

Media Release

Media release
23 August 2017

Air New Zealand announces second highest profit in company history, increases dividend and awards staff bonus

Air New Zealand has today announced earnings before taxation for the 2017 financial year of \$527 million, compared to \$663 million in the prior year - the second highest result in the airline's history. Net profit after taxation was \$382 million.

Chairman Tony Carter praised the strong result, acknowledging the airline's staff for their continued focus on driving profitable network growth during a period of significant new competition.

A 2017 final fully imputed dividend of 11.0 cents per share has been declared, an increase of ten percent on the prior year, bringing the full year declared ordinary dividends to 21.0 cents per share.

"Based on the airline's strong financial position, future capital commitments and improving trading environment, the Board felt it appropriate to increase the dividend," says Mr Carter. The final dividend will be paid on 18 September 2017 to investors on record at the close of business on 8 September 2017.

In recognition of the result, the Board has awarded a Company Performance Bonus of up to \$1,700 to be paid next week to approximately 8,500 Air New Zealanders who do not have other incentive programmes as part of their employment agreement.

Chief Executive Officer Christopher Luxon says 2017 has been an exciting and productive year and credits the airline's staff for their outstanding contribution.

"This year Air New Zealand faced an unprecedented increase in the level of competition from some of the world's largest airlines and effectively rose to the challenge. The impressive way our team responded to the new competition while at the same time achieving commercial, customer and cultural excellence, helped to deliver our second highest profit ever," says Mr Luxon.

The airline's loyalty programme, Airpoints™, continues to grow at an impressive rate, with more than 2.5 million members, up 16 percent on the prior year. Australia is the largest offshore market for Airpoints™ members, and has grown by more than 17 percent in the past 12 months.

In 2018, Air New Zealand will continue growing its comprehensive domestic network. The airline sees opportunity coming from inbound tourism as well as strong domestic tourism. Following the rollout of last year's Northland marketing campaign, *A Summer of Safety*, a key element of Air New Zealand's growth strategy will involve continued support to regional stakeholders in developing attractive tourism propositions.

Internationally, the airline's strategy to enter key markets with the help of revenue-sharing alliance partners and strong market development plans has helped drive successful expansion. In the coming year, Air New Zealand's offshore growth will focus on the Japan market with the addition of Haneda, as well as increasing services during peak season across routes in the Pacific Islands, North and South America.

Mr Luxon says that recent announcements regarding competitor capacity rationalisation support the airline's view of a stronger revenue environment in the coming year.

Outlook

Looking forward to the year ahead, the airline is optimistic about the overall market dynamics. Based upon current market conditions and assuming an average jet fuel price of US\$60 per barrel (which represents the average over the past two months), the airline is aiming to improve upon 2017 earnings.

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2017 highlights

- Earnings before taxation of **\$527 million**
- Net profit after taxation of **\$382 million**
- Operating revenue of **\$5.1 billion**
- **16 million passengers** carried during the year
- Capacity increased **6.3%**
- Operating cash flow of **\$904 million**
- Pre-tax return on invested capital of **15.3%**
- Total annual shareholder return of **88.6%**
- Fully imputed final dividend of **11.0 cents per share**, a 10% increase on the prior year, bringing the 2017 full year fully imputed ordinary dividends to **21.0 cents per share**
- Expected aircraft capital expenditure of **\$1.5 billion** over the next 4 years
- Company Performance Bonus of up to **\$1,700** paid to all permanent employees who do not participate in a Short Term Incentive programme
- **Top rated corporate reputation** in both New Zealand and Australia
- **Record customer satisfaction levels**, with increases in all major areas
- Awarded **New Zealand's Most Attractive Employer** for 2017

Ends

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