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February market conditions

Air New Zealand carried 1,268,000 passengers during the month of February, an increase of 2.4% compared to the same period last year. Revenue passenger kilometres (RPKs) were 2.0% higher on a capacity (ASKs) increase of 5.3%. Group load factors were down 2.6 percentage points overall to 81.6%.

Short Haul passenger numbers increased 2.2%. In the Domestic market demand (RPKs) increased by 5.9%, with capacity (ASKs) increasing by 6.4%, due to increased services on Auckland – Queenstown and the main trunk routes, as well as growth on the regional routes resulting from up-gauging to larger aircraft. Domestic load factor decreased 0.5 percentage points to 83.2%.

Tasman/Pacific demand (RPKs) decreased 2.2% while capacity (ASKs) increased by 4.1%, due to the up-gauging to larger aircraft on several Pacific Island routes. Load factor on Tasman/Pacific decreased 4.9 percentage points to 78.1%, as the Tasman routes continue to be impacted by additional market capacity compared to the prior year.

Long Haul passenger numbers increased 3.1% when compared to February last year, with demand (RPKs) up 2.9% and capacity (ASKs) up 5.5%. Load factor on Long Haul routes was 82.8%, down 2.1 percentage points.

On Americas/UK routes, demand (RPKs) decreased by 0.8%, with capacity (ASKs) decreasing 1.2% due to reduced frequency on the Auckland-Los Angeles route, partially offset by increased services to Houston and Buenos Aires. Load factor increased 0.3 percentage points to 83.3%.

On Asia/Japan/Singapore routes, demand (RPKs) increased 9.1%, with capacity (ASKs) increasing by 17.2%, reflecting additional frequency on the Shanghai route over the Chinese New Year holiday and the new seasonal service between Auckland and Osaka. Load factor, although still strong at 82.0%, decreased 6.1 percentage points.

For the financial year to date, Short Haul passenger revenue per ASK (RASK)* decreased 6.6% and Long Haul RASK* decreased 14.6%. Removing the impact of foreign exchange, Group-wide RASK* decreased 9.0%, and Group-wide yields for the financial year to date decreased 7.3% on the same period last year.

* Air New Zealand's operating statistics will provide Passenger revenue per ASK, or RASK, going forward as a key metric of revenue performance. RASK is defined as passenger revenue for the period divided by the total ASKs for the period; compared to yield which represents the passenger revenue per passenger kilometre flown.



Company news

Air New Zealand and Cathay Pacific extend alliance

Air New Zealand and Cathay Pacific have extended their strategic alliance partnership on services between New Zealand and Hong Kong for a further five years until 2022.

The alliance has delivered a range of benefits to travellers since it was first put in place in January 2013, including greater choice with more frequencies, enhanced connectivity to each carrier's networks and reciprocal frequent flyer benefits. The extension of the alliance agreement is subject to continuing regulatory approvals.

Cathay Pacific currently operates seasonal double daily services between Auckland and Hong Kong while Air New Zealand operates a daily service on the route. From December 2017, a new seasonal service between Hong Kong and Christchurch will also be introduced under the alliance, operated by Cathay Pacific.

Subject to regulatory approvals, the non-stop service will operate three times per week from 1 December 2017 – 28 February 2018, departing Hong Kong on Wednesdays, Fridays and Sundays using Airbus A350 aircraft, providing a welcome boost for tourism to Canterbury and the South Island.

Australian and New Zealand airlines to form new aviation industry group

On March 9, Australia and New Zealand's major airlines announced the establishment of a new industry group to advocate and pursue reform on public policy issues that impact the aviation sector and broader economy in the region.

Airlines for Australia and New Zealand (A4ANZ) will enable Air New Zealand, the Qantas Group, Regional Express Holdings and the Virgin Australia Group to contribute to the policy debate on issues that affect all Australian and New Zealand travellers, including those relating to airports, taxation and fees, access to efficient infrastructure and broader regulatory reform.

Professor Graeme Samuel AC, the former Chairman of the Australian Competition and Consumer Commission whose professional career has spanned senior roles in law, investment banking and public service, will be appointed the independent chair of A4ANZ.

A4ANZ will be governed by a Board made up of a representative from each member airline, in addition to the independent Chair, to oversee the management of the industry group. The CEO will be appointed in coming months.

