

# media release

**Media release  
30 August 2012**

## **Air New Zealand Expects to More Than Double Earnings in 2013**

Air New Zealand is forecasting a strong improvement in financial performance after announcing normalised earnings before taxation\* for the 2012 financial year of \$91 million, up 21 percent on 2011. Statutory net profit after taxation was \$71 million, down 12 percent on 2011.

Chairman John Palmer says Air New Zealand is now well positioned to continue the growth trajectory that it was pursuing until 2008 when the world was gripped by financial crisis.

“We have come through some tough times and the worst impacts of natural disasters like the Christchurch earthquake and tsunami in Japan are behind us, which means growth opportunities are no longer suppressed. We view the future with optimism and are pursuing a clear strategy to strengthen our Australasian operations, while being ahead of target in restructuring our International long haul network to improve financial performance,” Mr Palmer says.

“Despite the uncertain global economy, assuming our current forecast of market demand and fuel prices at current elevated levels, we expect to deliver a more than 100 percent improvement in normalised earnings before taxation\* in the 2013 financial year,” he says. The Board has declared a final dividend of 3.5 cents per share, taking total dividends for the year to 5.5 cents per share.

Chief Executive Officer Rob Fyfe says that Air New Zealand has delivered the most consistent and best relative financial performance of any Australasian airline over the past three years yet is far from achieving its potential.

“Air New Zealand has built a solid foundation over the past three years to further strengthen its competitive position and comparative financial performance. As the airline enters the next exciting chapter in its history, we have implemented a broad suite of performance improvement

initiatives that have touched every aspect of our business and we are currently ahead of the targets we set. This is a great tribute to the way Air New Zealanders have worked together against a tough economic backdrop to ensure the airline is well positioned for growth," Mr Fyfe says.

"In our domestic home market we have continued to expand our network, grow our fleet and improve our productivity. Despite the exit of Pacific Blue from the domestic market, fuel costs 60 percent higher than five years ago and airport charges increasing by 112 percent (\$91 million) over the same period, Air New Zealand's average domestic fares have actually decreased. If airport charges had not risen, we could have lowered fares even further for our customers. We offered more than 1 million seats for less than \$100 during the 2012 financial year and we're incredibly satisfied with the way we were able to maintain demand during the 12 months, especially post the Rugby World Cup when tourists left New Zealand and wallets tightened."

Mr Fyfe says the move to strengthen Air New Zealand's Australasian position by developing a closer, more effective relationship with Virgin Australia is now well advanced.

"The trans-Tasman alliance has been a success, exceeding our projections and delivering our customers, and those of Virgin Australia, access to the largest airline network in Australasia with connections into 62 towns and cities. Our 19.99 percent equity interest in Virgin Australia gives Air New Zealand economic exposure to its strengthening position in the domestic Australian market, which is growing more rapidly than New Zealand's domestic market. Further cooperation between the companies has included sharing large fan jet engines for B777-300ER aircraft, and a collective spares inventory with lower capital requirements. Air New Zealand has completed heavy maintenance inspections on Virgin Australia B777-300ER aircraft, as well as upgrade work on its B737 fleet," he says.

"In our international long haul network, our \$1 billion investment in the latest most fuel efficient aircraft, award winning interiors and service, and the deployment of aircraft capacity on routes with the strongest demand, have seen a significant improvement in financial performance. We expect the international long haul network to contribute positively to Group profitability in the 2013 financial year, well ahead of schedule. Our fleet modernisation programme combined with improved operating procedures and higher load factors has delivered more than \$550m in cumulative fuel savings over the past five years and these benefits continue to accrue. The flagship B777-300ER burns 19 percent less fuel on a payload adjusted basis than the retiring B747-400, while offering significantly increased cargo space. The Airbus A320, which is

progressively replacing the B737-300 on domestic routes, improves fuel efficiency by 20 percent while offering faster, quieter operation.

“In February this year we announced we were targeting more than \$195 million of annual performance improvements to be implemented by 2015. This programme is well ahead of schedule, and we are now targeting initiatives to improve profitability by \$250 million, of which we expect \$130 million to be achieved in the 2013 financial year. Drivers of this include an overhead cost review, which is now complete and continued focus on ancillary revenue opportunities. Other factors include the benefits of a modern fuel efficient and less maintenance intensive fleet, and a re-engineering of our international network to ensure we are serving the most lucrative markets. These initiatives, combined with a significant reduction in anticipated hedge losses underpin the substantial performance improvement currently forecast for the 2013 financial year.”

#### **Key points:**

- Normalised earnings before taxation\* of \$91 million, up 21 percent
- Statutory net profit after taxation of \$71 million, down 12 percent
- Operating revenue increased to \$4.5 billion
- Gearing improved to 46.1 percent
- Full year dividend of 5.5 cents per share

\*Normalised Earnings represents Earnings stated in compliance with New Zealand IFRS after excluding net gains and losses on derivatives that hedge exposures in other financial periods. Normalised Earnings is a non-IFRS financial performance measure that aligns the timing of recognition of derivative gains or losses with that of the underlying hedged transaction. The measure is subject to review by the Group's external auditors. A reconciliation to the IFRS earnings is provided in the Group's Financial Statements.

#### **Ends**

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

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