



30 April 2019

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March 2019 highlights

Group traffic summary	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	1,836	1,753	4.7%	13,450	12,872	4.5%
Revenue Passenger Kilometres(m)	3,815	3,682	3.6%	29,402	27,904	5.4%
Available Seat Kilometres (m)	4,535	4,311	5.2%	35,175	33,626	4.6%
Passenger Load Factor (%)	84.1%	85.4%	(1.3 pts)	83.6%	83.0%	0.6 pts

Year-to-date RASK ¹	% change in reported RASK (incl. FX)	% change in underlying RASK (excl. FX)
Group	1.2%	0.1%
Short Haul ²	(0.4%)	(0.8%)
Long Haul	2.8%	0.6%

* % 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.

² Domestic revenue performance for March 2019, which is included within the Short Haul RASK numbers in the table above, includes an impact of \$5 million relating to the compassionate and capped fare assistance provided by Air New Zealand following the Christchurch mosque shooting tragedy in mid-March.

Monthly *investor update*



Operating statistics table

Group	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	1,836	1,753	4.7%	13,450	12,872	4.5%
Revenue Passenger Kilometres(m)	3,815	3,682	3.6%	29,402	27,904	5.4%
Available Seat Kilometres (m)	4,535	4,311	5.2%	35,175	33,626	4.6%
Passenger Load Factor (%)	84.1%	85.4%	(1.3 pts)	83.6%	83.0%	0.6 pts

Short Haul Total	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	1,619	1,541	5.1%	11,797	11,281	4.6%
Revenue Passenger Kilometres(m)	1,682	1,615	4.1%	13,150	12,346	6.5%
Available Seat Kilometres (m)	1,994	1,913	4.3%	15,923	15,015	6.0%
Passenger Load Factor (%)	84.3%	84.5%	(0.2 pts)	82.6%	82.2%	0.4 pts

Domestic	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	1,234	1,178	4.7%	8,692	8,392	3.6%
Revenue Passenger Kilometres(m)	641	612	4.7%	4,524	4,346	4.1%
Available Seat Kilometres (m)	740	710	4.3%	5,422	5,246	3.3%
Passenger Load Factor (%)	86.6%	86.3%	0.3 pts	83.4%	82.8%	0.6 pts

Tasman / Pacific	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	385	363	6.1%	3,104	2,889	7.5%
Revenue Passenger Kilometres(m)	1,041	1,003	3.8%	8,626	8,000	7.8%
Available Seat Kilometres (m)	1,255	1,203	4.3%	10,501	9,769	7.5%
Passenger Load Factor (%)	83.0%	83.4%	(0.4 pts)	82.1%	81.9%	0.2 pts

Long Haul Total	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	216	212	2.3%	1,653	1,591	3.9%
Revenue Passenger Kilometres(m)	2,133	2,067	3.2%	16,253	15,558	4.5%
Available Seat Kilometres (m)	2,540	2,398	5.9%	19,252	18,611	3.4%
Passenger Load Factor (%)	84.0%	86.2%	(2.2 pts)	84.4%	83.6%	0.8 pts

Asia / Japan / Singapore	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	91	88	3.3%	681	654	4.0%
Revenue Passenger Kilometres(m)	810	785	3.3%	6,072	5,838	4.0%
Available Seat Kilometres (m)	975	920	6.0%	7,225	7,164	0.8%
Passenger Load Factor (%)	83.1%	85.3%	(2.2 pts)	84.0%	81.5%	2.5 pts

Americas / UK	MARCH			FINANCIAL YTD		
	2019	2018	% *	2019	2018	% *
Passengers carried (000)	126	124	1.6%	973	937	3.8%
Revenue Passenger Kilometres(m)	1,323	1,282	3.2%	10,181	9,720	4.7%
Available Seat Kilometres (m)	1,565	1,478	5.8%	12,028	11,447	5.1%
Passenger Load Factor (%)	84.6%	86.7%	(2.1 pts)	84.6%	84.9%	(0.3 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 25 March 2019 to 30 April 2019)

[Air New Zealand Business Review Update](#)

28 March 2019

Air New Zealand has unveiled a series of initiatives to improve its financial performance and customer experience over the next two years.

