost base.**
Current impact	Note that both the NZ ETS and CORSIA calculate the airline's obligation based on calendar years. The airline's NZ ETS obligation for the 2023 calendar year was determined early in the 2024 calendar year, and the airline's CORSIA obligation for the 2023 calendar year is expected to be determined late in the 2024 calendar year. **Air New Zealand's NZ ETS compliance costs increased to $38 million in the 2023 calendar year, partly driven by NZU price increases**. In the 2022 calendar year, Air New Zealand's NZ ETS obligation was 557,840 tonnes of CO_2-e and the airline's cost to acquire NZUs to meet this obligation was $27 million. In the 2023 calendar year, Air New Zealand's NZ ETS obligation was 602,362 tonnes of CO_2-e and the airline's cost to acquire NZUs to meet this obligation was $38 million. In the 2024 financial year, Air New Zealand sourced NZUs through Government auctions and on the secondary market. **Changes to how CORSIA obligations are calculated and a growing aviation sector globally could increase the airline's obligations in the 2024 calendar year.** The airline does not expect its CORSIA obligation for the 2023 calendar year to be a material amount. However, the baseline that ICAO uses to calculate CORSIA obligations will decrease for the 2024 calendar year (from 100 percent of 2019 emissions to 85 percent) and the aviation sector globally is expected to continue growing. Air New Zealand therefore expects to generate a CORSIA obligation for the 2024 calendar year. This obligation will be determined by November 2025.
Anticipated impact	**Market forces and regulatory changes could drive movements in the price of eligible units under both the NZ ETS and CORSIA, affecting costs for the airline.** Changing demand and supply of NZUs or CORSIA eligible emissions units could change their price. One driver of these dynamics is the rules that govern what counts as an NZU or CORSIA eligible emissions unit. Changes to these rules could also contribute to price movements. For example, changes to forestry-generated NZUs in the NZ ETS could potentially reduce the supply of NZUs and increase their price, all else being equal. **International aviation emissions could be added to the NZ ETS, which would raise Air New Zealand's costs.** He Pou a Rangi, the New Zealand Climate Change Commission, will provide advice to the New Zealand Government by the end of 2024 on whether, and if so how, international aviation emissions should be included in New Zealand's domestic emissions reduction targets. In April 2024, the Commission released a public consultation document that indicatively supported including international aviation emissions in domestic targets. If the Commission recommends these emissions be included in domestic targets and the Government elects to follow this advice, it is possible the Government may elect to use the NZ ETS as a policy tool for addressing some or all of these emissions. Such an expansion of the scope of the NZ ETS would require Air New Zealand to purchase more NZUs, increasing its operating costs. Note that if this occurred, it is unclear whether the airline's CORSIA obligation would be deducted from any NZ ETS obligation to prevent double counting. **Other changes to the scope of emissions included in the NZ ETS or CORSIA could raise Air New Zealand's emissions costs.** In addition to the potential inclusion of international aviation emissions in the NZ ETS described above, this could include increasing the coverage of CORSIA or replacing it with a new, more fulsome regime, and including some or all non-CO_2 effects in CORSIA and / or the NZ ETS. Either of these changes could materially increase Air New Zealand's compliance costs. **Additional emissions pricing schemes could emerge, especially if countries implement stronger regimes for aviation emissions that supplement CORSIA, which could raise costs for Air New Zealand.** Like the possible inclusion of international aviation emissions in the NZ ETS, other countries in the airline's international network might also decide to introduce additional international aviation emissions pricing alongside the CORSIA scheme.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
	◉	◉

6 Funding, insurance and legal claims

Description	**Air New Zealand's ability to transition to a lower emissions business model, and its exposure to climate-related risks and regulation, may affect the airline's access to funding and insurance, and its legal exposure.**
Current impact	No material current impacts.
Anticipated impact	**Air New Zealand's ability to effect its Transition Plan and adapt to climate change could affect its access to, and its cost of, capital.** This will be especially important if lenders and creditors increasingly factor climate mitigation and adaptation into their decision-making. **Increasing physical climate change impacts could affect access to and / or the cost of insurance for Air New Zealand.** This could be driven by both the airline's own exposure to climate-related risks and increased insurance claims globally from severe weather events. **As an emissions intensive business, like other airlines, Air New Zealand may face increased risks associated with climate-related regulation and claims.** Greater climate-related regulation in New Zealand and globally may increase the exposure of the airline, along with other companies, to potential climate-related claims and increased compliance costs.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

7 Supply chain disruption and cost increases

Description	**The resilience and adaptability of Air New Zealand's supply chain to climate-related risks could affect the airline's ongoing operations. This includes airports and suppliers of other infrastructure, air traffic management services, aircraft, fuel and fueling infrastructure, and spare parts and engines for aircraft.** Note this supply chain risk is related to several of the other risks discussed in this section, such as Conventional fleet renewal, Next Generation Aircraft adoption and Availability and price of SAF.
Current impact	No material current impacts.
Anticipated impact	**Short-term interruptions or long-term damage to suppliers' assets and operations could create operational disruptions for Air New Zealand.** Such disruptions may be caused by either physical or transition risks. The exposure of Auckland International Airport's precinct, and Channel Infrastructure New Zealand's fuel pipeline from Marsden Point to the Wiri terminal, to physical climate risks are material risks for Air New Zealand, even if their vulnerability is low, due to the importance of these suppliers to the airline's day-to-day operations. **Higher operating or capital costs could arise if suppliers pass on their own climate mitigation or adaptation costs to the airline.** This could be a material financial risk to the airline that could increase the airline's operating costs. **If aeronautical services providers do not adopt sufficient new technology, Air New Zealand's ability to navigate more frequent and / or severe weather events might be impacted.** This could increase fuel burn across the network, create operational safety impacts, and expose aircraft to damage.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

Transition risks relating to the Transition Plan

8 Availability and price of SAF

Description	**Along with the need for significant development of the global SAF industry, many evolving and uncertain factors will affect the airline's ability to uplift SAF at the price and volumes required to achieve the Transition Plan.** This is discussed in more detail below and in section 3.5 Transition Plan.
Current impact	**The cost of SAF is currently approximately two to five times the cost of fossil jet fuel.** In the 2024 financial year, 0.4 percent of Air New Zealand's fuel was SAF, uplifted in New Zealand, Singapore and the United States.
Anticipated impact	**Lack of new policy support in New Zealand and the Asia Pacific region, or potential removal of existing support in North America, could result in supply shortfalls or sustained high costs to meet the airline's targets.** Policy support is necessary to both accelerate the development of the SAF industry overall and support the affordability of SAF relative to fossil jet fuel. Uneven support across markets and especially a lack of policy support in New Zealand could increase Air New Zealand's costs and competitiveness. **If SAF technology does not keep developing and / or scale-up of production is less than industry forecasts, Air New Zealand's access to, and the cost of, SAF would be negatively impacted.** This could threaten Air New Zealand's ability to access the volumes of SAF required under its Transition Plan, potentially resulting in Air New Zealand missing its emissions reduction targets, as well as suffering reputational damage and increased compliance costs. **Securing long-term SAF offtake contracts, which is common in SAF markets, can also lead to delivery and price risks for Air New Zealand.** Suppliers could fail to deliver on agreed contracts, forcing the airline to find alternative sources of supply at short notice. Locking in long-term prices at above-average rates could lead to a higher cost base relative to competitors. Realisation of these risks could increase reliance on other emissions reduction levers, which could increase costs or negatively impact the delivery of the Transition Plan. **The acceptability of specific SAF feedstocks could change, which may affect Air New Zealand's supply options, Transition Plan, or overall acceptance of SAF.** SAF is widely and increasingly accepted by ICAO, IATA, and international governments as a legitimate means of aviation decarbonisation, and the IPCC recognises biofuel as the most viable means of decarbonising intercontinental air travel. However, the airline's ability to effectively utilise SAF over the medium to long-term to achieve its Transition Plan could be adversely affected by: the reduction in availability of acceptable feedstocks for SAF due to concerns about the biodiversity, food systems, labour rights, water use, land use change or other impacts of that SAF production; changes to the life cycle assessment methodologies for specific feedstocks or technologies; or public acceptance of SAF changing, including because of the broadly similar Tank-to-Wake emissions of SAF relative to fossil jet fuel. Any of these concerns could undermine the broader acceptance of SAF as a legitimate means of emissions reduction, which could reduce Air New Zealand's ability to use SAF and increase the airline's reliance on other levers to deliver its Transition Plan.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
	◉	◉

9 Carbon removal supply and cost

Description	**In the longer term, Air New Zealand anticipates relying on carbon removals to address residual emissions and achieve its 2050 Target. This includes 'nature-based' removals, for example, enhancements to natural systems or ecosystems that sequester and store carbon on a certified, additional, and enduring basis, and 'engineered' removals, for example, using technology to capture CO_2 directly from the air. However, the availability, cost and credibility of both nature-based and engineered removals represent material uncertainties and risks to the airline's achievement of its Transition Plan.** This is discussed in more detail below and in section 3.5 Transition Plan.
Current impact	No material current impacts.
Anticipated impact	**If clear standards to guide the credible use of carbon removals do not develop, the airline's planned and actual use of removals could create reputational risks and / or impact the delivery of its 2050 Target.** Because carbon removals do not represent reductions in the airline's own gross emissions, clear external standards are required to ensure their acceptable use. The airline's view is that credible and globally accepted standards that guide the use of either nature-based or engineered removals need to be developed. If such standards do not develop in the medium to long-term, removals projects may be compromised, introducing reputational risks and / or impacting the airline's ability to achieve its 2050 Target. **If supply of credible carbon removal options does not scale up in the period to 2050, Air New Zealand's ability to deliver its Transition Plan at an affordable cost will be impacted.** The future supply and cost of credible carbon removals is highly uncertain, but Air New Zealand expects to rely on carbon removals to deliver at least some of its 2050 Target. For nature-based removals, key barriers include land availability, understanding biodiversity impacts, measurement challenges, regulatory acceptance, social acceptance, and climate change impacts, amongst others. For engineered removals, barriers include uncertain technological development, investment requirement, energy needs, infrastructure challenges, and regulatory and social acceptance, amongst others. If sufficient supply does not develop at affordable prices, achievement of Air New Zealand's Transition Plan and / or the airline's financial performance may be affected.

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
◉	◉	◉

10 Conventional fleet renewal

Description	**Air New Zealand's Transition Plan is predicated on access to conventional fleet upgrades and the emergence of innovative aircraft and engine designs over time; the airline's ability to achieve its 2050 Target could be impacted if these do not emerge.** This is discussed in more detail below and in section 3.5 Transition Plan.
Current impact	**In the short-term, the aviation sector generally and Air New Zealand are experiencing severe supply constraints of both aircraft and engines, limiting the airline's options for conventional fleet renewal.** Continued constraints to conventional fleet renewal are expected to remain material in the medium-term and could be exacerbated if conventional fleet and equipment manufacturers experience further production slowdowns. These delays and constraints restrict the airline's fleet renewal options and add risk to the airline's ability to achieve its Transition Plan.
Anticipated impact	**Continued constrained or delayed access to new, more efficient conventional aircraft, or the slow development of new innovative aircraft designs, could impact Air New Zealand's ability to achieve its Transition Plan.** If these delays required the airline to adopt alternative decarbonisation levers to achieve its 2050 Target, this may come at a higher cost per tonne of carbon abated, raising overall costs. **Air New Zealand's maintenance costs could also increase if new fleet technology is less robust or resilient than existing conventional fleet technology.**

Strategy (continued)

MATERIAL TIME FRAMES		
SHORT-TERM (0-5 YEARS)	MEDIUM-TERM (5-18 YEARS)	LONG-TERM (18+ YEARS)
	◉	◉

11 Next Generation Aircraft adoption

Description	**While NGA will not be commercially viable in the short-term, Air New Zealand expects them to play a role in achieving the 2050 Target. However, significant progress on several factors by parties external to the airline is required for this to be viable. Delays to any or a combination of these factors in the medium to long-term could impact the airline's Transition Plan.** This is discussed in more detail below and in section 3.5 Transition Plan.
Current impact	No material current impacts.
Anticipated impact	**External parties need to make significant progress on multiple factors for NGA to play a viable role in the airline's Transition Plan.** Delays to any or a combination of these factors in the medium to long-term could impact the ability of the airline to meet its 2050 Target or increase reliance on other levers to deliver its Transition Plan. These factors include: • **Technology development:** Late availability of NGA would increase reliance on other levers in the Transition Plan, potentially increasing operating and compliance costs; • **Regulatory approvals:** Delayed regulations could slow the pace of development and the use of NGA, limiting the ability to operate these new aircraft. Lack of government support could also result in increased costs of renewable energy and green hydrogen (hydrogen produced using renewable electricity), increasing operating costs; • **Capital costs:** Capital investment in NGA could be higher than anticipated; • **Green hydrogen costs:** Procurement of green hydrogen could increase operating costs if production costs do not decline; • **Airport infrastructure:** Lack of airport infrastructure, such as recharging facilities, hydrogen storage facilities, and new maintenance equipment, could limit the network flown by NGA, reducing revenue due to limits on aircraft use; and • **Right to renewable electricity:** The renewable electricity consumed by a NGA fleet, directly or as an input to creating green hydrogen, could introduce reputational or brand damage if it diverts renewable resources from other parts of the economy. **Key person risks in areas such as engineering, maintenance and flight operations could develop if workforce availability does not keep pace with Air New Zealand's adoption of NGA.** This could lead to a shortage of relevant skills if key employees leave or new employees cannot be attracted or trained. This could result in increased expenditure on employee attraction and retention, or slow the airline's pace of NGA adoption.

Strategy (continued)

3.4 Capital deployment

Climate-related risks serve as an input to internal capital deployment and funding decision-making in two key ways:

Funding

Funding of climate-related strategic priorities and ongoing operations is considered through the airline's annual budgeting process and as part of the annual refresh of the five-year financial plan. Annual operating budgets are reviewed and approved by the Board with reference to the airline's key strategic goals, including climate-related goals.

