

# Monthly **investor update**



28 April 2020

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## March 2020 highlights

Group traffic summary	MARCH			% *
	2020	2019		
Passengers carried (000)	1,360	1,836	(25.9%)	
Revenue Passenger Kilometres(m)	2,674	3,815	(29.9%)	
Available Seat Kilometres (m)	3,685	4,535	(18.7%)	
Passenger Load Factor (%)	72.6%	84.1%	(11.5 pts)	

  

Year-to-date RASK <sup>1</sup>	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)	
	2020	2019	% *
Group	0.0%	(0.6%)	
Short Haul	2.6%	2.6%	
Long Haul	(1.4%)	(2.9%)	

\* % 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.

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## Operating statistics table

Group	MARCH			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	1,360	1,836	(25.9%)	13,094	13,450	(2.6%)
Revenue Passenger Kilometres(m)	2,674	3,815	(29.9%)	29,182	29,402	(0.7%)
Available Seat Kilometres (m)	3,685	4,535	(18.7%)	35,316	35,175	0.4%
Passenger Load Factor (%)	72.6%	84.1%	(11.5 pts)	82.6%	83.6%	(1.0 pts)
Short Haul Total		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	1,217	1,619	(24.9%)	11,410	11,797	(3.3%)
Revenue Passenger Kilometres(m)	1,231	1,682	(26.8%)	12,611	13,150	(4.1%)
Available Seat Kilometres (m)	1,667	1,994	(16.4%)	15,416	15,923	(3.2%)
Passenger Load Factor (%)	73.8%	84.3%	(10.5 pts)	81.8%	82.6%	(0.8 pts)
Domestic		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	946	1,234	(23.3%)	8,413	8,692	(3.2%)
Revenue Passenger Kilometres(m)	489	641	(23.7%)	4,352	4,524	(3.8%)
Available Seat Kilometres (m)	668	740	(9.7%)	5,230	5,422	(3.5%)
Passenger Load Factor (%)	73.2%	86.6%	(13.4 pts)	83.2%	83.4%	(0.2 pts)
Tasman / Pacific		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	270	385	(29.9%)	2,997	3,104	(3.5%)
Revenue Passenger Kilometres(m)	742	1,041	(28.7%)	8,259	8,626	(4.3%)
Available Seat Kilometres (m)	999	1,255	(20.4%)	10,186	10,501	(3.0%)
Passenger Load Factor (%)	74.3%	83.0%	(8.7 pts)	81.1%	82.1%	(1.0 pts)
Long Haul Total		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	144	216	(33.7%)	1,684	1,653	1.9%
Revenue Passenger Kilometres(m)	1,443	2,133	(32.4%)	16,571	16,253	2.0%
Available Seat Kilometres (m)	2,018	2,540	(20.5%)	19,900	19,252	3.4%
Passenger Load Factor (%)	71.5%	84.0%	(12.5 pts)	83.3%	84.4%	(1.1 pts)
Asia / Japan / Singapore +		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	45	91	(50.5%)	731	681	7.4%
Revenue Passenger Kilometres(m)	397	810	(50.9%)	6,496	6,072	7.0%
Available Seat Kilometres (m)	662	975	(32.1%)	7,964	7,225	10.2%
Passenger Load Factor (%)	60.1%	83.1%	(23.0 pts)	81.6%	84.0%	(2.4 pts)
Americas / UK		MARCH			FINANCIAL YTD	
		2020	2019	% *	2020	2019
Passengers carried (000)	99	126	(21.6%)	953	973	(2.0%)
Revenue Passenger Kilometres(m)	1,045	1,323	(21.0%)	10,075	10,181	(1.0%)
Available Seat Kilometres (m)	1,356	1,565	(13.3%)	11,935	12,028	(0.8%)
Passenger Load Factor (%)	77.1%	84.6%	(7.5 pts)	84.4%	84.6%	(0.2 pts)

\* % change is based on numbers prior to rounding

+ Includes fifty one legs flown between Auckland and Hong Kong replaced by Cathay Pacific charters.

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.

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## Market Announcements

(during the period 25 March to 27 April 2020)

### Air New Zealand announces Board Appointments

8 April 2020

Air New Zealand has appointed two outstanding business leaders to its Board of Directors.

