

DEAR SHAREHOLDER...

Your Board of directors is pleased to offer you the chance to participate in the Company's Dividend Reinvestment Plan, designed to allow Eligible Shareholders to elect to apply some or all of their dividend payments to subscribe for new ordinary shares.

Participation in the Plan is optional. You may elect to receive some or all of your dividend entitlement in shares and the remaining portion in cash.

This booklet contains the offer, complying with the Securities Act (Dividend Reinvestment) Exemption Notice 1998, in respect of Shares in the Company.

The subscription price of Shares issued under the Plan will be at a discount of 1.5 percent of the volume weighted average sale price of the Shares on the NZSX and ASX over the first five trading days on which the shares trade ex-entitlement on the NZSX. If you choose to participate then please complete a Participation Form and return it to the Company's share registrar Link Market Services Limited. Forms are available on the Company's Investor Centre website www.airnzinvestor.com under the 'Shareholders' section.

If you would like to continue to receive all of your dividend payments in cash, then do nothing and you will receive all future dividend payments by cheque or direct credit.

Please read the Offer Document thoroughly as it describes the Plan and its terms and conditions. If you have any questions, or are in doubt as to how to act, you should consult your financial adviser.



John Palmer
Chairman

OPTIONS AVAILABLE

Participation in the Plan allows Eligible Shareholders to elect to increase their investment in the Company by acquiring additional shares free of brokerage charges.

The following options are available for Shareholders wishing to participate in the Plan:

1. FULL PARTICIPATION

You can elect full participation. This will mean that all of your Shares (including any future Shares purchased by you or issued to you under the Plan) will be treated as participating in the Plan. Please see details on back page for the Participation Form.

2. PARTIAL PARTICIPATION

You can elect partial participation. This will mean that only the number of Shares nominated by you (and the dividends paid on them) will participate in the Plan. Partial participation in the Plan means that the terms and conditions of the Plan will apply, now and in the future, only to the number of Shares specified, until you advise the Company otherwise in accordance with the Terms and Conditions. Please see details on back page for Participation Form.

3. CONTINUE TO RECEIVE ALL DIVIDENDS IN CASH

If you do not wish to participate in the Plan, you are not required to do anything. You will continue to automatically receive by cheque or direct credit any dividend on all or any of your Shares which are not included in the Plan.

4. DECIDE LATER

If, at a later date, you decide you wish to participate in the Plan on either a full or partial basis or you wish to change your election, you should complete a Participation Form (see back page) and forward it to Link Market Services Limited, The Share Registrar. Your new election will be effective as to dividends payable in relation to the first Record Date after receipt by Link of a properly completed Participation Form.

DIRECT CREDIT

If you currently receive your dividend payment in the form of a cheque then you have the option to arrange to have it direct credited into your bank account by advising Link. You will continue to receive a dividend statement advising the amount credited.

KEY FEATURES OF THE PLAN

ISSUE OF SHARES

All Eligible Shareholders have the opportunity to reinvest the net proceeds of any cash dividends payable or credited on their Shares in additional new Shares. The Plan provides a simple and convenient method for Eligible Shareholders to increase their investment in the Company free of brokerage charges.

FULL OR PARTIAL PARTICIPATION

Eligible Shareholders may elect to participate in the Plan in respect of all or some of their Shares. Participation in the Plan applies to all future dividends on Shares participating in the Plan (until changed by a Notice of Variation).

ELIGIBILITY

All holders of Shares with registered addresses in New Zealand and Australia are eligible to participate in the Plan. Holders of shares with registered addresses outside New Zealand and Australia are currently excluded from participating in the Plan given the onerous requirements that would be placed on the Company by many foreign jurisdictions if the Plan was offered in those jurisdictions.

ISSUE PRICE

The price for Shares to be issued under the Plan will be 98.5 percent of the volume weighted average sale price for a Share calculated on all sales of Shares (excluding at the Board's discretion large, unusual trades, off-market or one off trades) which took place through the NZSX and the ASX on the first five trading days on which the Shares trade ex-entitlement on the NZSX for the applicable dividend.

SHARES RANK EQUALLY

Shares issued under the Plan will rank equally in all respects with existing Shares and can be sold at any time subject to compliance with the Company's Constitution.

STATEMENTS OF ENTITLEMENTS

Eligible Shareholders who elect to participate in the Plan will receive a statement providing details of their total dividend entitlement and the number of additional Shares issued under the Plan. This statement will be sent to Eligible Shareholders promptly after each dividend payment date.

