Monthly investor update

Contents

23 July 2015

- June market conditions
- Company news
- Operating statistics table

June market conditions

Air New Zealand carried 1,341,000 passengers during the month of June, 5.0% more than the same period last year. Revenue passenger kilometres (RPKs) were 10.5% higher on a capacity (ASKs) increase of 11.7%. Group load factors were down 0.8 percentage points to 81.7%.

Short Haul passenger numbers were up 3.5%, while in the Domestic market demand (RPKs) and capacity (ASKs) increased by 4.0% and 2.3%, respectively. Domestic load factor was 79.6%, up 1.3 percentage points.

Tasman/Pacific demand (RPKs) increased 4.0% while capacity (ASKs) increased by 2.2%. Load factor on Tasman/Pacific increased 1.4 percentage points to 83.0%.

Long Haul passenger numbers increased 17.3% when compared to June last year, with demand (RPKs) up 16.0% and capacity (ASKs) up 19.9%. Load factor on Long Haul routes was 81.6%, down 2.7 percentage points.

On North American/UK routes, demand (RPKs) increased 6.0% with capacity (ASKs) increasing 9.8%. Load factor was down 3.1 percentage points to 85.5%.

On Asia/Japan/Singapore routes, demand (RPKs) increased 39.5%, with capacity (ASKs) increasing by 40.4% due to the new Auckland-Singapore route and larger B787-9 aircraft operating on the Auckland-Shanghai route. Load factor decreased 0.5 percentage points to 75.4%.

Group-wide yields for the financial year to date were up 0.2% on the same period last year. Short Haul yields were up 2.2% while Long Haul yields were down 1.3%, with Long Haul yields being negatively impacted by foreign exchange movements. Removing the impact of foreign exchange, Group-wide yields were up 0.9%.



Company news

Air New Zealand completes sale of Safe Air

On 1 July 2015, Air New Zealand completed the sale of its wholly owned subsidiary Safe Air to Airbus Group Australia Pacific Pty Limited, a major supplier to the Australian Defence Forces and leading civil helicopter retailer.

Safe Air is a Blenheim-based aviation maintenance, design and manufacturing business focused on providing high quality engineering support for military and commercial customers, including the Royal New Zealand Air Force. Air New Zealand's Chief Operations Officer Bruce Parton said the airline has been exploring opportunities for some time to secure a solid future for Safe Air which best positions it for growth.

"This is a fantastic outcome for Safe Air and its employees, with Airbus able to provide guidance, direction and the resources that will increase its capabilities and contribute to its growth. This in turn will have a positive impact on the local economy", said Mr Parton.

Airbus Group Australia Pacific employs more than 1,400 staff at 15 sites across Australia and New Zealand. It has three operating divisions – Civil Helicopters, Government Helicopters and Fixed Wing – and maintains Orion and Hercules aircraft for the Royal Australian Air Force.

"Safe Air's reputation, skill set and outlook are all strong and closely align with Airbus Group. We've worked with Safe Air in the past and for us, bringing the company into Airbus strengthens our position and potential in New Zealand. We look forward to working with our new colleagues on a daily basis," said Dr Jens Goennemann, Managing Director Airbus Group Australia Pacific.

Air New Zealand upgraded by Moody's to Baa3

On 6 July 2015, Moody's Investors Service upgraded Air New Zealand's senior unsecured issuer rating to Baa2 from Baa3.

This is a one notch upgrade, and the rating outlook is stable.

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Air New Zealand named one of the world's 10 favourite international airlines

On 10 July 2015, Air New Zealand was named fifth best international airline in the 2015 Travel + Leisure magazine annual awards for the Top Airlines in the World. To determine the winner, they surveyed its readers and collected data on a host of parameters including cabin comfort, inflight service, customer service, value, food, and loyalty programmes.

In addition, our alliance partner Singapore Airlines took out the top spot. Pacific Rim airlines fared particularly well, making up seven of the 10 award-getters.

