



29 June 2020

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May 2020 highlights

Group traffic summary	MAY			FINANCIAL YTD		
	2020	2019	% *	2020+	2019	% *
Passengers carried (000)	67	1,281	(94.8%)	13,094	16,163	(19.0%)
Revenue Passenger Kilometres(m)	79	2,684	(97.1%)	29,239	35,149	(16.8%)
Available Seat Kilometres (m)	230	3,187	(92.8%)	35,777	41,922	(14.7%)
Passenger Load Factor (%)	34.2%	84.2%	(50.0 pts)	81.7%	83.8%	(2.1 pts)

Year-to-date RASK ¹⁺	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)
Group	(0.2%)	(0.9%)
Short Haul	1.6%	1.6%
Long Haul	(0.7%)	(2.2%)

* % 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.

Monthly *investor update*



Operating statistics table

Group	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	67	1,281	(94.8%)	13,094	16,163	(19.0%)
Revenue Passenger Kilometres(m)	79	2,684	(97.1%)	29,239	35,149	(16.8%)
Available Seat Kilometres (m)	230	3,187	(92.8%)	35,777	41,922	(14.7%)
Passenger Load Factor (%)	34.2%	84.2%	(50.0 pts)	81.7%	83.8%	(2.1 pts)
Short Haul Total						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	63	1,126	(94.4%)	11,401	14,179	(19.6%)
Revenue Passenger Kilometres(m)	40	1,168	(96.6%)	12,577	15,667	(19.7%)
Available Seat Kilometres (m)	111	1,389	(92.0%)	15,609	18,922	(17.5%)
Passenger Load Factor (%)	36.0%	84.1%	(48.1 pts)	80.6%	82.8%	(2.2 pts)
Domestic						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	59	855	(93.2%)	8,416	10,488	(19.8%)
Revenue Passenger Kilometres(m)	29	431	(93.2%)	4,353	5,444	(20.0%)
Available Seat Kilometres (m)	60	500	(88.0%)	5,326	6,476	(17.8%)
Passenger Load Factor (%)	49.0%	86.3%	(37.3 pts)	81.7%	84.1%	(2.4 pts)
Tasman / Pacific						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	5	271	(98.2%)	2,985	3,690	(19.1%)
Revenue Passenger Kilometres(m)	10	737	(98.6%)	8,223	10,223	(19.6%)
Available Seat Kilometres (m)	51	889	(94.3%)	10,283	12,445	(17.4%)
Passenger Load Factor (%)	20.5%	82.9%	(62.4 pts)	80.0%	82.1%	(2.1 pts)
Long Haul Total						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	4	155	(97.6%)	1,693	1,984	(14.7%)
Revenue Passenger Kilometres(m)	39	1,516	(97.4%)	16,662	19,482	(14.5%)
Available Seat Kilometres (m)	119	1,798	(93.4%)	20,169	23,000	(12.3%)
Passenger Load Factor (%)	32.6%	84.3%	(51.7 pts)	82.6%	84.7%	(2.1 pts)
Asia / Japan / Singapore +						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	1	71	(98.9%)	733	833	(12.0%)
Revenue Passenger Kilometres(m)	7	629	(98.9%)	6,509	7,418	(12.2%)
Available Seat Kilometres (m)	40	764	(94.7%)	8,050	8,792	(8.4%)
Passenger Load Factor (%)	17.9%	82.4%	(64.5 pts)	80.9%	84.4%	(3.5 pts)
Americas / UK						
	MAY			FINANCIAL YTD		
	2020	2019	% *	2020	2019	% *
Passengers carried (000)	3	84	(96.4%)	961	1,151	(16.6%)
Revenue Passenger Kilometres(m)	32	887	(96.4%)	10,153	12,064	(15.8%)
Available Seat Kilometres (m)	79	1,034	(92.4%)	12,119	14,208	(14.7%)
Passenger Load Factor (%)	40.2%	85.8%	(45.6 pts)	83.8%	84.9%	(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 2 June to 26 June 2020)

[Air New Zealand provides 2020 earnings guidance](#)

18 June 2020

Air New Zealand has provided an update on its earnings expectations for the 2020 financial year.