FLEXIBLE JOINING AND WITHDRAWAL ARRANGEMENTS

Eligible Shareholders can join, vary their participation or withdraw from the Plan. Notice of joining, variation or withdrawal from the Plan received by Link after a Record Date will be effective as at the following Record Date.



METHOD OF PARTICIPATION

PARTICIPATION FORM

In order to participate in the Plan an Eligible Shareholder must complete a Participation Form in accordance with the instructions on that Form.

- **If you tick the Full Participation box:**
the Terms and Conditions of the Plan will apply to your total holding of Shares, both now and in the future.
- **If you complete the Partial Participation box:**
the Terms and Conditions of the Plan will apply, both now and in the future, only to the number of your Shares nominated by you on the Participation Form, until you notify Link in writing of a variation, or sell your total shareholding.

Eligible Shareholders must send the completed Participation Form to Link.

WHEN PARTICIPATION BECOMES EFFECTIVE

A properly completed Participation Form will need to have been **received** by Link prior to 5.00pm (NZ time) on a Record Date in order for participation to be effective as to dividends payable in relation to that Record Date.

PARTICIPATION FORM

The required form to join, vary or withdraw from your participation in the Plan is available:

- ↓ In the back of this booklet
- ↓ On the Air NZ Website at www.airnzinvestor.com
- ↓ Contact our Share Registrar, Link Market Services at
+ **64 9** 375 5998 (New Zealand)
or **0061** 2 8280 7111 (Australia)

TERMS & CONDITIONS

The Plan enables Eligible Shareholders to reinvest the net proceeds of cash dividends payable or credited on all or some of their Shares by subscribing for additional fully paid Shares. The Terms and Conditions of the Plan (the Terms and Conditions) as determined by the Board are set out below.

Words defined in Section 13 of this Offer Document have the same meaning in these Terms and Conditions.

1. ELIGIBILITY

1.1 Offer to Shareholders

Subject to clause 1.2, the Company offers to all Eligible Shareholders the right to receive Shares by electing to participate in the Plan. Participation in the Plan applies to all participating Shares of an Eligible Shareholder and to all future dividends on those participating Shares (unless that Eligible Shareholder's level of participation is varied in accordance with the Plan).

The holders of Shares registered in a name other than their own (for example, in the name of a broker, bank or other nominee) may not participate in the Plan directly but may, subject to clause 1.2, be able to make arrangements whereby the registered owner of the Shares participates in the Plan on their behalf.

1.2 Foreign Shareholders

The Board has elected not to offer participation under the Plan to shareholders whose addresses in the Company's share register are outside New Zealand and Australia as the Board considers that to do so would be unreasonable having regard to the number of shareholders in those places, the number of Shares they would be offered and the associated costs of ensuring that the laws of those places are not breached. The Board may, in its absolute discretion, elect to amend this policy.

Shareholders who are not resident in New Zealand or Australia and who hold their Shares through a New Zealand or Australian resident nominee should not allow their nominee to participate in the Plan if participation would be contrary to the laws of their country of residence.

Any person residing outside New Zealand and Australia who participates in the Plan through a New Zealand or Australian resident nominee will be deemed to represent and warrant to the Company that they can lawfully participate through their nominee. The Company accepts no responsibility for determining whether a shareholder is able to participate in the Plan under laws applicable outside New Zealand and Australia.

2. ADDITIONAL SHARE ENTITLEMENT

2.1 General

The number of Additional Shares to be issued to an Eligible Shareholder who has elected to participate in the Plan will be:

- a) based on the amount of the dividend the Eligible Shareholder would otherwise have received in cash; and
- b) calculated on the basis that the issue price of the Additional Shares will be 98.5 percent of the market price of Shares, as determined in accordance with the formula set out in clause 2.2.



2.2 Formula for calculation of number of Additional Shares

Subject to this clause 2, the number of Additional Shares to be issued to an Eligible Shareholder who has elected to participate in the Plan (referred to as "AS" in the following formula) will be calculated in accordance with the following formula:

$$AS = \frac{S \times D}{C}$$

Where :

- S** is the number of Shares in respect of which an election to participate in the Plan has been made (subject to any variation in accordance with clauses 5.3 and 5.4).
- D** is the amount (expressed in cents and fractions of cents and after deduction of any amounts of resident withholding (or other) taxes if any) payable by the Company in respect of the dividend payable for each participating Share which would otherwise have been paid to a Shareholder in cash if the Shareholder had not elected to participate in the Plan.
- C** is 98.5 percent (representing a 1.5 percent discount) of the volume weighted average sale price (expressed in cents and fractions of cents and converted into New Zealand dollars at the rate displayed at 11.10am on the date of calculation on the Reuters Monitor Screen Page RBNZ01) for a Share calculated on all sales of Shares (excluding at the Board's discretion large, unusual trades, off-market or one off trades) which took place through the NZSX and the ASX on the first five trading days on which the Shares trade ex-entitlement on the NZSX for the relevant dividend. If no sales of Shares occur during those five trading days, then the volume weighted average sale price will be deemed to be the sale price for a Share on the last sale of Shares which took place prior to such trading days as determined by NZX.

