

Monthly *investor update*



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27 February 2020

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January 2020 highlights

| Group traffic summary | JANUARY | | | FINANCIAL YTD | | |
|---------------------------------|---------|-------|---------|---------------|--------|---------|
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 1,330 | 1,305 | 1.9% | 10,370 | 10,201 | 1.7% |
| Revenue Passenger Kilometres(m) | 3,472 | 3,245 | 7.0% | 23,493 | 22,489 | 4.5% |
| Available Seat Kilometres (m) | 4,092 | 3,849 | 6.3% | 27,833 | 26,933 | 3.3% |
| Passenger Load Factor (%) | 84.9% | 84.3% | 0.6 pts | 84.4% | 83.5% | 0.9 pts |

| Year-to-date RASK ¹ | % change in reported RASK (incl. FX) | % change in underlying RASK (excl. FX) |
|--------------------------------|---|---|
| Group | 0.4% | (0.1%) |
| Short Haul | 3.2% | 3.3% |
| Long Haul | (0.7%) | (2.0%) |

* % change is based on numbers prior to rounding.

¹ 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 | JANUARY | | | FINANCIAL YTD | | |
|-----------------------------------|----------------|-------------|------------|----------------------|-------------|------------|
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 1,330 | 1,305 | 1.9% | 10,370 | 10,201 | 1.7% |
| Revenue Passenger Kilometres(m) | 3,472 | 3,245 | 7.0% | 23,493 | 22,489 | 4.5% |
| Available Seat Kilometres (m) | 4,092 | 3,849 | 6.3% | 27,833 | 26,933 | 3.3% |
| Passenger Load Factor (%) | 84.9% | 84.3% | 0.6 pts | 84.4% | 83.5% | 0.9 pts |
| Short Haul Total | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 1,113 | 1,115 | (0.2%) | 9,011 | 8,944 | 0.7% |
| Revenue Passenger Kilometres(m) | 1,324 | 1,353 | (2.1%) | 10,149 | 10,155 | (0.1%) |
| Available Seat Kilometres (m) | 1,597 | 1,679 | (4.9%) | 12,197 | 12,342 | (1.2%) |
| Passenger Load Factor (%) | 82.9% | 80.6% | 2.3 pts | 83.2% | 82.3% | 0.9 pts |
| Domestic | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 780 | 775 | 0.6% | 6,567 | 6,531 | 0.6% |
| Revenue Passenger Kilometres(m) | 420 | 420 | (0.0%) | 3,393 | 3,390 | 0.1% |
| Available Seat Kilometres (m) | 490 | 510 | (4.0%) | 3,996 | 4,102 | (2.6%) |
| Passenger Load Factor (%) | 85.7% | 82.4% | 3.3 pts | 84.9% | 82.7% | 2.2 pts |
| Tasman / Pacific | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 333 | 340 | (2.0%) | 2,444 | 2,414 | 1.2% |
| Revenue Passenger Kilometres(m) | 904 | 932 | (3.0%) | 6,756 | 6,764 | (0.1%) |
| Available Seat Kilometres (m) | 1,107 | 1,168 | (5.2%) | 8,200 | 8,240 | (0.5%) |
| Passenger Load Factor (%) | 81.7% | 79.8% | 1.9 pts | 82.4% | 82.1% | 0.3 pts |
| Long Haul Total | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 218 | 191 | 14.2% | 1,359 | 1,256 | 8.2% |
| Revenue Passenger Kilometres(m) | 2,148 | 1,892 | 13.5% | 13,344 | 12,335 | 8.2% |
| Available Seat Kilometres (m) | 2,494 | 2,170 | 14.9% | 15,636 | 14,591 | 7.2% |
| Passenger Load Factor (%) | 86.1% | 87.2% | (1.1 pts) | 85.3% | 84.5% | 0.8 pts |
| Asia / Japan / Singapore + | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 100 | 77 | 30.3% | 608 | 513 | 18.5% |
| Revenue Passenger Kilometres(m) | 897 | 688 | 30.4% | 5,405 | 4,576 | 18.1% |
| Available Seat Kilometres (m) | 1,049 | 772 | 35.8% | 6,394 | 5,456 | 17.2% |
| Passenger Load Factor (%) | 85.5% | 89.1% | (3.6 pts) | 84.5% | 83.9% | 0.6 pts |
| Americas / UK | JANUARY | | | FINANCIAL YTD | | |
| | 2020 | 2019 | % * | 2020 | 2019 | % * |
| Passengers carried (000) | 117 | 114 | 3.3% | 751 | 743 | 1.1% |
| Revenue Passenger Kilometres(m) | 1,251 | 1,204 | 3.9% | 7,939 | 7,759 | 2.3% |
| Available Seat Kilometres (m) | 1,445 | 1,398 | 3.4% | 9,243 | 9,135 | 1.2% |
| Passenger Load Factor (%) | 86.5% | 86.1% | 0.4 pts | 85.9% | 84.9% | 1.0 pts |

