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

28 August 2026

Air New Zealand announces 2026 annual results

Financial Summary

- Loss before taxation of $336 million
- Net loss after taxation of $242 million
- Total revenue of $7.0 billion, up 3.9% on 2025
- Passenger revenue of $6.1 billion, up 4.8% on 2025
- Operating cash flow of $819 million, compared with $940 million in 2025
- ASK capacity up 1.3% across the network as aircraft returned to service, partly offset by capacity reductions as the airline responded to unprecedented, elevated fuel prices
- Result largely driven by increased fuel prices, the ongoing impact of multi-year engine availability issues, lifecycle maintenance costs and additional maintenance costs on leased engines, and aviation system costs rising at a rate well above inflation
- No final dividend declared, in line with the airline's Capital Management Framework

Air New Zealand today announced a loss before taxation of $336 million for the 2026 financial year, compared with earnings before taxation of $164 million[1] in the prior year. The result is slightly better than the guidance range provided to the market in May 2026. Net loss after taxation was $242 million.

The result was primarily driven by four factors:

- **Jet fuel prices:** The Middle East conflict increased fuel cost by an estimated $328 million compared to what we expected going into the second half, and by $205 million after hedging, with an estimated $135 million impact on the pre-tax result after fare adjustments and capacity reductions.
- **Engine availability:** Ongoing Rolls-Royce Trent 1000 and Pratt & Whitney PW1100 engine issues impacted the result by an estimated $190 million[2] through lost capacity, additional lease and engine costs, lower fleet utilisation and operating inefficiencies.
- **Aviation system costs:** New Zealand aviation costs have risen at more than twice the rate of inflation since 2019. Air New Zealand and our customers' share of these aviation system charges across New Zealand and the offshore ports we fly to, was $1.2 billion in 2026, a price increase of $142 million on 2025. Of this, approximately $720 million was recognised as a cost in our financial statements in 2026, a price increase of approximately $83 million compared to 2025.

[1] 2025 earnings before taxation restated. Refer to Note 27 of the 2026 Group financial statements.
[2] This estimate was calculated based on internal modelling using operational assumptions, including capacity, passenger demand, revenue yield, disruption costs and historical performance across affected routes.

- **Maintenance:** 2026 was a peak aircraft maintenance year, with an increase of $139 million, excluding foreign exchange, compared to 2025, driven by lifecycle maintenance costs and additional maintenance costs on leased engines.

Air New Zealand Chair Dame Therese Walsh said this year's result is representative of the significant external pressures the business has faced in the last financial year.

"The Board and management have a well-defined plan to rebuild a financially resilient and commercially sustainable national airline, underpinned by our new strategy, *Te Pae Hou - Our Future*.

"As the national airline, our success is closely connected to New Zealand's success. By strengthening our business and positioning Air New Zealand for sustainable growth, our strategy reset will enable us to play an even greater role in supporting tourism, exports and New Zealand's long-term economic prosperity," said Dame Therese.

Air New Zealand Chief Executive Officer Nikhil Ravishankar said the airline had responded decisively to prolonged engine constraints and the sharp increase in fuel prices, while continuing to improve the customer experience and operational performance of the airline.

"It's been a very challenging year for aviation, and our financial result reflects these challenges. Given the price sensitivity of air travel, airlines globally have not been able to recover the full increase in fuel costs. We took quick and decisive action through fare adjustments and capacity reductions to balance affordability for customers and maximise recovery and will continue to do so.

"However, we are making real progress on what we can control, including improving our on-time performance from 77.5 percent in 2025 to 84.0 percent in the second half of the financial year, alongside an improvement in customer satisfaction.

"These are very significant improvements and have been the result of a detailed operational and resilience-driven review of our schedule that included a focused programme of initiatives across our team, and the rollout of new digital tooling in support of operational communication and decision making. We continue to invest in this area with a goal of being one of the top 5 airlines in the world for reliable and punctual operations.

"We have also taken decisive action to simplify parts of the organisation and evolve our operating model, including restructuring across a number of areas to reduce duplication, sharpen accountability and improve productivity. We have retrofitted 9 out of 14 of our Boeing 787 fleet – and the new interior product is resonating very well with customers, The remaining 787 fleet fit-out will be completed by November this year, slightly ahead of schedule.

"Additionally, after several years of disruption, the engine challenges that have constrained our network are now substantially behind us. Our teams have worked relentlessly with Rolls-Royce and Pratt & Whitney to return grounded aircraft to service earlier than expected, with aircraft availability improving by the end of the financial year. There are still residual risks and costs to work through, but we enter 2027 in a considerably more reliable fleet position.