Former global Chief Executive Officer of Avis Budget Group Inc Larry De Shon and former Freightways Manager Director Dean Bracewell will join the Board from 20 April 2020. The appointments are to fill the vacancy left by Sir John Key, who retired as a Director last month, and as part of succession planning for when Deputy Chairman Jan Dawson steps down at the Annual Shareholders' Meeting in September after nine years as a Director.

"Larry will bring outstanding international business, transport and aviation experience to the Board. He was responsible for 11 brands and over US\$9 billion in revenue when he retired from Avis Budget Group last year and had a distinguished 28-year career with United Airlines where his Executive responsibilities included Airport Operations, Marketing and On-Board Service," says Chairman Dame Therese Walsh.

Mr De Shon says it is a privilege to be appointed as a Director of Air New Zealand.

"The airline is deservedly considered one of the best in the world and has been for many years. Its service ethos, commitment to sustainability, innovative approach to product development and operational excellence are the envy of not just airlines but many companies around the world. I am delighted to play a role in helping support the Board, Chief Executive Officer Greg Foran and all Air New Zealanders to grow this great airline," Mr De Shon says.

Dame Therese says Mr Bracewell's deep transport and logistics experience will be of immense value to the Board.

"Dean is one of New Zealand's most highly regarded business leaders and intimately understands what it takes for a company to succeed in a tough and competitive environment. As we seek to rebuild Air New Zealand after the impact of Covid-19, he brings commercial and leadership skills that will further strengthen the Board," she says.

Mr Bracewell is currently a Director of Tainui Group Holdings, Property for Industry Limited and the Halberg Foundation. He is also a member of the Government's Future of Rail Steering Group.

Mr Bracewell, who is of Ngāti Maniapoto and Ngāi Te Rangi descent, says he is thrilled to be given the opportunity to play a role in supporting Air New Zealand's future success.

Mr De Shon and Mr Bracewell will be up for election by shareholders at the Annual Shareholders' Meeting this year.

### Air New Zealand announces new Chief People Officer

7 April 2020

Air New Zealand has appointed Joe McCollum as Chief People Officer effective April 14, 2020.

Mr McCollum will take over from Jodie King, who is leaving the airline to become Chief People Officer at Vodafone New Zealand.

Air New Zealand Chief Executive Officer Greg Foran says Mr McCollum will bring to the airline an extensive depth of global change management and Executive leadership experience forged in challenging environments.

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"Joe is no stranger to the type of large scale, rapid workplace change that Air New Zealand has ahead in the wake of Covid-19. He will be a key member of the team to rebuild our airline," Mr Foran says.

Mr McCollum is a former Group Human Resources Director at Spark and prior to that headed Human Resources for global chemicals giant ICI plc based out of London. He has also worked across the software, music and media industries.

Meanwhile, the airline has contracted one of New Zealand's most experienced employment relations practitioners, Paul Diver, to support Mr McCollum with the workforce change management process currently underway.

**Air New Zealand Chief Executive Officer's email to staff and customers**

**31 March 2020**

Air New Zealand will begin the painful process of materially reducing its workforce as the severe economic impact of COVID-19 hits our airline.

We have had to cut more than 95 percent of our flights here in New Zealand and around the world. The only flights remaining are in place to keep supply lines open and transport options for essential services personnel. I would like to thank our people for all they are doing to keep our nation connected with the world at this vital time despite the enormity of the situation ahead.

Air New Zealand is an expensive business to run with operating costs in the billions. We are no different to a household. We have outgoings like debt repayments, utilities bills, lease payments (in our case planes not cars) etc... and we need income (or as we call it – revenue) to cover all our bills.

Before COVID-19 came along and wiped out global air travel, we had annual revenue of around \$5.8 billion. After paying all our bills, that saw us end the last financial year making a profit of \$374 million. And we had over a billion dollars in the bank, which was our version of the rainy-day account in case an unexpected event hit our business.

Unfortunately, COVID-19 has seen us go from having revenue of \$5.8 billion to what is shaping up to be less than \$500 million annually based on the current booking patterns we are seeing. That's right - a drop of more than \$5 billion dollars. This has the potential to be catastrophic for our business unless we take some decisive action.

