

Monthly *investor update*



Contents

31 August 2021

- July 2021 traffic highlights
- Operating statistics table
- Recent market announcements and media releases

July 2021 highlights

Group traffic summary	JULY			FINANCIAL YTD		
	2021	2020	% *+	2022	2021	% *+
Passengers carried (000)	1,075	714	55.4%	1,075	714	55.4%
Revenue Passenger Kilometres(m)	848	499	75.2%	848	499	75.2%
Available Seat Kilometres (m)	1,196	873	41.3%	1,196	873	41.3%
Passenger Load Factor (%)	70.9%	57.2%	13.7 pts	70.9%	57.2%	13.7 pts

Year-to-date RASK ¹	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)
Group	5.0%	5.3%
Short Haul	(17.0%)	(17.0%)
Long Haul	24.1%	31.7%

Please note that the available seat kilometre (capacity) numbers included in the tables within this disclosure do not include any cargo-only flights. This is because these capacity numbers are used to calculate passenger load factors and passenger RASK

* % change is based on numbers prior to rounding.

+ The month's 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 2020 (33 days) compared with July 2021 (32 days). This is because Air New Zealand operates on a 4,4,5 accounting calendar but closes the annual accounts on 30 June.

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



Market Announcements

(during the period 2 August 2021 to 30 August 2021)

[Air NZ announces 2021 result as it navigates Covid-19](#)

26 August 2021

Financial results summary

- Operating revenue of \$2.5 billion, down 48 percent on the prior year
- Cargo revenue up 71 percent on the prior year, supported by the New Zealand and Australian Government's IAFC, MIAC and IFAM schemes (the airfreight support schemes)
- Loss before other significant items and taxation of \$440 million
- Loss before taxation of \$411 million
- Domestic capacity rebounded strongly as the year progressed, reaching 93 percent of pre-Covid for the three months ending July, driven by strong leisure demand and the return of corporate customers
- Latest domestic nationwide lockdown expected to negatively impact financial operating performance
- Liquidity of \$1.3 billion as at 24 August 2021, comprised of \$183 million cash and \$1.15 billion of undrawn funds on the Government standby loan facility (the Facility)
- Dividends remain suspended
- Planned capital raise deferred to first quarter of calendar year 2022

Air New Zealand has announced a loss before other significant items and taxation of \$440 million for the 2021 financial year – its first full 12-month period of operation with Covid-19 related international travel restrictions. Using the same metric, the company reported an \$87 million loss for the 2020 financial year.

Statutory losses before taxation, which include a \$29 million gain from other significant items, were \$411 million, compared to a loss of \$628 million last year.

The financial result benefited from approximately \$450 million of Government assistance including airfreight support schemes as well as further subsidies and initiatives that are not expected to be repeated to the same extent in the 2022 financial year.

Ongoing border restrictions saw operating revenue decline 48 percent to \$2.5 billion as international flying was significantly reduced, with capacity down 55 percent on the prior year, although cargo flying revenue grew by 71 percent compared to the prior year thanks to airfreight support schemes. The airline's domestic business performed strongly, led by strong leisure demand as well as corporate customers flying at close to pre-Covid levels.

Chairman Dame Therese Walsh says the 2021 financial result reflected the reality of a year in which the airline was unable to fly two-thirds of its passenger network.

"In a severely constrained environment, Air New Zealand maintained cost discipline, focusing on delivering with excellence in the areas in its control. The return of a strong domestic business and growth in the cargo services that underpin our key export markets was a reminder of the airline's crucial role in New Zealand's infrastructure," says Dame Therese.

"Air New Zealanders showed agility during constantly changing operating conditions, managing reopenings, pauses and then closures while generating new revenue from additional cargo routes and increasing domestic and regional passenger capacity to match an increased demand for domestic leisure travel."

Dame Therese paid tribute to the continued commitment and sacrifice of the Air New Zealand team.

