

Stock exchange listings: New Zealand (NZX: AIR) / Australia (ASX: AIZ) / ADR (OTC: ANZLY)

MARKET ANNOUNCEMENT

22 April 2024

Air New Zealand reduces full year guidance

In February 2024, Air New Zealand issued guidance for the 2024 financial year, announcing expected earnings before taxation in the range of \$200 million to \$240 million. This range included the benefit of \$65 million in Covid-related credit breakage for the year, with \$45 million recognised in the first half, and \$20 million of assumed credit breakage in the second half.

At that time, the airline reiterated a number of deteriorating economic and operational conditions which informed this earnings guidance (see summary provided below).

Since providing that guidance, Air New Zealand has continued to see softening in revenue conditions over the fourth quarter both domestically and on the North American market.

Domestic performance has seen ongoing softening, with challenging economic conditions and ongoing cost-of-living pressures. Government and corporate demand remains subdued.

North American performance continues to be impacted by very competitive pricing pressures, as the market adjusts to the significant capacity added into the New Zealand market by US carriers.

These softer revenue conditions are expected to result in lower underlying profitability for the 2024 financial year of approximately \$40 million to \$50 million.

Separately, following a significant decline in the rate of redemption of Covid-related credits in recent months, the airline has increased the assumed level of additional Covid-related credit breakage for the second half from \$20 million to \$50 million. Customers who have a Covid-related credit have until 31 January 2026 to book travel for completion by 31 December 2026.

2024 Outlook guidance

In light of the above and assuming an average jet fuel price of USD\$105/bbl for the second half, the airline expects earnings before taxation for the 2024 financial year to be in the range of \$190 million to \$230 million. This range includes the \$40 million to \$50 million impact of deteriorating market conditions noted earlier, as well as a total of \$95 million in Covid-related credit breakage for the 2024 financial year. Future redemptions of Covid-related credits remain uncertain.

The airline will continue to monitor the impact of market conditions as they evolve in the coming months.

Summary of conditions noted in February 2024 market releases:

- Increased capacity and pricing pressure from US carriers driving a weaker revenue performance on North American routes.
- The cumulative impact of significant inflation on the cost base.
- Ongoing weakness in domestic corporate and government demand.

Air New Zealand postal address: Private Bag 92007, Auckland, 1142, New Zealand

Investor Relations email: investor@airnz.co.nz

Investor website: www.airnewzealand.co.nz/investor

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- Temporary cost headwinds to alleviate impacts from the Pratt & Whitney global engine maintenance requirements totalling approximately \$35 million for the second half of the financial year.

Ends

This announcement has been authorised for release to NZX and ASX by Jennifer Page, General Counsel & Company Secretary (jennifer.page@airnz.co.nz).

For **investor relations** queries, please contact:
Kim Cootes, Head of Investor Relations
kim.cootes@airnz.co.nz
+64 27 297 0244

For **media enquiries**, please contact:
Air New Zealand Communications
media@airnz.co.nz
+64 21 747 320