

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

MARKET ANNOUNCEMENT

18 June 2020

Air New Zealand provides 2020 earnings guidance

Air New Zealand is today providing an update on its earnings expectations for the 2020 financial year.

As disclosed to the market on 9 March 2020, Air New Zealand suspended earnings guidance for the 2020 financial year due to the significant uncertainty surrounding the duration, scale and impact of the Covid-19 pandemic. The New Zealand Government's recent move to Alert Level 1 has enabled the airline to slowly restart the Domestic network, however revenue and earnings are significantly lower than expected prior to the outbreak of Covid-19.

As the Company nears the end of its financial year on 30 June 2020, it is expecting to report an underlying loss before Other Significant Items and taxation of up to \$120 million for the 2020 financial year. This underlying earnings guidance excludes the impact of fluctuations in foreign currency rates for the month of June, as well as any fuel price changes for the remainder of the period, which are not expected to be material given the reduced level of flying.

In addition to the \$120 million underlying loss, a number of Other Significant Items will impact the 2020 financial results. On 26 May 2020, the airline disclosed its expectations for these items for the 2020 financial year. These expectations are summarised in the table below and remain unchanged from the previous announcement subject to the inclusion of the non-cash gain on unhedged foreign currency debt as discussed below.

The Company is now in a position to provide further information on the impact of unhedged foreign currency debt resulting from the de-designation of revenue hedges due to a decline in expected foreign currency revenues. The non-cash impact of currency movements on unhedged foreign currency debt for the 2020 financial year was described in the airline's 26 May disclosure. However due to the translation risk related to the revaluation of these balances each month, a dollar impact could not be estimated reliably and therefore was not provided at that time. Assuming current exchange rates, a non-cash gain of \$70 million is expected to be recognised within Other Significant Items in the 2020 financial year, however this will change if exchange rates move materially before the end of the financial year.

Other Significant Items impact for the 2020 Financial Year		
	<i>Interim impact (as previously reported in the 2020 Interim Financial Results)</i>	<i>Estimated full year impact (total expected to be reported in 2020 Financial Results subject to audit process)</i>
De-designation of hedges	Nil	(\$85 million to \$105 million)

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Aircraft impairment charge	Nil	(\$350 million to \$450 million) non-cash charge
Reorganisation costs	\$13 million charge	(\$140 million to \$160 million)
Gain on sale from airport slots	Nil	Approximately \$21 million gain
Disestablishment of fair value hedges	(\$46 million) non-cash charge	No change from 2020 Interim Financial Results total
FX Revaluation of unhedged foreign currency debt	Nil	~\$70 million non-cash gain based on current foreign currency rates

It should be noted that these estimates are subject to sign off by Air New Zealand's external auditors and the Board.

Ends.

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