

# Media Release

Media release  
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## **Air New Zealand announces strong half year 2016 result, increases interim dividend 54 percent**

Air New Zealand today announced earnings before taxation of \$457 million for the first six months of the 2016 financial year, an increase of 132 percent on the prior period. Net profit after taxation was \$338 million, an increase of 154 percent.

The interim result was driven by exceptionally strong passenger revenue growth, underpinned by over 16 percent capacity growth across the network. On the cost side, the company continued to benefit from substantially lower jet fuel prices, as well as leveraging strong economies of scale and efficiencies from its fleet simplification program. Operating cash flow of \$541 million was up 43 percent on the prior period.

As a result of the strong financial performance, the Board of Directors has declared a fully imputed interim dividend of 10.0 cents per share, an increase of 54 percent on the prior period.

"We are delighted to start off 2016 with such a stellar performance," says Chairman Tony Carter.

"Air New Zealand's profitability, healthy free cash flow and solid balance sheet reflect the successful execution of the strategic plan by CEO Christopher Luxon and the Executive team, which is focused on sustainable and profitable growth," says Mr Carter.

Mr Luxon says that the airline's strong result could not have been possible without the dedication and hard work of all Air New Zealanders.

"It is the passion and professionalism that is demonstrated across the airline that makes the Air New Zealand product and travel experience unique and memorable for our customers, and gives us a sustainable advantage against the competition," says Mr Luxon.

"Looking forward, Air New Zealand's growth strategy will continue to benefit customers, employees and shareholders. Our network will provide more frequency, more routes and competitive prices throughout New Zealand and the Pacific Rim, combined with modern aircraft offering better operating economics," he says.

"We have received tremendous response to our expansion in the domestic market with passenger demand up 10 percent in the period and more importantly, great feedback on our larger ATR turboprop aircraft in the regional markets. We continue to look for ways to improve the experience of our customers, and I am very excited about the new scheduling changes that will take effect in the coming months. These will reduce complexity and create

greater customer choice by improving connectivity, consistency and frequency across the domestic and regional network.”

Mr Luxon says the Tasman and Pacific Island markets continue to perform strongly for the airline.

“New Zealand continues to be not only a destination that is in big demand for Australians but it is also a gateway to North America, South America and the Pacific Islands for travellers from Australia. This traffic is adding to the strength of Air New Zealand’s services to these markets. In recognition of the opportunity, we will continue to build our presence in Australia,” he says.

“On the international long-haul network we successfully launched the Houston and Buenos Aires routes in December, and our partner Air China commenced services to Beijing at the same time. We are thrilled with the demand and performance of these routes. Starting in June 2016, we are excited to offer customers yet another new and exciting destination within the Pacific Rim, with seasonal services to Vietnam.”

In addition to the strength of the company’s passenger services, momentum in the cargo business continued in the first six months of the year, with revenue increasing 21 percent. Solid execution in this area has led to increased market share on the long-haul network from New Zealand, driven primarily by strong demand from North America, Australia and Asia.

Air New Zealand’s 25.9 percent investment in Virgin Australia, together with its share of Christchurch Engine Centre’s earnings, contributed \$15 million and \$10 million respectively, for the first half of the 2016 financial year.

Air New Zealand will continue to focus on improving the customer experience throughout the 2016 fiscal year and beyond, with lounge upgrades, digital innovations and the introduction of new partnerships for the Airpoints loyalty programme.

## **Outlook for FY2016**

The airline’s strategic focus for the second half of the year continues to be profitable growth of the network, with total capacity expected to increase approximately 7 percent for the second half of the financial year, driven by growth in the Domestic, American and Asian markets.

Mr Carter concluded that based upon current market conditions and assuming current fuel prices and foreign exchange rates, the airline is targeting earnings before taxation for the full year 2016 to exceed \$800 million. This outlook excludes equity earnings from the Virgin Australia shareholding.

The interim dividend of 10.0 cents per share is fully imputed at the company tax rate of 28 percent and will be paid on 18 March 2016 to shareholders who are on the register at the close of business on 11 March 2016.

### **Highlights:**

- Earnings before taxation of **\$457 million**, up 132%
- Net profit after taxation of **\$338 million**, up 154%

- Passenger revenue of **\$2.3 billion**, up 16%
- Group capacity up **16%**, with 84.4% load factor
- Operating cash flow of **\$541 million**, up 43%
- Gearing at **53.8%**
- Board approves fully imputed interim dividend of **10.0 cents per share**, an increase of 54%

## Ends

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### About Star Alliance:

Air New Zealand is proud to be a member of Star Alliance. The Star Alliance network was established in 1997 as the first truly global airline alliance to offer worldwide reach, recognition and seamless service to the international traveller. Its acceptance by the market has been recognized by numerous awards, including the Air Transport World Market Leadership Award and Best Airline Alliance by both Business Traveller Magazine and Skytrax. The member airlines are: Adria Airways, Aegean Airlines, Air Canada, Air China, Air India, Air New Zealand, ANA, Asiana Airlines, Austrian, Avianca, Avianca in Brazil, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SWISS, TAP Portugal, Turkish Airlines, THAI and United. Overall, the Star Alliance network currently offers more than 18,500 daily flights to 1,330 airports in 192 countries.

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