Chief Executive Officer Christopher Luxon says the outcome of the review, which followed the airline's revised profit guidance for the 2019 financial year, will positively impact revenue growth, capital efficiency, operating costs and the customer travel experience into 2020 and beyond.

"The actions we are announcing are focused on re-aligning our business to ensure a return to earnings growth in the lower growth environment. Air New Zealand is experienced at adapting to changing macro environments, and the actions outlined in the business review will ensure the business is more dynamic, increasingly competitive and financially resilient for the future."

"I want to be clear that although there will be changes to our business, Air New Zealand has always and will always keep the customer at the core of everything we do. As such we have some exciting developments in the customer space to announce in the coming weeks and months, and we remain unequivocally committed to creating an exceptional travel experience that is the envy of airlines around the world," says Mr Luxon.

The key outcomes of the review are:

Optimising network to maximise and diversify revenue

Air New Zealand is focused on continuously optimising its route network to ensure that the right aircraft are flying on the right routes, at the right times. Changes to the network include:

- Planning for network growth of 3% to 5%, on average, over the next three years, revised from 5% to 7% to reflect a slower demand growth environment.
- Network growth focused on stimulating tourism to, from and within New Zealand, by tapping into new markets of demand with the launch of additional destinations and increased frequencies across the network, including:
 - The launch of new direct services between Auckland and Seoul from late November 2019.
 - Increased frequency on Auckland-Taipei services from November 2019 and Auckland-Chicago services from December 2019.
- Amending the timing of the Auckland-Hong Kong service to free up one aircraft from late October 2019.
- A moderate rate of growth is expected across the existing route network.



Increasing capital efficiency through retiming of fleet orders

- Aircraft capital expenditures of approximately \$750 million will be deferred to ensure capacity growth better reflects the slower demand growth environment, including:
 - Deferring by one year the delivery of three A321NEO aircraft planned to operate on the domestic network.
 - Deferring by two years the delivery of one A320NEO aircraft designated for trans-Tasman services.
 - Deferring by at least four years the delivery of two long-haul aircraft as part of a widebody fleet programme to replace the airline's B777-200 fleet, thereby decreasing the level of capital expenditure expected in the 2020-2023 financial years.
 - No change is planned for the delivery date of the airline's 14th B787-9 aircraft, which will be leased from October 2019.
 - As part of the airline's focus on fleet flexibility, the new widebody fleet replacement programme will include provisions that allow for an acceleration of growth, should market conditions change.

Improving efficiencies across the cost base

The airline is focused on improving its operational cost base to set the airline up for success in the current lower revenue growth environment.

- In addition to the ongoing cost saving initiatives of more than \$50 million per annum, which have enabled Air New Zealand to largely offset inflation over the past three years, the airline will embark on a two-year cost reduction programme.
- This programme is designed to deliver more than \$60 million in additional savings on an annualised basis, and will be formed around three key pillars:
 - Removal of inefficiencies incurred in the 2019 financial year to mitigate network and passenger disruption related to the global Rolls-Royce engine issues.
 - A reduction in overhead costs by approximately 5%, which will be delivered through a combination of reprioritisation of spend, process efficiencies and automation.
 - A targeted review of the operations cost base.

Continuing to invest in the customer travel experience

Air New Zealand remains committed to elevating the customer travel experience, with a number of enhancements planned over the next two years. The airline will soon begin revealing a series of exciting new developments across its in-flight and on-the-ground product offerings, including:

- The progressive introduction of an enhanced Business Premier experience on the long-haul fleet from the end of calendar 2019.

