Capital Management and Distribution Policy

1.0 Policy Statement

1.1 Air New Zealand manages its balance sheet and financial policies in a way that supports long term financial resilience. This means that the Company can implement its chosen strategy in the most cost-effective way.

1.2 Air New Zealand will seek to maintain an investment grade credit rating and will manage its financial performance, capital and gearing accordingly.

1.3 Air New Zealand aims to provide shareholders with a Consistent and Sustainable dividend. The payment of the dividend should be consistent with the objectives stated in 1.1 and 1.2.

1.4 Air New Zealand may have periods of time when excess capital is available to be returned to shareholders. In these circumstances, the Board will assess the appropriate level and mechanism of additional capital returns consistent with paragraphs 1.1 and 1.2.

1.5 Should the financial profile weaken and threaten the objectives stated in paragraphs 1.1 and 1.2, a review of capex and/or capital distribution would be undertaken and discussed with the Board.

2.0 Policy Guidelines

2.1 Amongst other financial metrics, the Company will target:

a) a Gearing Ratio (as measured under IFRS 16) to be within a 45% to 55% band acknowledging it may be above or below that range from time to time; and

b) a Debt Coverage Ratio, defined as Gross Debt/EBITDA ratio between 2.0x and 3.3x over the medium term.

2.2 Given the cyclical nature and the investment requirements of the airline industry, Air New Zealand may operate for limited periods of time outside of the target range of these metrics. However, Air New Zealand would implement actions required to achieve the objective stated in 1.1 and 1.2.

2.3 Significant fleet replacements require a large capital investment for which the Company needs to prepare in order to avoid creating pressure on the key financial metrics. Sufficient balance sheet flexibility needs to be built in the lead up to a significant fleet replacement program.

3.0 Ordinary Dividend Distribution Policy

3.1 Subject to the objectives stated above, the Board is committed to a Distribution Policy geared towards Consistently Paying a Sustainable ordinary dividend stream to shareholders.

3.2 The Board will seek to minimise volatility in the dividends from year to year.

3.3 The Board recognises that regular distributions to shareholders by way of fully imputed ordinary dividends represent the optimal way in which to return funds to shareholders. This is dependent on the level of imputation credits available to be attached to dividends.

4.0 Definitions

Consistently Paying: Means that the Board seeks to distribute part of the profits in the form of an ordinary dividend each year to shareholders

Sustainable: Refers to the amount of the ordinary dividend in a given period, with the Board's intent that the ordinary dividend represents the medium-term financial outlook for earnings, gearing and capex.