

# Monthly *investor update*



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28 January 2020

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## December 2019 highlights

Group traffic summary	DECEMBER			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% *
Passengers carried (000)	1,824	1,768	3.2%	9,040	8,895	1.6%
Revenue Passenger Kilometres(m)	4,190	3,928	6.7%	20,021	19,244	4.0%
Available Seat Kilometres (m)	4,922	4,693	4.9%	23,741	23,084	2.8%
Passenger Load Factor (%)	85.1%	83.7%	1.4 pts	84.3%	83.4%	0.9 pts

Year-to-date RASK <sup>1</sup>	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)
Group	0.3%	(0.1%)
Short Haul	2.6%	2.7%
Long Haul	(0.9%)	(1.9%)

\* % change is based on numbers prior to rounding.

<sup>1</sup> Reported RASK (unit passenger revenue per available seat kilometre) is inclusive of foreign currency impact, and underlying RASK excludes foreign currency impact.



## Operating statistics table

Group	DECEMBER			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% *
Passengers carried (000)	1,824	1,768	3.2%	9,040	8,895	1.6%
Revenue Passenger Kilometres(m)	4,190	3,928	6.7%	20,021	19,244	4.0%
Available Seat Kilometres (m)	4,922	4,693	4.9%	23,741	23,084	2.8%
Passenger Load Factor (%)	85.1%	83.7%	1.4 pts	84.3%	83.4%	0.9 pts
<b>Short Haul Total</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	1,571	1,542	1.9%	7,898	7,829	0.9%
Revenue Passenger Kilometres(m)	1,704	1,698	0.4%	8,825	8,802	0.3%
Available Seat Kilometres (m)	2,048	2,086	(1.8%)	10,599	10,663	(0.6%)
Passenger Load Factor (%)	83.2%	81.4%	1.8 pts	83.3%	82.5%	0.8 pts
<b>Domestic</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	1,164	1,137	2.4%	5,787	5,755	0.6%
Revenue Passenger Kilometres(m)	613	602	1.8%	2,973	2,970	0.1%
Available Seat Kilometres (m)	715	727	(1.6%)	3,506	3,591	(2.4%)
Passenger Load Factor (%)	85.7%	82.9%	2.8 pts	84.8%	82.7%	2.1 pts
<b>Tasman / Pacific</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	407	405	0.5%	2,111	2,074	1.8%
Revenue Passenger Kilometres(m)	1,091	1,095	(0.4%)	5,852	5,832	0.3%
Available Seat Kilometres (m)	1,333	1,359	(1.9%)	7,093	7,072	0.3%
Passenger Load Factor (%)	81.8%	80.6%	1.2 pts	82.5%	82.5%	-
<b>Long Haul Total</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	253	226	12.1%	1,142	1,066	7.2%
Revenue Passenger Kilometres(m)	2,486	2,230	11.5%	11,196	10,442	7.2%
Available Seat Kilometres (m)	2,874	2,607	10.2%	13,142	12,421	5.8%
Passenger Load Factor (%)	86.5%	85.5%	1.0 pts	85.2%	84.1%	1.1 pts
<b>Asia / Japan / Singapore</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	118	95	24.0%	508	436	16.5%
Revenue Passenger Kilometres(m)	1,055	851	24.0%	4,508	3,887	16.0%
Available Seat Kilometres (m)	1,220	953	28.1%	5,345	4,684	14.1%
Passenger Load Factor (%)	86.5%	89.3%	(2.8 pts)	84.3%	83.0%	1.3 pts
<b>Americas / UK</b>	<b>DECEMBER</b>			<b>FINANCIAL YTD</b>		
	<b>2019</b>	<b>2018</b>	<b>% *</b>	<b>2020</b>	<b>2019</b>	<b>% *</b>
Passengers carried (000)	135	130	3.4%	634	630	0.7%
Revenue Passenger Kilometres(m)	1,431	1,379	3.8%	6,688	6,555	2.0%
Available Seat Kilometres (m)	1,654	1,655	(0.0%)	7,797	7,737	0.8%
Passenger Load Factor (%)	86.5%	83.3%	3.2 pts	85.8%	84.7%	1.1 pts

\* % change is based on numbers prior to rounding

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.



## Market announcements

(during the period 19 December 2019 to 28 January 2020)

[Air New Zealand provides details of Other Significant Items for the 2020 financial year](#)

28 January 2020

Air New Zealand is today providing an update on Other Significant Items that will be reflected in the airline's reported financial results for the 2020 financial year.

