



Contents

- August market conditions
- Company news
- Operating statistics table

August market conditions

Air New Zealand carried 1,175,000 passengers during the month of August, an increase of 4.4% compared to the same period last year. Revenue passenger kilometres (RPKs) were 6.9% higher on a capacity (ASKs) increase of 8.4%. Group load factors were down 1.2 percentage point overall to 82.1%.

Short Haul passenger numbers increased 3.8%. In the Domestic market demand (RPKs) increased by 7.8%, with capacity (ASKs) increasing by 8.7%, due to increased services on Auckland-Queenstown. Domestic load factor decreased 0.7 percentage points to 77.5%.

Tasman/Pacific demand (RPKs) increased 1.2% while capacity (ASKs) increased by 4.0%. Load factor on Tasman/Pacific decreased 2.2 percentage points to 81.0%.

Long Haul passenger numbers increased 8.5% when compared to August last year, with demand (RPKs) up 9.8% and capacity (ASKs) up 10.9%. Load factor on Long Haul routes was 84.0%, down 0.9 percentage points.

On Americas/UK routes, demand (RPKs) increased 13.2% with capacity (ASKs) increasing 12.9% due to the Auckland-Houston and Auckland-Buenos Aires routes, which was partially offset by reduced frequency on the Auckland-Los Angeles route. Load factor increased 0.2 percentage points to 85.4%.

On Asia/Japan/Singapore routes, demand (RPKs) increased 4.3%, with capacity (ASKs) increasing by 7.7%, due to the commencement of the seasonal Auckland-Ho Chi Minh City route. Load factor decreased 2.7 percentage points to 81.7%.

For the financial year to date, Short Haul passenger revenue per ASK (RASK)* decreased 6.0% while Long Haul RASK* decreased 12.1%. Removing the impact of foreign exchange, Group-wide RASK* decreased 10.1%, and Group-wide yields for the financial year to date decreased 8.9% 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

The Airpoints™ and Fly Buys programmes take a new direction

Air New Zealand has been focused on making it simpler for Airpoints™ members to earn Airpoints Dollars™ at a growing number of direct retail and travel partners.

As a result, Airpoints™ and Fly Buys have elected to focus on their own respective loyalty programmes and will no longer offer Airpoints Dollar earning through the Fly Buys network from 17 October 2016.

For more information on Air New Zealand's Airpoints™ programme, go to www.airnewzealand.co.nz/airpoints

Three more businesses join the Air New Zealand Airpoints™ programme

Mitre 10, Tower Insurance and Storage King are the latest businesses to join Airpoints™, giving members even more ways to earn their way to their next flight.

They follow a number of other new partners announced recently, including Mercury, Z, New World, Liquorland, Henry's, Gilmours and Trents.

Airpoints members can currently earn Airpoints Dollars™ at Mitre 10 and Mitre 10 MEGA stores under Airpoints' current partnership with Fly Buys. Mitre 10's decision to partner directly with Airpoints will make it easier for members to understand how to earn Airpoints Dollars in the future and create further opportunities for customers.

Storage King, Australasia's largest self-storage business has joined the Airpoints for Business programme and is now offering Airpoints Dollars to businesses signing a new storage contract and on a range of packaging materials.

Tower Insurance will be offering Airpoints Dollars on its car, house and contents insurance in the near future.

Airpoints members now have a choice of 55 businesses where they can earn Airpoints Dollars.

Air New Zealand announces record profit, dividend and staff bonus for 2016 financial year

On 26 August, Air New Zealand announced earnings before other significant items and taxation* for the 2016 financial year of \$806 million, compared to \$474 million in the prior year. Earnings before taxation were \$663 million with net profit after taxation of \$463 million, an increase of 40 percent and 42 percent, respectively.

A 2016 final fully imputed ordinary dividend has been declared of 10.0 cents per share, bringing the full year ordinary declared dividends to 20.0 cents per share, an increase of 25 percent on the prior year. The Board also

Monthly **investor update**



declared a fully imputed special dividend of 25.0 cents per share. Both dividends will be paid to shareholders on 19 September 2016.

In recognition of the record result, the Board has awarded a Company Performance Bonus of up to \$2,500 to 8,200 Air New Zealanders who do not have other incentive programmes as part of their employment agreement.