* % change is based on numbers prior to rounding

+ Includes fourteen return flights 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.



Media Releases

(during the period 28 January to 26 February 2020)

[Air New Zealand to put economy travellers to sleep](#)

26 February 2020

Air New Zealand has unveiled a ground-breaking new lie-flat prototype sleep product for economy class travellers.

The Economy Skynest is the result of three years of Air New Zealand research and development, with the input of more than 200 customers at its Hangar 22 innovation centre in Auckland. The airline has filed patent and trademark applications for the Economy Skynest which provides six full length lie-flat sleep pods.

Air New Zealand Chief Marketing and Customer Officer Mike Tod says that as the airline operates some of the world's longest flights, such as the upcoming Auckland-New York service at up to 17 hours 40 minutes one way, it is committed to putting more magic back into flying.

"We have a tremendous amount of development work underway looking at product innovations we can bring across all cabins of the aircraft. A clear pain point for economy travellers on long-haul flights is the inability to stretch out. The development of the Economy Skynest is a direct response to that challenge," Mr Tod says.

Air New Zealand will make a final decision on whether to operate the Economy Skynest next year after it has assessed the performance of its inaugural year of Auckland-New York operations.

General Manager of Customer Experience Nikki Goodman says customer and cabin crew feedback on the Economy Skynest during its final phase of development has been outstanding, with significant partners also keenly involved.

"We see a future flying experience where an economy-class customer on long-haul flights would be able to book the Economy Skynest in addition to their Economy seat, get some quality rest and arrive at their destination ready to go. This is a game changer on so many levels," Ms Goodman says.

"We're so excited to be sharing this product development with our customers. This is one of the highlights of three years' intensive work centred on customer wellbeing. We're sure this innovation is going to be a game changer for the industry and bring significant improvements to long-haul flying. We expect other airlines will want to explore licensing the Economy Skynest from us just as they have with the Economy Skycouch™."

Air New Zealand's Head of Airline Programmes Kerry Reeves says 'can do' is one of the airline's key values and the Economy Skynest prototype is a tangible example of this.

"At Air New Zealand, we continue to nurture a can-do attitude, we're not afraid of being bold and trying new things. The question is never 'can we do this' but instead 'is it right to do this for our customers?' and, if so, 'how will we do this?'"

"Our ability to take a good idea, to execute and deliver an innovation that works in our environment, our market and for our people and customers gives us an edge."

Mr Reeves says the scale of the challenge in developing the *Economy Skynest* and working through its certification with the necessary regulators is immense compared with the development of the *Economy Skycouch*.



“But it was a prize worth chasing and one that we think has the potential to be a game changer for economy class travellers on all airlines around the world.”

| Air New Zealand Economy Skynest specs* | |
|--|---|
| Where will the Economy Skynest be placed within the aircraft? | The exact positioning of the <i>Economy Skynest</i> within the aircraft has still to be confirmed, however, it will be in the Economy cabin. |
| How many beds will the Economy Skynest accommodate? | Each <i>Economy Skynest</i> can accommodate six sleeping pods |
| Overall length of the sleeping pods | In excess of 200cm |
| Width at the shoulder area | In excess of 58cm |
| What’s included with the Economy Skynest? | It is intended that each pod will include a full-size pillow, sheets and blanket, ear plugs along with privacy curtains and lighting designed for sleep. We are exploring other features such as separate reading light, personal device USB outlet and ventilation outlet. |

[Air New Zealand provides update on impact of coronavirus on 2020 outlook](#)

24 February 2020

Air New Zealand has provided an update on its current estimate of the impact of coronavirus on earnings for the 2020 financial year.

