

Media Release

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26 August 2016

Air New Zealand announces record profit, dividend and staff bonus

2016 Key achievements:

- Record earnings before other significant items and taxation of **\$806 million***, up 70%
- Record net profit before taxation of **\$663 million**, up 40%
- Record net profit after taxation of **\$463 million**, up 42%
- Operating revenue of **\$5.2 billion**, up 6.2% (3.8% excluding divestments and foreign exchange)
- Passenger revenue of **\$4.5 billion**, up 8.9% (4.7% excluding foreign exchange)
- Operating cash flow of **\$1.1 billion**, down 2.4%
- Strong cash position of **\$1.6 billion**, up 21%
- Gearing at **48.6%**, an improvement of 3.8 percentage points
- Fully imputed final ordinary dividend of **10.0 cents per share**, bringing the 2016 full year fully imputed ordinary dividends to **20.0 cents per share**, an increase of 25%
- An additional fully imputed special dividend of **25.0 cents per share**
- Expected aircraft capital expenditure of **\$2.1 billion** over the next 5 years
- **Record customer satisfaction** resulting from continued investment in aircraft, lounges, service quality and inflight experience
- Company Performance Bonus for superior results of up to **\$2,500** paid to all permanent employees who do not participate in a Short Term Incentive programme

** Earnings before other significant items and taxation represent Earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding items which due to their size and nature warrant separate disclosure to assist with understanding the financial performance of the Group. Earnings before other significant items and taxation is reported within the Group's audited annual financial statements. Other significant items of \$143 million includes \$86 million related to the partial divestment of Virgin Australia and \$57 million related to settlement of a long-standing class action cargo legal claim. Further details are contained within Note 3 of the Group financial statements.*

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Air New Zealand announces record profit, dividend and staff bonus

Air New Zealand has today announced earnings before other significant items and taxation* for the 2016 financial year of \$806 million, compared to \$474 million in the prior year. Earnings before taxation were \$663 million with net profit after taxation of \$463 million, an increase of 40 percent and 42 percent, respectively.

A 2016 final fully imputed ordinary dividend has been declared of 10.0 cents per share, bringing the full year ordinary declared dividends to 20.0 cents per share, an increase of 25 percent on the prior year. The Board also declared a fully imputed special dividend of 25.0 cents per share.

In recognition of the record result, the Board has awarded a Company Performance Bonus of up to \$2,500 that will be paid next week to 8,200 Air New Zealanders who do not have other incentive programmes as part of their employment agreement.

Chairman Tony Carter says the airline's staff are critical to its success.

"We recognise the importance of working collaboratively with our unions through our High Performance Engagement programme to achieve results that benefit both our business and our people. This has been an important contributor to our ability to achieve efficiencies," Mr Carter says.

Chief Executive Officer Christopher Luxon says the airline ended the year with customer satisfaction at record highs, brand health in excellent shape, the number one corporate reputation in New Zealand, and the staff culture at the airline continuing to further improve.

"These are the best results ever in our 76 year history and I am extremely proud of the airline's achievements, our people and the contribution we make to super charging New Zealand's success. Alongside connecting New Zealanders and Kiwi businesses with each other and the world, we employ 11,300 staff, will pay the Government around \$260 million in total dividends and will pay income tax of around \$200 million for the year," Mr Luxon says.

Looking ahead, he acknowledges there is increased competition as other international airlines also add capacity in recognition of strong tourism demand for New Zealand.

"There's no doubt customers have more choice but we are confident that we have the right pricing, products and services to stay a step ahead of the competition as we grow our business at home and overseas," says Mr Luxon.

Given the uncertain impact of competition and based on the current market conditions, the airline expects earnings before taxation for the full year 2017 to be in the range of \$400 million to \$600 million.**

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** Based on a fuel price of US\$55 per barrel for the remainder of the year.

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