"This progress matters, but there is still work to be done. We are making deliberate choices on capacity and taking a disciplined approach to both our costs and our capital. Our focus now is on translating the operational momentum we have built into stronger and more sustainable financial performance," said Mr Ravishankar.

2026 financial performance

Passenger revenue increased 4.8 percent from the prior year to $6.1 billion.

Capacity increased 1.3 percent across the network compared with the prior year as grounded aircraft returned to service, partly offset by capacity reductions in response to elevated fuel prices resulting from the Middle East conflict in the second half. Group Revenue per Available Seat Kilometre (RASK) increased 3.4 percent across the network as the airline managed fares and capacity in an effort to recover the impact of higher fuel prices.

Cargo revenue declined 0.6 percent to $484 million, as higher fuel costs affected freight demand and customers managed their operations and volumes in response to increased freight costs.

Operating costs increased 11.8 percent, primarily reflecting an increase in fuel costs compared with the prior year. While fuel prices declined four percent in the first half of the financial year compared to the same period last year, this was more than reversed by a sharp 58 percent increase in the second half compared to the same period last year. Jet fuel prices averaged US$111 per barrel in the 2026 financial year, compared with US$88 per barrel in 2025.

Non-fuel operating costs increased 10.0 percent, or $438 million, driven by lifecycle maintenance costs and additional engine maintenance costs on leased engines, and aviation system costs increasing at more than twice the rate of inflation since 2019.

In response, the airline has delivered $94 million in incremental transformation benefits in 2026. An additional $135 million annualised savings, including direct and indirect costs, have been identified, which will accrue from the 2027 financial year to reduce the overall cost base and offset expected inflation. This includes the $100 million previously disclosed in May and this work is ongoing.

Te Pae Hou - Our Future Strategy

In June, Air New Zealand launched *Te Pae Hou - Our Future*, setting out the airline's ambition to be the world's most respected airline and three clear strategic priorities.

Mr Ravishankar said: "Our purpose is to enrich our country by connecting New Zealanders to each other and New Zealand to the world. Delivering on that purpose means being clear about where we focus, where we invest and how we create enduring value."

- **Customer First** - providing safe, reliable and punctual service for our customers, delivering unique Kiwi service and innovative products, and increasing customer reach and sales with smarter, more relevant offers.
- **Targeted Growth** - targeting profitable network growth, transforming our loyalty programme in line with industry leading practice, and diversifying our revenue streams.
- **Resilient and Future Fit** - continuing the cost transformation programme, developing a financially sustainable regional network and delivering on our capital management metrics.

"A stronger Air New Zealand is good for New Zealand. Our focus is on building an airline that can grow sustainably, invest with confidence and continue to support the tourism, trade and connections that support New Zealand's long-term economic growth," said Mr Ravishankar.

Outlook

Prior to the Middle East conflict, the airline would have expected, in its central case, to return to profitability in the 2027 financial year, reflecting underlying improvements in the business.

Given the continued uncertainty surrounding the conflict, the volatility of jet fuel prices, and with jet fuel currently around US$150 per barrel, the airline is not in a position to provide earnings guidance for the 2027 financial year at this time.

Excluding fuel, the major factors that impacted the 2026 financial result are expected to continue to have some impact in the 2027 financial year, albeit to a lesser extent:

- Disruption from engine availability is reducing substantially as aircraft return to service. However, there remains an estimated financial impact of between $70 million to $90 million in 2027 from a combination of continuing lease commitments related to engine issues and available aircraft not able to be fully utilised due to the fuel crisis.
- We expect aircraft maintenance costs to be $50 million to $100 million lower than in 2026.
- Aviation system costs continue to rise well above inflation, with airport charges expected to increase by upwards of 10 percent at some ports during the 2027 financial year.

The airline expects the 2027 financial year to be both a transition and recovery year, with operational performance continuing to improve even as elevated fuel prices weigh on profitability. We also expect the range of initiatives we have implemented in response to the currently elevated fuel cost will contribute to offsetting a larger portion of the elevated cost of fuel compared to the prior year.

Mr Ravishankar said, "We are seeing encouraging inbound demand, with strong forward bookings into New Zealand. This is a positive signal for tourism and for the country more broadly. New Zealand remains a highly desirable destination, and our investment in our onboard product and unique Kiwi hospitality puts Air New Zealand in a strong position to bring more international visitors to our shores.

"We remain focused on executing our strategic priorities, improving financial performance and positioning the airline for long-term sustainable returns."

The airline will provide a more detailed update on its strategy and medium-term financial objectives at an Investor Day later this year.

Ends

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

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