AIR NEW ZEALAND

media release

Media release
25 February 2015

Air New Zealand announces strong half year result

Air New Zealand has today announced record normalised earnings[i] before taxation of $216 million for the first six months of the 2015 financial year, an increase of 20 percent on the previous corresponding period. Statutory earnings before taxation were $197 million, while statutory net profit after taxation was $133 million (down 6 percent).

The result was driven by strong revenue growth, underpinned by increased capacity and improved yields across the network. Operating cash flow of $378 million was up 26 percent on the previous corresponding period.

The Board has declared a fully imputed interim dividend of 6.5 cents per share, an increase of 44% on the previous corresponding period.

Chairman Tony Carter says the result is one shareholders can be very pleased with, and it demonstrates again that Air New Zealand continues to be one of the few airlines in the world that is able to generate sustainable profits.

"We have excellent sales and marketing expertise combined with a consistent focus on cost control, an award-winning uniquely Kiwi customer experience and the delivery of outstanding operational performance," Mr Carter says.

The company stated in November that should the then current level of jet fuel price persist, there would be a significant additional improvement in earnings in the second half of the financial year.

"Fuel prices are lower than in November and the sales momentum has been maintained, further strengthening the company's outlook for the current year and beyond," Mr Carter says.

Chief Executive Officer Christopher Luxon says the airline continues to focus on offering competitive fares in all markets it serves.

"Whether it be here in New Zealand, on the Tasman, to the Pacific Islands or on our extensive long haul network, Air New Zealand customers can expect to see even more competitive pricing. Initiatives like the reintroduction of the popular Night Rider service and its extension to regional New Zealand have been a hit, as have Grabaseat's low priced long haul fares to destinations like Los Angeles and Tokyo", Mr Luxon says.

"We are a small airline and will continue to punch well above our weight as we strive to become a truly great company. To us, this means delivering on three major goals at once – superior commercial results, continuing to enhance the customer experience and further developing our people and culture. These three goals are equally important, and my Executive team and I are focused on continuing to deliver on all of these."

Mr Luxon says that 2015 is shaping up to be a very positive year for the airline.

"We recently recommenced flights on the Auckland-Singapore route as part of our alliance with Singapore Airlines – a key part of our Pacific Rim growth strategy, providing our customers with not only a convenient direct service, but great connectivity into South East Asia and markets beyond," he says.

"We have also announced plans for our first ever scheduled services to South America, flying direct to Buenos Aires, Argentina, from December this year. Tickets go on sale soon, and this will become our 28th international destination, opening up exciting new possibilities for customers travelling between South America, New Zealand, Australia and Asia."

The airline is continuing to make significant investments in innovation and improving the customer experience, with more than $40 million being spent to upgrade airport lounges and roll out self-check kiosks and mobile technology.

Result highlights:

- Normalised earnings before tax of **$216 million**, up 20%
- Statutory earnings before tax of **$197 million,** down 1%
- Statutory profit after tax of **$133 million**, down 6%
- Result includes equity accounted losses of **$14 million** from Virgin Australia
- Operating revenue of **$2.4 billion**, up 3.4% (5.2% excluding foreign exchange)
- Passenger revenue of **$2.0 billion**, up 3.2% (5.1% excluding foreign exchange)
- Operating cash flow of **$378 million**, up 26%
- Strong cash position of **$1.27 billion**
- Gearing at **51.6%**
- Fully imputed interim dividend of **6.5 cents per share**, an increase of 44%
- Expected aircraft capital expenditure of **$3.0 billion** over the next 6 years
- Moody's **Baa3** investment grade credit rating, outlook stable

Ends

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Normalised earnings before taxation (millions)	31 Dec 2014	31 Dec 2013
Earnings before Taxation (per NZ IFRS)	197	198
Reverse net (gains)/losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	17	(18)
Foreign exchange derivatives	2	-
Normalised earnings before taxation	**216**	**180**
Virgin Australia equity losses	14	-
Normalised earnings before Virgin Australia equity losses and taxation	**230**	**180**

Normalised earnings represents earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding net gains and losses on derivatives that hedge exposures in other financial periods. Normalised earnings is a non-IFRS financial performance measure that matches derivative gains or losses with the underlying hedged transaction, and represents the underlying performance of the business for the relevant period. Normalised earnings is reported within the Group interim financial statements and is subject to review by the Group's external auditors.