"To keep New Zealand connected to key markets, help Kiwis continue travelling and manage continued disruption to passengers' travel plans, Air New Zealanders have again proven their aroha for customers.

Monthly *investor update*



From our airport employees and flight crew who are among the most frequently tested groups in the country, to all our other operations and corporate teams across the network who have worked tirelessly behind the scenes to keep our customers and cargo moving, their efforts have been extraordinary.”

“These efforts, after 18 months of reduced pay and forfeited incentives, were recognised earlier this year when we announced eligible employees would each be provided with a \$1,000 award of shares or cash. With significant uncertainty ahead, including the current lockdown, this was important recognition of the people who give so much to our business.”

Chief Executive Officer Greg Foran said the 2021 financial year was one in which the airline played the hand it was dealt, kept planes flying every day and took some important steps in the delivery of its refreshed strategy, Kia Mau.

“Our people developed new capabilities and dexterity, adapting quickly when conditions changed. Although the return of long-haul travel seems some time away, the changes the team made this year will serve us well when it returns,” he says.

“We have reimagined our domestic business, increasing the choice of flight times and introducing greater price differentiation for peak and off-peak flying. This allows us to offer more lower priced fares, which will unlock new demand for domestic tourism.”

“We capped fares to ensure travel isn’t out of reach when it’s needed most, reintroduced the popular Fast Bag service with new features, and improved our unaccompanied minors service to make travel easier for our most valuable cargo and safer for our people.”

“We had fun with our customers, trialling new inflight food and beverage options, made changes – while retaining the much-loved cookie – and will showcase great New Zealand products in the year ahead.”

Mr Foran says the airline also took meaningful steps towards its goal of net zero emissions by 2050.

“With almost daily reminders of the impact of climate change, we are supporting the development and deployment of electric, hybrid and hydrogen aircraft for domestic use, and engaging and collaborating with others in the private sector and the Government to make sustainable aviation fuel (SAF) supply a reality in New Zealand.”

“We also made some exciting enhancements to our Airpoints™ loyalty programme, adding more store partners, improving access to upgrades and increasing the ability to share benefits among family and friends.”

“Strategic digital investments towards our goal of being ‘the world’s leading digital airline’ included equipping our turboprop aircrew with devices to replace paper-based systems, introducing a new supply chain management system and improving self-serve options for customers to use credits and manage bookings.”

Mr Foran also acknowledged the ongoing uncertainty in the airline’s operational and financial performance, including following the latest Covid-19 cases in New Zealand and subsequent lockdown.

“More than ever, this is a time to look after our people who continue to deliver those essential services, keeping cargo moving and getting Kiwis back home.”

Capital raise and liquidity

As announced on 13 August 2021, Air New Zealand received a letter from the Minister of Finance outlining his view that the current environment is not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support a planned equity raise at this time. In this context, the airline has, in

Monthly *investor update*



consultation with the Crown, decided to further defer its planned capital raise from 30 September 2021 until the first available window in the first quarter of calendar year 2022.

Given the critical role that the airline has in New Zealand's economy and society, the Crown has again confirmed its longstanding commitment to maintaining a majority shareholding in Air New Zealand. Subject to Cabinet being satisfied with the terms of the airline's proposed capital raise at the relevant time, the Crown has again confirmed that it will participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

On completion of the recapitalisation, Air New Zealand expects to repay all amounts drawn under the Facility. The Crown has confirmed to the airline that it shares this expectation.

Until the capital raise is completed, the airline has access to sufficient liquidity under the Facility, with \$1.15 billion in remaining funds that allow it to continue operating and investing activities. Air New Zealand has drawn \$350 million on the Facility as at 25 August 2021 and expects to draw down further in the coming months.

The airline's operating cashflow for the 2021 financial year benefited from the one-off deferral of around \$254 million in Fringe Benefit Tax (FBT) and PAYE payments, which will start to be repaid in the 2022 calendar year. An additional \$60 million of FBT and PAYE is expected to be deferred in the first quarter of the 2022 financial year and repaid before 31 March 2022.