Chief Executive Officer Christopher Luxon says the airline ended the year with customer satisfaction at record highs, brand health in excellent shape, the number one corporate reputation in New Zealand, and the staff culture at the airline continuing to further improve.

Looking ahead, he acknowledges there is increased competition as other international airlines also add capacity in recognition of strong tourism demand for New Zealand.

“There’s no doubt customers have more choice but we are confident that we have the right pricing, products and services to stay a step ahead of the competition as we grow our business at home and overseas,” says Mr Luxon.

Given the uncertain impact of competition and based on the current market conditions, the airline expects earnings before taxation for the full year 2017 to be in the range of \$400 million to \$600 million.**

** Earnings before other significant items and taxation represent Earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding items which due to their size and nature warrant separate disclosure to assist with understanding the financial performance of the Group. Earnings before other significant items and taxation is reported within the Group’s audited annual financial statements. Other significant items of \$143 million includes \$86 million related to the partial divestment of Virgin Australia and \$57 million related to settlement of a long-standing class action cargo legal claim. Further details are contained within Note 3 of the Group financial statements.*

*** Based on a fuel price of US\$55 per barrel for the remainder of the year.*

Monthly investor update



+ To reflect underlying operating performance, the financial year to date percentage movements shown in the table below have been adjusted for the difference in days for the month of July 16 (31 days) compared with July 2015 (33 days).

Group	AUGUST			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	1,175	1,126	4.4%	2,532	2,481	5.5%
Revenue Passenger Kilometres(m)	2,595	2,428	6.9%	5,653	5,428	7.7%
Available Seat Kilometres (m)	3,162	2,915	8.4%	6,867	6,507	9.1%
Passenger Load Factor (%)	82.1%	83.3%	(1.2 pts)	82.3%	83.4%	(1.1 pts)
Short Haul Total						
Passengers carried (000)	1,026	988	3.8%	2,209	2,176	5.0%
Revenue Passenger Kilometres(m)	1,134	1,097	3.4%	2,490	2,467	4.4%
Available Seat Kilometres (m)	1,422	1,346	5.6%	3,129	3,064	5.6%
Passenger Load Factor (%)	79.8%	81.5%	(1.7 pts)	79.6%	80.5%	(0.9 pts)
Domestic						
Passengers carried (000)	755	715	5.7%	1,608	1,557	6.8%
Revenue Passenger Kilometres(m)	383	355	7.8%	817	777	8.7%
Available Seat Kilometres (m)	494	454	8.7%	1,038	991	8.3%
Passenger Load Factor (%)	77.5%	78.2%	(0.7 pts)	78.8%	78.4%	0.4 pts
Tasman / Pacific						
Passengers carried (000)	271	273	(1.0%)	601	619	0.4%
Revenue Passenger Kilometres(m)	751	742	1.2%	1,673	1,691	2.3%
Available Seat Kilometres (m)	928	892	4.0%	2,091	2,073	4.3%
Passenger Load Factor (%)	81.0%	83.2%	(2.2 pts)	80.0%	81.5%	(1.5 pts)
Long Haul Total						
Passengers carried (000)	149	138	8.5%	323	306	9.1%
Revenue Passenger Kilometres(m)	1,461	1,331	9.8%	3,163	2,961	10.4%
Available Seat Kilometres (m)	1,740	1,568	10.9%	3,738	3,443	12.2%
Passenger Load Factor (%)	84.0%	84.9%	(0.9 pts)	84.6%	86.0%	(1.4 pts)
Asia / Japan / Singapore						
Passengers carried (000)	60	58	4.4%	128	124	6.7%
Revenue Passenger Kilometres(m)	538	516	4.3%	1,144	1,105	7.0%
Available Seat Kilometres (m)	659	611	7.7%	1,392	1,313	9.6%
Passenger Load Factor (%)	81.7%	84.4%	(2.7 pts)	82.2%	84.1%	(1.9 pts)
Americas / UK						
Passengers carried (000)	89	80	11.5%	195	182	10.8%
Revenue Passenger Kilometres(m)	923	815	13.2%	2,019	1,857	12.4%
Available Seat Kilometres (m)	1,081	957	12.9%	2,346	2,130	13.9%
Passenger Load Factor (%)	85.4%	85.2%	0.2 pts	86.1%	87.2%	(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.