Any volume weighted average sale price so determined may be adjusted by the Board, in its absolute discretion, to allow for any bonus or dividend expectation. If, in the opinion of the Board, any exceptional or unusual circumstances have already affected the weighted average sale price so determined, the Board may make such adjustment to that sale price as it considers reasonable.

Where the number of Additional Shares calculated in accordance with the above formula includes a fraction, then the number of Additional Shares to be issued shall be rounded down to the nearest whole number.

2.3 Share price information publicly available

The Company will ensure that at the time the price for the Additional Shares is set under clause 2.2 it will have no information that is not publicly available and would, or would be likely to, affect materially and adversely the price or value of the Shares if it was publicly available.

2.4 Compliance with laws, listing rules and Constitution

The Plan will not operate in relation to a dividend to the extent that the allotment or issue of Additional Shares under the Plan would breach any applicable law, the listing rules of the NZSX or the ASX or any provision of the Company's Constitution. Under the Constitution, no person who is not a New Zealand National may hold or have any interest in Shares which confer 10 percent or more of the total voting rights in the Company without the prior written consent of the Kiwi Shareholder.

Under the Constitution, no person who is an owner or operator of an airline business (or parties related to such owner or operator) may hold or have any interest in Shares without the prior written consent of the Kiwi Shareholder.

If issuing the number of Additional Shares referred to in clause 2.2 would result in the provisions of the Constitution referred to above being breached, the number of Additional Shares issued to an Eligible Shareholder will be reduced by the number which would result, in the Board's opinion and subject to the relevant listing rules, in that Eligible Shareholder being issued a fair and equitable proportion of the Shares subscribed for by that Eligible Shareholder, having regard to:

- a)** the total number of Shares held by that Eligible Shareholder and participating in the Plan;
- b)** the provisions of the Constitution referred to above; and
- c)** any Shares held by that Eligible Shareholder and participating in the Plan sold by that Eligible Shareholder on a cum dividend basis, where the transfer of those Shares is not registered and the transferee claims an entitlement to the Additional Shares.

If and to the extent that the Plan does not operate for such reason in respect of a participating Eligible Shareholder's Shares, the relevant dividend on Shares participating in the Plan will, until such time as the issue is resolved, be paid or distributed in the same manner as to Eligible Shareholders not participating in the Plan.

3. OPERATION OF THE PLAN

3.1 Issue of Additional Shares

The Company will, on the day that an Eligible Shareholder who has elected to participate in the Plan would otherwise have been paid a dividend in cash, issue the Additional Shares to that Eligible Shareholder in accordance with clause 2.

3.2 Terms of issue and ranking of Additional Shares

Additional Shares issued to Eligible Shareholders under the Plan will be issued on the terms set out in this Plan and, subject to the rights of termination, suspension and modification set out in clause 5, will not be issued on any other terms and will all be subject to the same rights as each other. The Additional Shares issued to shareholders under the Plan will, from the date of issue, rank equally in all respects with each other and with all other Shares on issue as at that date.

4. STATEMENTS TO SHAREHOLDERS

4.1 Statements on dividend date

The Company will send to each Eligible Shareholder who has elected to participate in the Plan, on each dividend payment date, a statement detailing in respect of that Eligible Shareholder:

- a)** the number of shares of the Eligible Shareholder as at the relevant date;
- b)** the number of participating Shares of the Eligible Shareholder as at the relevant Record Date;
- c)** the amount of the cash dividend and the amount paid in respect of Shares nominated by the Eligible Shareholder for participation in the Plan and Shares not nominated for participation in the Plan (if any);



- d)** the amount of any taxation deduction or withholding in respect of the cash dividend;
- e)** the total number of Additional Shares issued to the Eligible Shareholder under the Plan and the issue price of those Additional Shares; and
- f)** advice as to the amount of any imputation or other taxation credits in respect of the cash dividend.