As disclosed to the market on 9 March 2020, Air New Zealand suspended earnings guidance for the 2020 financial year due to the significant uncertainty surrounding the duration, scale and impact of the Covid-19 pandemic. The New Zealand Government's recent move to Alert Level 1 has enabled the airline to slowly restart the Domestic network, however revenue and earnings are significantly lower than expected prior to the outbreak of Covid-19.

As the Company nears the end of its financial year on 30 June 2020, it is expecting to report an underlying loss before Other Significant Items and taxation of up to \$120 million for the 2020 financial year. This underlying earnings guidance excludes the impact of fluctuations in foreign currency rates for the month of June, as well as any fuel price changes for the remainder of the period, which are not expected to be material given the reduced level of flying.

In addition to the \$120 million underlying loss, a number of Other Significant Items will impact the 2020 financial results. On 26 May 2020, the airline disclosed its expectations for these items for the 2020 financial year. These expectations are summarised in the table below and remain unchanged from the previous announcement subject to the inclusion of the non-cash gain on unhedged foreign currency debt as discussed below.

The Company is now in a position to provide further information on the impact of unhedged foreign currency debt resulting from the de-designation of revenue hedges due to a decline in expected foreign currency revenues. The non-cash impact of currency movements on unhedged foreign currency debt for the 2020 financial year was described in the airline's 26 May disclosure. However due to the translation risk related to the revaluation of these balances each month, a dollar impact could not be estimated reliably and therefore was not provided at that time. Assuming current exchange rates, a non-cash gain of \$70 million is expected to be recognised within Other Significant Items in the 2020 financial year, however this will change if exchange rates move materially before the end of the financial year.

Other Significant Items impact for the 2020 Financial Year		
	<i>Interim impact (as previously reported in the 2020 Interim Financial Results)</i>	<i>Estimated full year impact (total expected to be reported in 2020 Financial Results subject to audit process)</i>
De-designation of hedges	Nil	(\$85 million to \$105 million)
Aircraft impairment charge	Nil	(\$350 million to \$450 million) non-cash charge
Reorganisation costs	\$13 million charge	(\$140 million to \$160 million)
Gain on sale from airport slots	Nil	Approximately \$21 million gain
Disestablishment of fair value hedges	(\$46 million) non-cash charge	No change from 2020 Interim Financial Results total

Monthly **investor update**



FX Revaluation of unhedged foreign currency debt	Nil	~\$70 million non-cash gain based on current foreign currency rates
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It should be noted that these estimates are subject to sign off by Air New Zealand's external auditors and the Board.

Air New Zealand responds to media speculation

11 June 2020

Air New Zealand notes the recent speculation included in the Australian Financial Review regarding Air New Zealand currently considering various funding options, including a potential capital raising.

Air New Zealand currently has a \$900 million facility from the Crown which has yet to be drawn. The company continues to assess its capital structure and the options available to it, including taking advice from professional advisers as required.

Air New Zealand will provide any further updates to the market as required in accordance with its continuous disclosure obligations.

Air New Zealand CEO - next 800 days

8 June 2020

On Friday afternoon (5 June 2020) Chief Executive Officer Greg Foran sent an email to customers and staff of Air New Zealand, providing an update on a plan for the next 800 days.

Please note that this email is not intended to provide a forecast or guidance on revenue or earnings for the 2020 financial year.

Kia ora,

I recently completed my first 100 days with our incredible airline. It's an understatement to say it hasn't gone entirely as expected. However, it has proven to me that the care, compassion and heart of our people is everything I expected and more. Before our lockdown and even through it, I have experienced the wonderful culture that makes Air New Zealand very special.

Today we are sharing with you the plan and timeline to get Air New Zealand back on its feet. Make no mistake this is going to be a hard journey as we create our own playbook for the airline to emerge even better than before. Over the next two years we will Survive, then Revive and finally Thrive. We have set the Annual Results announcement in late August 2022, which is in around 800 days' time, as the target date for Air New Zealand to report we are starting to earn healthy profits again even though we may be only 70% of our pre-COVID-19 size.

We can see an Air New Zealand of 2022 that is flying about 13 million customers annually versus almost 18 million pre-COVID-19. We will be highly efficient and operate fewer wide body aircraft. The good news is that Air New Zealand could be more profitable in the future than before, allowing us to start reinvesting in our customer experience, to share the rewards with Air New Zealanders via consistent profit share bonuses and to distribute dividends to our shareholders.

