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September market conditions

Air New Zealand carried 1,500,000 passengers during the month of September, an increase of 4.7% compared to the same period last year. Revenue passenger kilometres (RPKs) were 6.8% higher on a capacity (ASKs) increase of 8.2%. Group load factors were down 1.1 percentage point overall to 84.3%.

Short Haul passenger numbers increased 4.2%. In the Domestic market demand (RPKs) increased by 7.7%, with capacity (ASKs) increasing by 7.9%, due to increased services on Auckland-Queenstown. Domestic load factor decreased 0.1 percentage point to 77.9%.

Tasman/Pacific demand (RPKs) increased 1.2% while capacity (ASKs) increased by 3.9%. Load factor on Tasman/Pacific decreased 2.2 percentage points to 83.5%.

Long Haul passenger numbers increased 8.4% when compared to September last year, with demand (RPKs) up 9.7% and capacity (ASKs) up 10.8%. Load factor on Long Haul routes was 86.5%, down 0.9 percentage points.

On Americas/UK routes, demand (RPKs) increased 13.5% with capacity (ASKs) increasing 13.0% 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 0.5 percentage points to 87.9%.

On Asia/Japan/Singapore routes, demand (RPKs) increased 3.4%, with capacity (ASKs) increasing by 7.3%, reflecting the seasonal Auckland-Ho Chi Minh City route. Load factor decreased 3.1 percentage points to 84.2%.

For the financial year to date, Short Haul passenger revenue per ASK (RASK)* decreased 5.9% while Long Haul RASK* decreased 12.2%. Removing the impact of foreign exchange, Group-wide RASK* decreased 9.6%, and Group-wide yields for the financial year to date decreased 8.4% 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

Remaining shareholding in Virgin Australia sold

Air New Zealand has sold its remaining shareholding in Virgin Australia in off market transactions with investors, including Nanshan Group, for total consideration of A\$65.7 million.

Air New Zealand considers retail bond offer

On 30 September 2016, Air New Zealand announced it is considering making an offer of NZ\$75 million of unsecured, unsubordinated fixed rate bonds (Bonds) to New Zealand retail and institutional investors (the Offer). Proceeds from the Offer will be used for general corporate purposes including partial repayment of Air New Zealand's existing bonds maturing on 15 November 2016 which are currently quoted on the NZX Debt Market under the ticker code 'AIR010'.

The Offer will be made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. The Bonds are expected to be quoted on the NZX Debt Market. Full details of the Offer will be released prior to the Offer opening, which is expected to be in the week beginning 10 October 2016.

Air New Zealand has appointed Bank of New Zealand and Deutsche Craigs Limited as Joint Lead Managers in relation to the Offer. Craigs Investment Partners Limited is the Organising Participant.

Investors can register their interest with the Joint Lead Managers (details below) or a financial adviser. Indications of interest will not involve an obligation or commitment of any kind. No money is currently being sought and no Bonds can be applied for or acquired until the Offer opens and the investor has received a copy of the terms sheet in relation to the Bonds.

Joint Lead Managers
BNZ
0800 284 017
Deutsche Craigs
0800 226 263

For further information please contact:
Julia Belk
09 336 2287
bonds@airnz.co.nz



Air New Zealand appoints new Executive position

Air New Zealand announced the appointment of John Whittaker to the new Executive position of Chief Air Operations and People Safety Officer effective from October 3, reporting to CEO Christopher Luxon.

This new function will encompass:

- Jet Cabin Crew
- Jet Pilots
- People Safety (excluding Security)

Prior to his new role, John was Group General Manager Airports reporting to Chief Operations Officer Bruce Parton and has held many senior leadership positions over his 30 year history with the airline. These include General Manager International Operations (Pilots and Airports), General Manager Domestic Airline, General Manager Loyalty and Alliances, and General Manager Mount Cook.

Air New Zealand holds its 2016 Annual Shareholder Meeting in Christchurch

Air New Zealand held its 2016 Annual Shareholders' Meeting on 30 September in Christchurch while simultaneously holding a virtual meeting online for shareholders who were not able to attend in person.

At the Annual Shareholders' Meeting, shareholders passed all resolutions. The details of the total number of votes cast in person, online or by proxy were as follows:

Resolution	For	%	Against	Abstain
<u>Resolution 1:</u> Re-election of Jan Dawson	895,472,855	99.91%	801,494	1,846,383
<u>Resolution 2:</u> Re-election of Jonathan Mason	895,577,057	99.91%	797,037	1,746,638
<u>Resolution 3:</u> Election of Dame Therese Walsh	895,527,838	99.91%	831,016	1,761,878

Materials from the event can be viewed online at www.airnewzealand.co.nz/annual-meeting.

Monthly **investor update**



Air New Zealand holds second Sustainability Breakfast

More than 350 business leaders heard from CEO Christopher Luxon at Air New Zealand's second Sustainability Breakfast held on 5 October in Auckland.

The breakfast provided an opportunity to update this group on Air New Zealand's progress one year on from launching our Sustainability Framework in September 2015, which sets out how the airline will Supercharge New Zealand's success socially, economically and environmentally.

