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January 2024 Commentary

- The overall increase in Group capacity was largely driven by resumption of the international network following the full re-opening of New Zealand's borders post-Covid. Long-haul international ASKs increased 21.4%, short-haul international ASKs increased 15.4%, while domestic ASKs were down slightly (4.1%) compared to last year.
- The decline in Group YTD RASK compared to the prior year was driven by the significant mix change for the 2024 financial year to date, whereby long-haul capacity growth and load factors were substantially higher relative to short-haul.
- Short-haul YTD RASK, which includes the Domestic, Tasman and Pacific islands networks declined 6.6% compared to last year. This was driven by a Tasman and Pacific islands YTD RASK decline, offset by a small increase in Domestic YTD RASK despite a yield decline from higher loads. It should be noted that the prior comparative period for domestic included the Auckland flood event which had significant impact on revenue
- Long-haul YTD RASK declined 15.9% driven by both North American and Asian routes. Intense international competition features heavily in the current trading environment, particular for North America. US competitors have not yet returned to China at scale, and for now have directed some of that additional capacity to the New Zealand market, putting pressure on yields.
- As previously disclosed in market announcements dated 12 October 2023 and 13 December 2023, it is expected that approximately \$45 million in Covid-related credits will be applied to passenger revenue in the 2024 interim financial results. These credits are not allocated to a particular route group in this document and therefore are not included within the Jan YTD operating statistics information provided on page 2.



January 2024 highlights

Group traffic summary	JANUARY			FINANCIAL YTD		
	FY24	FY23	% *	2024	2023	% *+
Passengers carried (000)	1,255	1,197	4.9%	9,606	9,149	5.5%
Revenue Passenger Kilometres(m)	2,770	2,522	9.9%	20,238	15,762	29.0%
Available Seat Kilometres (m)	3,301	2,867	15.1%	24,706	17,993	37.9%
Passenger Load Factor (%)	83.9%	87.9%	(4.0 pts)	81.9%	87.6%	(5.7 pts)

Year-to-date RASK ¹	% change in reported RASK (incl. FX) vs 2023	% change in reported RASK (excl. FX) vs 2023
	Group	(15.7%)
Short Haul	(6.7%)	(6.6%)
Long Haul	(16.3%)	(17.0%)

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 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 2022 (31 days) compared with July 2023 (30 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.



Operating statistics table

Group	JANUARY			FINANCIAL YTD		
	FY24	FY23	% *	2024	2023	% **
Passengers carried (000)	1,255	1,197	4.9%	9,606	9,149	5.5%
Revenue Passenger Kilometres(m)	2,770	2,522	9.9%	20,238	15,762	29.0%
Available Seat Kilometres (m)	3,301	2,867	15.1%	24,706	17,993	37.9%
Passenger Load Factor (%)	83.9%	87.9%	(4.0 pts)	81.9%	87.6%	(5.7 pts)
Short Haul Total						
Passengers carried (000)	1,105	1,062	4.1%	8,466	8,418	1.1%
Revenue Passenger Kilometres(m)	1,273	1,165	9.3%	9,003	8,490	6.5%
Available Seat Kilometres (m)	1,463	1,353	8.1%	10,713	9,752	10.4%
Passenger Load Factor (%)	87.0%	86.1%	0.9 pts	84.0%	87.1%	(3.1 pts)
Domestic						
Passengers carried (000)	771	770	0.1%	6,230	6,449	(2.9%)
Revenue Passenger Kilometres(m)	416	416	0.1%	3,242	3,367	(3.3%)
Available Seat Kilometres (m)	486	507	(4.1%)	3,838	3,887	(0.8%)
Passenger Load Factor (%)	85.7%	82.0%	3.7 pts	84.5%	86.6%	(2.1 pts)
Tasman / Pacific						
Passengers carried (000)	334	292	14.6%	2,236	1,969	14.1%
Revenue Passenger Kilometres(m)	857	749	14.4%	5,761	5,123	13.0%
Available Seat Kilometres (m)	977	846	15.4%	6,875	5,865	17.8%
Passenger Load Factor (%)	87.7%	88.5%	(0.8 pts)	83.8%	87.4%	(3.6 pts)
Long Haul Total						
Passengers carried (000)	150	135	10.9%	1,140	731	56.8%
Revenue Passenger Kilometres(m)	1,497	1,357	10.4%	11,235	7,272	55.2%
Available Seat Kilometres (m)	1,838	1,514	21.4%	13,993	8,241	70.6%
Passenger Load Factor (%)	81.5%	89.6%	(8.1 pts)	80.3%	88.2%	(7.9 pts)
Asia						
Passengers carried (000)	74	59	25.9%	597	307	95.4%
Revenue Passenger Kilometres(m)	664	525	26.5%	5,249	2,718	94.0%
Available Seat Kilometres (m)	780	593	31.6%	6,285	3,145	100.7%
Passenger Load Factor (%)	85.2%	88.6%	(3.4 pts)	83.5%	86.4%	(2.9 pts)
Americas / UK						
Passengers carried (000)	76	76	(0.6%)	543	424	28.8%
Revenue Passenger Kilometres(m)	833	832	0.2%	5,986	4,554	32.1%
Available Seat Kilometres (m)	1,058	921	14.9%	7,708	5,096	52.0%
Passenger Load Factor (%)	78.7%	90.3%	(11.6 pts)	77.7%	89.4%	(11.7 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 2022 (31 days) compared with July 2023 (30 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 31 January 2024 to 19 February 2024)

[Air New Zealand provides full year guidance on softer forward trading conditions](#)

19 February 2024

On 13 December 2023, Air New Zealand updated its first half guidance and cautioned against extrapolating that guidance to the second half. The airline expected the second half of the financial year to be increasingly challenging given the ongoing impact of engine maintenance requirements, economic and inflation risks, and early signs of softness in domestic demand.

The upcoming Interim financial result for the six months ended 31 December 2023 will be consistent with that 13 December 2023 guidance.

Notwithstanding the January operating statistics which will be released today, Air New Zealand notes that a number of economic and operational conditions have deteriorated further and are increasingly expected to have a significant adverse impact on its performance in the second half of the financial year. These include:

- The airline's forward bookings profile which indicates that the increased capacity and further pricing pressure from US carriers is expected to more adversely impact the forward revenue performance for the remainder of the financial year.
- The cumulative impact of significant inflation on the cost base.
- Ongoing weakness in domestic corporate and government demand.
- Temporary cost headwinds to alleviate operational pressures and customer impacts from the previously disclosed unplanned Pratt & Whitney global engine maintenance requirements. These total approximately \$35 million for the second half of the financial year and include the cost of short-term leased aircraft and significant additional contact centre resources.

Air New Zealand will continue to assess the likely impacts and duration of these conditions and circumstances.

Outlook

In light of these conditions, the airline considers that performance for the second half of the 2024 financial year will be markedly lower than the first half.

In this context, and assuming an average jet fuel price of USD\$105/bbl for the second half, the airline currently expects earnings before taxation for the 2024 financial year to be in the range of \$200 million to \$240 million. This range includes \$20 million of currently assumed additional Covid-related credit breakage over the second half. Future redemptions of Covid-related credits remain uncertain and subject to further actions.

The Board notes the airline's strong liquidity position and remains committed to its Capital Management Framework announced last August, including its ordinary dividend policy.

The airline will provide further context to the outlook when it releases its Interim results on Thursday, 22 February 2024.