The airline’s revenue outlook for the remainder of the year is expected to be adversely impacted as a result of softer demand for travel to and from Asian destinations. Weaker forward bookings for travel on the Tasman and Domestic networks have also emerged as a result.

Immediate steps have been taken to mitigate the impact of lower demand, including adjustments to capacity across the Asia, Tasman and Domestic networks. The airline is also increasing market development investment to drive additional demand, specifically across its Domestic and Tasman markets. These actions, in addition to the reduced market price for jet fuel, will partially mitigate the impact of lower demand, however overall earnings for the 2020 financial year will be adversely impacted.

While the situation is uncertain, based on current assumptions of lower demand as well as the benefit of the announced capacity reductions and lower jet fuel prices, the airline currently expects a net negative impact to earnings in the range of \$35 million to \$75 million as a result of coronavirus.

At the midpoint of the estimated range above, which is approximately \$55 million, the airline is targeting earnings before other significant items and taxation to be in a range of approximately \$300 million to \$350 million^[1].

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The airline will provide an update to this guidance should the current assumptions materially change.

Chief Executive Officer Greg Foran acknowledges the challenging environment but says that he is confident Air New Zealand is well positioned to deliver the best result under these conditions.

“Air New Zealand is a resilient business and we have demonstrated the ability time and again to respond quickly to changing market conditions. We have a highly capable and experienced senior leadership team who have dealt with challenges such as this before and I am confident that we will effectively navigate our way through this,” says Mr Foran.

The airline will release its 2020 Interim Results to the market on Thursday 27 February.

Current network actions taken to mitigate impact of coronavirus on demand

The airline will continue to assess the appropriate level of capacity and other potential actions to reflect the changing demand environment. Current network actions the airline has taken include:

- Previously announced capacity reductions across Asia routes, predominantly related to Shanghai and Hong Kong services.
- The airline announces that services to Seoul will be temporarily suspended from 7 March through the end of June.
- Total Asia capacity will thereby reduce by 17% for the months of February through June.
- Tasman capacity reductions of 3% from March through May.
- Reductions in Domestic capacity of 2% across March and April, focused on Christchurch and Queenstown services to/from Auckland.

| Guidance summary | |
|--|---|
| <p>Amended guidance for 2020 financial year <i>(as disclosed on 24 February 2020)</i></p> | <p>While the situation is uncertain, based on our current assumptions of lower demand as well as the benefit of the announced capacity reductions and lower jet fuel prices, the airline currently expects a net negative impact to earnings in the range of \$35 million to \$75 million as a result of coronavirus.</p> <p>At the midpoint of the estimated range above, which is approximately \$55 million, the airline is targeting earnings before other significant items and taxation to be in a range of approximately \$300 million to \$350 million.¹</p> <p>The airline will provide an update to this guidance should the current assumptions materially change.</p> <p>¹Assuming jet fuel prices remain at US\$65 per barrel for the remainder of the year and excludes the impact of NZ IFRS 16.</p> |
| <p>Previous guidance for 2020 financial year <i>(as disclosed on 28 January 2020)</i></p> | <p>Based upon current market conditions and assuming an average jet fuel price of US\$75 per barrel, the airline is targeting earnings before Other Significant Items 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).</p> |

[1] Assuming jet fuel prices remain at US\$65 per barrel for the remainder of the year and excludes the impact of the NZ IFRS 16.



Air New Zealand announces capacity adjustments on Shanghai and Hong Kong routes

18 February 2020

Air New Zealand has advised that it will be reducing capacity on its Shanghai route throughout April, and Hong Kong route throughout April and May as a result of the impact of coronavirus (COVID-19) on customer demand.

Shanghai services are currently suspended until 29 March as a consequence of international travel bans affecting crew logistics and customer bookings. The resumption of these services is dependent on a change in status of international travel restrictions. The health and safety of the airline's crew and customers is paramount and re-entry into Shanghai in particular will also be subject to guidance from the New Zealand Ministry of Health and Air New Zealand Medical team.

From 30 March, Shanghai services will be adjusted from seven return services per week to a return service every second day through to 30 April. Hong Kong services, currently operated by Cathay Pacific, will resume on Air New Zealand aircraft from 29 March and will be adjusted from seven return services per week to four return services per week from 21 April – 31 May.

Air New Zealand Chief Revenue Officer Cam Wallace says the airline remains committed to its Shanghai and Hong Kong services despite the impact of the coronavirus.