If we fast forward to 2022, our vision is a successful airline that:

- Takes care better than any other airline on earth
- Is operationally efficient and excellent at all we do
- Enables Kiwis to fly again, after all, we are a nation of great explorers
- Plays a critical role in helping New Zealand's economy get back on its feet
- And is seen as the carrier of the most revered nation on earth in a post-COVID-19 world.

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All supported by a strong performance-oriented culture with employee engagement which is amongst the best in our industry.

But in order to get there we still have a tough road ahead. We must first Survive, then Revive and finally Thrive.

Survive

The Survive platform of our plan is likely to run until the end of August this year. We have to cut costs across the business and already, we have sadly said farewell to 4,000 Air New Zealanders.

Survive is a whole-of-company approach and no area is immune. We have had to start radically overhauling our cost base. From grounding our 777 fleet to deferring expenditure on new aircraft, hangars and parking; seeking savings across contracts in our supply chain and leases for aircraft; Executive roles, office space and even company vehicles. We are leaving no stone unturned. Our wage bill is down by a third now but our revenue has fallen by more than two thirds. We need to balance the scales further.

Today, we start Phase 2 to remove around \$150 million additional from our wages bill as part of a suite of other changes to our cost base to put Air New Zealand in the shape to be able to meet our 800-day ambition for August 2022.

As soon as possible we will be engaging with you and your unions as we investigate how best to reduce the labour bill. We are open to explore all options with unions that help meet our cost saving goals, but I do want to be clear that we need to brace ourselves for more discussions around leave without pay, reduced hours, job share, voluntary exits with redundancies as the last option. Thinking this through carefully will be important so that as the airline regains more customers and routes we are ready to take that volume on. I am really sorry we are in a situation of needing to reduce our wages bills further, but I believe this is what we need to do with some urgency to get through the Survive phase.

As you know Air New Zealand finds itself in a predicament unlike any it has faced before. We've had challenges for sure, but never one where our revenue has effectively evaporated from \$6 billion last year to almost nothing for a couple of months. Revenue will slowly return but in the next financial year it is likely to be less than half what we used to earn. This has put our finances under great stress.

In this Survive platform we must develop new ways of working, become more flexible and adaptive to what we are facing and with it we will simply stop doing some activities. If we get this right, this will be an exciting period of reinvention to help set us up for the next phase - Revive. Some of Air New Zealand's greatest innovations came out of the dark days of Ansett and the Global Financial Crisis – and we'll do all we can to encourage that same level of creativity and innovation again.

Revive

We expect to spring into the Revive section of our journey from 1 September, if we have completed the Survive platform and reduced our cost base to match the much smaller business, we are than pre-COVID-19. We are also hopeful that around this time the nation will well and truly have returned to Level 1 and that Tasman and Pacific Island flying could be returning for leisure and business travellers.

However, we are not factoring a return to long haul flying of any note until next year. We believe that until there is a vaccine, effective treatment or elimination of the disease in key markets, the New Zealand Government will not fully open its borders for growth in long haul air travel.

That said one glimmer of hope of late has been the extra cargo movements, which are helping the economy and our cashflow as well as the heartening support we are seeing in domestic travel.

Nevertheless, the reality is that during our Revive period we will be a much smaller airline, growing gradually as routes open and customer confidence returns. We will use this phase to develop new products and

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services, while creating innovative ways to encourage Kiwis to travel for business and leisure. Importantly, digital will be at the core of all we do. Air New Zealand's customer experience of tomorrow must mirror that which consumers expect of a leading digital company, otherwise, we will not be relevant, and we'll fail to meet our full potential.

So, Thrive

We, like many of you, are determined to get through the next 800 days, so that by August 2022 we hit the Thrive section of our plan, when we will be a digital company that monetises through aviation and tourism in a very sustainable manner. This will be a time where our customers, stakeholders, shareholders and all Air New Zealanders benefit from the hard work and innovation of the Survive and Revive phases of our journey.

As we Thrive we will not focus on size, but on quality. We will be smaller, flying fewer routes but we will not change our outstanding reputation for care, compassion and heart. The pride that comes with being our country's national carrier. These values stand us apart. We will also lead in areas relating to climate change, particularly carbon emissions.