### Details of Other Significant Items to be reported

The airline expects to report three components within Other Significant Items:

- A gain of approximately \$21 million resulting from the partial sale of airport slots at London's Heathrow Airport to an undisclosed party, following the 23 October 2019 announcement of the airline's withdrawal from the Los Angeles to London route. The remaining sale of airport slots is expected to be recognised in the airline's 2021 financial year for a value of approximately \$21 million, bringing the total value for the transaction to approximately \$42 million;
- Reorganisation costs in the range of \$20 million to \$25 million resulting from business transformation activities previously communicated by the airline in March and August 2019 as part of its two-year cost reduction programme, as well as expected costs associated with the withdrawal from the Los Angeles to London route;
- A non-cash accounting charge of approximately \$46 million resulting from the disestablishment of certain USD denominated debt as fair value hedges\*.

Taking the effect of these items together, the airline expects to report a statutory charge of approximately \$45 million to \$50 million which will be reflected within Other Significant Items for the 2020 financial year, primarily driven by the non-cash impact of the disestablishment of fair value hedges. A summary of the expected reporting for the above items is provided in the table below:

<b>Other Significant Items impact for the 2020 Financial Year</b>		
	<i>Interim impact</i>	<i>Full year impact</i>
Gain on sale from airport slots	Will not be reflected in this period	Approximately \$21 million gain
Reorganisation costs	\$13 million charge	Approximately \$20 million to \$25 million charge
Disestablishment of fair value hedges	\$46 million non-cash charge	No change from 2020 Interim Financial Results

### Change in guidance definition resulting from Other Significant Items

These Other Significant Items represent events that are not reflective of the airline's underlying financial performance. Accordingly, Air New Zealand has amended its earnings guidance definition for the current financial year to make it clear that these items are not included in the earnings guidance numbers.

The airline is targeting earnings before Other Significant Items and taxation in the range of \$350 million to \$450 million. As discussed on 22 August 2019 when originally provided, the guidance range excluded the impact from the change in the accounting standard for leases (which the airline advised in its 2019 Annual Financial Results is expected to have an adverse impact on earnings of approximately \$10 million), and assumes an average jet fuel price for the year of US\$75 per barrel.



Guidance summary	
<b>Amended guidance for 2020 financial year</b> <i>(as disclosed on 28 January 2020)</i>	<b>Based upon current market conditions and assuming an average jet fuel price of US\$75 per barrel, the airline is targeting earnings before <u>Other Significant Items</u> and taxation to be in the range of \$350 million to \$450 million. This outlook excludes the impact of the new accounting standard for leases (IFRS 16).</b>
Previous guidance for 2020 financial year <i>(as disclosed on 22 August 2019)</i>	Based upon current market conditions and assuming an average jet fuel price of US\$75 per barrel, the airline is targeting earnings before taxation to be in the range of \$350 million to \$450 million. This outlook excludes the impact of the new accounting standard for leases.

As has been customary in recent years, the airline expects to provide earnings guidance to the market as part of the Interim Financial Result announcement on 27 February. This would take into account then current views on forward demand and bookings outlook as well as any expected impact from recent events, such as the coronavirus in China.

\*Background information on the disestablishment of fair value hedges

Following clarifications issued by the International Financial Reporting Interpretations Committee during the 2020 financial year, Air New Zealand has retrospectively disestablished certain fair value hedges, which will result in a non-cash adverse impact on earnings of \$46 million in the current financial year. Air New Zealand had historically designated certain USD denominated debt as fair value hedges of underlying USD aircraft values for the purpose of mitigating earnings volatility related to changes in foreign exchange.

This will be accounted for within Other Significant Items in the airline's 2020 interim financial results. The debt instruments previously designated in the fair value hedge have been re-designated in new hedge relationships in accordance with Air New Zealand's Group Treasury policy.

**Air NZ announces resignation of Chief People Officer**

**14 January 2020**

Chief People Officer Jodie King will be leaving Air New Zealand to take up a new role with Vodafone New Zealand.

Jodie joined Air New Zealand in 2013 as a General Manager in the People Function and was appointed to Chief People Officer in February 2016. She has played a key role in further building our iconic culture and customer focus. During her tenure we have seen strong progress in our talent attraction, people development and management, leadership development and diversity and inclusion agenda.

She will be greatly missed by the Executive Team by whom she is highly regarded. Jodie will work with Greg Foran to ensure a smooth transition occurs and a strong appointment to the Chief People Officer role is made. Jodie will leave by the end of the financial year.



## Media Releases

(during the period 19 December 2019 to 28 January 2020)

[Air New Zealand using computer vision Artificial Intelligence \(AI\) for performance improvements](#)

23 January 2020

Air New Zealand is trialling the latest in computer vision artificial intelligence (AI) in its search for innovative ways to continually improve aircraft turn times and better on-time performance.

The new technology, made available through a partnership with leading technology start-up Assaia and alongside Auckland Airport, uses computer vision AI-equipped cameras to capture key aircraft turn activities and to predict future operational needs.

Air New Zealand is one of the first airlines in the world to use the Assaia Apron AI technology, the initiative being at the centre of the airline's efforts to maintain its strong global position in on-time-performance measures.