The only way we will see an improvement in that revenue estimate this calendar year is if Kiwis embrace domestic travel after the Level Four Alert is lifted. The harsh reality is that most countries will take a cautious approach to allowing international tourism in the next year, New Zealand included.

And international tourism flows make up two thirds of Air New Zealand's revenue. So, that is billions of dollars in ticket sales we won't be booking and more than 1.5 million tourists who won't be arriving here to fly on our domestic network.

In that light, it is clear the Air New Zealand which emerges from COVID-19 is a much smaller airline and could take years to get back to its former size. Therefore, we are planning to be a domestic airline with limited international services to keep supply lines open for the foreseeable future.

The Air New Zealand of pre-COVID-19 employed 12,500 people around the world. Clearly, we will be smaller for some time and we will need fewer staff. We expect that even in a year's time we will be at least 30 percent smaller than we are currently.

We have been collaborating with our Unions and our Air New Zealanders to explore how we can together reduce the costs of running our airline. Our monthly labour cost alone is \$110 million. We have \$960 million in cash reserves currently, but with very little revenue coming in, our cash balance will fall by tens of millions of dollars each week. We have negotiated a loan with the Government and expect that we will need to begin

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to draw on that within months because our outgoings are so high. Every dollar we use from this loan facility comes with interest (more than double current interest rates for a household mortgage) and must be re-paid.

Through collaboration, we have been able to reduce costs by asking all our Air New Zealanders to take Leave Without Pay, forgo bonuses, reduce hours and consider voluntary exits. We have also made savings from voluntary pay cuts by the Board of Directors, myself as Chief Executive Officer and my Executive team, and cancelling all incentive payments for staff on Individual Employment Agreements. While these measures help, they only go part of the way to reducing costs to the level we need to be viable in the long-term.

The Government's recently announced wage subsidy may provide some relief which would be helpful. We are working with the Government to determine how the subsidy can be applied in our business and in turn to the benefit of our people. The subsidy is, however, a short-term measure and doesn't right-size the business for the future, especially when you consider that even in a year, we will be 30 percent smaller than we are currently. But we are grateful that the Government has put in place a scheme that means the cuts to the size of our workforce are not as deep as they may needed to have been.

Burdening our airline with massive debt would significantly lessen our ability to compete with airlines emerging from COVID-19. Unfortunate as it is, our revenue and expenses forecasting indicate that a large-scale reduction of the workforce must occur on top of all our other actions.

The extent of this reduction is based on conservative assumptions and we may have to change these as the situation evolves, especially if the Level 4 Alert goes beyond the planned 28 days or border restrictions are in place for a prolonged period.

So, we will begin the process of a large-scale reduction of our workforce in the international regions. New Zealand will follow once the Executive agrees a final plan in the coming days. These are necessary measures to ensure our nation retains an airline, albeit a smaller one. To be clear it is shaping up that the size of the Air New Zealand workforce will reduce by up to 3,500 roles in coming months. No areas will be immune whether it is our most senior leaders through to new joiners. The situation we find ourselves in is nobody's fault.

And I am acutely conscious that a smaller Air New Zealand also comes with a significant impact on many of our suppliers, some of whom will probably have to reduce the size of their workforces because we won't be doing as much business with them.

These are certainly unprecedented and challenging days. I look forward to working positively with our union partners to ensure that we do all we can to minimise the size of the workforce reduction. Thank you for your ongoing support of Air New Zealand.

## Media Releases

(during the period 25 March to 27 April 2020)

[Air New Zealand revises international network](#)

24 April 2020

Air New Zealand will not resume operation of its suspended Auckland-Buenos Aires and Los Angeles-London routes due to the deep impact of COVID-19 on forward travel demand.

The airline has also taken the decision to postpone the commencement of its non-stop Auckland-New York service from 29 October 2020 until late 2021 at the earliest.

Along with 95 percent of its international flying, Air New Zealand's Buenos Aires and Los Angeles-London routes are currently suspended through to 30 June due to government travel bans and low demand.