Monthly *investor update*



The group will be funded by its members: Air New Zealand, the Qantas Group, Regional Express Holdings and the Virgin Australia Group. Member airlines are Air New Zealand, Jetstar, Qantas, Regional Express (Rex), Tigerair Australia and Virgin Australia.

Air New Zealand welcomes four new Airpoints™ partners

Air New Zealand's Airpoints™ programme continues its strong growth, with Ranstad, MoleMap, The Economist and Exeed Limited the latest to join the airline's expanding network of businesses giving members more ways to earn.

The number of businesses in the coalition has more than doubled in the past two years, with 59 companies now offering Airpoints Dollars™ to more than 2.4 million Airpoints members on an unparalleled range of household and business expenses.

Airpoints by the numbers:

- **2.4 million** Airpoints members, doubled in size in four years
- **59** businesses now part of the Airpoints programme, with 33 added in the past two years
- **894,000** flights enjoyed by members using their Airpoints Dollars over the past 12 months, up more than 100,000 flights on the year prior and making Airpoints the most rewarding programme in New Zealand
- **2,000** products other than flights available for purchase using Airpoints Dollars

Monthly investor update



Group	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	1,268	1,240	2.4%	10,536	10,137	3.9%
Revenue Passenger Kilometres(m)	2,749	2,694	2.0%	23,494	22,419	4.8%
Available Seat Kilometres (m)	3,369	3,199	5.3%	28,353	26,541	6.8%
Passenger Load Factor (%)	81.6%	84.2%	(2.6 pts)	82.9%	84.5%	(1.6 pts)
Short Haul Total	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	1,103	1,079	2.2%	9,166	8,836	3.7%
Revenue Passenger Kilometres(m)	1,131	1,121	0.8%	10,070	9,780	3.0%
Available Seat Kilometres (m)	1,414	1,346	4.9%	12,501	11,857	5.4%
Passenger Load Factor (%)	80.0%	83.3%	(3.3 pts)	80.6%	82.5%	(1.9 pts)
Domestic	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	849	816	4.1%	6,764	6,420	5.4%
Revenue Passenger Kilometres(m)	442	417	5.9%	3,470	3,235	7.3%
Available Seat Kilometres (m)	531	498	6.4%	4,328	4,025	7.5%
Passenger Load Factor (%)	83.2%	83.7%	(0.5 pts)	80.2%	80.4%	(0.2 pts)
Tasman / Pacific	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	254	263	(3.4%)	2,402	2,416	(0.6%)
Revenue Passenger Kilometres(m)	689	704	(2.2%)	6,600	6,545	0.8%
Available Seat Kilometres (m)	883	848	4.1%	8,173	7,832	4.4%
Passenger Load Factor (%)	78.1%	83.0%	(4.9 pts)	80.8%	83.6%	(2.8 pts)
Long Haul Total	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	165	161	3.1%	1,370	1,301	5.3%
Revenue Passenger Kilometres(m)	1,618	1,573	2.9%	13,424	12,639	6.2%
Available Seat Kilometres (m)	1,955	1,853	5.5%	15,852	14,684	8.0%
Passenger Load Factor (%)	82.8%	84.9%	(2.1 pts)	84.7%	86.1%	(1.4 pts)
Asia / Japan / Singapore	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	72	67	8.8%	564	538	4.8%
Revenue Passenger Kilometres(m)	648	594	9.1%	5,035	4,803	4.8%
Available Seat Kilometres (m)	790	674	17.2%	6,071	5,491	10.6%
Passenger Load Factor (%)	82.0%	88.1%	(6.1 pts)	82.9%	87.5%	(4.6 pts)
Americas / UK	FEBRUARY			FINANCIAL YTD		
	2017	2016	% *	2017	2016	% *
Passengers carried (000)	93	94	(0.9%)	806	763	5.6%
Revenue Passenger Kilometres(m)	970	979	(0.8%)	8,389	7,836	7.1%
Available Seat Kilometres (m)	1,165	1,179	(1.2%)	9,781	9,193	6.4%
Passenger Load Factor (%)	83.3%	83.0%	0.3 pts	85.8%	85.2%	0.6 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.