As an example, in the 2024 financial year, funding was allocated to the SAF budget to assist Air New Zealand in seeking to meet its annual SAF uptake milestones. SAF represents a key strategic priority with respect to the airline's decarbonisation goals. As a further example, capital was committed for the airline's first battery electric demonstrator cargo aircraft, which is key to understanding the opportunities and challenges that NGA present.

From an ongoing operations perspective, the airline approved resourcing for dedicated SAF and NGA teams, advisors for physical climate-related risk modelling, and establishment of a Climate and Nature Fund to support the airline's 2050 Target. The Climate and Nature Fund is described in more detail in section 5.1 Metrics relevant to all entities.

Investment decisions

Air New Zealand's internal investment governance tool was enhanced in the 2024 financial year to include specific considerations for sustainability, including climate-related impacts and exposures for all new business cases where relevant. This gives senior decision-makers visibility of the climate-related risks and opportunities that new investment proposals could be exposed to or capture when making investment decisions.

3.5 Transition Plan

This section describes Air New Zealand's current business model and strategy and outlines the Transition Plan aspects of the airline's strategy. It should be read together with the section 5.3 Targets used to manage climate-related risks and opportunities below.

Current business model and strategy

Air New Zealand's purpose is to enrich our country by connecting New Zealanders to each other and New Zealand to the world. Like all airlines globally, Air New Zealand relies on fossil jet fuel to operate its passenger and cargo services. As such, the aviation industry emits significant amounts of GHG emissions and is widely recognised as a hard-to-abate sector. Air New Zealand plans to reduce its carbon emissions over time, acknowledging the substantial industry changes required to do so. The airline's Transition Plan helps to chart potential paths to make these reductions over time.

Air New Zealand's strategy, Kia Mau, has three key pillars of value creation: to grow domestic, optimise international, and to lift loyalty. These pillars are executed through four key enablers, one of which is 'serious about sustainability'. The airline's 2050 Target, and the potential pathways to meet it, constitute the 'Transition Plan' aspects of the strategy.

Transition Plan aspects of the strategy

Air New Zealand's Transition Plan has been developed with reference to its 2050 Target. During the 2024 financial year, the Transition Plan was also guided by the 2030 Target, though the airline removed this target in July 2024.

The airline has developed roadmaps and governance structures to monitor and support the delivery of the Transition Plan. These roadmaps and governance structures are dynamic in the sense that they are regularly reviewed and assessed to ensure they remain fit for purpose. The airline therefore expects them to change over time. The Transition Plan will also evolve over time.

Air New Zealand's strategy for delivering its 2050 Target is currently designed to:

- Reduce emissions through using more efficient aircraft, adopting NGA, and improving operational efficiency, where reasonably possible;
- Reduce emissions through increased use of SAF (with emissions being reduced due to the biogenic nature of SAF that is explained in the box SAF - biogenic emissions on page 27, despite producing similar emissions as fossil jet fuel when combusted); and
- Thereafter, selectively using eligible carbon credits and removals to address residual emissions in the period to 2050.

Some actions necessary to enable the airline to achieve the 2050 Target are within the control of the airline, but most rely on third parties and governments to take material actions, within assumed time frames.

Strategy (continued)

Roadmaps

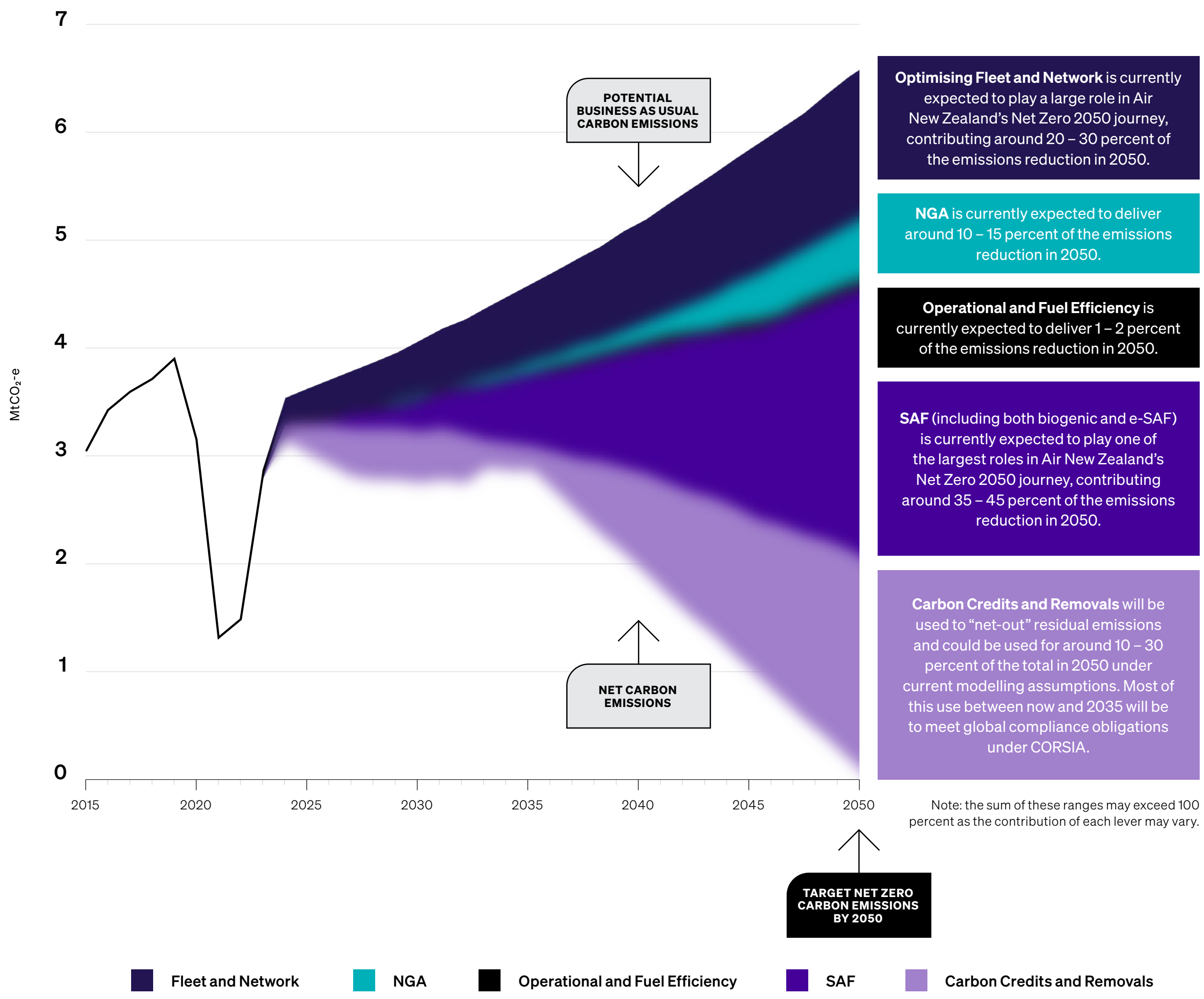
One hypothetical 'roadmap' is shown opposite, which illustrates Air New Zealand's view of how a series of measures could make varying contributions to help the airline potentially reach net zero carbon emissions over the period to 2050.

The roadmap illustrates various scenarios that could apply through to the 2050 Target. It is possible that the 2050 Target could be achieved through a different combination of factors or not achieved in full if, for example, the required technology and policy developments do not eventuate as illustrated below. Primary users should not infer from this roadmap that achievement of the 2050 Target is certain to eventuate (see section 3.3 Current impacts and anticipated impacts of climate-related risks and section 5.3 Targets used to manage climate-related risks and opportunities).

Two overarching assumptions shape the Transition Plan roadmap. First, a long-term growth rate for aviation sector demand of 2.5 percent per annum to 2050, measured in Revenue Tonne Kilometres (RTK) and based on Boeing's *Commercial Market Outlook* for the regions in which Air New Zealand operates. This is represented as "Potential business as usual carbon emissions" on Air New Zealand's illustrative roadmap, which shows what emissions could be if demand grew at this rate and the airline's emissions intensity was fixed at 2019 levels. Second, the assumption that Air New Zealand will meet this demand by adopting a portfolio of lower carbon technology when the airline is feasibly and commercially able to do so, and through continued fossil jet fuel-powered air travel in the meantime.

The roadmap is not a guarantee of future performance or the actual contributions made by any of the components of the Transition Plan. Actual results, developments or percentage contributions may differ materially from those presented. Air New Zealand intends to update roadmaps like this internally and update this public view annually. In some cases, for example certain NGA concepts and carbon removal solutions, the contributions relate to technologies that have not yet been developed or sufficiently scaled, and the estimated contributions in the roadmaps may evolve materially.

Air New Zealand illustrative roadmap



Note: the sum of these ranges may exceed 100 percent as the contribution of each lever may vary.

Strategy (continued)

Scaling-up use of Sustainable Aviation Fuel (SAF)

What is SAF?

SAF is the industry term given to alternative jet fuel that is made from feedstocks other than fossil fuels and which seek to produce lower lifecycle emissions than fossil jet fuel. The term is used by the United Nations, national governments, and the aviation industry. Air New Zealand follows this convention when describing alternative jet fuel for consistency with the industry, but in doing so acknowledges that SAF still produces emissions over its lifecycle, including equivalent emissions to conventional jet fuel when combusted, and may create other adverse impacts on the environment.

There are two predominant types of SAF under development: biogenic SAF that is made from feedstocks such as used cooking oil, municipal solid waste, and agricultural or forestry byproducts; and power-to-liquid SAF, often called e-SAF, which is produced from water, carbon dioxide sources, and renewable energy. Currently, Air New Zealand expects the majority of SAF produced early in the period to 2050 to be biogenic SAF, which is discussed in more detail in the box SAF - biogenic emissions. The industry and Air New Zealand expect e-SAF use to scale later in the period to 2050. The technology, supply chain, and GHG accounting treatment of e-SAF is currently nascent.

Globally over 190 Governments, via ICAO, have endorsed the use of SAF as the key technology to address the climate impacts of aviation by 2050. The IPCC also accepts the use of biofuels as a valid solution to reduce emissions from industry, saying, *"studies indicate that biofuels are the most viable means of decarbonising intercontinental travel, given their technical characteristics, energy content and affordability."**

However, the IPCC also notes, *"The lifecycle emissions of bio-based jet fuels…can be considerable depending on their location, but can be reduced by feedstock and conversion technology choices".*** Different SAF feedstocks and technologies also have different impacts on land, food systems, labour rights, water use, and land use change, which could all affect the overall societal assessment of SAF as a legitimate decarbonisation tool. Air New Zealand has adopted SAF procurement criteria that screen potential SAF supply options for these issues, but the way the broader SAF industry responds to them could affect public perceptions about the credible use of SAF overall.

SAF – biogenic emissions

SAF is almost chemically identical to jet fuel from fossil sources and generates approximately the same CO_2-e emissions as fossil jet fuel when combusted in the aircraft's engines. However, the carbon dioxide emitted from the combustion of biofuels is considered biogenic, meaning it equates to the carbon dioxide absorbed by the feedstock before SAF production, as assessed in a 'life cycle assessment' (LCA).

Multiple standards, such as the GHG Protocol, the New Zealand Ministry for the Environment's emissions measurement guidance, and the ICAO CORSIA scheme, treat biofuels as generating no Scope 1 carbon dioxide emissions when combusted.

Air New Zealand adopts this conventional treatment in its GHG emissions inventory. This means CO_2 emissions from the combustion of SAF purchased by Air New Zealand are not reported as Scope 1 emissions in the airline's GHG emissions inventory. Instead, for transparency, these CO_2 emissions are reported separately in the airline's GHG emissions inventory under biogenic emissions.

This same accounting treatment is also used by the airline to track its performance against climate-related targets.

Current low volumes

In the 2024 financial year, SAF comprised 0.4 percent of Air New Zealand's total fuel usage. To meet Air New Zealand's 2050 Target, the airline is targeting SAF to be 60 – 80 percent of its total fuel use in 2050, which will depend on sustained and appropriate policy support.

Achieving the airline's goals depends on significant and ongoing global scaling of SAF supply. Global SAF production is expected to increase from less than 0.01 percent of total global jet fuel in the 2019 calendar year to 0.5 percent in the 2024 calendar year. Long-term increases in global SAF supply will require domestic and global policy support.

SAF is expected to play the largest role in reducing carbon emissions in the Transition Plan. Currently, Air New Zealand anticipates that SAF could contribute around 35 – 45 percent of its emissions reductions toward the 2050 Target.

New Zealand does not currently produce any SAF. However, a number of SAF production projects are currently being considered by numerous parties. Air New Zealand is co-funding a feasibility study with New Zealand Government agencies to investigate the feasibility of SAF production from woody biomass and municipal solid waste in New Zealand. Domestic production would likely improve Air New Zealand's access to SAF and New Zealand's fuel security, however the viability of domestic SAF production is expected to require government policy support.

High cost of SAF

SAF commands a price premium above fossil jet fuel, so the airline's ability to achieve its goals also depends on its ability to access and afford SAF at commercial prices. This price premium is currently approximately two to five times the cost of fossil jet fuel depending on the production source and location. Based on current and predicted pricing this is expected to add

* IPCC (2018), "Summary for Policymakers" in "Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels", via https://www.ipcc.ch/sr15/chapter/spm/
** IPCC (2018), "Strengthening and Implementing the Global Response." in "Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels", via https://www.ipcc.ch/sr15/chapter/chapter-4/

Strategy (continued)

material cost to Air New Zealand's operations in the future. However, the extent of these cost increases is uncertain. Several factors that could reduce this price premium are discussed below. They could include:

- The introduction of regulatory SAF mandates in countries in the airline's global network could require fuel suppliers to blend specific shares of SAF into their jet fuel supply in those countries. The design of these mandates is expected to mean all airlines flying from or through these locations will need to uplift SAF;
- Declining premiums over time as a result of the expansion of SAF production subsidies beyond Japan and the United States, and economies of scale due to global increases in SAF production;
- The widespread acceptance of Book and Claim systems to meet SAF targets would allow Air New Zealand to purchase and claim the carbon reduction benefits of SAF delivered outside of the airline's physical network. This could allow the airline to purchase the carbon benefits of SAF from a wider range of locations; and
- Increases to existing 'blend limits', permitting higher percentages of SAF to be blended into deliveries of jet fuel, would enable the airline to uplift more SAF in cost-effective locations.