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Last year, the airline announced its plan to exit the Los Angeles-London route in October 2020 and in March brought forward the closure of its London cabin crew base.

Air New Zealand Chief Networks, Strategy and Alliances Officer Nick Judd says demand for international travel has been tracking at about five percent of pre-COVID-19 levels into June.

"It's deeply disappointing to be in this position. Our people have worked tenaciously over the years to build these markets and excitement was growing for our non-stop New York flight.

"However, the effects of COVID-19 continue to bite; we expect most countries to take a cautious approach to international travel in the next year and we have to be pragmatic.

"Government travel restrictions will continue for some time and demand for our Los Angeles-London service is unlikely to recover before our planned exit in October. Argentina has been challenging before the pandemic and we don't expect this market to recover quickly."

Air New Zealand is currently operating a limited international network through to 30 June to keep air links open for essential travel and cargo movement on key trade routes. Total capacity has been reduced to 95 percent of pre-COVID-19 levels and demand will be reviewed on a route-by-route basis before services are resumed.

The airline's customer care team and contact centre are supporting those affected by these changes and customers will be contacted with options in coming days. Customers booked via a travel agent, including a third-party website (e.g. Expedia, Booking.com) should speak with their agent. Air New Zealand's dedicated COVID-19 [information hub](#) is being updated continuously and customers should check this first, before calling the airline's contact centre.

Prior to COVID-19, Air New Zealand operated a daily service between Los Angeles and London and up to five times weekly from Auckland to Buenos Aires.

## Air New Zealand updates domestic network for Alert Level 3

22 April 2020

The airline will operate a limited domestic schedule from Tuesday 28 April to enable essential travel only and to keep air freight moving.

The airline's domestic schedule while the country is at Alert Level 3 is as follows –

Route	Services	Aircraft type
Auckland-Christchurch	2x return services Mon-Sat 1x return service Sun	A320
Auckland-Wellington	1x return service Mon-Sun	A320
Auckland-Tauranga	3x return services Tues/Thurs/Fri	Q300
Auckland-Napier	3x return services Tues/Thurs/Fri	Q300
Wellington-Christchurch	2x return services Mon-Fri 1x return service Sat/Sun	Q300 ATR
Wellington-Nelson	1x return service Mon-Wed 2x return services Thurs/Fri	Q300
Christchurch-Dunedin	1x return service Mon-Sun	ATR

Air New Zealand General Manager Networks Scott Carr says travel remains very restricted under Alert Level 3.

"We have made some slight adjustments to our domestic schedule in the coming weeks and that includes adding several services a week between Auckland and Napier and Auckland and Tauranga. We'll also be

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adding additional capacity between Christchurch and Dunedin with flights in and out of Dunedin across the week.”

Before making a booking, customers are reminded to check the [latest information](#) on the travel and transportation section of the Government COVID-19 website and the [COVID-19 hub](#) on the Air New Zealand website.

## Air New Zealand updates international schedule to 30 June

11 April 2020

Air New Zealand is extending the timeframe for its significantly reduced network by a month, with its minimal international operations to continue through to 30 June 2020.

In response to government travel restrictions and low demand due to the COVID-19 pandemic, the airline earlier announced a limited international network from 30 March to 31 May, to keep air links open for essential travel and cargo movement on key trade routes.

This schedule will now apply through to 30 June 2020. All services are subject to change as governments continue to introduce or change travel and border restrictions.

Overall international capacity has been reduced by 95 percent from pre-COVID-19 levels.

### Tasman services (per week)

Auckland-Sydney	Three return services
Auckland-Brisbane	Two return services
Auckland-Melbourne	Two return services

### Pacific services (per week)

Auckland-Rarotonga	One return service
Auckland-Niue	One return service
Sydney-Norfolk	One return service
Brisbane-Norfolk	One return service

Samoa, Tonga and Fiji are currently not permitting international flights. If these restrictions end, Air New Zealand is likely to operate one return service per week from Auckland.

### Long-haul services (per week)

Auckland-Los Angeles	Three return services
Auckland-Hong Kong	Two return services
Auckland-Shanghai	Three return services from 31 May

The airline has set up a dedicated COVID-19 [information hub](#) on its website and customers are encouraged to consult this in the first instance. Due to the large number of schedule changes, customers are strongly encouraged to only contact the airline if they are due to fly within the next 48 hours.

