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May market conditions

Air New Zealand carried 1,071,000 passengers during the month of May, 4.1% more than the same period last year. Revenue passenger kilometres (RPKs) were 7.3% higher on a capacity (ASKs) increase of 6.9%. Group load factors were up 0.3 percentage points to 80.4%.

Short Haul passenger numbers were up 3.6%. In the Domestic market demand (RPKs) and capacity (ASKs) increased by 4.9% and 6.2%, respectively. Domestic load factor was 81.3%, down 1.1 percentage points.

Tasman/Pacific demand (RPKs) increased 5.3% while capacity (ASKs) increased by 7.3%. Load factor on Tasman/Pacific decreased 1.6 percentage points to 81.5%.

Long Haul passenger numbers increased 7.5% when compared to May last year, with demand (RPKs) up 8.9% and capacity (ASKs) up 7.0%. Load factor on Long Haul routes was 79.7%, up 1.4 percentage points.

On Americas/UK routes, demand (RPKs) increased 11.6% with capacity (ASKs) increasing 10.3% due to the Auckland-Houston and Auckland-Buenos Aires routes, which was partially offset by reduced frequency on the Auckland-Los Angeles route. Load factor increased 1.0 percentage point to 81.9%.

On Asia/Japan/Singapore routes, demand (RPKs) increased 4.5%, with capacity (ASKs) increasing by 1.9%. Load factor increased 1.9 percentage points to 76.1%.

Group-wide yields for the financial year to date were down 1.6% on the same period last year. Short Haul yields were down 1.9% while Long Haul yields were up 1.9%. Removing the impact of foreign exchange, Group-wide yields were down 5.5%.



Company news

[Air New Zealand announces sale of 19.98% stake in Virgin Australia and confirms participation in Virgin Australia rights issue](#)

On 10 June 2016 Air New Zealand announced that it had entered into a Sale & Purchase Agreement with Nanshan Group in respect of its stake in Virgin Australia. Under the Agreement, Air New Zealand will sell shares held in Virgin Australia at A\$0.33 per share. Following the sale, Nanshan Group will have a shareholding of approximately 19.98% in Virgin Australia.¹

Nanshan Group is a large, privately owned Chinese conglomerate with interests across a diverse range of industries. Nanshan's aviation interests include its own emerging airline, Qingdao Airlines, launched in April 2014.

Air New Zealand Chairman Tony Carter commented: "We believe Nanshan Group will be a very strong, positive and complementary shareholder for Virgin Australia. The sale will allow Air New Zealand to focus on its own growth opportunities, while still continuing its long-standing alliance with Virgin Australia on the trans-Tasman network."

The sale is subject to and will take place after receipt of Nanshan Group regulatory approvals from Chinese authorities. Nanshan Group intends to support the outcome of the Virgin Australia capital structure review previously announced on 21 March 2016.

Options regarding the remaining shareholding will be considered by Air New Zealand in due course.

On 15 June 2016 Air New Zealand confirmed that it will be participating in the rights issue announced by Virgin Australia. Virgin Australia has stated that the A\$852 million pro-rata entitlement offer capital raising (the Offer) will strengthen Virgin Australia's balance sheet, improve earnings and cash flow and support new opportunities for sustainable growth.

To the extent that Air New Zealand is a registered shareholder on the record date for the Offer (and if Nanshan Group has not received applicable regulatory approvals in relation to its participation in the Offer), Air New Zealand will subscribe for Nanshan Group's entitlements via a sub-underwriting arrangement.

¹ Based on Virgin Australia's expected issued capital outstanding following the HNA Group equity investment as announced by Virgin Australia on 31 May 2016.

Monthly **investor update**



Air New Zealand recognised for sustainability business leadership

Air New Zealand has been recognised in the Business Leadership category at the Green Ribbon Awards for its efforts in sustainability.

The airline was assessed by judges across a range of criteria including environmental benefits delivered, results achieved, innovation, awareness and education.

Air New Zealand Chief Executive Officer Christopher Luxon says sustainability is integral to how the airline does business.

“It’s been almost a year since we formally launched our Sustainability Framework which sets out how we as a business will supercharge New Zealand’s success. Right across our business we have been working hard to embed the programme and raise awareness of it with our people, customers, suppliers and other stakeholders.”

The outputs of Air New Zealand’s Sustainability Framework are threefold – it aims to achieve economic growth, positive social impacts and reduced environmental impacts. Work within the framework is focused under six key areas – the airline’s people; the communities it operates within; carbon; biodiversity and science; tourism; and trade and enterprise.

The Green Ribbon Awards have been held annually since 1990 and recognise the exceptional contributions of individuals, organisations and communities to protecting and improving the environment.

