OUR CHAIRMAN

The momentum continues

For the first six months of the 2014 financial year Air New Zealand's normalised earnings[1] before taxation were $180 million, an increase of 29% on the previous corresponding period. Statutory earnings before taxation were $197 million, with net profit after taxation of $140 million, an increase of 40%.

We are continuing to demonstrate earnings momentum while making significant investments in fleet and further improving our customer experience.

Ours is one of the most challenging sectors, and in recent years Air New Zealand has been recognised as an industry leader. As a Board we are always seeking ways to continually improve and refine the way the airline operates.

Chief Executive Officer Christopher Luxon has now been in the job for over a year, having executed a well planned transition and seamless restructure early on in his tenure.

Christopher has brought a renewed focus on sales and marketing excellence from his previous background as a global executive in the fast moving and competitive world of consumer goods.

Investors have endorsed the airline's improving performance, with the share price increasing by more than 10 percent in the six months to 31 December 2013. As a result, we have outperformed the NZX50 as well as the Asia Pacific regional airline index.

The success of the Government's sale of 20 percent of Air New Zealand shares as part of the mixed ownership programme is further evidence of investor confidence, with the transaction being completed at no discount to the trading price.

I would like to acknowledge the outstanding leadership of my predecessor John Palmer. We wish him well following his retirement from the Board on 31 March 2014.

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Cover image – Chris Lewis Photography

[1]Refer to the Financial Commentary on page 8 for details of Normalised Earnings.

The appointment of Jonathan Mason to the Board was recently announced. Jonathan is a valuable addition to the Board, having most recently served as Chief Financial Officer of Fonterra Group, and has held a number of global leadership roles.

With further improved earnings and a level of confidence around the medium term economic outlook, the Board has declared a fully imputed interim dividend of 4.5 cents per share, an increase of 50% over the previous corresponding period.

The company has a robust balance sheet with strong liquidity. Gearing, at 43.9 percent, remains below our target range as we move into a period of higher capital expenditure. Our investment grade credit rating continues to be the envy of many other airlines around the world.

With stable fuel prices and a traditional seasonal earnings pattern of a stronger first half, we expect normalised earnings before taxation to exceed $300 million for the full year.

Tony Carter
Chairman

TONY CARTER CHAIRMAN.