Significant technology scaling and development, as well as New Zealand and foreign government policy support for SAF, will be necessary for Air New Zealand to achieve the 2050 Target. As such, the airline continues to actively advocate for supportive SAF policy in New Zealand and to monitor global developments.

Adopting Next Generation Aircraft (NGA)

What is NGA?

NGA refers to aircraft powered by alternative propulsion that enables a significant reduction in carbon emissions compared to existing technology. This could include hydrogen fuel cells, hydrogen combustion, batteries, or battery hybrids that are used in combination with SAF and / or fossil jet fuel.

NGA remains in its infancy and is currently subject to material uncertainties as discussed in sections 3.2 Climate-related risks and opportunities, and 3.3 Current impacts and anticipated impacts of climate-related risks, so it is not expected to materially contribute to reducing emissions in the short-term. However, Air New Zealand's Transition Plan anticipates NGA could achieve around 10 – 15 percent emissions reduction in 2050. This opportunity is driven by the relatively short distances between New Zealand's dispersed destinations and underdeveloped, lower-emissions ground transport alternatives such as rail.

Limitations of NGA

NGA currently have significant range limitations. For example, batteries capable of providing sufficient power for aircraft are heavy and do not provide the energy density required for long-haul flights, restricting NGA primarily to short-haul routes.

NGA are not currently operated by Air New Zealand. The initial opportunity for Air New Zealand to adopt NGA at a meaningful scale is through the replacement or partial replacement of the Q300 turboprop fleet, the airline's smallest aircraft type that flies on regional routes in New Zealand. Replacement of the Q300 fleet is planned to take place in the decade from 2030. To enable NGA to replace some or all of the Q300 fleet after 2030 will require the availability of scalable NGA technology from aircraft and engine manufacturers as well as significant changes across the regulatory environment, energy sector and airport infrastructure. The risks associated with these required developments is discussed in sections 3.2 Climate-related risks and opportunities and 3.3 Current impacts and anticipated impacts of climate-related risks.

'Demonstrator' aircraft

Air New Zealand has agreed to a term sheet and paid an initial deposit on one battery-powered all-electric aircraft, plus agreed options for two further aircraft and purchase rights for another 20 aircraft. The aircraft (Beta's ALIA CTOL model) will be Air New Zealand's first commercial NGA 'demonstrator' aircraft and is expected to operate a single short-haul cargo route. It will carry commercial payloads in partnership with NZ Post, between Wellington and Marlborough airports, from 2026. This demonstrator is not expected to have any material contribution to carbon emission reductions. It is intended as a demonstration only of potential uses for NGA and is key to the airline's understanding of the opportunities and challenges that NGA present.

Optimising fleet and network

Renewing Air New Zealand's current fleet with more fuel-efficient conventional-propulsion aircraft, choices about where to fly, and the airline's ability to increase passenger and cargo load factors can all contribute to better emissions intensity and lower overall emissions.

Based on the airline's current fleet investment plan and long-term fleet and network plan and assumptions, the combined effect of fleet renewal, network choices, and load factors are expected to contribute in the short-term and to the 2050 Target.

Renewal of the current fleet with more fuel-efficient conventional-propulsion aircraft is estimated to contribute around 20 – 30 percent emissions reduction by 2050, based on fleet modelling. Importantly, the time frame between 2030 and 2050 is anticipated to include at least two fleet replacement cycles, and Air New Zealand's Fleet Strategy team continues to develop and assess future fleet scenarios that could impact the contribution to or cost of emissions reduction from this lever positively or negatively.

Strategy (continued)

As at 30 June 2024, Air New Zealand has an average seat-weighted fleet age of 8.7 years. In the 2024 financial year, the airline added two short-term leased Boeing 777-300ERs and two Airbus A321neos to its fleet. There were no fleet retirements in the year. The planned replacement of older aircraft is contingent on aircraft and engine manufacturers being able to deliver Air New Zealand's new aircraft on order to contracted time frames. Given current supply chain issues, this remains a risk to Air New Zealand, and the airline industry more generally. This risk is discussed in sections 3.2 Climate-related risks and opportunities and 3.3 Current impacts and anticipated impacts of climate-related risks.

Improving operational and fuel efficiency

Ongoing internal operational and fuel efficiency improvements are estimated to contribute 1 – 2 percent emissions reduction by 2050. The estimated contribution in the short-term is based on analysis conducted by internal teams and includes more than 30 individual initiatives. These initiatives generally deliver financial savings to the airline although they can require some upfront investment. They can be grouped into three main categories:

- Technology developments, including flight efficiency and planning software, and improved data access to drive behavioural shifts;
- Air operations, including policy and procedure changes and training support to embed more efficient practices, for example, single engine taxi flying practices; and
- System-wide improvements involving supply chain partners, for example, fuel tankering avoidance, airport efficiencies including increased use of ground power and pre-conditioned air, and development of a more efficient airspace management system.

The 2050 operational efficiency contribution of 1 – 2 percent is an assumption based on an extrapolation of these short-term opportunities, although Air New Zealand acknowledges that system-wide changes may be required to deliver these reductions. The 2050 Target does not rely on any efficiency improvements by the Group's fossil jet fuel suppliers, despite some suppliers' publicly-stated, short-term efficiency improvement goals.

Selectively using eligible carbon credits and removals

Eligible carbon credits and removals are expected to address all residual emissions in 2050. 'Residual emissions' refer to emissions that remain after other reductions have been accounted for and that cannot be addressed through other levers under the Transition Plan. The airline currently estimates that eligible carbon credits and removals will be required to address between 10 – 30 percent of emissions in 2050.

The airline intends to only use carbon credits or removals that are verified and / or certified, which the airline will determine with reference to external schemes or standards.

The airline expects that the nature of removals that are considered credible will evolve over time. This will be driven by changes in policy and standards, public and investor acceptance, development and scale of engineered carbon removal technologies, and development of a market for credible carbon credits and removals. Air New Zealand expects to outline a residual emissions strategy in the 2025 financial year.

Other initiatives

In addition to the Transition Plan, Air New Zealand has undertaken other initiatives, including advocacy and improving awareness of emissions generated on Air New Zealand services. While these other initiatives do not directly reduce carbon emissions, they are an important aspect of Air New Zealand's overall strategy.

Influencing industry and policy to support sustainable aviation

While Air New Zealand is focused on doing what it can to decarbonise its operations, the airline cannot reduce its emissions and deliver its Transition Plan alone. Aviation decarbonisation will require coordinated decision-making across the transport, energy, trade and tourism sectors, led by governments. It will be a journey that Air New Zealand shares with the New Zealand Government, policy makers in its global network, and other stakeholders across the global economy.

Air New Zealand continues to support domestic and international efforts to mitigate climate change by actively engaging with policy makers and participating in government and the New Zealand Climate Change Commission consultations on climate change policy. In the 2024 financial year, this included engaging in the New Zealand Climate Change Commission's consultation about inclusion of international shipping and aviation emissions in New Zealand's 2050 emissions reduction target; engaging in the Civil Aviation Authority of Singapore's consultation on its SAF policy; and supporting New Zealand's position at ICAO's Third Conference on Aviation Alternative Fuels (CAAF/3) in Dubai in November 2023.

In November 2022, Sustainable Aviation Aotearoa was launched. Sustainable Aviation Aotearoa is a public-private body led by the New Zealand Ministry of Transport focused on aviation decarbonisation. Three working groups with different focus areas have been established. One group focuses on SAF, another focuses on NGA, and the third focuses on strategic aviation policy. Air New Zealand has representatives on each working group, including the co-chair of the SAF working group. Air New Zealand is also represented on a separate group that leads the working groups.

Strategy (continued)

Air New Zealand is a member of a number of organisations dedicated to climate issues. These include the Sustainable Business Council, The Aotearoa Circle, the Sustainable Aviation Fuel Alliance of Australia and New Zealand, the International Sustainability & Carbon Certification, and the Roundtable on Sustainable Biomass. Air New Zealand is also a signatory to the World Economic Forum's Clean Skies for Tomorrow 2030 Ambition Statement (see section 5.3 Targets used to manage climate-related risks and opportunities).

Supporting customers to understand their emissions

For corporate, government, and cargo customers, the airline has introduced an emissions reporting platform to provide eligible customers with more accurate data on the impact of their choice to fly with or book via Air New Zealand. For leisure customers, the airline continues to offer a Voluntary Emissions Contribution Programme. In the 2024 financial year, leisure customers booking through Air New Zealand websites purchased carbon credits for 58,488 tonnes of CO_2-e and contributed $988,000 to Trees That Count. 3.36 percent of bookings made through online storefronts where the Voluntary Emissions Contribution Programme is available contributed to the programme.

Even with increased understanding, customers' willingness to pay to address the impact of their travel decisions could increase or reduce over time for a variety of reasons, including overall ticket prices and economic conditions. This is discussed in detail in sections 3.2 Climate-related risks and opportunities and 3.3 Current impacts and anticipated impacts of climate-related risks.

Risk Management

4.1 Processes for identifying, assessing and managing climate-related risks

Climate-related risks are identified, assessed and managed through dedicated climate-risk analysis projects that are led by the Sustainability team, and the airline's wider enterprise risk management process that is facilitated by the airline's Enterprise Risk and Compliance team.

The airline's dedicated climate-risk analysis can include physical and transition risk analysis, scenario analysis, and facilitation of climate-related risk workshops across the business. Each of these were most recently conducted during the 2024 financial year. These projects serve as inputs to the airline's wider enterprise risk management approach where relevant, including into Business Unit Risk Registers, Divisional Risk Profiles, and the Group Risk Profile.

Climate-related risks can also be identified through the airline's standard enterprise risk management approach, which is described in detail on page 45 of the Corporate Governance Statement. The dedicated climate risk analyses described above are the only climate-specific inputs to this process. In this process:

- Business Units regularly identify risks throughout the year, and capture or update these risks on the relevant Business Unit Risk Registers (the Risk Registers);
- Senior business leaders review and update the Risk Registers for their areas of responsibility;
- The Enterprise Risk and Compliance team synthesises the risks on the Risk Registers and elevate the most material risks to the relevant Divisional Risk Profile;
- Each Executive team member monitors and reviews the Divisional Risk Profile for which they are responsible at least twice-yearly, including any climate-related risks;
- The Enterprise Risk and Compliance team synthesises the most material risks in the Divisional Risk Profiles into draft updates to the Group Risk Profile. The Group Risk Profile captures the assessment of each risk, changes to this assessment, and the owner of the risk, amongst other information;
- The Executive team collectively review all risks captured on the draft Group Risk Profile at least annually, where each risk is discussed, validated, and prioritised, and the Group Risk Profile is finalised; and
- The ARC and Board both review the Group Risk Profile.

Currently, all climate-related physical and transition risks identified on Risk Registers and Divisional Risk Profiles are consolidated into a 'climate change' risk on the Group Risk Profile. The Executive team as a whole is the owner of this risk.

4.2 Tools and time frames

Several risk identification, assessment, and management tools are used in the risk management process, which senior leaders use in combination with their subjective business judgement to assess risks in each step outlined above. These tools include the Group Risk Matrix, Risk Control Effectiveness (RCE) Scale, Risk Appetite Statements, and dedicated climate-risk analysis.

The Group Risk Matrix is used to assess the likelihood and severity of potential risks.

The RCE Scale identifies and assesses the effectiveness of key controls and mitigations that exist for risks.

Risk Management (continued)

Risk Appetite Statements provide guidance to employees about how much risk the business is willing to take, with respect to each risk on the Group Risk Profile, when pursuing its strategy.

Dedicated climate-related risk analysis is also used by the Sustainability team and other business units. This can include outputs from the scenario analysis described above, targeted transition and physical risk analysis, and industry and academic research on climate risks and sustainable aviation. The most recent of these analyses was conducted by an external consultant in the 2023 financial year with supplementary physical risk analysis conducted in the 2024 financial year. This analysis can feed into the standard enterprise risk management process or the Sustainability team's specialist input into the process, both described above.

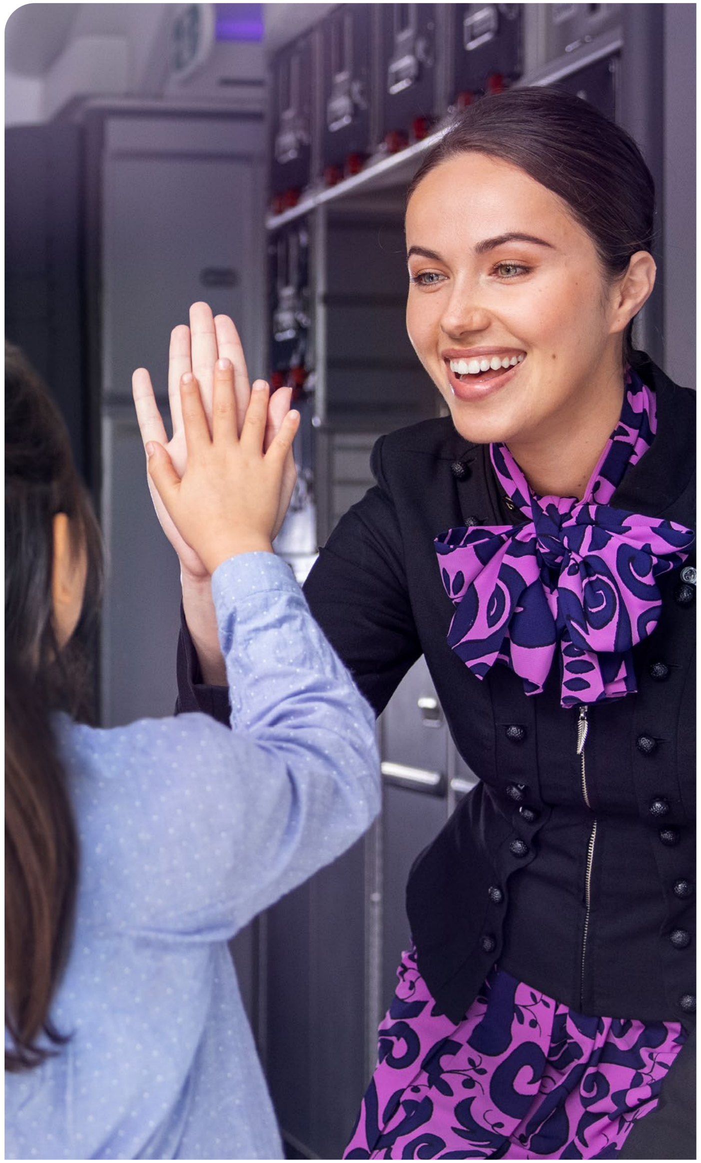
Time frames for the dedicated climate risk analysis include the short (0 – 5 years), medium (5 – 18 years) and long-term (18+ years) described in more detail in section 3.2 Climate-related risks and opportunities. These time frames differ from the likelihood criteria in the Group Risk Matrix, which do not accommodate the temporal and chronic nature of climate risk. The Group Risk Matrix therefore is not used on its own for climate-related assessments. Judgement from business leaders is required when comparing the time frames over which climate risks might occur and other, more conventional risks that the business faces.