Our airline will operate with precision and humanity. Our domestic jet and regional operations are highly efficient and need to be for our business customers. The Tasman and Pacific Islands offer the best value option for all our customers. International is focused on an excellent product offering and delivery for our business and premium leisure customers. Supported by best in class digital products across all fleets, allowing for seamless customer and staff interaction which improves the experience and reduces our costs. We will not only recognise our customers but understand them and know how they feel, which will allow us to offer world class service always and to exceed expectations wherever it matters most in their journey with us. If we can nail all that, I am hopeful we may even be a bit bigger than the 70% of our former size we are preparing for. And we owe it to all the Air New Zealanders who have left us through redundancy, or who are on furlough, or who are on reduced hours, to achieve that and to get them back into the airline full time. They are our whānau.

Every airline in the world has been stunned by the COVID-19 pandemic. This event is not a hiccup; very few airlines will return to the former ways of working. The survivors will be more focused, lower cost and provide better customer service. We want to thrive in this environment, realising our ambition to take care better than any other airline on earth. Together, we can make this happen.

Thank you for all you do and your ongoing support of our airline and each other in this difficult time.

Ngā mihi nui,
Greg

Media Releases

(during the period 2 June to 26 June 2020)

[Air New Zealand adds extra capacity for school holidays](#)

18 June 2020

Air New Zealand's 787-9 Dreamliner will take to the skies over New Zealand during the school holidays.

The airline is adding more capacity to its domestic schedule for the July school holidays, with the 302-seat Dreamliner to operate between Auckland and Christchurch during this time.

Air New Zealand General Manager Networks Scott Carr says the Dreamliner will operate 16 return passenger services between Auckland and Christchurch between 1 July and 19 July, reflecting almost 10,000 additional seats on this route.

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“We’ll also add capacity of all of our other main trunk routes – from Auckland to Wellington, Dunedin and Queenstown, as well from Wellington to Christchurch, Dunedin and Queenstown through either extra flights or by upgauging to larger aircraft.

“When it comes to our Auckland-Queenstown route, we’ll be offering even more capacity over the school holidays than we did during the same time last year through upgauging 140 return services from our A320 to our larger A321neo aircraft between 29 June and 26 July. This is great news for tourism and those wanting to hit the slopes.

“We’ll also be adding a number of extra services on our regional routes in the week leading up to the school holidays including to and from Blenheim, Dunedin, Gisborne, Hamilton, Invercargill, Kerikeri, Napier, New Plymouth, Nelson, Palmerston North, Rotorua and Tauranga.”

The airline is currently working on additional flights for its regional ports for during the school holidays.

[Air New Zealand to resume Auckland-Shanghai service](#)

16 June 2020

Air New Zealand has resumed passenger flights between Auckland and Shanghai, with passengers subject to government border controls in each direction.

Pre-Covid-19 Air New Zealand operated seven services per week on its Auckland-Shanghai route, however the route has been suspended since early February due to the outbreak.

Air New Zealand General Manager Networks Scott Carr says the airline will operate one return service per week on its Auckland-Shanghai route with the first flight departing Auckland on 22 June.

“Shanghai was the first route to be impacted by the Covid-19 pandemic and government travel restrictions, so it’s pleasing to be able to resume operating passenger services on this route from Monday.”

“While we have been operating some dedicated cargo flights between Auckland and Shanghai, it’s great to be able to now open these services up for passengers to book and we expect Chinese nationals in New Zealand wanting to return to China, or New Zealanders in China seeking to return home, will look to use these services.”

The schedule for Auckland-Shanghai is as follows:

Date	Flight No.	Aircraft	Departs	Arrives	Frequency
From June	22 NZ289	787-9 Dreamliner	Auckland 11:00pm	Shanghai 7:15am	Monday
From June	24 NZ288	787-9 Dreamliner	Shanghai 2:15pm	Auckland 5:45am	Wednesday

The airline announced last week it will resume services to Narita, Tokyo from 25 June with one return service a week to operate on that route. Customers travelling on this service will also be subject to government border controls.

[What to expect from Air New Zealand at Alert Level 1](#)

8 June 2020

Air New Zealand has shared what customers can expect while travelling with the airline when the country moves to Alert Level 1.

Air New Zealand General Manager Customer Experience Nikki Goodman says Alert Level 1 will mark a return to normal with regards to domestic flying.

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“Social distancing is no longer a requirement, unaccompanied minors will once again be able to travel domestically, and customers will be able to travel around New Zealand again with pets as checked baggage.

