

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

MARKET ANNOUNCEMENT

14 May 2026

Air New Zealand market update

Overview

Air New Zealand is today providing an update on FY26 outlook, reflecting the significant impact of elevated and volatile global jet fuel prices following the conflict in the Middle East.

The scale and speed of recent movements in jet fuel prices and refining margins have created a material external shock for the global aviation sector. Air New Zealand is responding from a position of resilience, reflecting deliberate actions taken over recent years to improve liquidity, funding depth, and financial flexibility across its fleet.

The airline has moved quickly to mitigate the impact of higher fuel costs to protect earnings and preserve liquidity. This includes implementing a number of targeted financial, commercial and operational actions, and accelerating the cost reduction work already under way.

At the same time management remains focussed on continuing to improve operational excellence and resolving our engine challenges to increase aircraft availability. This has enabled the airline to return grounded aircraft to service a year ahead of schedule and deliver an on-time performance in April that ranked among top airlines globally.

Supported by Air New Zealand's strong liquidity position, balance sheet resilience and response to the crisis, Management and the Board are not currently contemplating any capital transactions.

Fuel

Jet fuel prices, which were around US\$85 to US\$90 per barrel prior to the escalation of conflict, have traded between approximately US\$160 and US\$230 per barrel in the last 10 weeks.

Air New Zealand is around 85 per cent hedged against its 2H26 Brent Crude exposure following the most recent capacity consolidations. However, like most global airline peers, the airline is exposed to the crack spread, which has traded in the range of approximately US\$55 to US\$120 per barrel since the start of the crisis. The airline is approximately 55 percent hedged on Brent Crude for the 1H27 and is actively managing our hedging profile.

Estimated fuel consumption for May and June is approximately 1.4 million barrels, taking total 2H26 consumption to approximately 4.1 million barrels. Air New Zealand now expects its 2H26 fuel cost to be approximately \$980 million, compared with approximately \$740 million assumed at the 2026 interim result. This has driven a \$240 million headwind to the expected FY26 result, inclusive of hedging.

The airline continues to work closely with jet fuel suppliers, government and other industry participants, and remains confident in the security of its jet fuel supply through to July 2026.

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Trading and network response

Air New Zealand has made three targeted capacity consolidations to date, reducing overall Group capacity since the conflict by around 3 to 5 percent across our various networks. Affected customers were contacted directly and offered alternative flights or a refund.

The airline has taken a targeted approach to domestic consolidations to minimise customer disruption and preserve connectivity. If fuel prices stay at these elevated levels, the airline expects to announce further capacity updates in the coming weeks. Fare increases have also been implemented across the network and fuel cost recovery is expected to improve over time as earlier bookings are flown and new bookings reflect revised pricing.

Booking momentum has moderated in recent weeks, after initially tracking ahead of FY25. Domestic and Trans-Tasman demand have softened, in part due to reduced sale activity on the Tasman. Outbound demand to some long-haul markets has also softened, while North America inbound is mixed. Asia inbound and the Cargo business have remained more resilient.

Balance sheet and liquidity

Air New Zealand's total available liquidity is approximately \$1.3 billion, including an existing undrawn \$250 million syndicated standby facility. This is within the airline's target liquidity range, under its Capital Management Framework. Net debt to EBITDA is currently outside the target range.

The airline has also strengthened its funding flexibility in recent years, with approximately \$4.0 billion of available aircraft equity across its unencumbered and under-encumbered fleet. This materially enhances balance sheet resilience and the airline's ability to respond to periods of market volatility, such as the current fuel shock.

Air New Zealand is in the final stages of establishing a US\$400 million secured revolving credit facility to raise financing against part of its existing unencumbered aircraft pool. This funding was planned prior to the fuel crisis and will increase the airline's pro-forma liquidity by approximately \$670 million once complete.

Moody's has also recently reaffirmed Air New Zealand's Baa1 credit rating, however, has downgraded its outlook to negative. The rating retains Air New Zealand's position among the highest-rated airlines globally.

Cost discipline

Air New Zealand has identified up to \$100 million of annualised cost savings to date, which will flow through into FY27 and beyond. These savings are part of the strategy refresh initiated at the end of 2025, but have been accelerated in response to the higher fuel cost environment, and is ongoing.

The airline is also reviewing upcoming capital expenditure plans, noting there will be near-term capex deferrals because of delays from aircraft manufacturers. It will continue to review the timing of future aircraft deliveries to ensure fleet investment remains aligned with demand, capital priorities and the operating environment.

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Fleet availability

Aircraft availability has improved significantly since the interim results, with all existing Boeing 787 aircraft now expected to return to service by late June and all Airbus aircraft by 2027.

While the airline will continue to carry the costs of some leased aircraft and engines until the end of calendar 2027, improved aircraft availability will strengthen operational resilience, reduce associated carrying costs progressively and provide greater flexibility to deploy the airline's most fuel-efficient aircraft in the current higher fuel-cost environment.

Strategy update

Air New Zealand's strategy refresh to FY31 is progressing well and positions the airline to deliver stronger performance, network and fleet growth, operational excellence, and a compelling customer proposition. Further details will be provided shortly.

FY26 outlook

Air New Zealand now expects an FY26 loss before taxation in the range of \$340 million to \$390 million, based on current trading conditions and an assumed average jet fuel price of approximately US\$145 per barrel for 2H26, within which monthly prices have ranged between US\$85 to US\$200 per barrel.

The updated range includes the impact of materially higher fuel costs, partly offset by approximately \$70 million of mitigation actions. The outlook also incorporates around \$50 million of unexpected leased engine maintenance costs, and \$12 million of lower compensation reflecting the earlier than expected return of engines.

While fare increases have been implemented, recovering the full impact of higher fuel costs over a short period would risk further demand softness, and the airline is therefore taking a measured approach to pricing and capacity.

This revised outlook remains subject to material uncertainty, including continued volatility in jet fuel prices and refining margins, global economic conditions, demand conditions, the timing and quantum of further capacity adjustments, finalisation of engine return schedules, and the finalisation and timing of realisation of annualised cost-out benefits. Air New Zealand will continue to update the market as appropriate.

Ends

This announcement is authorised for release on the NZX and ASX by Jennifer Page, General Counsel & Company Secretary.

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