4.3 Value chain and prioritisation

Parts of Air New Zealand's value chain are included in risk management processes to the extent that individual business leaders judge them to be relevant. All critical functions and business units across the organisation are included within the scope of the Enterprise Risk Management framework and leaders consider components of their internal and external operating context when considering their key risks. This includes a consideration of their key activities and processes, systems, people, and relationships with stakeholders including business partners and suppliers. While the airline has not carried out a formal value chain mapping exercise with respect to climate-related risks, Air New Zealand believes that relevant aspects of its value chain have been included in its processes for identifying, assessing, and managing climate-related risks.

The climate-related physical risk analysis conducted in the 2023 and 2024 financial years explicitly included consideration of all airports the airline regularly operates from. The climate-related risk workshops conducted internally with business units across the airline explicitly included consideration of fuel suppliers, aircraft manufacturers, customers and broader network considerations.

Risk ratings (determined by the above risk assessment process) are used as a proxy for prioritising identified risks. Physical and transition risks identified by business units and the Sustainability team are included in relevant Risk Registers. The risk ratings they receive through this process, and subsequent senior leader, Executive, ARC and Board judgement, contribute to their overall prioritisation in Divisional Risk Profiles and the Group Risk Profile. The 'climate change' risk that consolidates climate-related physical and transition risks on the Group Risk Profile, is currently rated 'Very High' and is one of the highest rated risks on Air New Zealand's Group Risk Profile.



Metrics and Targets

5.1 Metrics relevant to all entities

Greenhouse gas emissions

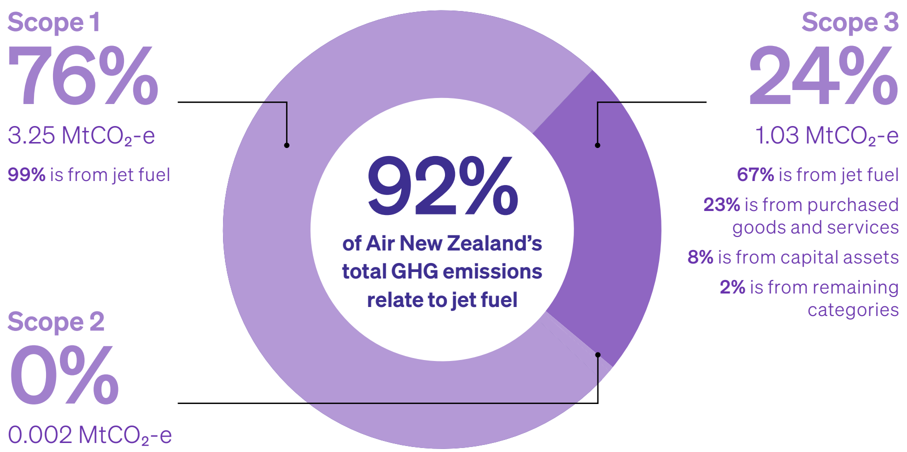
The Selected GHG emissions disclosures* in this section have been prepared and are presented in accordance with the NZ CS. The greenhouse gas emissions inventory published in this section covers the Group's 2024 financial year and has been measured in accordance with *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (2004) (GHG Protocol). In addition, guidance from the *Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (2011) (GHG Protocol Value Chain Standard) has been applied to prepare the inventory. It is a complete and accurate quantification of the amount of GHG emissions that can be directly attributed to the Group's operations within the declared boundary and scope for the specified reporting period. Any exclusions from reporting are disclosed and justified.

Air New Zealand has been calculating its GHG emissions on an annual basis since 2011. This year, the airline shifted its emissions base year for Scope 1 and 2 to the 2019 financial year in order to align with the comparative measure on progress toward its 2050 Target. This change did not require a recalculation of the base year emissions. A recalculation of the base year is triggered by structural changes to the Group, methodology, or identification of omissions that meet a 5 percent significance threshold.

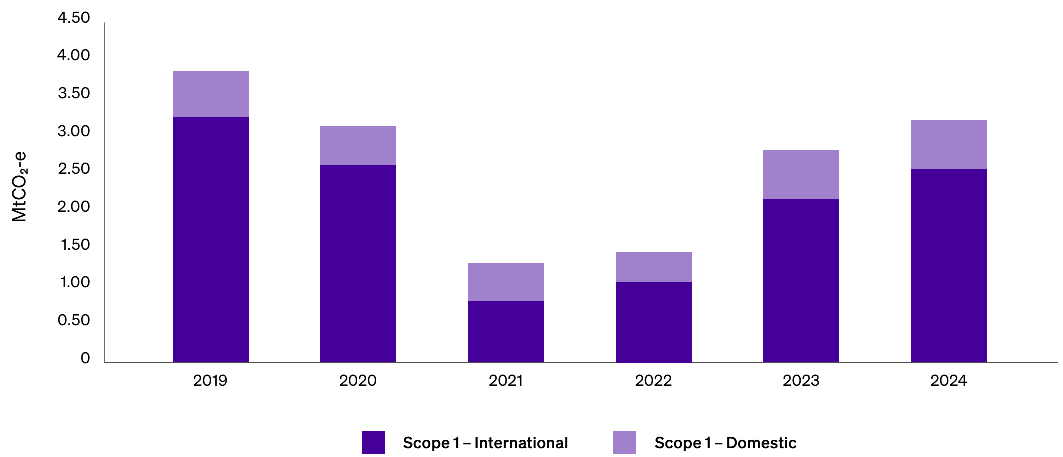
Over the past two years, the airline started reporting on some Scope 3 emissions categories. This year, all material emission sources are included in the GHG emissions inventory, and 2023 Scope 3 emissions for categories 1, 2, 5 and 6 have been recalculated voluntarily to align with improved calculation methods or more suitable emission factors to allow for better comparison of emissions over time. Scope 3 emissions make up 24 percent of Air New Zealand's GHG emissions, with 67 percent of this coming from the Well-to-Tank emissions associated with fossil jet fuel and SAF.

In the 2024 financial year, Air New Zealand emitted 4.3 million tonnes of CO_2-e across its direct and indirect emission sources (Scopes 1, 2 and 3). Total Scope 1 and 2 emissions increased by 14 percent compared to the prior year, while total Well-to-Wake emissions increased by 15 percent. This is due to increased flying activity on international routes, while domestic jet fuel use and emissions decreased slightly (by 3 percent).

Emissions snapshot 2024



Gross direct emissions from fossil jet fuel (Scope 1) in tCO_2-e (millions)



* 'Selected GHG emissions disclosures' refers to the disclosures covered in the 'Greenhouse gas emissions' section within this Climate Statement (p. 33 – 38) and is defined in detail in Deloitte's assurance report.

Metrics and Targets (continued)

Table 1: GHG emissions inventory by Scope and category in tCO_2-e

Emissions sources	2024	2023	2022	2019
Scope 1	**3,250,851**	**2,839,358**	**1,512,886**	**3,925,650**
Jet fuel – domestic	604,348	621,444	465,303	629,876
Jet fuel – international	2,639,807	2,210,836	1,040,786	3,286,502
Jet fuel – ground	255	953	1,048	941
Sustainable Aviation Fuel (SAF)[3]	87	108	-	-
Other fuel combustion[4]	6,164	6,002	5,735	8,318
Fugitive refrigerants[5]	18	-	-	-
Wood pellets[3]	172	15	14	13
Scope 2	**2,049**	**3,357**	**2,736**	**3,098**
Electricity consumption (location-based)	2,049	3,357	2,736	3,098
Scope 3	**1,026,989**	**857,031**	**307,335**	Not reported in 2019
Category 1: Purchased goods and services	239,391	218,032[6]	-	-
Category 2: Capital goods	84,043	62,215[6]	-	-
Category 3: Fuel- and energy-related activities	685,745	570,462	307,335	-
Category 5: Waste generated in operations	665	620[6]	-	-
Category 6: Business travel	6,354	5,702[6]	-	-
Category 7: Employee commuting[5]	9,952	-	-	-
Category 15: Investments[5]	839	-	-	-
Total reported Scope 1, 2, 3 emissions	**4,279,889**	**3,699,746**	**1,822,957**	**3,928,748**
Biogenic emissions[7]	13,487	3,927	818	725

3. Methane (CH_4) and nitrous oxide (N_2O) only. 4. Other fuel combustion includes diesel use in ground service equipment (mobile and stationary), diesel and petrol use in vehicle fleet, LPG and natural gas used for heating as well as engine oil used on aircraft. 5. Newly included in 2024 so no comparative data available.
6. Scope 3 emissions in category 1, 2, 5 and 6 for the 2023 financial year have been recalculated to align with updated calculation methodologies and / or emission factors used for the 2024 financial year. 7. Includes direct biogenic emissions from the combustion of SAF and the burning of wood pellets.

Metrics and Targets (continued)

Consolidation approach and organisational boundaries

Air New Zealand applies an operational control approach to determine the boundary of the airline's GHG emissions inventory. This means that 100 percent of the emissions from operations over which Air New Zealand, or one of its subsidiaries, has control are accounted for.

None of Air New Zealand's subsidiaries are excluded from this GHG emissions inventory. Most do not emit any GHG emissions, and those that do are reported within the Group. For a list of all subsidiaries under Air New Zealand Group as at 30 June 2024, and how each entity is treated for GHG accounting purposes, please refer to the Group's GHG Emissions Inventory Report 2024.

Source of emission factors and Global Warming Potential (GWP) rates

Air New Zealand calculates emissions by multiplying activity data with appropriate emissions factors. All emissions disclosed in this report are expressed in total tonnes of carbon dioxide equivalent (tCO_2-e). The time horizon in all cases is 100 years.

Where possible, emission factors are sourced from the latest publication of the Ministry for the Environment's (MfE) *Measuring emissions: A guide for organisations*[8]. Across Scope 3, the inventory additionally draws on factors published by the United Kingdom's Department for Environment, Food and Rural Affairs[9] (DEFRA) as well as Auckland Council-published consumption emission factors for any spend-based calculations[10]. The latter were adjusted for inflation to December of the financial year in question. For aircraft purchased in the current financial year, product-type specific emissions data has been used as proxy (sourced from SimaPro), while an emission factor for Well-to-Tank emissions for electricity specific to New Zealand has been sourced from Agrilink[11]. Carbon intensity values for uplifted SAF are sourced from documentation provided by suppliers.

MfE and DEFRA emission factors, which make up the majority of factors used in Air New Zealand's emissions inventory, use GWP rates from the IPCC's Fifth Assessment Report[12] to convert quantities of each greenhouse gas to tonnes CO_2-e. Auckland Council's spend-based factors draw on GWP rates from the previous Fourth Assessment Report[13] while the upstream aircraft factor from SimaPro and Agrilink's electricity emissions are based on the IPCC's Sixth Assessment Report[14].

Table 2: Total 2024 Scope 1 and 2 emissions by greenhouse gas in tCO_2-e[15]

Scope	CO_2	CH_4	N_2O	HFC	Total tCO_2-e
Scope 1	3,226,070	791	23,972	18	3,250,851
Scope 2	1,974	73	2	-	2,049
Total	**3,228,044**	**864**	**23,974**	**18**	**3,252,900**

8. MfE (2024), "Measuring Emissions: A guide for organisations", via https://environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2024-detailed-guide/ 9. DEFRA (2023), "Greenhouse gas reporting: conversion factors 2023", via https://www.gov.uk/government/publications/green-house-gas-reporting-conversion-factors-2023 10. Auckland Council (2023), "Consumption Emissions Modelling", via https://www.knowledgeauckland.org.nz/media/2593/consumption-emissions-modelling-market-economics-march-2023.pdf 11. Agrilink (2023), "New Zealand fuel and electricity total primary energy and life cycle greenhouse gas emission factors 2023", via https://agrilink.co.nz/wp-content/uploads/2024/03/Fuel-LCA-emission-factors-2023-2.pdf 12. IPCC (2013), "Climate Change 2013: The Physical Science Basis", via https://www.ipcc.ch/report/ar5/wg1/ 13. IPCC (2007), "Climate Change 2007: The Physical Science Basis", via https://www.ipcc.ch/report/ar4/wg1/ 14. IPCC (2021), "Climate Change 2021: The Physical Science Basis", via https://www.ipcc.ch/report/sixth-assessment-report-working-group-i/ 15. SF_6, PFCs and NF_3 are not listed here as there have been no emissions relevant to Air New Zealand's activities.

Metrics and Targets (continued)

Operational boundaries

In alignment with the GHG Protocol, Air New Zealand's GHG emissions inventory is split into three scopes:

Scope 1 includes all direct emissions occurring from the airline's operations, most notably from the combustion of fossil jet fuel on Domestic and International flights. Smaller emission sources include the combustion of fuels for heating (LPG and natural gas) and transport (diesel and petrol). From this year on, the GHG inventory also includes emissions from refrigerant leaks and from the combustion of engine oil.

