

Media Release

Media release
26 August 2015

Air New Zealand Announces Record Annual Result

Air New Zealand has today announced its 2015 annual result with normalised earnings¹ before taxation of \$496 million for the 2015 financial year, an increase of 49 percent on the prior year. Statutory earnings before taxation were \$474 million, while statutory net profit after taxation was \$327 million, an increase of 24 percent.

Capacity growth supported by strong demand, cost efficiencies and lower fuel prices has driven a year of significant earnings growth. Very strong operating cash flow of \$1.1 billion was up 51 percent on the prior year.

The Board has declared a fully imputed final ordinary dividend of 9.5 cents per share, an increase of 73 percent on the prior year, resulting in a 2015 full year ordinary dividend of 16.0 cents per share, an increase of 60 percent on the prior year.

“Our strategic initiatives over the past three years have positioned us well to take advantage of market dynamics which have contributed to these results,” Chairman Tony Carter says.

“Our investment in new efficient aircraft, the continued development of our alliance partner relationships, world class sales and marketing execution, great customer service and strong focus on cost management have enabled Air New Zealand to achieve revenue growth against a stable cost base.

“We indicated at our interim result that lower fuel prices and current sales momentum have strengthened the company’s outlook, and this has seen the delivery of a record annual result that our shareholders and staff can be immensely proud of,” Mr Carter says.

“Given the current known operating environment, along with our increased capacity and improved operating efficiencies, we expect to achieve significant earnings growth in the coming year.”

Chief Executive Officer Christopher Luxon says a continued focus on superior commercial results, enhancing the customer experience and further developing the airline’s people and culture have resulted in a terrific 2015 financial year across all three of these commitments.

“We remain focused on the Pacific Rim as our growth strategy and will continue to provide the best connections, product and service at competitive prices, to maintain and grow our market share in these regions. Next year will see further capacity growth in international markets as we look forward to new routes starting in December 2015 to Houston and Buenos Aires. And while we are gearing up to launch these exciting new routes we have a team assessing potential new opportunities in Australia, Asia and the Americas,” Mr Luxon says.

“We operate one of the most comprehensive domestic jet and regional turboprop networks in the world renowned for frequency, service and reliability. Our domestic operation will grow eight percent in the year ahead, while at the same time maintaining our price leadership with more than two million domestic fares expected to be offered for sale for less than \$100.”

Mr Luxon says Air New Zealand has spent considerable time and effort enhancing the on-the-ground and in-flight experience in 2015 financial year.

“This has resulted in a further lift in customer satisfaction including amongst our most frequent flyers, and has seen the airline receive many awards in the past year.”

Air New Zealand’s loyalty programme, Airpoints, continues to grow at pace with around 1.9 million members now, which is up almost 17 percent on the previous year. Australia remained the biggest overseas membership base with growth in that market exceeding 20 percent during the year.

“This doesn’t surprise us as more Australians than ever are embracing the Air New Zealand product and service offering whether it be on the Tasman, to the Pacific Islands, North America or South America.”

A cornerstone focus for Air New Zealand in 2015 financial year was knowing its customers better than ever before through the enhanced use of data and analytics.

“Air New Zealand will deliver more personalised and relevant offers to its customers in the future through the use of data and analytics. We have the systems, people and global partners in place to see the airline be more relevant than ever in our customers’ lives and in turn to deliver even more commercially through the Airpoints programme,” Mr Luxon says.

While Air New Zealand’s record annual result is good news for shareholders, it is also a great outcome for the airline’s employees.

“Our people are critical to the airline’s success. In the last year we have established a Company Performance Bonus to allow all Air New Zealanders to benefit when we deliver superior commercial results, and this will be paid to eligible employees next week.” Mr Luxon says.

The bonus will see 8,000 staff who are not on other incentive programmes, receive payments of up to \$1,400.

Result Highlights:

- Normalised earnings before tax of **\$496 million**, up 49%
- Statutory net profit before tax of **\$474 million**, up 32%
- Statutory net profit after tax of **\$327 million**, up 24%
- Result includes equity accounted losses of **\$29 million** from Virgin Australia
- Operating revenue of **\$4.9 billion**, up 5.9% (6.3% excluding foreign exchange)
- Passenger revenue of **\$4.1 billion**, up 6.8% (7.5% excluding foreign exchange)
- Operating cash flow of **\$1.1 billion**, up 51%
- Strong cash position of **\$1.32 billion**, up 7.1%
- Gearing at **52.4%**
- Fully imputed final ordinary dividend of **9.5 cents per share**, an increase of 73%, bringing 2015 full year fully imputed ordinary dividend of **16.0 cents per share**, an increase of 60%
- Expected aircraft capital expenditure of **\$2.6 billion** over the next 4 years
- Upgraded credit rating – Moody’s **Baa2** investment grade, outlook stable

Ends

Issued by Air New Zealand Public Affairs ph +64 21 747 320

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Reconciliation of normalised earnings before taxation	June 2015	June 2014
	\$m	\$m
Earnings before taxation (per NZ IFRS)	474	358
Reverse net movements on derivatives that hedge exposures in other financial periods:		
Fuel derivatives	20	(23)
Foreign exchange derivatives	2	(3)
Normalised earnings before taxation	496	332
Virgin Australia equity losses	29	-
Normalised earnings before Virgin Australia equity losses and taxation	525	332

Normalised earnings represents earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding net movements 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 annual financial statements and is subject to review by the Group's external auditors.