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## **May market conditions**

Air New Zealand carried 1,165,000 passengers during the month of May, an increase of 8.7% compared to the same period last year. Revenue passenger kilometres (RPKs) were 6.3% higher on a capacity (ASKs) increase of 5.4%. Group load factors were up 0.7 percentage points overall to 81.1%.

Short Haul passenger numbers increased 9.4%. In the Domestic market demand (RPKs) increased by 12.0%, with capacity (ASKs) increasing by 13.2%, 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 0.8 percentage points to 80.5%.

Tasman/Pacific demand (RPKs) increased 7.8% while capacity (ASKs) increased by 5.5% due to up-gauging to larger aircraft on several Australian routes, as well as increased frequency on several Pacific Island routes. Load factor on Tasman/Pacific increased 1.7 percentage points to 83.2%.

Long Haul passenger numbers increased 4.0% when compared to May last year, with demand (RPKs) increasing 4.1% and capacity (ASKs) increasing 3.2%. Load factor on Long Haul routes was 80.3%, an increase of 0.6 percentage points.

On Americas/UK routes, demand (RPKs) increased by 7.0%, with capacity (ASKs) increasing 5.9%, driven by increased frequency on the Auckland-Los Angeles route. Load factor increased 0.8 percentage points to 82.7%.

On Asia/Japan/Singapore routes, demand (RPKs) decreased 0.9%, on a capacity (ASKs) reduction of 1.1%, reflecting a shortened season of double-daily services on the Auckland-Tokyo route compared to the prior period. Load factor increased 0.1 percentage point to 76.2%.

For the financial year to date, Short Haul passenger revenue per ASK (RASK)\* decreased 4.4% and Long Haul RASK\* decreased 13.6%. Removing the impact of foreign exchange, Group-wide RASK\* decreased 6.8%, and Group-wide yields for the financial year to date decreased 5.4% 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 holds 2017 Investor Day event, upgrades outlook for 2017](#)

Air New Zealand held an investor day in Auckland on 1 June 2017 for institutional investors. As part of the presentation, Chief Executive Officer Christopher Luxon announced an upgrade to the company's outlook, stating that 2017 earnings before taxation are likely to exceed \$525 million.<sup>1</sup> The prior outlook had targeted 2017 earnings before taxation to be "in the range of \$475 to \$525 million."

A replay of the investor day webcast and transcript are available through the Investor Centre section of Air New Zealand's website, under the "Latest events" section. Air New Zealand's Investor Centre can be accessed by clicking [this link](#) or by [www.airnewzealand.co.nz/investor](http://www.airnewzealand.co.nz/investor).

### [Australian court declines Air New Zealand's air cargo appeal](#)

On 14 June 2017, the High Court of Australia dismissed Air New Zealand's appeal of the Full Court's 2016 decision that the airline had breached Australian law in applying fuel and security charges to cargo transported from Hong Kong and Singapore to Australia in the period 2000 to 2006.

The matter will now be referred back to the Federal court to determine the level of the penalty the airline will have to pay. Air New Zealand's 2017 outlook statement for 2017 earnings before taxation does not include a provision for the penalty related to the air cargo case.

### [Air New Zealand secures US Navy engine overhaul contracts](#)

Air New Zealand's Gas Turbines business has been awarded four significant contracts worth up to USD\$42 million by the United States Navy.

The contracts relate to servicing and overhauling General Electric LM2500 Gas Turbines that power much of the US Navy's fleet.

The contracts will see the Auckland based Gas Turbines team carry out maintenance and overhaul work for the next few years.

Air New Zealand Chief Operations Officer Bruce Parton says the contracts are an important win for the airline.

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<sup>1</sup> Outlook for earnings before taxation includes the \$22 million gain related to the divestment of the remaining interest in Virgin Australia and Air New Zealand's share of earnings in associates.

# Monthly **investor update**



"This is a significant boost for our Gas Turbines business. Air New Zealand participated in a competitive bidding process to secure this work and we would like to acknowledge the support of the New Zealand Government and New Zealand Trade and Enterprise throughout the process."

Air New Zealand Gas Turbines is a business unit of Air New Zealand, providing gas turbine overhaul and repair services to clients across a range of industries. The business began sourcing work in the industrial and marine sector more than 30 years ago and has since supported several of the world's navies, offshore oil and gas platform operators and power generation companies.

## [Air New Zealand boosts Samoa route](#)

Air New Zealand is growing its Samoa operation with a move to wide-body aircraft services at least twice weekly year-round, adding at least 14,500 extra seats between Auckland and Apia annually.

Air New Zealand will fly a combination of its Boeing 787-9 Dreamliner and Boeing 777-200 aircraft from September 2017, increasing to four wide-body services weekly in the peak season. The change will see seat capacity increase to Samoa by 13% in the shoulder season, and 10% overall across the year.