Scope 2 covers emissions from the generation of purchased electricity consumed at Air New Zealand operated sites.

Scope 3 refers to all other indirect emissions across Air New Zealand's value chain, both upstream and downstream, and can be divided into 15 different categories according to the GHG Protocol Value Chain Standard.

Air New Zealand strives to disclose all Scope 1 and 2 emissions, due to the Group's influence over these emissions. However, where the effort and difficulty obtaining accurate data outweigh the benefits, for example, where emissions are small and / or Air New Zealand's ability to influence emissions reductions is limited, some immaterial exclusions apply (see Table 3).

In addition to Scope 1 and 2 emissions, the following Scope 3 categories are quantified within the Group's GHG emissions inventory:

- **Category 1:** Purchased goods and services;
- **Category 2:** Capital goods;
- **Category 3:** Fuel- and energy-related activities;
- **Category 5:** Waste generated in operations;
- **Category 6:** Business travel;
- **Category 7:** Employee commuting (including emissions associated with working from home (WFH); and
- **Category 15:** Investments.

Three categories were identified as not applicable:

- **Category 10:** Processing of sold products. Not applicable to Air New Zealand;
- **Category 13:** Downstream leased assets. Not applicable to Air New Zealand in the 2024 financial year; and
- **Category 14:** Franchises. Not applicable to Air New Zealand.

The remaining five categories are excluded from the Group's emissions inventory as they have been identified as immaterial and largely difficult to obtain data for:

- **Category 4:** Upstream transportation and distribution. For most purchased products, transport is covered by categories 1 and 2 as it is included in the overall purchasing price. Where freight is split out, the resulting transport- and distribution-related emissions are immaterial and therefore not included in the inventory;
- **Category 8:** Upstream leased assets. Most emissions from the operation of leased assets are covered in Scopes 1 and 2. Energy use at offshore locations and some regional airports is difficult to track, but immaterial and therefore excluded;
- **Category 9:** Downstream transportation and distribution. This could include optional emission sources, including passenger transport to and from airports. Air New Zealand has elected not to include this category for the 2024 financial year due to the difficulty of obtaining activity data;
- **Category 11:** Use of sold products. For Air New Zealand, the key product sold is air transportation. Whether for passengers or cargo, these emissions are already reported in the inventory through Well-to-Wake jet fuel emissions; and
- **Category 12:** End-of-life treatment of sold products. Optional disclosure could cover the end-of-life treatment of products sold via the Airpoints store. These emissions have been excluded as they are considered immaterial, and it is difficult to obtain accurate data or influence emissions reductions.

Categories not covered in the airline's emissions inventory will be reviewed annually and may be included in future disclosures if they become material or applicable.

Additional individual emission sources not included within reported Scopes or categories are summarised in Table 3.

Table 3: Individual emission sources excluded from Air New Zealand's GHG emissions inventory

Emissions scope / category	Excluded emissions activity	Reasons for exclusion
Scope 1: Fuel combustion (diesel)	Fuel use by offshore ground service equipment and vehicle fleet	Difficulty obtaining accurate data. Immaterial
Scope 1: HFC (fugitive)	Possible refrigerant leaks at 29 regional sites	Difficulty obtaining data. Immaterial
Scope 2: Electricity consumption	Electricity used for charging EV fleet where this is done offsite	Difficulty obtaining data. Immaterial
Scope 3 – Category 5: Waste generated in operations	Wastewater Waste from smaller sites	No data available. Immaterial
Scope 3 – Category 15: Investments	Vehicles driven by Christchurch Engine Centre	Immaterial

Metrics and Targets (continued)

Methods, assumptions and uncertainties

Air New Zealand's GHG emissions inventory covers all material emission sources and has generally adopted the most specific calculation methods that its data currently allows.

In general, GHG emissions accounting relies on assumptions and estimates that lead to estimation uncertainty. The effect of this uncertainty is that emissions might be over- or understated, so the corresponding categories' emissions data should be interpreted accordingly. Table 4 provides an overview of the emission sources covered by Air New Zealand's GHG emissions inventory, including calculation methods, assumptions made, and an assessment of the uncertainty.

Furthermore, the airline has adopted calculation methodologies that involve some limitations where specific data is not currently available. For example, product- or supplier-specific data is not available for most purchased products or capital goods emissions (Scope 3, categories 1 and 2). Instead, the airline has adopted the spend-based method to estimate emissions in these categories, which multiplies the economic value of product or service groups purchased by the emissions per dollar of use. This approach has limitations, both with regards to the activity data used, which is allocated into broader purchasing categories rather than individual products, and in relation to the emission factors used. These similarly refer to product or service groups, and are calculated using underlying assumptions that might not be applicable to the actual purchases by the airline.

Air New Zealand has made some improvements to its data sources and calculation methods in the 2024 financial year to reduce uncertainties. The airline is committed to continuing this work by engaging with suppliers and improving methodologies where possible.

GHG emissions assurance

Selected GHG disclosures[16] included within this Climate Statement are assured by Deloitte Limited, with reasonable assurance provided for Scope 1 and 2 emissions and related disclosures, and limited assurance over Scope 3 emissions and related disclosures. See Deloitte Limited's assurance report on pages 45 to 47.

Table 4: Emission calculation methods, assumptions and uncertainty

Scope / category	Activity	Calculation method	Assumptions / estimations	Level of uncertainty
Scope 1				
Jet fuel – Domestic and International	Fuel used to operate aircraft	Fuel-based method		Low uncertainty
Jet fuel – ground	Fuel used for ground engine testing	Fuel-based method		Low uncertainty
Sustainable Aviation Fuel (SAF)	SAF purchased by Air New Zealand	Fuel-based method	Assumes CH_4 and N_2O emissions that occur from the combustion of SAF are comparable to those from the combustion of fossil jet fuel	Some emission factor uncertainty that is considered acceptable as there is currently no more accurate data available, and emissions are immaterial
LPG	LPG combusted for heating in Christchurch	Fuel-based method		Low uncertainty
Natural gas	Natural gas combusted for heating in Auckland	Fuel-based method		Low uncertainty
Diesel	Diesel combusted in ground service equipment (GSE) and vehicle fleet	Fuel-based method	Assumes that all diesel from tanks is combusted for mobile equipment use, as it is not possible to differentiate fuel use by GSE type	Low uncertainty
Petrol	Petrol combusted in vehicle fleet	Fuel-based method		Low uncertainty
Engine oil	Engine oil used to ensure engine system operates effectively and safely	Fuel-based method	Assumes all uplifted oil is burned	Moderate uncertainty in activity data, as some oil might not be burned, therefore emissions are slightly overestimated. As engine oil emissions are small this is considered negligible
HFC	Fugitive HFC losses from HVAC systems or chillers	Top-up method	Assumes no leaks occurred if no notification of such received by service provider	Some activity data uncertainty that is considered acceptable as sites are regularly serviced and emissions are immaterial
Wood pellets	Wood pellets burned for heating in Christchurch	Fuel-based method	Assumes all purchased wood pellets are burned	Some emission factor uncertainty, as disclosed by MfE. This is considered adequate as emissions are immaterial

16. 'Selected GHG disclosures' refers to the disclosures covered in the 'Greenhouse gas emissions' section within this Climate Statement (p. 33 – 38) and is defined in detail in Deloitte's assurance report.

Metrics and Targets (continued)

Table 4: Emission calculation methods, assumptions and uncertainty (continued)

Scope / category	Activity	Calculation method	Assumptions / estimations	Level of uncertainty
Scope 2				
Electricity	Electricity consumed at Air New Zealand operated sites	Location-based method		Low uncertainty
Scope 3				
Category 1: Purchased goods and services	Extraction, production, and transportation of goods and services purchased in 2024, not otherwise included in categories 2-8	Spend-based method	Emission factors used may not be the most representative for all types of goods and services purchased due to high-level categorisation	High uncertainty from emission factors used and high-level categorisation of purchased products and services. Improvements have been made since the 2023 financial year and this is a priority category to further reduce uncertainty
Category 2: Capital goods	Extraction, production, and transportation of capital goods (including aircraft and engines) acquired in 2024	Average-data method for aircraft, spend-based method across remaining assets	Aircraft calculation is based on proxy data to improve accuracy over spend-based approach	High uncertainty from emission factors used, especially where using spend-based factors. Improvements have been made to the spend categorisation since the 2023 financial year, and the aircraft proxy factor replaces the spend-based approach for aircraft purchases. This is a priority category to further reduce uncertainty
Category 3: Fuel- and energy-related activities	Extraction, production, and transportation of fuels and energy purchased in 2024, not already accounted in Scope 1 and 2	Average-data method except for some SAF where supplier-specific data is available		Minor uncertainty from the use of average emission factors. Some emission factor uncertainty for SAF where the suppliers use default values. This is considered adequate as it uses the best data currently available
Category 5: Waste generated in operations	Landfill and organic waste disposed of by Air New Zealand employees, customers, contractors across 46 sites	Waste-type specific method	Assumes landfills with gas recovery and commercial composting facilities are used. Assumes waste collected and reported by service provider belongs to Air New Zealand only and is not from a shared waste station. Assumes sites under contract, such as airports, are captured by the contract owner and therefore not included by Air New Zealand	Moderate uncertainty over activity data as waste data is not separated into more specific waste streams. Minor uncertainty from emission factors as they represent a New Zealand average rather than being site-specific. This is considered adequate as the emissions source is immaterial
Category 6: Business travel	Air travel on non-Air New Zealand airlines, hotel stays, travel in rental cars, taxis or employees' own vehicles where this was reimbursed by the Group	Distance-based method for all except taxi travel and employee mileage, where the spend-based method is applied	Assumes that employees use preferred booking methods for duty travel. Relies on some estimations for distances travelled and vehicle type. Hotel stays are calculated using country-specific factors, but are not specific to the type of accommodation	Moderate uncertainty as some activity data relies on estimations, and most emission factors represent averages. Considered adequate as the emissions source is relatively small, there is a high level of control over key booking systems, and difficulty in obtaining more accurate data
Category 7: Employee commuting (includes emissions associated with working from home)	Employee commute, and energy use associated with working from home	Distance-based method for Auckland head office employees, average-data method for others	Commuting data for Auckland head office staff is based on survey results from 2023. For all other employee groups, reasonable assumptions are made around the mode of transport, distance and commuting/WFH days, depending on their role	High uncertainty as the calculation is based on multiple estimations and assumptions. This is considered adequate due to difficulties in tracking accurate data, with work ongoing to further improve accuracy over time
Category 15: Investments	Fuel and electricity use by Christchurch Engine Centre	Investment-specific method		Low uncertainty
Other				
Biogenic emissions	SAF and wood pellets purchased by Air New Zealand	Fuel-based method	Assumes the carbon emissions created from the combustion of SAF are the same as from the combustion of fossil jet fuel, however, they are biogenic and considered to be neutral, and therefore accounted for separately	Low uncertainty

Metrics and Targets (continued)

GHG emissions intensity

Aviation specific GHG intensity values provide a measure of emissions generated for each kilogram of payload flown or each available seat. Payload carriage is expressed as Revenue Tonne Kilometre (RTK) and seat availability is measured in Available Seat Kilometre (ASK). Both of these and Well-to-Wake emissions are prominent metrics for benchmarking airline carbon intensity, and are explained in more detail in the Glossary (Appendix B).

For commentary on the emissions intensity performance since 2019 please refer to section 5.4 Performance against targets.

Carbon intensity metrics	2024	2023	2022	2019
Grams of CO_2-e per Available Seat Kilometre (ASK)[17]	77	79	75	85
Grams of CO_2-e per Revenue Tonne Kilometre (RTK)[17]	734	765	971	762
Grams of Well-to-Wake CO_2-e per Revenue Tonne Kilometre (RTK)[18]	889	918	1,165	916

Amount or percentage of assets or business activities vulnerable to transition risks

While it is challenging to precisely quantify the amount or percentage of assets or business activities vulnerable to transition risks, Air New Zealand currently uses two metrics to describe the amount of business activities vulnerable to transition risks:

- **The proportion of revenue-generating operations that currently relies on fossil jet fuel.** This currently includes revenue generated from all Domestic and International routes on its own network;
- **The proportion of revenue-generating operations that is currently estimated to generate an emissions pricing obligation.** This metric includes Domestic routes that are subject to NZ ETS obligations through the financial year, and forecast emissions pricing obligations in the CORSIA scheme in the period 1 January 2024 to 30 June 2024. The CORSIA obligations are estimated by including revenue on all routes to and from countries that are current participants in the CORSIA first phase, multiplied by the IATA Sectoral Growth Factor forecasts.

Note the unit for these metrics is percent of revenue, not percent of ASKs or another unit of activity. Not every ASK the airline operates generates the same amount of revenue; this metric down-weights emissions pricing on lower revenue ASKs and up-weights emissions pricing on higher revenue ASKs.

These metrics are imperfect, but the airline uses them because they provide useful information that changes over time. They are imperfect because they do not capture exposure to every material transition risk identified in section 3.2 Climate-related risks and opportunities. They are nonetheless useful because they fulsomely demonstrate the extent of business activities that are vulnerable to transition risks, they will change over time as both emissions pricing regimes and the airline's own use of fossil jet fuel evolves, and they can be calculated accurately.

The airline may change these metrics as and when it sees fit, and will explain any such decisions in future Climate Statements.

The Group has elected to use Adoption provision 6 (Comparatives for metrics) for the 2022 and 2023 financial years.

Metric	Unit	2024
Proportion of revenue-generating operations that currently relies on fossil jet fuel	% of revenue	94%
Proportion of revenue-generating operations that is currently estimated to generate emissions pricing obligations	% of revenue	34%

17. Measured based on Scope 1 jet fuel emissions from flying activity (including fossil jet fuel and N_2O and CH_4 emissions from SAF). 18. Measured based on Scope 1 and 3 jet fuel emissions related to flying activity (including SAF and fossil jet fuel).

