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19 September 2019

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August 2019 highlights

Group traffic summary	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	1,321	1,293	2.2%	2,725	2,712	2.3%
Revenue Passenger Kilometres(m)	2,943	2,829	4.0%	6,157	6,012	4.2%
Available Seat Kilometres (m)	3,532	3,414	3.5%	7,365	7,224	3.8%
Passenger Load Factor (%)	83.3%	82.9%	0.4 pts	83.6%	83.2%	0.4 pts

Year-to-date RASK ¹	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)
Group	(1.0%)	(1.4%)
Short Haul	1.2%	1.3%
Long Haul	(2.7%)	(3.7%)

* % 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 2019 (29 days) compared with July 2020 (28 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.

Monthly *investor update*



Operating statistics table

Group	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	1,321	1,293	2.2%	2,725	2,712	2.3%
Revenue Passenger Kilometres(m)	2,943	2,829	4.0%	6,157	6,012	4.2%
Available Seat Kilometres (m)	3,532	3,414	3.5%	7,365	7,224	3.8%
Passenger Load Factor (%)	83.3%	82.9%	0.4 pts	83.6%	83.2%	0.4 pts
Short Haul Total	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	1,156	1,136	1.8%	2,381	2,384	1.7%
Revenue Passenger Kilometres(m)	1,329	1,300	2.3%	2,782	2,787	1.6%
Available Seat Kilometres (m)	1,606	1,594	0.7%	3,410	3,434	1.1%
Passenger Load Factor (%)	82.8%	81.5%	1.3 pts	81.6%	81.2%	0.4 pts
Domestic	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	835	830	0.6%	1,710	1,722	1.1%
Revenue Passenger Kilometres(m)	423	426	(0.6%)	876	887	0.6%
Available Seat Kilometres (m)	514	530	(3.1%)	1,066	1,099	(1.2%)
Passenger Load Factor (%)	82.4%	80.4%	2.0 pts	82.2%	80.7%	1.5 pts
Tasman / Pacific	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	321	306	5.1%	671	661	3.3%
Revenue Passenger Kilometres(m)	906	873	3.7%	1,906	1,900	2.1%
Available Seat Kilometres (m)	1,092	1,064	2.6%	2,344	2,335	2.2%
Passenger Load Factor (%)	83.0%	82.1%	0.9 pts	81.3%	81.4%	(0.1 pts)
Long Haul Total	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	165	157	5.4%	344	329	6.4%
Revenue Passenger Kilometres(m)	1,613	1,529	5.5%	3,375	3,225	6.5%
Available Seat Kilometres (m)	1,927	1,819	5.9%	3,955	3,790	6.2%
Passenger Load Factor (%)	83.7%	84.1%	(0.4 pts)	85.3%	85.1%	0.2 pts
Asia / Japan / Singapore	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	74	65	14.3%	148	130	15.5%
Revenue Passenger Kilometres(m)	655	576	13.6%	1,307	1,160	14.7%
Available Seat Kilometres (m)	791	710	11.3%	1,565	1,414	12.6%
Passenger Load Factor (%)	82.8%	81.1%	1.7 pts	83.5%	82.0%	1.5 pts
Americas / UK	AUGUST			FINANCIAL YTD		
	2019	2018	% *	2020	2019	% **
Passengers carried (000)	91	92	(1.0%)	196	199	0.4%
Revenue Passenger Kilometres(m)	958	953	0.5%	2,068	2,065	2.0%
Available Seat Kilometres (m)	1,136	1,109	2.4%	2,390	2,376	2.4%
Passenger Load Factor (%)	84.4%	86.0%	(1.6 pts)	86.5%	86.9%	(0.4 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 2019 (29 days) compared with July 2020 (28 days). This is because Air New Zealand operates on a 4,4,5 accounting calendar but closes the annual accounts on 30 June.

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 20 August 2019 to 18 September 2019)

Air New Zealand advises AUD FX rate for 2019 Final Dividend

12 September 2019

Air New Zealand advised that the foreign exchange rate used for the payment of the final ordinary dividend on 18 September 2019 to Australian investors in AUD has been set at 0.9365 (1 NZD is equivalent to 0.9365 AUD).

Air New Zealand 2019 Notice of Annual Meeting and Voting Form

23 August 2019

Air New Zealand has provided a copy of its Notice of Annual Shareholders' Meeting 2019 which will be held at the Hunua Rooms, Aotea Centre, 50 Mayoral Drive, Auckland, New Zealand on Wednesday 25 September 2019 commencing at 2.00pm (NZST).

The Notice of Meeting and Voting Form have been mailed to shareholders and. An electronic copy of these documents will be made available on the company's website at:

<https://www.airnewzealand.co.nz/annual-meeting>

Additional documents referred to in the Notice of Meeting relating to the proposed new Constitution are also be available at this website.