“Customers are still encouraged to check-in for their flight via the Air New Zealand [mobile app](#) to save time at the airport. We recommend allowing plenty of time to process through the airport as we expect to see more people travelling at this level. As we’ve adapted our processes to support customers through Alert Level 2, we’ve gained some great insight into changes that we will adopt going forward, and customers can expect to see some of these as they travel.

“Our domestic lounges are open except for Auckland Domestic, which is undergoing refurbishment, and Wellington and Christchurch regional lounges which remain closed at this stage. Hot food will be available again and served to our customers, while other food will be pre-portioned and available at the buffet. Inflight, customers would have noticed our food and beverage service resumed under Alert Level 2 with the exception of Koru Hour. We are working closely with our partners and suppliers to bring this back over the coming weeks.

“As always, our top priority is ensuring we keep our customers and people safe, so high touch surfaces on board and in our lounges and airport spaces will continue to be cleaned regularly. Our jet aircraft are fitted with hospital-grade air systems that filter out viruses, and hand sanitiser will continue to be available across the airport, kiosks, service desks and all our aircraft for customers and staff to use as they wish.

“As we get back into more frequent flying, please be patient with us, as our contact centre and customer care teams continue to receive a high volume of enquiries. If your travel isn’t urgent, we’d appreciate if you would wait to contact us so that those with imminent travel can be prioritised. We’re thrilled to welcome more people on board, but please remember to be kind to our frontline employees – and if you are unwell or have Covid-19 symptoms please do not travel.”

Further details on the customer journey for Alert Level 1 can be found on the [COVID-19 hub](#) on the Air New Zealand website.

The airline plans to operate around 55 percent of its usual domestic capacity (compared to pre-COVID-19 levels) from July and August. On Monday the airline began operating to all 20 of the domestic ports it previously flew to.

Air New Zealand’s Taupō and Timaru services get underway

8 June 2020

Air New Zealand Head of Tourism and Regional Affairs Reuben Levermore says it’s great to be flying back to Taupō and Timaru.

“Restarting both our Taupō-Auckland and Timaru-Wellington routes today is great news for these towns and their wider regions and we hope locals get behind these services. The resumption of these routes also means that as of today we are operating to all 20 of the domestic destinations we serviced pre-COVID-19.

“Initially we will operate three return services a week on both routes on Monday, Wednesday and Friday. From 6 July this will increase to nine return services per week on both our Taupō and Timaru routes.”

Taupō Mayor David Trewavas says, “The resumption of domestic air travel is great for the country and fantastic for the Taupō District. Our airport remained open throughout the lockdown period, receiving flights carrying essential workers and medical staff, but being able to welcome back visitors from around the country is what we’ve all been waiting for. I’d like to thank Air New Zealand for resuming this very important service, and I’d like to invite everyone from around the country to come on over for a warm Taupō District welcome.” Timaru Mayor Nigel Bowen says, “We are so excited to have the first flights returning to Timaru, this means so much to our greater region for both tourism and commerce. I look forward to welcoming passengers back to Timaru”.



Air New Zealand jets back to Invercargill

4 June 2020

Air New Zealand's direct A320 jet service between Auckland and Invercargill will resume on 6 July.

The airline has today released its domestic schedule for July and August with the airline to operate four return jet services a week on its Auckland-Invercargill route. The airline resumed flights between Christchurch and Invercargill at the start of Alert Level 2 with that route operated by its 68-seat turboprop aircraft.

Air New Zealand Head of Tourism and Regional Affairs Reuben Levermore says the airline is thrilled to be heading back to Invercargill using its A320 jet.

"When we launched the jet service in August last year, we had such an enthusiastic response from the Southland community who had long sought a direct connection to Auckland. Although times have since become more challenging, we are ready to resume the service and work with our partners in the region to enable tourism and broader economic recovery."

"In addition to the Auckland-Invercargill jet service, we will also be resuming services between Invercargill and Wellington from 6 July, with one daily return service operated by our 50-seat Q300 turboprop aircraft throughout the week."

The new Auckland-Invercargill jet schedule will operate on Monday, Thursday, Friday and Sunday. The flight will depart Auckland at 10:35am, arriving in Invercargill at 12:40pm. The return flight will leave Invercargill at 1:20pm, arriving in Auckland at 3:20pm.