

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

MARKET ANNOUNCEMENT

16 March 2020

Air New Zealand capacity reductions

Air New Zealand is further reducing capacity across its network as a result of the impact of Covid-19 on travel demand.

The airline placed itself into a trading halt today to allow it time to more fully assess the operational and financial impacts of global travel restrictions.

On its long haul network Air New Zealand will be reducing its capacity by 85 percent over the coming months and will operate a minimal schedule to allow Kiwis to return home and to keep trade corridors with Asia and North America open. Full details of this schedule will be advised in the coming days.

Among the long haul network capacity reductions, the airline can advise it is suspending flights between Auckland and Chicago, San Francisco, Houston, Buenos Aires, Vancouver, Tokyo Narita, Honolulu, Denpasar and Taipei from 30 March to 30 June. It is also suspending its London-Los Angeles service from 20 March (ex LAX) and 21 March (ex LHR) through to 30 June.

The Tasman and Pacific Island network capacity will significantly reduce between April and June. Details of these schedule changes will be announced later this week.

On the domestic network, capacity will be reduced by around 30% percent in April and May but no routes will be suspended.

Customers are advised that due to the unprecedented level of schedule changes they should not contact the airline unless they are due to fly within the next 48 hours or need immediate repatriation to New Zealand or their home country.

Chief Executive Officer Greg Foran says that while airlines face an unprecedented challenge, Air New Zealand is better placed than most to navigate its way through it.

"The resilience of our people is exceptional and I am consistently amazed by their dedication and passion for our customers," Mr Foran says.

"We are a nimble airline with a lean cost base, strong balance sheet, good cash reserves, an outstanding brand and a team going above and beyond every day. We also have supportive partners. We are also in discussions with the Government at this time."

As a result of the downturn in travel Air New Zealand continues to review its cost base and will need to start the process of redundancies for permanent positions acknowledging the important role partnering with unions has in this process.

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“We are now accepting that for the coming months at least Air New Zealand will be a smaller airline requiring fewer resources, including people. We have deployed a range of measures, such as leave without pay and asking those with excess leave to take it, but these only go so far. We are working on redeployment opportunities for some of our staff within the airline and also to support other organisations”.

Mr Foran says the airline is working constructively with the heads of the four main unions representing more than 8,000 of its workforce to ensure the right outcome for all staff.

“I would like to thank the leadership teams at Etu, AMEA, NZALPA and Federation of Air New Zealand Pilots for the way in which they are engaging with the airline and positively representing the interests of their members. These are unprecedented times that we are all having to navigate. And it is clear that if we don't take all the appropriate measures to lower costs and to drive revenue, our airline won't be in the best position to accelerate forward once we are through the worst of the impact of Covid-19.”

As part of Air New Zealand's cost savings initiatives the Board of Directors will take a 15% pay cut until the end of this calendar year.

The trading halt continues to be in place after this announcement.

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