Air New Zealand announces profit of \$374 million, maintains dividend

22 August 2019

Air New Zealand announced earnings before taxation for the 2019 financial year of \$374 million, compared to \$540 million in the prior period. Net profit after taxation was \$270 million and operating cash flow was \$986 million.

The result was driven by operating revenue growth of 5.3 percent, which was offset by a \$191 million increase in the price of fuel, as well as a temporary increase in operating costs as the airline sought to improve network resiliency for its customers in the face of the global Rolls-Royce engine issues.

Shareholders of Air New Zealand will receive a final dividend of 11.0 cents per share, taking the total ordinary dividends declared for the year to 22.0 cents per share, in-line with the prior year. The dividend will be paid on 18 September, to shareholders on record as at 6 September.

Chairman Tony Carter said the result represents the relentless focus and hard work of more than 12,500 Air New Zealanders, who have risen to the challenges this financial year has presented.

"While we are disappointed that we did not meet the expectations we first set for ourselves at the start of the financial year, the fact is we are operating in a different demand environment than we were 12 months ago. To have achieved a solid result despite these headwinds speaks volumes about the extraordinary dedication and commitment of our people.

"When we first saw signs that demand was slowing, we took immediate steps to review our network, fleet and cost base, to position the airline for success in a lower growth environment. While we have made progress, this work is still ongoing.

"I am very confident in our strategy and our experienced, world-class executive team who are focused on driving our business back to earnings growth, while ensuring that we maintain the airline's strong customer-centric culture."

Monthly **investor update**



Chief Executive Officer Christopher Luxon noted that as the airline navigates a more challenging demand environment, delivering competitive fares and a superior customer experience remain a top priority.

“While the New Zealand market has seen foreign competitors reduce capacity or withdraw completely this year, we have continued to grow both domestically and internationally and to adjust our domestic fare structure to keep New Zealanders connected to each other and the world.

“In a society with rapidly changing customer expectations, we know we need to continue to lift our game. We invest a huge amount of time understanding what our customers value and how we can improve their experience, which is why we introduced free Wi-Fi onboard our long-haul flights earlier this year and announced changes to our Economy product offering. We can’t wait to share some further exciting product developments and enhancements in the coming months, which we think our customers are going to love.”

Mr Luxon went on to say that as the airline looks to the coming year, it is in a fundamentally strong position and will target further growth that taps into new pools of demand.

“We were very excited earlier in the year to announce that we would begin flying to Seoul in November 2019. A new seasonal service from Christchurch to Singapore will begin in December 2019, which will provide greater choice for visitors and locals alike. We will also launch additional frequency into both Chicago and Taipei, as these routes continue to outperform our expectations.

“Another important milestone will be the return of our remaining Rolls-Royce engines back into service, which we are expecting to happen in the coming months. This will enable us to bring further reliability back to our flying schedule and to utilise our most efficient aircraft in the optimum way.”

Mr Luxon acknowledged that while the outcomes of the business review announced in March will provide some clear benefits to the airline in the coming year, there were still further cost efficiencies that needed to be realised following the conclusion of operational and overhead cost reviews.

“We are focused on ensuring that Air New Zealand is fit for the new lower growth environment and part of that involves identifying ways that we can deliver meaningful, sustainable reductions in our cost base. We know we already run a tight ship and that any further cost savings will require exponential effort.

“That is why we have selected a respected external consultancy to assist with this process. They can provide us with an outside perspective and are able to benchmark us to provide a clear understanding of how our processes compare with global peers.”

Mr Luxon also stated that the airline remains committed to delivering on its sustainability strategy and initiatives.

“We know that sustainability is a critical global issue and we risk losing our social license to operate if we do not genuinely address climate change. That is why you will see us continue to invest, whether that be further reducing single use plastic items on board our aircraft or making it easier for our customers to voluntarily offset their emissions with our FlyNeutral tool.”

The airline will also take delivery of six ATR aircraft and three Airbus A320/321 NEO aircraft in the 2020 financial year, which will provide continued growth, fuel efficiency and cost benefits on the Tasman and Pacific Islands network. An additional Boeing 787-9 Dreamliner will also join the fleet this year.

Air New Zealand’s investment grade credit rating and strong operating cash flow have enabled it to continue to invest in the most innovative, efficient and comfortable aircraft on the market to deliver on its commitment to grow sustainably. Earlier this year the airline announced that it would replace its fleet of Boeing 777-200 aircraft with the Boeing 787-10 Dreamliner, subject to shareholder approval in September. These aircraft will start to be delivered from the 2023 financial year and will be a game changer for the airline, offering a 25 percent improvement in fuel efficiency.