## [Air New Zealand Australasia's #1 airline again](#)

Air New Zealand was named Australasia's Leading Airline for the ninth year in a row at the prestigious World Travel Awards announced 6 June 2017.

The airline has also been named the inaugural winner of Leading Airline Brand 2017 for Australasia.

Air New Zealand Chief Executive Officer Christopher Luxon says it's fantastic to be recognised by the industry and public yet again as leading the way in Australasia.

# Monthly **investor update**



| Group                           | MAY   |       |           | FINANCIAL YTD |        |           |
|---------------------------------|-------|-------|-----------|---------------|--------|-----------|
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 1,165 | 1,071 | 8.7%      | 14,594        | 13,945 | 4.7%      |
| Revenue Passenger Kilometres(m) | 2,401 | 2,257 | 6.3%      | 31,893        | 30,538 | 4.4%      |
| Available Seat Kilometres (m)   | 2,959 | 2,807 | 5.4%      | 38,549        | 36,355 | 6.0%      |
| Passenger Load Factor (%)       | 81.1% | 80.4% | 0.7 pts   | 82.7%         | 84.0%  | (1.3 pts) |
| <b>Short Haul Total</b>         |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 1,028 | 939   | 9.4%      | 12,748        | 12,174 | 4.7%      |
| Revenue Passenger Kilometres(m) | 1,052 | 962   | 9.3%      | 13,806        | 13,284 | 3.9%      |
| Available Seat Kilometres (m)   | 1,280 | 1,181 | 8.3%      | 17,038        | 16,096 | 5.9%      |
| Passenger Load Factor (%)       | 82.2% | 81.4% | 0.8 pts   | 81.0%         | 82.5%  | (1.5 pts) |
| <b>Domestic</b>                 |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 785   | 715   | 9.8%      | 9,489         | 8,936  | 6.2%      |
| Revenue Passenger Kilometres(m) | 395   | 353   | 12.0%     | 4,868         | 4,500  | 8.2%      |
| Available Seat Kilometres (m)   | 491   | 433   | 13.2%     | 6,016         | 5,565  | 8.1%      |
| Passenger Load Factor (%)       | 80.5% | 81.3% | (0.8 pts) | 80.9%         | 80.8%  | 0.1 pts   |
| <b>Tasman / Pacific</b>         |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 243   | 224   | 8.2%      | 3,259         | 3,238  | 0.6%      |
| Revenue Passenger Kilometres(m) | 657   | 609   | 7.8%      | 8,938         | 8,784  | 1.8%      |
| Available Seat Kilometres (m)   | 789   | 748   | 5.5%      | 11,022        | 10,531 | 4.7%      |
| Passenger Load Factor (%)       | 83.2% | 81.5% | 1.7 pts   | 81.1%         | 83.4%  | (2.3 pts) |
| <b>Long Haul Total</b>          |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 137   | 132   | 4.0%      | 1,846         | 1,771  | 4.2%      |
| Revenue Passenger Kilometres(m) | 1,349 | 1,295 | 4.1%      | 18,087        | 17,254 | 4.8%      |
| Available Seat Kilometres (m)   | 1,679 | 1,626 | 3.2%      | 21,511        | 20,259 | 6.2%      |
| Passenger Load Factor (%)       | 80.3% | 79.7% | 0.6 pts   | 84.1%         | 85.2%  | (1.1 pts) |
| <b>Asia / Japan / Singapore</b> |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 52    | 52    | (0.7%)    | 755           | 731    | 3.3%      |
| Revenue Passenger Kilometres(m) | 465   | 469   | (0.9%)    | 6,741         | 6,529  | 3.2%      |
| Available Seat Kilometres (m)   | 610   | 617   | (1.1%)    | 8,189         | 7,602  | 7.7%      |
| Passenger Load Factor (%)       | 76.2% | 76.1% | 0.1 pts   | 82.3%         | 85.9%  | (3.6 pts) |
| <b>Americas / UK</b>            |       |       |           |               |        |           |
|                                 | MAY   |       |           | FINANCIAL YTD |        |           |
|                                 | 2017  | 2016  | % *       | 2017          | 2016   | % *       |
| Passengers carried (000)        | 85    | 80    | 7.2%      | 1,091         | 1,040  | 4.9%      |
| Revenue Passenger Kilometres(m) | 884   | 826   | 7.0%      | 11,346        | 10,725 | 5.8%      |
| Available Seat Kilometres (m)   | 1,069 | 1,009 | 5.9%      | 13,322        | 12,657 | 5.3%      |
| Passenger Load Factor (%)       | 82.7% | 81.9% | 0.8 pts   | 85.2%         | 84.7%  | 0.5 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.