Metrics and Targets (continued)

Amount or percentage of assets or business activities vulnerable to physical risks

While it is challenging to precisely quantify the amount or percentage of assets or business activities vulnerable to physical risks, Air New Zealand currently uses three metrics to assess the airline's exposure to physical risks:

- **Aircraft value as a proportion of total assets.** Aircraft constitute a significant portion of the airline's asset base and, despite being movable assets, may be exposed to risk of damage due to increased frequency and magnitude of acute weather events. Aircraft may be susceptible to damage from lightning strikes and hail, which could lead to greater maintenance costs and aircraft being out of service;
- **The proportion of assets, by value, that are 'immovable' and subject to greater acute physical risks.** Specifically this includes physical assets that could not be moved in the event of forecast severe weather and are in a location at risk of flooding due to storm-surge, river flooding, and / or coastal erosion in any of the SSP 1-2.6, SSP 2-4.5 or SSP 5-8.5 scenarios out to 2100. These hazards are included as they are the most likely events to cause physical damage to immovable assets. It does not factor in any mitigations or insurances in place to protect the airline from financial impacts associated with this vulnerability. This calculation currently includes assets such as property and infrastructure and excludes aircraft, ground service equipment and digital assets. The locations it currently includes are Auckland, Wellington, and Nelson airports. Other locations are excluded because the exposure and / or asset value at other airports and facilities are not considered material;

Metric	Unit	2024
Aircraft as a proportion of total assets	% of total asset value	45%
Proportion of 'immovable' assets exposed to flood risk	% of total property, plant and equipment	10%
Weather-related delays and cancellations	Proportion of total flights delayed due to weather-related reasons	1%
	Average length of delay for flights delayed due to weather-related reasons, in minutes	41
	Proportion of total flights cancelled due to weather-related reasons	1%

- **Weather-related delays and cancellations.** This collection of metrics serves as a proxy for the exposure of Air New Zealand's operations to disruption from more frequent and significant acute and severe weather events. They are considered helpful by the airline because changes to the metrics over time should represent changes to both the airline's exposure to, and ability to manage, the risk of operational disruptions. It is however an imperfect measure. Not all weather-related delays are driven by climate change, and not all physical climate-related risks manifest as delays and disruptions. Air New Zealand's data processes also underestimate delays caused by weather; weather-related delays and disruptions are routinely recognised for the first impacted flight but subsequent delays in the flight schedule because of this first disruption may be coded as a late arrival or unavailability of inbound aircraft or flight crew instead. The three metrics are the proportion of total flights delayed due to weather-related reasons, the average length of delay to those flights, and the proportion of total flights cancelled due to weather-related reasons.

The airline may change these metrics as and when it sees fit, and will explain any such decisions in future Climate Statements.

The Group has elected to use Adoption provision 6 (Comparatives for metrics) for the 2022 and 2023 financial years.

Metrics and Targets (continued)

Amount or percentage of assets or business activities aligned with climate-related opportunities

As noted above, Air New Zealand has not identified any material 'opportunities' from climate change, and the impacts of climate change are primarily a risk for the aviation sector rather than an opportunity. As such, currently no material proportion of Air New Zealand's assets or business activities is specifically aligned with the climate-related opportunities described in section 3.2 Climate-related risks and opportunities.

At the same time, the airline has some assets and activities focused on reducing the impact of climate-related risks. For example, the Group has an investment in the Drylandcarbon One Limited Partnership, which holds a geographically diversified portfolio of exotic forests for both timber and a supply of NZUs to help meet compliance obligations under the NZ ETS. The size of potential emissions cost savings from this investment depends on the investment's distributions, the prevailing NZU price, and regulations about acceptable NZUs. While it made no distributions in the 2024 financial year, it is expected to do so from the 2025 financial year. The carrying value of this investment at 30 June 2024 was $23 million.

The airline's Climate and Nature Fund is also used to fund priority decarbonisation initiatives amongst other things.

Capital expenditure deployed toward climate-related risks and opportunities

Climate considerations are embedded in the airline's capital expenditure decision-making processes. As discussed in section 3.4 Capital deployment, they are considered as part of the airline's annual budgeting progress and the annual refresh of the five-year plan. They are also factored into Air New Zealand's internal investment governance tool.

The airline made material investments with climate-related considerations in the 2024 financial year, such as new aircraft deliveries and progress payments on future aircraft deliveries (some but not all to replace less fuel-efficient aircraft), the purchase of electric and hybrid GSE, and expenditure on improved energy-rated property and infrastructure developments.

However, Air New Zealand only considers capital expenditure whose entire or primary purpose is to address climate-related risks and / or opportunities when estimating this metric. In the 2024 financial year, no material proportion of the airline's overall capital expenditure, financing, or investment was entirely or primarily deployed to the climate-related risks or opportunities identified in section 3.2 Climate-related risks and opportunities.

Air New Zealand made some investments where the primary purpose was climate-related, however these investments were not a financially material amount. These investments were paid out of the airline's Climate and Nature Fund.

Price per metric tonne of CO_2-e used internally

Air New Zealand applies a $20 / t$CO_2$ internal carbon charge on its ultra long-haul routes from Auckland to and from New York, Chicago and Houston. The airline does not currently use any other internal emissions pricing, though work is underway to identify opportunities to do so.

In the 2023 financial year, Air New Zealand piloted an internal carbon charge on its flagship ultra long-haul Auckland to New York return route. This internal accounting charge creates a dedicated revenue or investment stream which Air New Zealand has ringfenced for investment in sustainability initiatives. In the 2024 financial year, the pilot was expanded to include operations from Auckland to and from Chicago and Houston. The purpose of the internal carbon charge is to understand risk exposure, internalise some of the negative environmental externalities of flying those routes, and fund decarbonisation initiatives.

This internal charge accrues in a Climate and Nature Fund, which funds priority decarbonisation and sustainability-related initiatives. These initiatives focus on mitigating emissions, growing renewable energy supply, scaling SAF, and organisational improvements. The charge raised $9 million in the 2024 financial year. While this amount is not financially material, Air New Zealand believes the existence, amount, and use of the charge could be material to primary users.

Work is currently underway to identify further opportunities to better embed carbon into internal decision-making processes. Part of this work involves designing an internal shadow carbon price to better inform decisions across the wider business, such as fleet, network, and other major investments.

Management remuneration

Air New Zealand's People, Remuneration and Diversity Committee (PRDC) provides advice and assistance to the Board in its responsibilities with respect to People and Culture. The Board has generally delegated authority for rewards and remuneration to the PRDC. The PRDC introduced an emissions intensity performance measure into the STI scheme, comprising 15 percent of the overall STI value for non-unionised employees (22 percent of all employees) in the 2024 financial year. The climate-related component of the STI will be awarded if the prescribed annual emissions intensity reduction target for the year is achieved, or partially awarded if a minimum milestone is achieved. The PRDC has discretion to change the numerical STI targets, the components that make up the STI and / or value of awards annually. There is no climate-related component in the Long-Term Incentive Plan.

Metrics and Targets (continued)

5.2 Aviation industry metrics and other KPIs

The Sustainability Accounting Standards Board (SASB) publishes guidance on aviation-specific sustainability metrics. Air New Zealand reports the SASB GHG emissions metrics in the following locations: gross global Scope 1 emissions in 5.1 Metrics relevant to all entities; discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets in 3.5 Transition Plan, 5.3 Targets used to manage climate-related risks and opportunities, 5.4 Performance against targets; and fuel metrics in this section.

Activity metrics are reported in the following locations: Available Seat Kilometres, Passenger Load Factor, and Revenue Passenger Kilometres are reported on page 115 of the Annual Report; Revenue Tonne Kilometres and number of departures are reported in this section; and average fleet age is reported in section 3.5 Transition Plan.

Metric	Unit	2024
Total fuel consumed (all fuel types)	Gigajoules	43,958,911
Percentage of fuel consumed that was alternative fuel	% of total fuel	0.4%
Percentage of fuel consumed that was SAF	% of total fuel	0.4%
Percentage of expected total 2030 fuel volume that has been contractually secured as SAF via approved offtake agreements	% of total fuel	0.0%
Revenue Tonne Kilometre	RTK	990,035,712
Number of departures	#	173,002 (of a scheduled 179,372)

5.3 Targets used to manage climate-related risks and opportunities

Air New Zealand has set a long-term net zero carbon target for 2050 (the 2050 Target) that is described in further detail below. While this target does not link to specific climate risks, opportunities or anticipated impacts outlined in section 3.3 Current impacts and anticipated impacts of climate-related risks, it does guide Air New Zealand's Transition Plan which helps the airline to navigate the physical and transition risks faced by the airline.

The 2050 Target is difficult to achieve and the airline is dependent on numerous external factors including policy and technology developments, the affordable supply of SAF, as well as costs and commercial constraints on the airline's ability to deliver its Transition Plan. Some of these key challenges are discussed below.

This difficulty is reflected in the airline's decision to remove its 2030 Target in July 2024. Because the 2030 Target was in place during the 2024 financial year, it is described in detail below for information purposes.

Targets – key challenges

Air New Zealand is committed to playing its part by taking steps to implement its Transition Plan. However, the airline cannot solve its decarbonisation challenge or reach its targets alone. Reducing emissions to meet climate targets, particularly in a sector such as aviation that relies predominantly on fossil jet fuels, is inherently challenging due to several interdependent factors:

- **Economic:** In the short to medium-term, implementing the Transition Plan is expected to increase the airline's costs. To the extent those costs cannot be effectively passed on through ticket prices, Air New Zealand's profitability may be adversely affected. If these costs are passed on to customers by way of higher ticket prices, demand may decline, potentially reducing revenue and profits;
- **Technological:** The aviation industry is heavily reliant on the scaling of decarbonisation technologies, and in some cases, commercialisation of technologies or technology breakthroughs. The pace of these technological developments is unpredictable and is outside the control of any single entity, industry or government;
- **Policy:** Effective government policy frameworks are also crucial to drive and sustain emissions reductions across the aviation sector. These include policies that incentivise the adoption of low emission technologies and approval of methodologies such as Book and Claim; and
- **Capital management:** Implementation of Air New Zealand's Transition Plan and the achievement of its 2050 Target is also dependent on Air New Zealand's financial position and performance over the relevant period. Air New Zealand may need to prioritise other strategic priorities and investment where it is cash- or capital-constrained and that may delay the achievement of the 2050 Target.

The 2050 Target

- Air New Zealand's 2050 Target is to achieve net zero carbon emissions by 2050. The 2050 Target covers domestic and international flights, passenger and cargo flights, and revenue and non-revenue flights. The emissions and reductions in the scope of the 2050 Target are:
  - CO_2 emissions only (not CO_2-e emissions such as methane or nitrous oxide);
  - Tank-to-Wake emissions for fossil jet fuel; and
  - Well-to-Wake emissions for SAF, hydrogen and electric propulsion;
- Non-CO_2 effects are excluded from the target.

Metrics and Targets (continued)

- The target is a net reduction target, which includes absolute reductions (it seeks a reduction in the total volume of carbon dioxide emissions). Air New Zealand expects residual emissions will be addressed with credible carbon credits and / or carbon removal solutions;
- The 2050 Target aligns with the aviation industry's collective 2050 target agreed by resolution at the 77th IATA Annual General Meeting, which IATA states will bring air transport in line with supporting efforts of the Paris Agreement's temperature goal. It also aligns with the 2050 time frame adopted by ICAO's long-term global aspirational goal (LTAG) agreed by States (including New Zealand) at its 41st Assembly in 2022, which ICAO also states is in support of the Paris Agreement's temperature goal. The 2050 Target adopts the criteria identified by the IATA resolution to achieve net zero carbon emissions by 2050;
- Progress will be measured from 2019. This aligns with the commencement of the monitoring, reporting and verification requirements under CORSIA. IATA does not specify a base year for the net zero commitment;
- While IATA and ICAO state the net zero target is in line with the objectives of the Paris Agreement, Air New Zealand's 2050 Target is not verified or validated by the airline or any external third party.

The 2030 Target

Note that Air New Zealand removed this 2030 Target early in July 2024. Information about the 2030 Target is included here for information purposes, given the target was in place during the 2024 financial year.

- The interim 2030 Target required the airline to reduce Well-to-Wake emissions related to jet fuel by 28.9 percent from 916gCO_2-e/RTK in 2019 to 651gCO_2-e per RTK by 2030;
- The 2030 Target was developed in 2022 using an aviation specific model developed by the Science-Based Targets initiative (SBTi), together with Air New Zealand's own data. The 2030 Target was validated by the SBTi as meeting their criteria and methodology. Achievement of the target was subject to execution of the airline's Transition Plan;
- The 2030 Target covered Well-to-Wake emissions associated with jet fuel (this included Scope 1 emissions relating to jet fuel and Scope 3, category 3 emissions relating to jet fuel). This covered the entire life cycle of the jet fuel. There was no provision for carbon credits;
- The 2030 Target was based on carbon intensity (greenhouse gas emissions per RTK) rather than total emissions. It did not account for non-CO_2 effects which also contribute to climate change;
- The 2030 Target was based on a 'well-below 2°C' pathway developed with reference to the SBTi's aviation methodology and validated by the SBTi. The SBTi is currently working on a formal aviation methodology for a 1.5°C pathway;
- The SBTi's aviation methodology deploys a sectorial decarbonisation approach, thereby setting physical intensity emissions reduction targets that align with the sectoral pathway of an underlying climate change mitigation scenario.

Air New Zealand used workbooks provided by SBTi to develop its 2030 Target and the target was validated by the SBTi in accordance with the aviation methodology and its target setting criteria. The SBTi do not validate the achievability of the target by Air New Zealand.

As noted above Air New Zealand has withdrawn from the SBTi and work has begun to consider a new near-term emissions reduction target. In addition to that ongoing work, Air New Zealand remains a signatory to the World Economic Forum's Clean Skies for Tomorrow Ambition Statement, which it signed in 2021. This has been reported in previous years' Sustainability reports. That Ambition Statement requires signatories to target using 10 percent SAF (as a percentage of their total jet fuel) by 2030. There are no interim milestones for this target and there is no base year against which progress is measured.