5. TERMINATION, SUSPENSION AND MODIFICATION

5.1 Termination by the Board

The Board may at any time and from time to time in its sole discretion do any of the following:

- a)** Terminate or modify the Plan. If the Plan is modified, then a Participation Form will be deemed to be a Participation Form under the Plan as modified unless that Participation Form is subsequently terminated by the Eligible Shareholder in accordance with clause 5.3;
- b)** Suspend the operation of the Plan so that it will not apply to the whole or part of any dividends;
- c)** Resolve that participation will not apply to the whole or any part of any dividend and that the dividend or the balance of the relevant dividend (as the case may be) will be paid in cash;
- d)** Resolve that in the event of the subdivision, consolidation or reclassification of the Shares, that a Participation Form (subject to any variation in accordance with clauses 5.3 and 5.4) will be deemed to be a Participation Form in respect of the Shares as subdivided, consolidated or reclassified unless such Participation Form is subsequently terminated by the participating Eligible Shareholder in accordance with clause 5.3; and
- e)** Resolve that a Participation Form will cease to be of any effect.

5.2 Prior notice

Notice of any modification or termination of the Plan by the Board will be given to all Eligible Shareholders participating in the Plan by sending written notice of that modification or termination to the postal or e-mail address of Eligible Shareholders appearing in the Share Register, at least 10 business days prior to the modification or termination becoming effective.

5.3 Variation or termination by a Participating Shareholder

An Eligible Shareholder may, at any time, by completing a Notice of Variation in the Participation Form and returning it to Link;

- a)** increase or decrease the number of the Eligible Shareholder's Shares which are participating in the Plan; or
- b)** terminate the Eligible Shareholder's participation in the Plan.

Additional Notices of Variation may be obtained on-line from the Company's website @ www.airnzinvestor.com or from Link.

5.4 Variation or termination effective

A variation or termination under clause 5.3 will take effect immediately upon **receipt** by Link of such Notice of Variation; provided that any notice received between a Record Date and the corresponding payment date will take effect on the following Record Date.

5.5 Death of Participating Shareholder

If an Eligible Shareholder participating in the Plan dies, participation by that Eligible Shareholder will be terminated by the Company upon receipt by it of a notice of death in a form acceptable to the Company. The death of one of two or more joint Eligible Shareholders will not automatically terminate participation.

6. REDUCTION OR TERMINATION OF PARTICIPATION WHERE NO NOTICE GIVEN

6.1 Dispositions where partial participation

Where an Eligible Shareholder who is participating in the Plan in respect of some but not all of their Shares disposes of some of their Shares then, unless the Eligible Shareholder notifies the Company otherwise in writing:

- a) the Eligible Shareholder will be deemed to have disposed of Shares which are not participating in the Plan if the total number of non-participating shares held by the Eligible Shareholder is greater than the number of Shares being disposed of by the Eligible Shareholder; and
- b) if the number of Shares disposed of is greater than the number of the Eligible Shareholder's Shares which are not participating in the Plan, the Eligible Shareholder will be deemed to have disposed of all of the Eligible Shareholder's non-participating Shares first, followed by sufficient Shares participating in the Plan to equal the total disposed of.

6.2 Partial dispositions where full participation

If an Eligible Shareholder with full participation disposes of part of their holding of Shares without giving the Company written notice terminating the Eligible Shareholder's participation in the Plan, the Eligible Shareholder will be deemed to have terminated their participation in the Plan with respect to the Shares disposed of from the date the Company registers a transfer of those Shares.

6.3 Disposition of all Shares

If an Eligible Shareholder disposes of all of their holding of Shares without giving the Company written notice terminating the Eligible Shareholder's participation in the Plan, the Shareholder will be deemed to have terminated participation in the Plan from the date the Company registers a transfer of those Shares.

7. TAXATION

The taxation summary set out in this section 7 is general. It does not take account of the circumstances of individual Eligible Shareholders and the specific tax consequences to them of participation or non-participation in the Plan, which may vary considerably. Eligible Shareholders should not seek to rely on this general summary but should



seek their own tax advice. Air New Zealand does not accept any responsibility for the financial or taxation effects of an Eligible Shareholder's participation or non-participation in the Plan.

The statements below in relation to taxation are based on current New Zealand taxation laws at the date of this Offer Document, and, as such, are subject to any change in New Zealand taxation laws.

7.1 New Zealand Shareholders

Additional Shares issued to New Zealand resident Eligible Shareholders will be taxable to the Eligible Shareholder as a dividend at their respective marginal tax rates. Where the Additional Shares issued by the Company carry imputation credits, the resident withholding tax liability will be reduced by the amount of the imputation credits.