Dividend update

The Board continues to focus on preserving Air New Zealand's liquidity, and given the ongoing uncertainty and continuing financial pressures on the airline, has determined it will not declare a final dividend for the 2021 financial year.

Air New Zealand's Board does not expect to consider payment of dividends before the airline's earnings and gearing substantially recover, and in the context of a supportive macroeconomic environment.

Outlook for 2022

Given uncertainty surrounding the current national lockdown, ongoing international travel restrictions and uncertainty regarding the level of demand as these restrictions lift, Air New Zealand has suspended 2022 earnings guidance.

Air NZ updates on capital raise timing and liquidity

13 August 2021

On 9 April 2021 Air New Zealand announced its intention to complete a capital raise, with components of both debt and equity, before 30 September 2021.

On 12 August 2021, the Government provided its plan to reconnect New Zealanders to the world in relation to COVID-19. This included updated vaccination rollout plans, a phased approach to reopening borders and from the first quarter of calendar 2022, a phased introduction of an individual risk-based approach to border settings that will establish various pathways of entry into the country.

Capital raise deferral

Subsequently, the Company received a letter from the Minister of Finance outlining his view that the current environment is not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support the planned equity raise at this time. A copy of that letter is enclosed with this release.

Monthly *investor update*



In this context, the Company has, in consultation with the Crown, decided to further defer its planned capital raise until the first available window in the first quarter of calendar year 2022.

Given the critical role that the airline has in New Zealand's economy and society, the Crown has again confirmed its longstanding commitment to maintaining a majority shareholding in Air New Zealand. Subject to Cabinet being satisfied with the terms of the Company's proposed capital raise at the relevant time, the Crown has again confirmed that it will participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

On completion of the recapitalisation, the Company expects to repay all amounts drawn under the Crown Standby Facility. The Crown has confirmed to the Company that it shares this expectation.

Crown Standby Facility

The interest rates on drawings under Tranches 1 and 2 of the Crown Standby Facility were due to step up by 1% after 29 October 2021. The Company and the Minister of Finance have agreed that this interest rate step up will no longer apply.

This means that from 29 October 2021 the margin applicable to drawings under Tranche 1 will remain at 2.50% and for Tranche 2 will remain at 4.00%. The line fee payable on the Crown Standby Facility will remain at 1.00%. This will result in an all-in total interest rate of approximately 4.20% for Tranche 1 and 5.70% for Tranche 2 (incorporating the same Bank Bill Benchmark rate of around 0.70%).

This change has been negotiated on an arm's length basis with each party having been independently advised.

The Crown Standby Facility continues to be available through to September 2023. Other commercial terms of the Crown Facility remain as outlined in the Company's announcements on 20 March 2020 and 8 April 2021.

Liquidity update

As communicated in the Company's latest market announcement on 4 August 2021, the Company expects to draw down further on the Crown Standby Facility. This reflects the cashflow impact of the suspension of the trans-Tasman bubble, combined with upcoming planned payments relating to aircraft.

Given the ongoing uncertainty in the operating environment, on 6 April 2021 the Company suspended its cash burn guidance. While uncertainty continues to exist and the cash burn guidance remains suspended, the Company notes that repayment of approximately \$310 million related to PAYE payment deferrals from the IRD is now expected to occur over the three months from January to March 2022.

Update on Tasman impact to earnings and liquidity

4 August 2021

Given the current suspension of trans-Tasman quarantine free travel, Air New Zealand is providing an update on the 2022 financial year earnings guidance previously provided to the market on 18 June 2021, as well as an update on liquidity.

Earnings guidance

On 23 July 2021, the New Zealand Government announced the suspension of trans-Tasman quarantine-free travel for a period of eight weeks. The airline continues to assess the impact of this temporary suspension on passenger demand, in conjunction with an expectation that demand on the Tasman may be slower to recover following the re-opening of a travel bubble and that there remains a risk of future suspensions. This has resulted in Air New Zealand reassessing its 2022 financial year earnings expectations.