5.4 Performance against targets

Air New Zealand's performance in the 2024 financial year against its climate-related targets is described below.

The 2050 Target

Air New Zealand's 2050 Target is for net zero emissions of CO_2 in the year 2050 from Tank-to-Wake carbon emissions for fossil jet fuel and Well-to-Wake carbon emissions for SAF, hydrogen and electric propulsion.

In the 2024 financial year, Air New Zealand's CO_2 emissions from these sources was 3,222,781 tCO_2.

Metrics and Targets (continued)

The 2030 Target

In the 2024 financial year, the airline's Well-to-Wake emissions intensity performance was 889g CO_2-e/RTK, compared to a targeted performance for the year of 817g CO_2-e/RTK and a 2030 goal of 651g CO_2-e/RTK.

While Well-to-Wake emissions intensity performance improved 3 percent compared to the 2023 financial year and dropped below the 2019 financial year level for the first time since the airline started reporting this metric, the airline failed to meet the milestone it had set for the year. Improving the airline's carbon intensity performance was challenging and influenced by engine challenges, which meant the airline operated a less fuel-efficient fleet mix than anticipated. In addition, competition and macro-economic factors meant that loads were lower than anticipated.

Part of the improvement in performance compared to the 2023 financial year was due to a change in the aviation fuel emissions factor published by New Zealand's Ministry for the Environment, which was used to calculate the airline's GHG emissions inventory.

The airline's decision to remove its 2030 Target early in July 2024 was driven by two main factors. Many of the levers needed to meet the target, including the availability of new aircraft, the affordability and availability of alternative jet fuels, and global and domestic regulatory and policy support, are outside the airline's direct control and remain challenging. And more recently, potential delays to the airline's fleet renewal plan due to global manufacturing and supply chain issues that could potentially slow the introduction of newer, more fuel efficient aircraft into the fleet, pose an additional risk to the target's achievability.

Work has begun to consider a new near-term emissions reduction target that could better reflect the challenges relating to aircraft and alternative jet fuel availability within the industry.

In terms of the World Economic Forum's Clean Skies for Tomorrow Ambition Statement, 0.4 percent of Air New Zealand's total fuel was SAF in the 2024 financial year. No SAF has been secured for 2030 under any forward-looking contracts. However, the airline continues to actively explore supply opportunities.

Assurance

6.1 Assurance report

Deloitte.

Independent Assurance Report on Selected Greenhouse Gas ('GHG') Disclosures Included Within the Climate Statement.

To the Shareholders of Air New Zealand Limited

Our Assurance Conclusion

Reasonable Assurance Opinion

In our opinion, the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty ('Selected GHG disclosures') within the scope of our reasonable assurance engagement (as outlined below), included in the Climate Statement of Air New Zealand Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2024, are fairly presented and prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards ('NZ CSs') issued by the External Reporting Board ('XRB'), as explained on page 33 of the Climate Statement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty ('Selected GHG disclosures') within the scope of our limited assurance engagement (as outlined below), included in the Climate Statement of the Group for the year ended 30 June 2024, are not fairly presented and not prepared, in all material respects, in accordance with NZ CSs issued by the XRB, as explained on page 33 of the Climate Statement.

Scope of Assurance Engagement

We have undertaken a reasonable assurance engagement over the following Selected GHG Disclosures on pages 33 to 38 of the Climate Statement for the year ended 30 June 2024:

Subject matter: 'Selected Scope 1 and 2 disclosures'	Reference
Gross GHG emissions, in metric tonnes of carbon dioxide equivalent (tCO_2-e), classified as: • Scope 1 • Scope 2 (calculated using the location-based method)	Pages 34 to 35
Additional disclosures per paragraph 24 (a) to (d) of Aotearoa New Zealand Climate Standard 1: *Climate-related Disclosures* ('NZ CS 1'): • The statement describing that GHG emissions have been measured in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ('the GHG Protocol') to the extent this pertains to Scope 1 and 2 emissions. • The statement that the GHG emissions consolidation approach used is the operational control approach, to the extent this pertains to Scope 1 and 2 emissions. • Sources of Scope 1 and 2 emission factors and the global warming potential ('GWP') rates used or a reference to the GWP source. • The summary of specific exclusions of Scope 1 and 2 emissions sources, including facilities, operations or assets with a justification for their exclusion.	Pages 33 to 36
Disclosures relating to Scope 1 and Scope 2 GHG emissions methods, assumptions and estimation uncertainty per paragraphs 52 to 54 of Aotearoa New Zealand Climate Standard 3: *General Requirements for Climate related Disclosures* ('NZ CS 3'): • Description of the methods and assumptions used to calculate or estimate Scope 1 and Scope 2 GHG emissions, and the limitations of those methods. • Description of any uncertainties relevant to the Group's quantification of its Scope 1 and Scope 2 GHG emissions, including the effects of these uncertainties on disclosures. • Explanation for base year GHG emissions restatements relating to Scope 1 and 2 emissions, where applicable.	Pages 33 to 38

Matters Relating to the Electronic Presentation of the Selected GHG Disclosure included within the Climate Statement

This assurance report relates to the Selected GHG Disclosures included within the Group's Climate Statement for the year ended 30 June 2024 included on the Group's website. The Directors are responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the Selected GHG Disclosures included within the Climate Statement since they were initially presented on the website.

The assurance report refers only to the Selected GHG Disclosures included within the Climate Statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these disclosures. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the Climate Statement that include these Selected GHG Disclosures and related limited assurance report dated 29 August 2024 to confirm the information presented on this website.

Assurance (continued)

6.1 Assurance report (continued)

Deloitte.

We have undertaken a limited assurance engagement over the following Selected GHG Disclosures on pages 33 to 38 of the Climate Statement for the year ended 30 June 2024:

Subject matter: 'Selected Scope 3 disclosures'	Reference
Gross GHG emissions, in metric tonnes of carbon dioxide equivalent (tCO_2-e), classified as: • Scope 3	Pages 34 to 35
Additional disclosures per paragraph 24 (a) to (d) of NZ CS 1 that relates to Scope 3 GHG emissions: • The statement describing that GHG emissions have been measured in accordance with the GHG Protocol to the extent this pertains to Scope 3 emissions. • The statement that the GHG emissions consolidation approach used is the operational control approach, to the extent this pertains to Scope 3 emissions. • Sources of Scope 3 emission factors and the GWP rates used or a reference to the GWP source. • The summary of specific Scope 3 exclusions of sources, including facilities, operations or assets with a justification for their exclusion.	Pages 33 to 36
Disclosures relating to Scope 3 GHG emissions methods, assumptions and estimation uncertainty per paragraph 52 to 54 of NZ CS 3: • Description of the methods and assumptions used to calculate or estimate Scope 3 GHG emissions, and the limitations of those methods. • Description of uncertainties relevant to the Group's quantification of its Scope 3 GHG emissions, including the effects of these uncertainties on disclosures. • Explanation for base year GHG emissions restatements relating to Scope 3 emissions, where applicable.	Pages 33 to 38

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement on pages 1 to 32, pages 39 to 44, and appendices. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

Other Matter – Comparative Information

The comparative GHG disclosures (that is GHG disclosures for the period ended 30 June 2022 and 30 June 2023) have not been the subject of an assurance engagement undertaken in accordance with New Zealand Standard on Assurance Engagements 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures* ('NZ SAE 1'). These disclosures are not covered by our assurance conclusion.

Other Matter – Separate Greenhouse Gas Emissions Inventory Report ('GHG Inventory Report')

The Group has also prepared a GHG Inventory Report for the year ended 30 June 2024 which includes GHG emissions information disclosed in accordance with requirements of the GHG Protocol. We have performed a separate assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3410: *Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410') issued by the XRB on the GHG Inventory Report. The GHG Inventory Report together with our separate assurance report is available at the Investor Centre of the Air New Zealand website.

Director's Responsibilities for the Selected GHG Disclosures

The Directors are responsible for the preparation and fair presentation of the Selected GHG disclosures in accordance with the NZ CSs, which includes determining and disclosing the appropriate standard or standards used to measure the Group's GHG emissions. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of Selected GHG disclosures that are free from material misstatement whether due to fraud or error.

Inherent Uncertainty in Preparing Selected GHG Disclosures

As discussed on page 37 of the Climate Statement, the GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Responsibilities

Our responsibility is to express an independent reasonable assurance opinion on the Selected Scope 1 and 2 disclosures and a limited assurance conclusion on the Selected Scope 3 disclosures, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with NZ SAE 1 and ISAE (NZ) 3410, issued by the XRB. These standards require that we plan and perform this engagement to obtain the intended level of assurance about whether the Selected GHG disclosures are free from material misstatement, due to fraud or error.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of NZ SAE 1, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have also complied with the following professional and ethical standards:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand);*
- Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements; and
- Professional and Ethical Standard 4: *Engagement Quality Reviews.*

Assurance (continued)

6.1 Assurance report (continued)

Deloitte.

Our firm is the statutory auditor of the financial statements (on behalf of the Auditor-General) and also carries out other assignments for the Group which include the review of the interim financial statements, and assurance services relating to the GHG Inventory Report and compliance with student fee protection rules. In addition, we provide non-assurance services in the form of a climate-related disclosure assurance readiness assessment and services to the Corporate Taxpayers Group for which Air New Zealand is a member, along with a number of other organisations. These services have not impaired our independence as assurance practitioner for this engagement. In addition to this, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, the Group.

As we are engaged to form an independent opinion and conclusion on the Selected GHG disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

Summary of Work Performed

Reasonable assurance

Our reasonable assurance engagement was performed in accordance with NZ SAE 1 and ISAE (NZ) 3410. This involves performing procedures to obtain evidence about the quantification of emissions and related information in the Selected Scope 1 and 2 disclosures. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Selected GHG disclosures.

In making those risk assessments, we considered internal control relevant to the Group's preparation of the Selected Scope 1 and 2 disclosures. A reasonable assurance engagement also includes:

- Assessing the suitability in the circumstances of Group's use of NZ CSs, applied as explained on page 33 of the Selected GHG disclosures, as the basis for preparing the Selected Scope 1 and 2 disclosures;
- Evaluating the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by the Group; and
- Evaluating the overall presentation of the Selected Scope 1 and 2 disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

Limited assurance

Our limited assurance engagement was performed in accordance with NZ SAE 1 and ISAE (NZ) 3410. This involves assessing the suitability in the circumstances of the Group's use of NZ CSs as the basis for the preparation of the Selected Scope 3 disclosures, assessing the risks of material misstatement of the Selected GHG disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Selected GHG disclosures.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In undertaking our limited assurance engagement on the Selected Scope 3 disclosures, we:

- Obtained, through inquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Selected Scope 3 disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether the Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified; and
- Considered the presentation and disclosure of the Selected Scope 3 disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Selected Scope 3 disclosures are fairly presented and prepared, in all material respects, in accordance with NZ CSs.

Use of Our Report

Our assurance report is intended for users who have a reasonable knowledge of GHG related activities, and who have studied the GHG related information in the Climate Statement with reasonable diligence and understand that the GHG disclosures are prepared and assured to appropriate levels of materiality.

Our assurance report is made solely to the Company's shareholders, as a body. Our assurance engagement has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our work, for this report, or for the conclusions we have formed.

Deloitte Limited

Melissa Collier, Partner
for Deloitte Limited

Auckland, New Zealand
29 August 2024

Appendices

7.1 Appendix A: Details of scenario analysis

The climate scenario analysis was developed using the emissions reduction pathways described in section 3.1 Scenario analysis based on assumptions over a range of variables that are summarised below. Specific assumptions for two scenarios (Ambitious and Delayed) are included below as illustrative examples of the assumptions made for each variable. Note that all material parts of Air New Zealand's own operations were considered in the scenario analysis.

