Media Release

20 February 2025

Air New Zealand delivers solid interim result, announces share buy-back

Summary

- Earnings before taxation of $155 million
- Net profit after taxation of $106 million
- Network capacity down 4 percent, with up to 5 narrowbody and 3 widebody jets grounded due to additional global engine maintenance requirements
- Unimputed interim ordinary dividend of 1.25 cents per share declared
- Share buy-back of up to $100 million announced[1]

Air New Zealand has today announced earnings before taxation of $155 million for the first half of the 2025 financial year, achieving a result at the upper end of the guidance range provided to the market in November 2024. Net profit after taxation was $106 million.

Chair Dame Therese Walsh said the result highlights the airline's resilience and adaptability, amid a continuation of significant operational and economic headwinds that have persisted since the second half of the 2024 financial year.

"This is a strong result when you consider the headwinds we have been navigating for almost a year now. It reflects the hard mahi and dedication of our 11,600-strong Air New Zealand whānau and the effectiveness of the actions we have taken, and continue to take, to mitigate these challenges and position the airline for future success."

Dame Therese went on to say that based on the airline's balance sheet strength and the result announced today, shareholders will receive an unimputed interim ordinary dividend of 1.25 cents per share. The dividend will be paid on 19 March 2025, to shareholders on record as at 7 March 2025.

She also noted that the Board was pleased to announce the commencement of a share buy-back of up to $100 million, reflecting confidence in the airline's long-term outlook.

"Air New Zealand's strong balance sheet, liquidity and financial discipline provides us with the flexibility to successfully manage the short-term challenges we face, while also continuing to invest in our future and return capital to our shareholders.

"The share buy-back programme we have announced today reflects our confidence in the strength of Air New Zealand's fundamentals and our commitment to delivering value to our shareholders, while ensuring we remain well-positioned for the future."

On the financial performance for the half, Chief Executive Officer Greg Foran praised his team, noting the significant challenges they faced, including aircraft groundings associated with

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[1] This includes an on-market buy-back component through the NZX and ASX and an off-market buy-back component under which Air New Zealand will, following any on-market acquisitions, acquire a corresponding number of shares held by the Crown, in order to maintain the Crown's shareholding.

additional engine maintenance requirements impacting Pratt & Whitney and Rolls-Royce customers globally.

"Investment in modern, fuel-efficient aircraft is an important part of Air New Zealand's fleet strategy. But with over $1 billion worth of our newest, most efficient aircraft grounded at times, it's been a tough year so far. Delivering the performance we have and maintaining such a strong balance sheet, is a real credit to our people and I'm proud of what we have achieved."

Passenger revenue decreased five percent to $2.9 billion, driven by a four percent reduction in capacity due to fleet constraints and lower domestic demand, particularly in the corporate and government segments. Also included within passenger revenue for the half is $10 million of credit breakage for unused customer credits considered highly unlikely to be redeemed. This compares to $45 million of credit breakage recognised in the same period last year.

Cost control remained a key focus throughout the period, as the airline navigated aircraft groundings caused by global additional engine maintenance requirements. Despite receiving $94 million in compensation from engine manufacturers, the airline estimates that first-half earnings would have been approximately $40 million higher had it been able to operate aircraft as intended. This financial impact reflects the adverse economics of suboptimal deployment of aircraft, significant overhead costs associated with managing disrupts and resiliency measures taken to protect market share.

Mr Foran said that while the airline is pleased to have received some compensation, it is frustrating to still be in this position.

"While compensation has played an important role in offsetting some of the financial impact of the delays, it falls well short of making the airline whole for the operational and economic losses sustained.

"We strive to deliver a reliable experience for our customers, however with four percent less capacity available largely due to the engine maintenance delays, this has been a real challenge for the airline."

Average jet fuel prices were 16 percent lower overall for the period, and total fuel costs were also down around 15 percent or $133 million. This was primarily driven by reduced capacity due to fleet constraints, as well as lower Singapore jet fuel prices.

Non-fuel operating cost inflation of approximately $100 million for the half continues to weigh heavily on the airline's financial performance. With landing charges, labour and engineering materials leading the increases, the non-fuel operating cost uplift of 5 percent for the period brings the cumulative impact of inflation across the past five years to 25 to 30 percent.

The airline's transformation initiatives are starting to deliver measurable benefits, and the airline expects to achieve the 2025 financial year contribution targets outlined at its recent investor day.

Looking ahead to the remainder of the financial year, Mr Foran acknowledged that 2025 is set to be particularly challenging financially, as the airline navigates its first full 12-month period with up to 11 jets (six narrowbody and five widebody) out of service at any time.

"This is a significant volume of aircraft to have on the ground, but we continue to take steps to build resilience into our operations through schedule adjustments, leasing additional engines, and prioritising customer experience improvements. Despite these challenging times, there is much to look forward to in the coming months."

By this time next year, Air New Zealand expects to have more than half of its Boeing 787 Dreamliner fleet modernised with completely new cabin interiors, including the latest Business Premier Luxe™ seats.

Additional leased engines are expected to arrive shortly to bolster network resilience, and a new uniform will be revealed in the coming months. The airline also plans to trial innovations such as digital bag tags and onboard domestic Wi-Fi, alongside the arrival of an all-electric demonstrator aircraft mid-calendar year.

“The road ahead is not without obstacles, but our balance sheet strength, our clear strategic priorities, and the skill and commitment of our team position us well to navigate the year ahead,” said Mr Foran.

Outlook

The airline notes that the 2025 financial year will be the first full 12-month period impacted by global additional engine maintenance requirements on the Pratt & Whitney and Rolls-Royce engines that power its Airbus neo and Boeing 787 Dreamliner fleets.

For the second half of the financial year, Air New Zealand’s best estimate currently is that it will have up to 11 jet aircraft grounded at times as a result of these requirements, however the airline notes a large degree of uncertainty exists regarding engine maintenance timeframes.

In light of these aircraft groundings, the associated diseconomies of scale and inefficiencies, and potential compensation, the airline currently expects performance for the second half of the 2025 financial year to be significantly lower than the first half.

Given the degree of uncertainty surrounding the number of grounded aircraft across the second half and any associated compensation, the airline is not in a position to provide guidance at this time.

Ends

This announcement has been authorised for release by Jennifer Page, General Counsel & Company Secretary.

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