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

MARKET ANNOUNCEMENT

8 December 2022

Air New Zealand updates half year earnings guidance for FY23

Continued strong travel demand across the domestic and international networks, as well as a recent decline in jet fuel prices has accelerated the airline's financial recovery. As a result, Air New Zealand is today upgrading half year earnings guidance for the 2023 financial year.

The airline now expects earnings before other significant items and taxation for the first half of the financial year to be in the range of $295 million to $325 million. This compares to the previous guidance range provided on 21 September 2022 of $200 million to $275 million for the half year. The updated range is based on current forward sales expectations and assumes an average jet fuel price of around US $127/bbl for the six months to 31 December 2022. It also assumes we will fly approximately 75 percent of pre-Covid capacity levels across the entire network in December, with Domestic running at just under 100 percent, short-haul at about 85 percent and international at around 70 percent.

Ticket sales over the past two months have remained strong as New Zealanders continue to book travel overseas and at home, and as the majority of our remaining international destinations re-open for passenger travel.

Fuel prices have also moderated in recent weeks, with current jet fuel prices of approximately US$102/bbl. While fuel prices are around 20 percent higher than pre-Covid levels at present, the six-month average has declined since the airline's last market update in September, adding almost $20 million upside to the guidance range. Whilst fuel is a contributor to this earnings update, it is not the only factor.

Capacity remains constrained which will continue to impact pricing. Air New Zealand is focussed on ensuring operational reliability while also adding capacity to alleviate this pressure. Since February 2022 the airline has hired over 2,200 employees into the organisation and welcomed two new A321 neo aircraft into the fleet. These new aircraft add an additional 200,000 seats per year into the domestic network and alongside the additional employees, will help ease capacity restraints.

There are many factors that have the potential to slow the airline's recovery and significantly impact earnings. These include ongoing fuel price volatility, global recessionary risks, continued inflationary pressures and increased costs. Consequently, the airline is not providing full year guidance at this time.

Ends.

This announcement has been authorised for release to NZX and ASX by:

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