Air New Zealand's 2016 Sustainability Report is available online at www.airnewzealand.co.nz/reporting-and-communication.

Air New Zealand launches "Better Way to Fly" campaign in Australia

In early October, Air New Zealand unveiled its new Australian long-haul campaign to a crowd of 200 media, trade partners and stakeholders at the Australian Technology Park in Sydney. The campaign aims to convince Australians that Air New Zealand is a better way to fly to North and South America.

Air New Zealand is serious and committed to positioning ourselves as more than a trans-Tasman carrier in the minds of the Australian market. Alongside the launch of our *Better Way to Fly* campaign, the airline has also increased the sales team on the ground in Australia, introducing 16 new roles and a new Sales structure.

"We are really comfortable in our ability to compete and make a really attractive proposition for Australians to come through Auckland to the Americas," says chief executive office Christopher Luxon.

"For us, transiting through Auckland is a very seamless experience."

Air New Zealand to introduce inflight wifi

Air New Zealand announced its intention to begin rolling out inflight wifi on jet services commencing in calendar year 2017. Christopher Luxon made the announcement at a media and travel trade event in Sydney that flights between Australia and New Zealand would be the first to receive connectivity.

The airline is in the final stages of commercial negotiations with Inmarsat and Panasonic Avionics with internet connectivity to be supplied by Inmarsat's new global GX satellite constellation and integrated with Air New Zealand's in-cabin Panasonic Avionics technology. Proving flights will begin in the second half of the 2017 calendar year and world-class internet services progressively available on Tasman, Pacific Island and long haul jet fleets from the end of next year. Domestic New Zealand jet services are likely to offer a wifi service from 2018.

Monthly **investor update**



Air New Zealand to fly Dreamliner for second Vietnam season

Air New Zealand has confirmed it will operate a second season of non-stop services between Auckland and Vietnam.

From June to October next year passengers will be able to enjoy the comfort of the airline's state of the art Dreamliner aircraft. For the 2017 season, Air New Zealand will operate two non-stop services a week from Auckland to Ho Chi Minh City using the 302 seat Boeing 787-9 Dreamliner offering a choice of lie flat Business Premier, Premium Economy, Economy and Economy Skycouch™ seating options.

Air New Zealand's 2017 Vietnam season will operate between 24 June and 25 October.

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	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	1,500	1,433	4.7%	4,031	3,914	5.2%
Revenue Passenger Kilometres(m)	3,371	3,157	6.8%	9,024	8,585	7.4%
Available Seat Kilometres (m)	4,001	3,696	8.2%	10,865	10,203	8.8%
Passenger Load Factor (%)	84.3%	85.4%	(1.1 pts)	83.1%	84.1%	(1.0 pts)
Short Haul Total	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	1,305	1,252	4.2%	3,512	3,428	4.6%
Revenue Passenger Kilometres(m)	1,455	1,409	3.2%	3,944	3,877	3.9%
Available Seat Kilometres (m)	1,785	1,696	5.2%	4,913	4,760	5.4%
Passenger Load Factor (%)	81.5%	83.1%	(1.6 pts)	80.3%	81.4%	(1.1 pts)
Domestic	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	956	902	6.0%	2,562	2,459	6.4%
Revenue Passenger Kilometres(m)	480	446	7.7%	1,296	1,222	8.3%
Available Seat Kilometres (m)	616	571	7.9%	1,653	1,562	8.1%
Passenger Load Factor (%)	77.9%	78.0%	(0.1 pts)	78.4%	78.2%	0.2 pts
Tasman / Pacific	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	349	350	(0.3%)	950	969	0.1%
Revenue Passenger Kilometres(m)	975	964	1.2%	2,648	2,654	1.9%
Available Seat Kilometres (m)	1,169	1,125	3.9%	3,260	3,198	4.1%
Passenger Load Factor (%)	83.5%	85.7%	(2.2 pts)	81.2%	83.0%	(1.8 pts)
Long Haul Total	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	195	181	8.4%	519	486	9.1%
Revenue Passenger Kilometres(m)	1,916	1,748	9.7%	5,080	4,709	10.2%
Available Seat Kilometres (m)	2,216	2,000	10.8%	5,952	5,443	11.7%
Passenger Load Factor (%)	86.5%	87.4%	(0.9 pts)	85.3%	86.5%	(1.2 pts)
Asia / Japan / Singapore	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	77	75	3.6%	206	198	6.3%
Revenue Passenger Kilometres(m)	691	668	3.4%	1,835	1,773	5.7%
Available Seat Kilometres (m)	821	765	7.3%	2,212	2,078	8.7%
Passenger Load Factor (%)	84.2%	87.3%	(3.1 pts)	83.0%	85.3%	(2.3 pts)
Americas / UK	SEPTEMBER			FINANCIAL YTD		
	2016	2015	% *	2017	2016	% * +
Passengers carried (000)	118	106	11.7%	313	288	11.0%
Revenue Passenger Kilometres(m)	1,225	1,080	13.5%	3,245	2,936	12.9%
Available Seat Kilometres (m)	1,395	1,235	13.0%	3,740	3,365	13.5%
Passenger Load Factor (%)	87.9%	87.4%	0.5 pts	86.7%	87.3%	(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.