- **Technology pathways:** Technology assumptions were based on the availability and cost of technology solutions for Air New Zealand, including, for example, new propulsion technology, aircraft design innovations or carbon removal solutions. In the Ambitious scenario, technologies were assumed to be available sooner and at a relatively low cost to Air New Zealand whereas, in the Delayed scenario, technologies are not available for many years and are more expensive. Key sources for technology parameter values include ATAG (2021), *Waypoint 2050*; IEA (2022), *Direct Air Capture*;
- **Government policy:** Government policy assumptions were based on the barriers to, and government support for, technology development, and restrictions on certain emissions categories. In the Ambitious scenario, short-haul flights where no carbon-efficient alternatives exist would be banned and there would be restrictions on specific emissions categories. In the Delayed scenario, banning flights in select countries would be delayed and there would be limited restrictions on specific emissions categories. There would also be significantly less hydrogen and SAF available and limited government support grants for some technology and regulation. Key reference points included the French Government's short-haul flight ban; British Columbia and California Governments' Low-Carbon Fuel Standards; United States Government's Inflation Reduction Act's Sustainable Aviation Fuel Credit; European Union Aviation Safety Agency (2023), *Non-CO_2 Research Project*; amongst others;
- **Socioeconomic pathways:** Socioeconomic assumptions included considering customer demand and competitor strategy. In the Ambitious scenario, corporates reduce flying significantly to meet ambitious commitments, and leisure and cargo customers switch to the most sustainable provider. Key competitors set SBTi targets and decarbonise rapidly. In the Delayed scenario, leisure customers choose more sustainable airlines, there is a limited reduction in flights from corporate customers and the demand for air freight remains the same due to a lack of policies and restrictions. The aviation industry decarbonises slowly and is substituted by rail and other lower-emission modes of transportation. Key data sources included ATAG (2021), *Waypoint 2050*; Deloitte (2022), *Reshaping the landscape: Corporate travel in 2022 and beyond*; and internal input;
- **Energy pathways:** Energy pathway assumptions included considering the supply and cost of renewable electricity, green hydrogen and SAF. In the Ambitious scenario, the supply of all three variables increases rapidly, global investment is high and costs are low. In the Delayed scenario, the supply of all three variables and global investment is considerably lower, with costs remaining high. Key sources for international energy pathways include IEA (2021), *Net Zero by 2050 – A Roadmap for the Global Energy Sector*; IEA (2022), *Global Hydrogen Review*; ATAG (2021), *Waypoint 2050*; NGFS (2022), *NGFS Scenarios for central banks and supervisors*. He Pou a Rangi (2021), *Climate Change Commission scenarios*; IEA (2021), *Net Zero by 2050*. World Economic Forum and McKinsey & Company (2020), *Clean Skies for tomorrow: Sustainable Aviation Fuels as a Pathway to Net-Zero Aviation*. Internal and expert input;
- **Macroeconomic trends** are defined with reference to the SSPs, but the scenario analysis did not use underlying macroeconomic inputs such as GDP or population growth. Instead, external, independent industry sources were used to make assumptions about leisure and corporate aviation demand, and internal expertise was used to parameterise different aviation cargo demand scenarios. These are outlined under 'Socioeconomic pathways' above;
- **Carbon sequestration from afforestation and nature-based solutions and negative emissions technology:** Carbon sequestration from afforestation and nature-based solutions, and negative emissions technology are not defined. They only feature in the scenario analysis insofar as they address 'residual' emissions to achieve the airline's 2050 Target. The analysis assumes they will be available at $73 – 250 per tonne of CO_2-e in 2050, depending on the scenario. Key sources included: IEA (2022), *Direct Air Capture*. He Pou a Rangi, Climate Change Commission (2020), *Scenarios-dataset-2021-final-advice* and *Climate Change Commission ENZ-assumptions-inputs-2021-final-advice*; CommTrade NZU forward contract bid, offer, and fix pricing; Ministry for the Environment (2022), *Annual updates to emission unit limits and price control settings*. ICAO (2022), *2022 CORSIA periodic review and Assembly Working Paper A41-WP/659* and *Resolution A41-22*. Internal and expert input;
- **Global climate and socioeconomic impacts:** IPCC (2022), *Sixth Assessment Report for SSPs*. Muñoz-Sabater et al. (2019) *ERA5 and ERA5-Land reanalysis*, European Centre for Medium Range Weather Forecasting (ECMWF). Canadian Centre for Climate Modelling and Analysis (2019), *The Canadian Earth System Model version 5 (CanESM5)*. Döscher et al. (2022), *The EC-Earth3 Earth system model for the CMIP6*, EC-Earth Consortium. Shiogama et al. (2019), *MIROC6 model output prepared for CMIP6 ScenarioMIP*, MIROC Team;
- **New Zealand physical and climate impacts:** same sources as Global climate and socioeconomic impacts above; Ministry for the Environment (2018), *Climate Change Projections for New Zealand*.

Appendices (continued)

7.2 Appendix B: Glossary

- '**2030 Target**' means Air New Zealand's interim carbon intensity reduction target, which was removed in July 2024;
- '**2050 Target**' means Air New Zealand's long-term target of achieving net zero carbon by 2050, as agreed by IATA member airlines at the 77th IATA Annual General Meeting in October 2021;
- '**ASK**' means Available Seat Kilometres, which is measured by the available seats operated multiplied by the distance flown (capacity);
- '**Book and Claim**' refers to a system whereby airlines can purchase ('book') the life cycle benefits of SAF and credit ('claim') it against the emissions from their own use of conventional jet fuel, while another airline uses that SAF but is not able to claim the SAF's low-carbon credentials. The Book and Claim system, if adopted, is expected to increase demand, supply, and liquidity in the SAF market, ultimately increasing the global uptake of SAF.

  For example, one airline may not fly to any airports where SAF is available for uplift. Book and Claim would allow this airline to purchase and credit the low-carbon credentials of SAF that is input to the fuel supply at another location and used by a second airline. In this example, the second airline that does uplift SAF cannot claim the low-carbon credentials of the SAF because those credentials were purchased by the first airline. The first airline flies with conventional jet fuel but purchases and credits the low-carbon credentials of the SAF. The second airline flies with SAF but does not purchase or credit the low-carbon credentials of that fuel;
- '**CORSIA**' means the Carbon Offsetting and Reduction Scheme for International Aviation developed by the International Civil Aviation Organization (ICAO). Under CORSIA, Air New Zealand faces an obligation for growth in CO_2 above a baseline, calculated with reference to an annual Sector Growth Factor. Air New Zealand must acquire and cancel eligible emissions units to meet its obligation;
- '**IPCC**' refers to the Intergovernmental Panel on Climate Change, which is the United Nations body responsible for assessing the science related to climate change;
- '**Load Factor**' means revenue passenger kilometres (RPKs) as a percentage of ASKs. RPK is the number of revenue passengers carried multiplied by the distance flown (demand);
- '**Mass-balance approach**' refers to a global accounting practice applied to materials mixed in the same system. These materials may be physically or chemically the same but have other certification or characteristics which are different: for example, SAF made from used cooking oil and SAF made from tallow. In this example, mass-balancing allows a buyer to purchase the sustainability benefits of SAF from their preferred feedstock(s), and to connect only these attributes to their specific SAF delivery, even when their physical supply contains a mix of types. An audit process ensures that there is no fraudulent material or double counting: the preferred/certified material can only be sold once;
- '**Neat SAF**' refers to SAF that is not blended with conventional jet fuel. See also 'SAF';
- '**Next Generation Aircraft**' or '**NGA**' refers to aircraft powered by alternative propulsion that enables a significant reduction in carbon emissions compared to existing technology, which could include hydrogen fuel cells, hydrogen combustion, batteries, or battery hybrids that are used in combination with SAF and / or fossil jet fuel;
- '**Non-CO_2**' means impacts that arise from aircraft engine emissions of oxides of nitrogen (NO_x), soot particles, oxidised sulphur species, and water vapour. These impacts are in addition to CO_2-e;
- '**NZ ETS**' means the New Zealand Emissions Trading Scheme. Air New Zealand is a participant in the NZ ETS and has an obligation to report greenhouse gas emissions generated from fuel use on all domestic flights and then purchase and surrender to the Government an equal number of New Zealand Units to match those emissions;
- '**RTK**' or '**Revenue Tonne Kilometre**' is a measure of the weight that has been paid for on the aircraft (freight and passengers) multiplied by the number of kilometres transported;
- '**SAF**' or '**Sustainable Aviation Fuel**' is the industry term given to alternative jet fuel that is made from feedstocks other than fossil fuels and which seek to produce lower lifecycle emissions than fossil jet fuel. The term is used by the United Nations, national governments, and the aviation industry. Air New Zealand follows this convention when describing alternative jet fuel for consistency with the industry, but in doing so acknowledges that SAF still produces emissions over its lifecycle, including equivalent emissions to conventional jet fuel when combusted, and may create other adverse impacts on the environment;
- '**Science-Based Targets initiative**' or '**SBTi**' is a collaboration between the Carbon Disclosure Project, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature, which aims to assist companies to develop targets for reducing greenhouse gas emissions that are aligned with the goals of the Paris Agreement;
- '**Transition Plan**' means Air New Zealand's strategy and actions for its transition towards a low-emissions, climate-resilient future. This includes the 2050 Target and the steps taken in seeking to achieve that target;
- '**Well-to-Wake**' or '**WTW**' refers to emissions from the airline's activities and accompanying emissions across the value chain of jet fuel. It comprises: 'Well-to-Tank' emissions from feedstock sourcing, processing and transportation to fuel production and distribution (measured as Scope 3, category 3 emissions); and 'Tank-to-Wake' emissions from the combustion of fuel (measured as Scope 1 emissions).

AIR NEW ZEALAND

A STAR ALLIANCE MEMBER

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Air New Zealand Limited	
Reporting Period	12 months to 30 June 2024	
Previous Reporting Period	12 months to 30 June 2023	
Currency	New Zealand dollars	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$6,752,000	6.7%
Total Revenue	$6,752,000	6.7%
Net profit from continuing operations	$146,000	(64.6)%
Total net profit	$146,000	(64.6)%
Final Dividend (NZ$)		
Amount per Quoted Equity Security	0.01500000	
Imputed amount per Quoted Equity Security	0.00000000	
Record Date	13-Sept-2024	
Dividend Payment Date	26-Sept-2024	
	Current Period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.55	$0.55
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to media release. The final dividend was declared on 29 August 2024.	
Authority for this announcement		
Name of person authorised to make this announcement	Jennifer Page, General Counsel and Company Secretary	
Contact person for this announcement	Leila Peters, General Manager Corporate Finance	
Contact phone number	+64 9 336 2607	
Contact email address	investor@airnz.co.nz	
Date of release through MAP	29 August 2024	

Audited financial statements accompany this announcement.

FULL YEAR RESULTS ANNOUNCEMENT
AIR NEW ZEALAND LIMITED
Full Year Ended 30 June 2024 (referred to in this report as the "current full year")

1 Information prescribed by NZX

Refer to Results for announcement to the market

2 The following information, which may be presented in whatever way the Issuer considers is the most clear and helpful to users, e.g., combined with the body of the announcement, combined with notes to the financial statements, or set out separately.

(a) A Statement of Financial Performance

Refer to the financial statements

(b) A Statement of Financial Position

Refer to the financial statements

(c) A Statement of Cash Flows

Refer to the financial statements

(d) Details of individual and total dividends or distributions and dividend or distribution payments, which:

i. **have been declared, and**
ii. **relate to the period (in the case of ordinary dividends or ordinary dividends and special dividends declared at the same time) or were declared within the period (in the case of special dividends).**

On 29 August 2024, the Board of Directors declared a final dividend for the 2024 financial year of 1.5 cents per Ordinary Share, payable on 26 September 2024 to registered shareholders at 13 September 2024. The total dividend payable will be $51 million. No imputation credits will be attached and supplementary dividends will not be paid to non-resident shareholders.

A 2024 interim dividend of 2.0 cents per Ordinary Share was paid on 21 March 2024. No imputation credits were attached and supplementary dividends were not paid to non-resident shareholders.

A 2023 special dividend of 6.0 cents per Ordinary Share was paid on 21 September 2023. Imputation credits were attached and supplementary dividends paid to non-resident shareholders.

	NZ Cents per Share	$NZm*
Distributions recognised		
Interim dividend for 2024 financial year on Ordinary Shares	2.0	67
Special dividend for 2023 financial year on Ordinary Shares	6.0	202
Distributions paid		
Interim dividend for 2024 financial year on Ordinary Shares	2.0	67
Special dividend for 2023 financial year on Ordinary Shares	6.0	209

*The difference between distributions recognised and paid relates to supplementary dividends.

(e) A Statement of Movements in Equity

Refer to the financial statements

(f) Net tangible assets per Quoted Equity Security with the comparative figure for the previous corresponding period

(NZ Cents per Share)	Current Year	Previous Year
Ordinary Shares	55	55

(g) Commentary on the results

(i) (ii)

	Measurement	Current Year	Previous Year
Basic earnings per share	NZ cents per share	4.3	12.2
Diluted earnings per share	NZ cents per share	4.3	12.2
Returns to shareholders (also see section (d) above)			
Interim dividend on Ordinary Shares	$NZ’m	67	-
Special dividend on Ordinary Shares	$NZ’m	202	-
Dividend on Redeemable Shares	$NZ’m	-	6

(iii) Significant features of operating performance:

Refer to the media release

(iv) Segmental results:

<u>Industry segment</u>

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group’s financial result.

<u>Geographical segment</u>

An analysis of revenue by geographic region of original sale is provided below.

	Current Year $NZm	Previous Year $NZm
Analysis of revenue by geographical region of original sale		
New Zealand	4,120	3,873
Australia and Pacific Islands	770	838
Asia, United Kingdom and Europe	903	710
America	959	909
Total Operating revenue	**6,752**	**6,330**

The principal non-current assets of the Group are the aircraft fleet which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

(v) Discussion of trends in performance

Refer to the media release.

(vi) The Issuer's divided policy

Refer to Air New Zealand website - https://www.airnewzealand.co.nz/dividend-history

(viii) Any other factors that have or are likely to affect the results, including those where the effect could not be quantified:

Refer to the media release.

(h) Audit of financial statements

This report is based on financial statements that have been audited. The audit opinion has been attached to the back of the financial statements and contains no qualifications.

Basis of preparation

The financial statements were compiled in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate to profit-oriented entities. The financial statements comply with both NZ IFRS and International Financial Reporting Standards ("IFRS").

Accounting policies

Refer to the Statement of Accounting Policies and Notes to the financial statements.

Changes in accounting policies

Refer to the Statement of Accounting Policies in the financial statements.

Audit Report

A copy of the audit report is included at the end of the financial statements.

Additional information

N/A

This full year report was approved by the Board of Directors on 29 August 2024.

Dame Therese Walsh
Chair

NZX
NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Distribution Notice

Section 1: Issuer information				
Name of issuer	Air New Zealand Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	AIR.NZ			
ISIN (If unknown, check on NZX website)	NZAIRE0001S2			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	13/09/2024			
Ex-Date (one business day before the Record Date)	12/09/2024			
Payment date (and allotment date for DRP)	26/09/2024			
Total monies associated with the distribution	$50,526,965			
Source of distribution (for example, retained earnings)	Operating Free Cash Flow			
Currency	New Zealand			
Section 2: Distribution amounts per financial product				
Gross distribution	$0.01500000			
Gross taxable amount	$0.01500000			
Total cash distribution	$0.01500000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	$0.00000000			
Section 3: Imputation credits and Resident Withhold				
Is the distribution imputed	~~Fully imputed~~			
	~~Partial imputation~~			
	No imputation			
If fully or partially imputed, please state imputation rate as % applied	N/A			
Imputation tax credits per financial product	$0.00000000			
Resident Withholding Tax per financial product	$0.00660000			

NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Distribution Notice

Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	

Section 5: Authority for this announcement	
Name of person authorised to make this announcement	Jennifer Page, General Counsel and Company Secretary
Contact person for this announcement	Jennifer Page
Contact phone number	+64279090691
Contact email address	Jennifer.Page@airnz.co.nz
Date of release through MAP	29/8/2024