View the full list of winners here: <u>http://www.travelandleisure.com/worlds-best/airlines#international</u>





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Group		JUNE			FINANCIAL YTD		
	2015	2014	% * +	2015	2014	%*	
Passengers carried (000)	1,341	1,242	5.0%	14,297	13,719	4.2%	
Revenue Passenger Kilometres(m)	2,919	2,570	10.5%	29,934	28,078	6.6%	
Available Seat Kilometres (m)	3,573	3,114	11.7%	35,601	33,396	6.6%	
Passenger Load Factor (%)	81.7%	82.5%	(0.8 pts)	84.1%	84.1%	-	
Short Haul Total	JUNE			FINANCIAL YTD			
	2015	2014	% * +	2015	2014	%*	
Passengers carried (000)	1,170	1,100	3.5%	12,634	12,197	3.6%	
Revenue Passenger Kilometres(m)	1,254	1,173	4.0%	13,745	13,228	3.9%	
Available Seat Kilometres (m)	1,532	1,458	2.2%	16,480	16,007	3.0%	
Passenger Load Factor (%)	81.9%	80.5%	1.4 pts	83.4%	82.6%	0.8 pts	
Domestic	JUNE			FINANCIAL YTD			
Domestic	2015	2014	%*+	2015	2014	%*	
Passengers carried (000)	866	815	3.3%	9,246	8,920	3.7%	
Revenue Passenger Kilometres(m)	418	391	4.0%	4,561	4,370	4.4%	
Available Seat Kilometres (m)	526	500	2.3%	5,592	5,385	3.8%	
Passenger Load Factor (%)	79.6%	78.3%	1.3 pts	81.6%	81.1%	0.5 pts	
Tasman / Pacific				·			
		JUNE		FINANCIAL YTD			
	2015	2014	% * +	2015	2014	% *	
Passengers carried (000)	304	285	3.9%	3,388	3,277	3.4%	
Revenue Passenger Kilometres(m)	835	782	4.0%	9,184	8,858	3.7%	
Available Seat Kilometres (m)	1,006	958	2.2%	10,888	10,622	2.5%	
Passenger Load Factor (%)	83.0%	81.6%	1.4 pts	84.4%	83.4%	1.0 pts	
Long Haul Total		JUNE			FINANCIAL YTD		
	2015	2014	% * +	2015	2014	%*	
Passengers carried (000)	172	142	17.3%	1,663	1,522	9.3%	
Revenue Passenger Kilometres(m)	1,665	1,397	16.0%	16,189	14,850	9.0%	
Available Seat Kilometres (m)	2,042	1,656	19.9%	19,121	17,389	10.0%	
Passenger Load Factor (%)	81.6%	84.3%	(2.7 pts)	84.7%	85.4%	(0.7 pts)	
Asia / Japan / Singapore		JUNE					
	2015	2014	%*+	2015	2014	۲D % *	
Passengers carried (000)	67	46	42.2%	642	517	24.3%	
Revenue Passenger Kilometres(m)	599	418	39.5%	5,784	4,630	24.9%	
Available Seat Kilometres (m)	795	551	40.4%	7,022	-,000 5,656	24.2%	
Passenger Load Factor (%)	75.4%	75.9%	(0.5 pts)	82.4%	81.9%	0.5 pts	
North America / UK		JUNE			FINANCIAL YTD		
·	2015	2014	%*+	2015	2014	% *	
Passengers carried (000)	105	97	5.5%	1,021	1,005	1.6%	
Revenue Passenger Kilometres(m)	1,066	979	6.0%	10,405	10,220	1.8%	
Available Seat Kilometres (m)	1,247	1,106	9.8%	12,099	11,733	3.1%	
Passenger Load Factor (%)	85.5%	88.6%	(3.1 pts)	86.0%	87.1%	(1.1 pts)	

* % change is based on numbers prior to rounding. + The month on month percentage movements have been adjusted for the 3% difference in days for the month of June 15 (37 days) compared with June 2014 (36 days).

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.