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- A new, more spacious, Economy product offering on the long-haul fleet from mid- calendar 2020.
- Free Wi-Fi offered on all enabled international aircraft from 28 March.
- The upgrade of 9 lounges across the network over the next two years for approximately \$50 million, as part of the airline's previously disclosed lounge upgrade programme.

Mr Luxon is confident in the airline's ability to successfully adjust its operations to reflect changing market conditions.

"Our confidence in Air New Zealand's long-term strategy, customer proposition and financial performance remains strong. The steps we are taking will provide a strong foundation for future earnings growth. We are deferring aircraft deliveries and related capital expenditures, adjusting our capacity growth plans and driving sustainable efficiencies throughout our cost base to better reflect the slower demand growth we are seeing in the market."

Chairman Tony Carter says the Board fully supports the recommendations of the review and the management team's ability to deliver stronger results for the airline's staff, customers and shareholders.

"Both management and the Board have proven their ability to re-position the airline for success across different external environments, and this time is no different," says Mr Carter.

Mr Luxon says the airline sees strong potential to grow revenue and profitability by tapping into new markets, even in a lower demand growth environment.

"We continue to see exciting growth opportunities that enhance our Pacific Rim strategy, including entering new markets such as Seoul."

Mr Luxon says a key focus for Air New Zealand is ensuring that each of its international aircraft are directed at strongly profitable routes.

"On this basis we are putting extra effort into lifting the performance of some routes that we feel are not meeting their potential, while refocusing our assets on those routes which are performing ahead of expectations. Our number one priority is optimising our network mix to maximise profitable growth. Therefore, it is terrific to be able to announce that we will be increasing frequency into Taipei and Chicago. Frequency on both routes will increase to up to five services per week from December 2019. I'm also excited to announce that we will start flying from Auckland to Seoul up to five days a week from late November 2019."

Mr Luxon says the deferral of delivery times for the four A320/A321 NEOs and two widebody aircraft will have a positive impact on the airline's free cash flow and return on invested capital. The new delivery schedule reflects changes made to the airline's network to improve its profitability and will better support a lower rate of growth for the coming years. The airline also maintains flexibility to adjust its fleet orders in the future should demand levels increase.

"I am confident that the actions we are taking, along with the continued dedication and focus of our phenomenal people, will support a return to earnings growth in this lower demand growth environment."

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In addition to offering customers exciting new destinations and modern aircraft, the airline has a series of product innovations in its pipeline that will further enhance the customer travel experience in-flight and on-the-ground.

Mr Luxon says that Air New Zealand will begin fitting an enhanced version of its existing Business Premier seat to its widebody fleet towards the end of the 2019 calendar year and the rollout is expected to be completed by December 2020.

“We have undertaken considerable customer research and testing over the past 12 months to come up with enhancements to the existing award-winning seat as well as a new food, beverage and service offering that reflects the essence of who we are as a nation. We are confident our Business Premier customers will love their Air New Zealand experience more than ever.”

A new, more spacious Economy cabin product is expected to be in service on long-haul aircraft by mid calendar 2020 as well.

“Air New Zealand’s customers are at the core of our business success and we are acutely aware that in a world of rapidly changing expectations we need to be surprising and delighting them more than ever, whether it be at home here in New Zealand or in the international markets where we operate,” Mr Luxon says.

A link to the Investor presentation and related documents can be found [here](#).

Media Releases

(during the period 25 March 2019 to 30 April 2019)

[Air New Zealand and Z pump more value to Airpoints™ customers](#)

18 April 2019

Air New Zealand Airpoints™ members will receive the benefit of Z’s Pumped fuel discount programme, receiving six cents off per litre when they fuel up at Z petrol stations nationwide, the first-time members can enjoy a discount on a product as a direct result of their membership.

The airline first partnered with Z Energy in 2016, giving Airpoints members the opportunity to earn Airpoints Dollars at the pump, with members purchasing hundreds of millions of litres of fuel to date.

Airpoints members will continue to earn Airpoints Dollars on their fuel spend at Z as well as now enjoying a lower fuel bill with Pumped fuel discounts (regardless of their total spend).