An aircraft turn involves more than 50 coordinated activities. These include disembarking of passengers and crew, cabin cleaning, catering and restocking, offloading of baggage and cargo, refuelling, safety and airworthiness inspections, loading of departing baggage and cargo and passenger embarkation.

Turn time of an aircraft is the time from when an aircraft stops on the gate to the time the aircraft leaves the gate. The process involves the planning and handling of tasks that ensure the cleanliness, safety and efficiency of the next flight. The turn time is a significant contributor to passenger experience and airline performance.

Air New Zealand Programme Manager for Operational Performance, Marianita Willis says the Assaia Apron AI technology helps operations staff to better monitor and understand what is happening during an aircraft turn and to offer real-time alerts and predictive analysis to better manage operations.

“For each flight there is a precise timeline associated with each activity to get the plane turned – understanding what is happening at each of these points enables us to proactively manage them. The technology enables additional data points to be collected in a real time situation, offering a bird's eye view which helps us get the necessary equipment and people in place.”

Ms Willis says the Assaia Apron AI system generates timestamps, predictions and alerts that allow operational teams to proactively make improvements. Air New Zealand will continue the Assaia Apron AI system trial into 2020 and next steps will be to better understand the data and analytics and to more fully assess the technology's value to the business.

[Book your fairytale New York Christmas –](#)

[Air New Zealand unwraps New York flights for Christmas 2020](#)

20 January 2020

Dreaming of Christmas in the Big Apple? Air New Zealand has your ticket, with 2020 holiday season bookings for its non-stop Auckland-New York flights now open.

The airline's New York route kicks off on 29 October and will be the first non-stop link between Australasia and New York. Fares are available 350 days in advance and as such customers can now book flights between Auckland and New York through to 4 January 2021.

Air New Zealand Chief Revenue Officer Cam Wallace says New York is fantastic at any time of the year, but with its iconic festive sights and shopping, the city sparkles at Christmas.

# Monthly **investor update**



“Ice skating in Central Park, the Rockefeller Christmas tree, window displays on 5th Avenue – New York at Christmas is a bucket-list experience for many and is now just one flight away.

“Our non-stop flight will make it easier than ever for Kiwis and Australians to swap a sunny Christmas for New York’s winter wonderland, and likewise, we expect many Americans to take advantage of our new flight to enjoy a relaxed, summer Christmas down under.”

Air New Zealand will operate three return services a week between Auckland and Newark Liberty International Airport using its latest configuration Boeing 787-9 Dreamliner from 29 October.

Lie-flat Business Premier beds, Premium Economy, Air New Zealand’s unique Economy Skycouch experience and new Economy Stretch legroom product are available on the New York route and to purchase at [airnewzealand.co.nz](http://airnewzealand.co.nz).

## Air New Zealand inflight Wi-Fi hits major milestone

10 January 2020

Air New Zealand has now offered more than one million free inflight Wi-Fi sessions to customers.

The airline first started rolling out Wi-Fi capability across its international jet fleet in October 2017, making it free of charge from December 2018.

Inflight Wi-Fi is now available on 23 international aircraft including five Boeing 777-300s, six 777-200s and one 787-9, as well as all 11 A320 and A321 neo aircraft which have been delivered so far. These aircraft predominantly fly the airline’s trans-Tasman, Pacific Island, US and London routes.

Air New Zealand Chief Marketing and Customer Officer Mike Tod says the airline hit the one million milestone on a flight from Auckland to Perth.

“In addition to reaching the one million milestone, December was our biggest month ever for free inflight Wi-Fi sessions with more than 122,000 customers connecting. This beats our previous record of 103,000 sessions in July 2019,” Mr Tod says.

“We’re delighted with the uptake of our inflight Wi-Fi and have had great customer interest since its introduction with travellers from around the world finding it a fantastic way to be able to stay connected.”

Air New Zealand’s remaining international aircraft are scheduled to be equipped with Wi-Fi throughout 2020.

## Air New Zealand opens new look Wellington Domestic Lounge

20 December 2019

Air New Zealand has opened a refurbished domestic lounge at Wellington Airport

The new lounge is slightly larger with 374 seats available for customers, reflecting a 10 percent increase. There will also be six different zones – a café and bar, barista station, business, lounge and quiet areas, as well as a self-service food and drinks station.

Air New Zealand General Manager Customer Experience Nikki Goodman says it’s fantastic to have the new Wellington Domestic Lounge up and running for the busy Christmas period.

“We know customers flying on our services out of the capital love our domestic lounge so it’s great to be able to offer a fresh new space with plenty of seating.

“We also expanded our regional lounge at Wellington Airport in August, adding an extra 56 seats.”

Air New Zealand opened a new regional lounge in Nelson recently and a new triple in size regional lounge was also opened in Auckland in November.