



Contents

- Trading update
- October market conditions
- Company news
- Operating statistics table

Trading update

The Company has previously announced that it expected to improve on the 2014 result in the coming year. At the Annual Shareholders' Meeting in late September it was stated that there had been an encouraging start to the year with solid forward bookings into the high season.

That sales momentum continues as the Company heads into a period of sustained growth. Further, should the current level of jet fuel price persist, there will be significant additional improvement in earnings in the second half of the financial year.

This outlook excludes equity earnings from the Virgin Australia shareholding.

October market conditions

Air New Zealand carried 1,093,000 passengers during the month of October, 2.9% more than the same period last year. Revenue passenger kilometres (RPKs) were 0.8% higher on a capacity (ASKs) increase of 0.5%. Group load factor was 82.9%, up 0.2 of a percentage point.

Short Haul passenger numbers were up 3.5%, while in the Domestic market demand (RPKs) and capacity (ASKs) increased by 3.9% and 4.4% respectively. Domestic load factor was 81.4%, a decrease of 0.4 of a percentage point.

Monthly *investor update*



Tasman/Pacific demand (RPKs) increased 3.4% while capacity (ASKs) increased by 1.8%. Load factor on Tasman/Pacific increased 1.3 percentage points to 85.0%.

Long Haul passenger numbers decreased 1.7% when compared to October last year, with demand (RPKs) down 1.9% and capacity (ASKs) down 1.5%. Load factor was 82.1%, down 0.3 of a percentage point.

On North American/UK routes, demand (RPKs) decreased 5.3% with capacity (ASKs) decreasing 4.7%, due to the withdrawal from service of the Boeing 747-400. Load factor was down 0.5 of a percentage point to 82.2%.

Demand (RPKs) increased 5.7% on Asia/Japan routes, with capacity (ASKs) increasing by 5.6%. Load factor increased 0.1 of a percentage point to 81.8%.

Group-wide yields for the financial year to date were up 2.0% on the same period last year. Short Haul yields were up 2.1%, while Long Haul yields were up 0.8%. Removing the impact of foreign exchange, Group-wide yields were up 4.3%.

Company news

[Changes to regional Domestic services announced](#)

Air New Zealand recently unveiled the outcome of a comprehensive review of its regional aircraft operations aimed at delivering sustainable air services and lower prices for customers.

Chief Executive Officer Christopher Luxon says that since the beginning of 2014 the airline has had a team looking at how to address the challenges of the poor operating economics of its 19 seat fleet while at the same time leveraging the significant economies of scale available from its 50 and 68 seat fleets.

Mr Luxon says that as 2014 has unfolded it has also become clear there are some regional routes where demand for seats is strengthening. "Air New Zealand has already begun putting more seat capacity into those markets and is announcing an acceleration of that process with an additional \$100 million investment in four new 68 seat aircraft."

Monthly **investor update**



This brings total investment in new 68 seat aircraft to \$300 million over four years and will mean that Air New Zealand will move all regional flying to either 50 or 68 seat aircraft and exit its 19 seat fleet by August 2016.

“Our average regional airfare has fallen by two percent over the past five years and today’s announcement will keep further downward pressure on regional airfares. On the 13 routes which will move from 19 seat aircraft to more cost effective 50 seat aircraft we expect to deliver a 15% average fare reduction to our customers.

“This is good news for the following 12 towns: Kerikeri, Whangarei, Tauranga, Hamilton, Rotorua, Gisborne, Taupo, Wanganui, Palmerston North, Blenheim, Hokitika and Timaru. Each will progressively move to 50 seat aircraft and benefit from fare reductions.”

Unfortunately there are a small number of regional routes where customer demand simply cannot sustain larger 50 seat aircraft and Air New Zealand will therefore suspend the following services from April 2015: Kaitaia – Auckland; Whakatane – Auckland; Whangarei – Wellington; Taupo – Wellington; Westport – Wellington and Palmerston North – Nelson. Hamilton – Auckland will also be suspended from February 2016.

As Kaitaia, Whakatane and Westport are single route ports, the suspension of these services means Air New Zealand will no longer operate to these destinations from the dates specified.

Mr Luxon says, “While this news will be disappointing for some communities, Air New Zealand remains resolutely committed to regional New Zealand and the changes announced today will set up our regional business model for future sustainable success.”

Monthly investor update



Group	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	1,093	1,062	2.9%	4,523	4,476	1.9%
Revenue Passenger Kilometres(m)	2,141	2,124	0.8%	9,322	9,336	0.7%
Available Seat Kilometres (m)	2,581	2,567	0.5%	11,125	11,124	0.9%
Passenger Load Factor (%)	82.9%	82.7%	0.2 pts	83.8%	83.9%	(0.1 pts)
Short Haul Total	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	984	951	3.5%	4,036	3,976	2.4%
Revenue Passenger Kilometres(m)	1,084	1,047	3.6%	4,547	4,467	2.7%
Available Seat Kilometres (m)	1,293	1,260	2.6%	5,572	5,446	3.2%
Passenger Load Factor (%)	83.8%	83.1%	0.7 pts	81.6%	82.0%	(0.4 pts)
Domestic	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	714	688	3.7%	2,898	2,847	2.6%
Revenue Passenger Kilometres(m)	347	334	3.9%	1,418	1,387	3.1%
Available Seat Kilometres (m)	427	409	4.4%	1,782	1,724	4.3%
Passenger Load Factor (%)	81.4%	81.8%	(0.4 pts)	79.6%	80.5%	(0.9 pts)
Tasman / Pacific	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	271	263	2.8%	1,138	1,129	1.7%
Revenue Passenger Kilometres(m)	737	713	3.4%	3,129	3,080	2.5%
Available Seat Kilometres (m)	867	852	1.8%	3,790	3,722	2.7%
Passenger Load Factor (%)	85.0%	83.7%	1.3 pts	82.6%	82.8%	(0.2 pts)
Long Haul Total	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	108	110	(1.7%)	487	499	(1.5%)
Revenue Passenger Kilometres(m)	1,056	1,077	(1.9%)	4,774	4,869	(1.1%)
Available Seat Kilometres (m)	1,287	1,307	(1.5%)	5,553	5,678	(1.4%)
Passenger Load Factor (%)	82.1%	82.4%	(0.3 pts)	86.0%	85.8%	0.2 pts
Asia / Japan	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	39	37	5.1%	164	164	0.9%
Revenue Passenger Kilometres(m)	355	336	5.7%	1,498	1,480	2.1%
Available Seat Kilometres (m)	434	411	5.6%	1,830	1,887	(2.2%)
Passenger Load Factor (%)	81.8%	81.7%	0.1 pts	81.9%	78.3%	3.6 pts
North America / UK	OCTOBER			FINANCIAL YTD		
	2014	2013	% *	2015	2014	% * +
Passengers carried (000)	69	73	(5.2%)	323	334	(2.7%)
Revenue Passenger Kilometres(m)	701	741	(5.3%)	3,276	3,389	(2.5%)
Available Seat Kilometres (m)	853	896	(4.7%)	3,722	3,791	(1.0%)
Passenger Load Factor (%)	82.2%	82.7%	(0.5 pts)	88.0%	89.4%	(1.4 pts)

* % change is based on numbers prior to rounding.

The year to date percentage movements have been adjusted on a daily weighted average basis. The adjustment takes into account the difference in days for the accounting month of July 2014 (27 days) compared with July 2013 (28 days).

Air New Zealand operates primarily 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. The following operational data and statistics is additional supplementary information only.