"We have this week conveyed to officials in China our intention to resume services from April subject to the current travel restrictions being lifted and the appropriate medical advice from the New Zealand Ministry of Health and our own Medical Team. We are grateful for officials' understanding of our temporary suspension of Shanghai services," Mr Wallace says.

"Clearly, the coronavirus has had an impact on bookings into Shanghai and Hong Kong, and our schedule for April and May will reflect this with a lower flight frequency."

Air New Zealand will directly contact customers affected by these changes in the coming week. Customers booked via a travel agent (including online travel agents) will be contacted by their booking agent. The latest information will also be published on the Travel Alerts section of the Air New Zealand website and customers are encouraged to check this, before calling the airline's contact centre. Customers are also welcome to directly message the airline through its social media channels.

Air New Zealand project diverts nearly 900 tonnes of inflight waste from landfill

17 February 2020

Air New Zealand has diverted more than 890 tonnes of in-flight waste from landfill two years on from the launch of Project Green, its glass recycling and product use waste reduction initiative. This is equivalent to the weight of five 777-300 aircraft.

Project Green, launched in late 2017, means that unused items from a flight service that previously may have gone to landfill can be put onto a subsequent flight provided they come off the aircraft sealed and untouched. The reclassification of these items was made possible through a collaboration between the airline, its catering partner LSG Sky Chefs and the Ministry of Primary Industries.

Some of the more than 40 item types Project Green covers includes cans of soft drink, packets of cookies, boxed tea, coffee and sugar sachets and sealed napkins. Prior to the establishment of this process, even unopened items of these product types taken on board would have had to be incinerated.

To date Project Green has meant Air New Zealand has been able to recover the equivalent weight of 2 x A320s of 1.5L Water Bottles (85 tonnes), more than 11.5 million plastic glasses and more than 4 million sticks of sugar.



Air New Zealand's General Manager Supply Chain Chloe Surridge says in addition to reducing waste to landfill, data captured from the roll out of Project Green in Auckland, Wellington, Christchurch, Queenstown and Los Angeles International airport helps the business to better assess flight loading requirements and to look for opportunities to reduce waste at source.

"We are also working on ways to further segregate the waste that is collected inflight (for example soft plastics and compostables). A major challenge we face, however, in reducing waste to landfill, is the lack of recycling and composting infrastructure available for us to send our material to. More robust infrastructure across the country, including in the regions, would help us keep compostables and recyclables out of landfills."

"Project Green is a very good example of the steps Air New Zealand is taking to build sustainability into its supply chain. We are looking to make impactful sustainability gains and, in order to do this, we have to enable those bigger conversations through relationships with our suppliers and business partners."

Air New Zealand Shanghai suspension

2 February 2020

Following the announcement from the New Zealand Government on China travel restrictions, Air New Zealand has suspended its Auckland-Shanghai route with immediate effect until 29 March 2020.

Air New Zealand Chief Operational Integrity and Standards Officer Captain David Morgan says the suspension has been brought forward following increased border restrictions, which pose significant operational and crew logistics challenges.

"We thank customers for their understanding as the situation evolves. Our teams are working to make alternative travel arrangements for all customers impacted by this suspension and they will be contacted with options in the coming days," Captain Morgan says.

Air New Zealand's contact centre is currently operating at high volumes. The latest information will be published on the Travel Alerts section of Air New Zealand's website and customers are encouraged to check this, before calling the contact centre. Customers are also welcome to directly message the airline through its social media channels.

One million Air New Zealand domestic fares go for under \$50

28 January 2020

Air New Zealand has sold more than one million domestic fares for under \$50 since it overhauled its domestic pricing structure a year ago.

The airline shrunk its lowest fares on 41 domestic routes in February 2019 reducing some by up to 50 percent.

The move meant Kiwis can fly within each island for as low as \$39 and between the North Island and South Island for as low as \$39.

Air New Zealand Chief Revenue Officer Cam Wallace says the response to the reduction to the airline's lowest fares has been fantastic.

"When we announced this overhaul in February last year, we committed to making three quarters of a million seats a year available for less than \$50. It's terrific to have well and truly surpassed this and to hit the one million milestone.

"Around 600,000 of these fares sold for under \$50 have been for flights on our regional routes. We remain committed to delivering great low fares for our customers, but they're in hot demand, so people need to remember to book early to get the best possible deals."