

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

MARKET ANNOUNCEMENT

16 April 2025

Air New Zealand provides full year earnings guidance

Air New Zealand has today provided a trading update on expected performance for the second half of the 2025 financial year, reflecting a substantial reduction in the compensation it anticipates receiving from engine manufacturers during the period, despite an increased number of grounded aircraft.

Compensation

At the airline's interim results announcement on 20 February 2025, the Company noted that it was unable to provide full-year earnings guidance due to significant uncertainty around the number of grounded aircraft and related compensation levels. These groundings stem from global maintenance requirements on the Pratt & Whitney and Rolls-Royce engines that power the airlines Airbus neo and Boeing 787 Dreamliner fleets.

Since that announcement, engine maintenance timeframes provided by the manufacturers remain unpredictable. As a result, current expectations are that 11 aircraft are grounded, despite Air New Zealand securing seven additional leased engines and one further owned spare engine to stabilise the number of grounded narrow body jets.

The airline is engaged in ongoing negotiations with engine manufacturers regarding appropriate levels of compensation for unserviceable engines, and accurate timeframes for engine returns. These discussions continue to be complicated, but Air New Zealand is exploring all possible avenues to ensure a fair outcome.

In the first half, the compensation framework included flexibility that allowed certain engines that were not able to be used in commercial service to be treated as unserviceable for the purposes of compensation. This is despite the airline retaining them 'on-wing', to allow for things like repositioning of stored aircraft. That short-term flexibility has now ended, and only engines that are 'off-wing' for maintenance trigger compensation. Accordingly, decisions made by the airline to retain engines 'on-wing' for the same reasons as in the first half, result in lower compensation in the second half. As engine manufacturer compensation is based on the number of unserviceable engines, rather than the number of grounded aircraft, compensation received may not directly reflect the total number of aircraft on the ground.

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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Given the ongoing uncertainty, the airline currently expects compensation recognised in the second half to be approximately \$35 million to \$40 million. This is substantially lower than the \$94 million recognised in the first half, noting that approximately \$30 million of the first half compensation related to a one-off settlement for other periods.

Overall trading conditions

While Air New Zealand is currently benefiting from lower fuel prices, its operations remain configured to operate around 8 to 10 more jet aircraft than are presently available. Adjusting the business to reflect fewer aircraft in the short-term introduces considerable complexity, especially as engines begin returning to service and capacity ramps up again.

The airline notes that recent US tariff announcements have also added uncertainty to the broader demand environment. While no material changes in bookings or cargo have been observed, the Company is closely monitoring the situation.

Outlook

Taking the above factors into account, Air New Zealand estimates earnings before taxation for the 2025 financial year to be within the range of \$150 million to \$190 million.

Included in this range is the \$35 million to \$40 million in compensation noted above, as well as \$20 million of credit breakage expected to be recognised in the second half for unused customer credits considered highly unlikely to be redeemed. The range also assumes fuel at US \$81 per barrel for the remainder of the financial year.

Ends.

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

For investor relations queries, please contact:
Kim Cootes, Head of Investor Relations
kim.cootes@airnz.co.nz
+64 272 970 244

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