The airline currently expects losses before other significant items and taxation will not exceed \$530 million for the 2022 financial year, assuming a fuel price of USD78 per barrel and an NZD/USD foreign exchange

Monthly *investor update*



rate of 0.70. The Company previously stated on 18 June 2021 that it expected losses before other significant items and taxation to be comparable to the 2021 financial year, being a loss not exceeding \$450 million.

Liquidity

Operating cashflow has reduced as a consequence of the temporary suspension of trans-Tasman travel. This reduction in cashflow, in addition to planned cash payments relating to aircraft in the coming months, means the Company expects to draw down further on the Crown standby loan facility (“the Facility”) before the end of August 2021.

The Company’s operating cashflow remains positive due to continued domestic performance and the revenue contribution from the Government’s Maintaining International Air Connectivity scheme which is currently in place until October 2021. As discussed at the 2021 interim results, operating cashflow has also benefitted from the one-off deferral of around \$310 million in PAYE payments in the 2021 and early 2022 financial years, which will start to be repaid in the 2022 financial year.

Air New Zealand has not drawn on the Facility since February 2021, therefore current drawings remain at \$350 million. As disclosed previously, the total available amount under the Facility is \$1.5 billion, and therefore the Company currently has remaining available funds of \$1.15 billion under the Facility.

Media Releases

(during the period 2 August 2021 to 30 August 2021)

Reduced domestic network extended

23 August 2021

The New Zealand Government announcement that Alert Level 4 is further extended across the country until at least 11:59pm Friday 27 August and in Auckland until at least 11:59pm Tuesday 31 August. Following this, Air New Zealand will continue to operate a reduced schedule of flights across the country.

Customers who are booked to travel during Alert Level 4 do not need to do anything. They will receive a cancellation email, and their booking will be held in credit. Customers will have 12 months from the day their credit is processed to book a flight, and another 12 months to travel. Those who have booked through a third party will need to contact their agent.

Those who need to travel while the country is at Alert Level 4 should check their eligibility on the [Government’s COVID-19 website](#). Customers who [meet the criteria](#) and still wish to travel should call the Air New Zealand [Contact Centre](#) who will assist with their booking. Customers will also need to carry a letter or evidence confirming they are travelling for essential purposes.

Customers returning from Rarotonga over the Alert Level 4 period will be accommodated (if needed) and able to travel home on our limited domestic network. Any customers (from Rarotonga) travelling on a separate domestic ticket should call the Air New Zealand [Contact Centre](#) who will rebook their connecting flight free of charge.

For the latest information, customers can check the Air New Zealand [COVID-19 Hub](#) and [travel alerts page](#).

Air New Zealand to operate reduced domestic network

20 August 2021

Following the New Zealand Government’s announcement that Alert Level 4 will extend across the country until at least 11:59pm Tuesday 24 August, Air New Zealand’s schedule will be further reduced across the country.

Monthly **investor update**



Chief Executive Officer Greg Foran says Air New Zealand supports the Government's decision and is playing its part in helping to limit the spread of COVID-19.

"Right now, it's our priority to protect our staff, customers and New Zealand. We will be running a reduced schedule for the next four days to ensure essential workers and cargo can move around the country. We'll then reassess our schedule in line with any further Government decisions.

"I want to thank our Air New Zealanders right across the business for their incredible work on getting customers home. Their efforts over the past 48 hours and the preceding 560 days have been amazing.

"We have weathered this storm before and when Aotearoa is ready to travel again, we'll be here. To our customers, thank you for standing by us and we look forward to getting you back to the skies soon."

Customers who are booked to travel during Alert Level 4 do not need to do anything. They will receive a cancellation email, and their booking will be held in credit. Customers will have 12 months from the day their credit is processed to book a flight, and another 12 months to travel. Those who have booked through a third party will need to contact their agent.