Air New Zealand Regional General Manager Loyalty & Customer Direct Jeremy O’Brien says the airline has been exploring ways to drive greater value for its members.

“In recent years we’ve been focused on growing the number of partners in our retail coalition, giving our members a range of ways to earn and spend Airpoints Dollars. This announcement is exciting, as it’s the first time Airpoints members can receive a discount as a result of being part of our programme,” says Mr O’Brien.

Jane Anthony, Z’s GM Marketing says, “Z has a strong partnership with Airpoints and we’re excited to strengthen that by offering Airpoints cardholders a new way to reduce their fuel costs through their local Z service station. Z’s Pumped programme will allow Airpoints members to simply scan their card to save on fuel and continue to earn rewards every day.”



Air New Zealand and Z look forward to their customers making the most of Pumped fuel discounts and will continue to look at ways to improve the customer offer in the future.

[Air New Zealand fares to Seoul available now](#)

16 April 2019

Fares are on sale now for Air New Zealand's new non-stop service between Auckland and Seoul, with Economy fares available from \$649 one-way.

From 23 November 2019 Air New Zealand will operate three services per week to Seoul's Incheon International Airport, increasing to five times a week during the peak holiday period from late December – mid-February.

The new route will be flown by the airline's Boeing 787-9 Dreamliner fleet with a flight time of around 12 hours northbound and just over 11 hours southbound.

Air New Zealand Chief Revenue Officer Cam Wallace says there's been a great response to the announcement that Seoul is now Air New Zealand's 32nd international destination.

"It's clear the new route is also going to be an important link for connecting the 40,000 Koreans living in New Zealand with friends and family back home as well as a convenient option for Korean visitors wanting to come and explore New Zealand."

For now tickets are available for purchase via Air New Zealand's local website and via travel agents in both New Zealand and South Korea. A Korean online storefront will be available soon.

[Air New Zealand, Microsoft, Moog and ST Engineering announce ground-breaking digital collaboration](#)

10 April 2019

Air New Zealand has teamed up with components and systems provider Moog, Microsoft and ST Engineering on a world-first experiment which has the potential to transform aerospace supply chains by leveraging 3D printing and Moog's blockchain enabled VeriPart™ process to create a point of use, time of need digital supply chain.

The proof of concept has seen Air New Zealand order a digital aircraft part file from Singapore-based ST Engineering. The digital file was immediately sent to an approved printer, operated by Moog in Los Angeles, downloaded and 3D printed before being installed within hours on an Air New Zealand Boeing 777-300 aircraft ahead of its scheduled departure. The entire transaction, from purchase to installation, was logged in Moog's VeriPart digital supply chain system, which is powered by Microsoft Azure Cloud technology.

The file was for a bumper part, which sits behind the airline's Business Premier monitors and prevents the screen from damaging the seat when it's pushed in.

Air New Zealand Chief Ground Operations Officer Carrie Hurihanganui says being able to 3D print and certify aircraft parts in this way could present significant benefits to commercial airlines.

"Being able to 3D print certain components on the go would be transformative and drive significant efficiencies and sustainability benefits. Rather than having the cost associated with purchasing,

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shipping and storing physical parts and potentially having to fly an aircraft with an unavailable seat, this system would allow us to print a part when and where we need it in hours,” says Ms Hurihanganui.

VeriPart is used for assuring data, process, and performance integrity of 3D printed parts for aerospace applications. The VeriPart blockchain platform allows an engineering partner to release its intellectual property in a controlled way. The airline is then only able to 3D print the number of parts it requires on demand. The newly printed part is securely authenticated and traceable via VeriPart, providing the added value of configuration control for the life of the aircraft.

This four-company experiment has made it possible to prove the concept as technically viable and prove its potential value to the aircraft maintenance industry. The end result of the collaboration opens the door to a future of distributed networks starting with a digital design file and ending with a physical part. This will decrease lead times and result in less down time for airlines.