Monthly *investor update*



Outlook

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.

Financial Highlights

- Operating revenue of \$5.8 billion
- Earnings before taxation of \$374 million
- Net profit after taxation of \$270 million
- Operating cash flow of \$986 million
- Fully imputed final dividend of 11.0 cents per share, resulting in annual ordinary dividends of 22.0 cents per share

Media Releases

(during the period 20 August 2019 to 18 September 2019)

[Air New Zealand's Economy Skycouch™ wins global award](#)

11 September 2019

Air New Zealand has taken out a top product award for the enhancements it's made to its Economy Skycouch™ to cater for the airline's youngest customers.

The airline was presented the APEX/IFSA Best Product or Service award at the Airline Passenger Experience Association (APEX) Awards in Los Angeles.

The enhancements to the Economy Skycouch include introducing a dedicated infant harness allowing infants to remain lying down throughout the cruise phase of flight, new infant pod, and modifications to the existing Skycouch Cuddle Belt which mean two children can share the Skycouch lying side by side.

Air New Zealand General Manager Customer Experience Nikki Goodman says the airline is delighted to take out the new APEX/IFSA Best Product or Service Award which recognises innovations in passenger comfort.

"We know our customers love our Skycouch which helps make it easier for families travelling with young children, and even more so since we introduced these enhancements for our youngest travellers. It's fantastic to be recognised for these improvements at the APEX Awards."

Air New Zealand was also one of 25 airlines to receive the prestigious APEX Five Star Global Rating at the awards - the airline industry's rating programme based solely on verified passenger feedback.

More than one million flights were rated by passengers across nearly 600 airlines from around the world between July 2018 and the end of June 2019 based on their flight experience, seat comfort, cabin service, food and beverage, entertainment and Wi-Fi.

[Air New Zealand kiosks, bag drops and IFE go te reo Māori](#)

10 September 2019

Air New Zealand has introduced te reo Māori as a language option on its New Zealand check-in kiosks and bag drops.

The airline is also starting to rollout te reo Māori as a language option on its Inflight Entertainment system, starting with its A321 and A320 neo aircraft.

Monthly **investor update**



Air New Zealand's Cultural Development Manager Henare Johnson says the airline has been working closely with its digital team and translators to make te reo available on its check-in and bag drop kiosks.

"Our Inflight Entertainment (IFE) team has also been working closely with translators to carefully interpret our inflight content. We have already introduced some Māori content into our IFE, including bilingual answers on our domestic inflight quiz. It's great to introduce te reo as a language option starting with our A321 and A320 neo aircraft, followed by our A320 and widebody Boeing 777 and Boeing 787 fleets from the end of this year.

"As New Zealand's national airline we recognise Māori culture is an important part of our country's identity and are focused on further weaving it into our organisation and our customer experience."

Air New Zealand's Te Ara Nui rōpu wins Diversity Works award

29 August 2019

Air New Zealand's Te Ara Nui rōpu (group) took out the top award in the Cultural Celebration category of the Diversity Awards NZ held in Auckland.

The Air New Zealand employees who make up Te Ara Nui deliver the powhiri by welcoming guests with karanga (welcoming call) and mihi whaikorero (formal speeches), and managing the tikanga with permission from marae kaitiaki. The group has also been instrumental in supporting cabin crew and whānau learning through sharing the story of the koru, and developing knowledge of Te Reo Māori and Māori tikanga.

Te Ara Nui, means 'the great path', and the group was also influential in introducing a cultural graduation ceremony created by the airline's cabin crew and members of the rōpu to formally recognise new crew at the culmination of their intensive training at the Air New Zealand Academy of Learning. As part of the event, new cabin crew and their families are welcomed onto the marae with powhiri and are encouraged to share in the celebration of their loved ones graduating.

Air New Zealand Cultural Development Manager Henare Johnson says the marae-based graduations have been well-received by employees, their whānau, the community and senior leaders.

"Te Ara Nui enables employees to deliver the practice of manaakitanga, which is all about embracing differences and ensuring graduates and their family members from all backgrounds feel empowered from their experience."

Air New Zealand jets off to Invercargill

25 August 2019

Air New Zealand's inaugural direct scheduled jet flight between Auckland and Invercargill took off from Auckland Airport on 25 August.

Air New Zealand Chief Executive Officer Christopher Luxon says, "It's terrific to get our new direct service between Auckland and Invercargill up and running.

"We know the Southland community has been asking for a direct service for some time and we look forward to locals getting behind it. The new service answers Southland's growth aspirations, with Invercargill never having been closer to New Zealand's largest city and international gateway. The service will support Southland's tourism ambitions, as well as the ability to transport an extra 500 tonnes of goods a year from Invercargill to Auckland and beyond."