7.2 Non-resident Shareholders

Additional Shares issued to Eligible Shareholders who are not resident in New Zealand which have full imputation credits attached to them will not suffer non-resident withholding tax. If Additional Shares are issued to Eligible Shareholders who are not resident in New Zealand, and do not have full imputation credits attached, those Additional Shares will be subject to a non-resident withholding deduction of up to 15 percent or 30 percent (depending on where the Eligible Shareholder is resident and the level of dividend imputation credits attached).

7.3 Australian Shareholders

Additional Shares issued to Australian resident Eligible Shareholders will attract the same Australian income tax consequences as if the dividends had actually been paid to the Eligible Shareholders. Any imputation credit that would attach to the particular dividend, if the dividend were paid in cash, is also available to Australian resident Eligible Shareholders participating in the Plan.

Additional Shares issued to Australian resident Eligible Shareholders will, depending on the particular circumstances of the Eligible Shareholder, generally fall within the capital gains tax provisions of the Australian Income Tax Assessment Act upon disposal. The cost base of the Additional Shares is calculated for capital gains tax purposes on the basis that the Additional Shares are acquired at a cost equal to the cash amount of the dividend which is applied in subscribing for the Additional Shares.

8. NO COSTS TO PARTICIPANTS

There are no charges to Eligible Shareholders for participation in or withdrawal from the Plan. No brokerage costs will be incurred on the issue of Additional Shares.

9. STOCK EXCHANGE LISTINGS

Air New Zealand will apply for quotation of the Additional Shares which may be issued under the Plan on the NZSX and the Official List of the ASX. It is expected that such Additional Shares will be quoted on NZSX and ASX on the completion of allotment procedures. However, neither NZX nor ASX accept responsibility for any statement in this Offer Document.

10. AVAILABLE INFORMATION

10.1 Annual Report and Financial Statements

A copy of the Company's most recent annual report and audited consolidated financial statements are available online at; www.airnzinvestor.com or, to Eligible Shareholders free of charge by writing to:

Link Market Services Limited.

PO Box 91976, Auckland 1142.

Phone: +64 9 375 5998

Fax: +64 9 375 5990

Email: Lmsenquiries@linkmarketservices.com

11. GOVERNING LAW

This Offer Document and the Plan, and its operation, are governed by the laws of New Zealand.

12. SHARE REGISTRAR'S ADDRESS

New Zealand Registry:

Link Market Services Limited.

PO Box 91976, Auckland 1142

Level 16, Brookfields House, 19 Victoria Street, West Auckland

Phone: + 64 9 375 5998

Fax: + 64 9 375 5990

Email: Lmsenquiries@linkmarketservices.com

Website: www.linkmarketservices.com

Australian Registry:

Link Market Services Limited.

Level 12, 680 George Street, SYDNEY NSW 2000,

Locked Bag A14, SYDNEY SOUTH NSW 1235

Phone: (0061 2) 8280 7111

Fax: +64 9 375 5990 or (02) 9287 0303

Email: Lmsenquiries@linkmarketservices.com

Website: www.linkmarketservices.com.au



13. DEFINITIONS

The following words have these meanings in this Offer Document:

- ↘ **Additional Shares**
Has the meaning set out in clause 2.2 of this Offer Document.
- ↘ **ASX**
Australian Stock Exchange.
- ↘ **Board**
Air New Zealand's Board of Directors.
- ↘ **Company**
Air New Zealand Limited.
- ↘ **Constitution**
Air New Zealand's constitution.
- ↘ **Eligible Shareholders**
Holders of Shares in the Company with registered addresses in New Zealand or Australia (and such other jurisdictions as the Board determines, from time to time).
- ↘ **Kiwi Shareholder**
Has the same meaning as that given to it in the Constitution.
- ↘ **Link**
Link Market Services Limited.
- ↘ **Notice of Variation**
A notice of variation as approved by the Board and amended from time to time.
- ↘ **NZSX**
New Zealand Stock Market.
- ↘ **NZX**
New Zealand Exchange Limited
- ↘ **Offer Document**
This booklet containing an offer to Shareholders to participate in the Dividend Reinvestment Plan.
- ↘ **Participation Form**
A participation form for the purposes of the Plan, as approved by the Board and amended from time to time.
- ↘ **Plan**
The Company's Dividend Reinvestment Plan established by the Board pursuant to the Constitution on the Terms and Conditions set out in this Offer Document, as amended from time to time.
- ↘ **Record Date**
5.00pm (NZ time) on the date fixed by the Board for determining entitlement to the relevant dividend.
- ↘ **Shares**
Ordinary Shares in the Company.
- ↘ **Share Registrar**
The appointed Share Registrar of the Company as at the relevant date of any communication or transaction.

