

media release

Media release
27 August 2014

Air New Zealand announces third consecutive year of earnings growth

Air New Zealand has today announced normalised earningsⁱ before taxation of \$332 million for the 2014 financial year, an increase of 30 percent on the previous year. Statutory earnings before taxation were \$357 million, an increase of 40 percent, while statutory net profit after taxation was \$262 million.

Operating revenue, capacity and yields grew across the network, while unit costs remained stable.

The Board has declared a fully imputed final dividend of 5.5 cents per share, bringing total ordinary dividends declared for the year to 10 cents per share, an increase of 25 percent. Following a review of the company's capital structure, a fully imputed special dividend of 10 cents per share has also been declared.

Chairman Tony Carter said that the result represented the third consecutive year of strong earnings growth for the airline.

"This is a result Air New Zealand can be proud of. Our employees, our customers and our shareholders can be confident that Air New Zealand continues to be a world leading airline both in terms of customer experience and financial performance," Mr Carter said.

"We have made significant progress on our key strategic initiatives. With new aircraft offering better operating economics, an optimised network with the right alliance partners, disciplined cost management and a daily focus on improving the customer experience, we are very well positioned to continue growing."

Mr Carter said that Air New Zealand will significantly grow its capacity in the coming year, as new aircraft arrive.

"Based on our current expectations of market demand and fuel prices, we expect to improve on the 2014 result in the coming year. This outlook excludes equity earnings from the Virgin Australia shareholding," he said.

Chief Executive Officer Christopher Luxon said the result was testament to the efforts of Air New Zealanders at all levels of the organisation.

“Our team is demonstrating their passion and commitment to ensuring that Air New Zealand is performing better than ever before. A successful Air New Zealand is good for everyone – it is a virtuous circle. As we grow our revenue and control costs, we generate strong financial results which lead to sustainable returns to shareholders and investment back in the business,” Mr Luxon said.

“We have a number of initiatives underway to further improve the customer experience, including induction of the Boeing 787-9 fleet, the refurbishment of our Boeing 777-200ER fleet, moving to new terminals and lounges in Los Angeles and London and multiple lounge upgrades across the network.”

Mr Luxon also commented on the airline’s alliance with Singapore Airlines, which was recently granted full regulatory approval.

“This alliance is the third strategic revenue sharing alliance we have formed in recent years, following agreements with Virgin Australia (reauthorised in 2013) and Cathay Pacific in 2012. Forming alliances with the right partners in the right markets is a key pillar of our Go Beyond strategy.”

“Strong alliances such as this provide us with a platform for sustainable growth, allowing us to open up new routes and markets across the Pacific Rim”, he said.

Result highlights:

- Normalised earnings before tax of **\$332 million**, up 30%
- Statutory earnings before tax of **\$357 million**, up 40%
- Statutory profit after tax of **\$262 million**
- Operating revenue of **\$4.7 billion**, up 1% (3.2% excluding foreign exchange)
- Passenger revenue of **\$3.9 billion**, up 2.3% (4.6% excluding foreign exchange)
- Operating cash flow of **\$730 million**
- Strong cash position of **\$1.23 billion**
- Gearing at **42.9%**
- Fully imputed final ordinary dividend of **5.5 cents per share**, taking total ordinary dividends for the year to **10 cents per share**, an increase of 25%
- Fully imputed special dividend of **10 cents per share**
- Expected aircraft capital expenditure of **\$2.2 billion** over the next 4 years
- Moody's **Baa3** investment grade credit rating, outlook stable

Ends

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Normalised earnings before taxation (millions)	June 2014	June 2013
Earnings before Taxation (per NZ IFRS)	357	255
Reverse net (gains)/losses on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	(22)	(2)
Foreign exchange derivatives	(3)	2
Normalised earnings before taxation	332	255

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's annual financial statements and is subject to review by the Group's external auditors.

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, 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. The integration of Avianca Brasil is currently in progress. Overall, the Star Alliance network currently offers more than 18,500 daily flights to 1,316 airports in 192 countries.

For more information about Air New Zealand visit www.airnewzealand.com and for more information about Star Alliance visit www.staralliance.com