

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

MARKET ANNOUNCEMENT

24 February 2020

Air New Zealand provides update on impact of coronavirus on 2020 outlook

Air New Zealand is today providing an update on its current estimate of the impact of coronavirus on earnings for the 2020 financial year.

The airline's revenue outlook for the remainder of the year is expected to be adversely impacted as a result of softer demand for travel to and from Asian destinations. Weaker forward bookings for travel on the Tasman and Domestic networks have also emerged as a result.

Immediate steps have been taken to mitigate the impact of lower demand, including adjustments to capacity across the Asia, Tasman and Domestic networks. The airline is also increasing market development investment to drive additional demand, specifically across its Domestic and Tasman markets. These actions, in addition to the reduced market price for jet fuel, will partially mitigate the impact of lower demand, however overall earnings for the 2020 financial year will be adversely impacted.

While the situation is uncertain, based on our current assumptions of lower demand as well as the benefit of the announced capacity reductions and lower jet fuel prices, the airline currently expects a net negative impact to earnings in the range of \$35 million to \$75 million as a result of coronavirus.

At the midpoint of the estimated range above, which is approximately \$55 million, the airline is targeting earnings before other significant items and taxation to be in a range of approximately \$300 million to \$350 million¹.

The airline will provide an update to this guidance should the current assumptions materially change.

Chief Executive Officer Greg Foran acknowledges the challenging environment but says that he is confident Air New Zealand is well positioned to deliver the best result under these conditions.

"Air New Zealand is a resilient business and we have demonstrated the ability time and again to respond quickly to changing market conditions. We have a highly capable and experienced senior leadership team who have dealt with challenges such as this before and I am confident that we will effectively navigate our way through this," says Mr Foran.

The airline will release its 2020 Interim Results to the market on Thursday 27 February.

¹ Assuming jet fuel prices remain at US\$65 per barrel for the remainder of the year and excludes the impact of the NZ IFRS 16.

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Current network actions taken to mitigate impact of coronavirus on demand

The airline will continue to assess the appropriate level of capacity and other potential actions to reflect the changing demand environment. Current network actions the airline has taken include:

- Previously announced capacity reductions across Asia routes, predominantly related to Shanghai and Hong Kong services.
- The airline announces today that services to Seoul will be temporarily suspended from 7 March through the end of June.
- Total Asia capacity will thereby reduce by 17% for the months of February through June
- Tasman capacity reductions of 3% from March through May
- Reductions in Domestic capacity of 2% across March and April, focused on Christchurch and Queenstown services to/from Auckland

Guidance summary	
<p>Amended guidance for 2020 financial year <i>(as disclosed on 24 February 2020)</i></p>	<p>While the situation is uncertain, based on our current assumptions of lower demand as well as the benefit of the announced capacity reductions and lower jet fuel prices, the airline currently expects a net negative impact to earnings in the range of \$35 million to \$75 million as a result of coronavirus.</p> <p>At the midpoint of the estimated range above, which is approximately \$55 million, the airline is targeting earnings before other significant items and taxation to be in a range of approximately \$300 million to \$350 million¹.</p> <p>The airline will provide an update to this guidance should the current assumptions materially change.</p> <p>¹<i>Assuming jet fuel prices remain at US\$65 per barrel for the remainder of the year and excludes the impact of NZ IFRS 16.</i></p>
<p>Previous guidance for 2020 financial year <i>(as disclosed on 28 January 2020)</i></p>	<p>Based upon current market conditions and assuming an average jet fuel price of US\$75 per barrel, the airline is targeting earnings before Other Significant Items and taxation to be in the range of \$350 million to \$450 million. This outlook excludes the impact of the new accounting standard for leases (IFRS 16).</p>

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Ends.