## First Air New Zealand repatriation flight takes off for Frankfurt

3 April 2020

The first of several flights Air New Zealand is operating for the German Government to repatriate stranded German nationals has departed Auckland International Airport.

A team of Air New Zealand employees has put themselves forward to fly this mission. Four pilots and 12 cabin crew are operating Auckland-Vancouver, where the airline has positioned a full replacement crew to continue to Frankfurt.

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Further repatriation flights using the airline's 342-seat 777-300 aircraft will depart from Auckland and Christchurch airports in the coming days.

Air New Zealand Chief Operational Integrity and Standards Officer Captain David Morgan says detailed plans are in place to ensure passengers return home safely, and the airline is grateful for the support of German and Canadian officials and the New Zealand Government.

"We are pleased to be able to help the German Government to safely bring its people home and our teams have quickly mobilised a schedule with daily flights scheduled through to next Wednesday, and more to come.

"Naturally the wellbeing of our passengers and crew is Air New Zealand's top priority and we are incredibly grateful for the measures put in place by the New Zealand Government to ensure the safe departure of foreign nationals from our shores."

Air New Zealand is working with several governments on requests for repatriation charters.

## First Air New Zealand cargo flight to depart for Shanghai tonight

30 March 2020

An Air New Zealand cargo flight has departed Auckland for Shanghai, marking the first airfreight service to Shanghai that will ensure priority goods continue to be available during the COVID-19 outbreak. This service is carrying premium local export goods including honey and seafood.

Air New Zealand General Manager Cargo Rick Nelson says the airline is grateful for support from the New Zealand Government that will ensure key international airfreight links remain open to support the local economy.

"This is undoubtedly an extremely difficult time for our airline with a significant reduction in capacity due to reduced travel demand, but these services will ensure key goods such as medical supplies and food continue to flow in and out of New Zealand. We're pleased to be able to keep New Zealand connected to the world in this way by working with our key cargo partners."

The airline has also introduced a number of innovative measures to keep Kiwi businesses connected to the world, including offering cargo customers a range of aircraft charter services covering every port on the Air New Zealand network (excluding London), and introducing the concept of a 'Multi Party Charter Agreement', designed to help small and medium sized exporters and importers move their goods. This gives customers the option to purchase a single airfreight pallet position on a charter flight. Alternatively, by working together with a freight forwarder a coalition of exporters and importers can potentially combine and consolidate their shipments to purchase a single unit on the aircraft.

## Air New Zealand ramps up cargo operations

26 March 2020

Air New Zealand Cargo is offering importers and exporters a range of charter options to keep cargo moving to and from New Zealand during the COVID-19 outbreak.

Air New Zealand General Manager Cargo Rick Nelson says the airline has introduced a number of innovative measures to keep Kiwi businesses connected to the world.

"We're offering our cargo customers a range of aircraft charter services covering every port on the Air New Zealand network (excluding London). We have also been able to provide customised options from North American markets through to Australia.

"With our Boeing 787-9 Dreamliner aircraft for example, we have the ability to uplift 11 cargo pallets in each direction we fly. Each of these pallets can take up to 12 cubic metres in volume and up to 4600 kilograms in weight.

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"We've shared these options with our global cargo customer base and are getting some strong interest from customers wanting to ship to and from Shanghai, Hong Kong, San Francisco, Los Angeles, Sydney and Melbourne.

"We've also introduced the concept of a 'Multi Party Charter Agreement' which has been designed to help small and medium sized exporters and importers to ensure they have options available to them to move their goods in these challenging times. Under this model, our customers can purchase a single airfreight pallet position on a charter flight, or by working together with a freight forwarder, a coalition of exporters and importers can potentially combine and consolidate their shipments so that they are able to purchase a single unit on the aircraft.

"This is undoubtedly an extremely difficult time for our airline with a significant reduction in capacity due to reduced travel demand, but we are pleased to be able to keep New Zealand connected to the world in this way."

At the same time, Air New Zealand is working with the Government to ensure critical cargo transport lines are maintained.