Those who need to travel while the country is at Alert Level 4 should check their eligibility on the [Government's COVID-19 website](#). Customers who [meet the criteria](#) and still wish to travel should call the Air New Zealand [Contact Centre](#) who will assist with their booking. Customers will also need to carry a letter to prove they are travelling for essential purposes.

Customers returning from Rarotonga over the Alert Level 4 period will be accommodated and arrangements will be made to allow them to travel home.

For the latest information, customers can check the Air New Zealand [COVID-19 Hub](#) and [travel alerts page](#).

[Air New Zealand update on Alert Level changes](#)

17 August 2021

Following the Prime Minister's announcement that New Zealand will enter COVID-19 Alert Level 4 from 11:59pm 17 August, until 11:59pm 20 August, Air New Zealand has made a number of changes to its services.

During Alert Level 4, travel is restricted to essential services only. Customers who are travelling should check they are eligible to travel under Alert Level 4 on the [Government's COVID-19 website](#), as travel is severely limited.

For the next 48 hours, the airline will continue to operate its current schedule around the country to enable customers to return home to their place of residence.

Food and beverage service onboard domestic flights will be suspended in response to the latest community case and this suspension will remain in place until further notice. Water is available on request on all flights. From tonight, Air New Zealand's lounges will be closed.

Valet parking will be closed to new bookings, however will stay open for 48 hours for customers to retrieve their vehicle.

While the country is at elevated Alert Levels, Air New Zealand will be taking extra precautions to keep its staff and customers safe. Air New Zealand front line staff and cabin crew will be wearing masks and gloves, and customers are still required to wear face coverings onboard.

Air New Zealand Chief Executive Officer Greg Foran says the airline has prepared for this scenario.

Monthly **investor update**



“We want to remind customers that we’ve been here before and have built capability to work through the changes. Our teams will be working hard over the next 48 hours to get Kiwis to where they need to be and we ask that customers please be patient appreciate our staff are doing their very best.”

Customers throughout New Zealand with existing bookings for travel between 17 August and 24 August will be able change their booking with change fees and any fare difference waived through to 31 August. Customers can do this via our online booking tool. Those who have booked through a third party will need to contact their agent.

In addition to this, customers who hold a ticket for a domestic flight scheduled to depart up until 30 September are able to opt in for credit and can do this via the airline's online booking tool.

The Air New Zealand contact centre and social media team are currently experiencing very high demand and the airline is grateful to customers for their patience while it works through these changes.

For the latest information, customers can check the Air New Zealand [COVID-19 Hub](#) and [travel alerts page](#).

New regional lounge in Napier opens for travellers

5 August 2021

Healthier food, more space and a dedicated café await travelers from the Bay as Air New Zealand opens its new regional lounge in Napier Airport.

The brand-new lounge caters for around 130 guests – almost double the seating capacity than the previous space – alongside several distinct zones for customers to relax in, including a café area, a self-service buffet and drinks station as well as dedicated business and quiet areas.

The airline has also added more than 17,000 additional seats from mid-August to October in and out of Napier to support domestic tourism and encourage Kiwis to travel to the region.

Air New Zealand's Chief Customer and Sales Officer Leanne Geraghty said the new lounge, located on level 1 of the terminal, has been designed to further enhance the customer journey.

“We know our customers travel for a myriad of reasons, those travelling for business may want a quiet space to get some work done before flying, others to sit, relax and enjoy a pre-flight drink. This insight was at the heart of the new lounge design.

“With many Kiwis continuing to explore all New Zealand has to offer, and Hawkes Bay proving a popular corner of the country, it’s the perfect time to open the doors and welcome customers to our new lounge space.”

The new Napier lounge follows the opening of other new regional lounges, including Nelson and New Plymouth, which are all part of an investment Air New Zealand is making in regional lounges across the country.

The new lounge is open from 5 August to all Airpoints Elite, Gold, Elite Partner and Koru members departing on an Air New Zealand flight (no more than four hours prior to flight departure).