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

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MARKET ANNOUNCEMENT

9 April 2021

Air New Zealand update on capital raise timing and Crown loan

On 12 February 2021 Air New Zealand re-confirmed to the market its intention to complete an equity capital raise by 30 June 2021. In that context, the Company referred to a letter received from the Minister of Finance confirming the Crown would participate in that equity capital raise to maintain a majority shareholding, subject to Cabinet being satisfied with the terms of the proposed equity capital raise.

Since then the Company has continued to work with the Crown and its advisers on the airline's capital structure and funding needs, with a view to completing an equity capital raise by 30 June 2021. This work continues to be informed by the evolving circumstances related to the global impact of the Covid-19 pandemic, including the Government's announcement of the Maintaining International Air Connectivity scheme[1], the March 2021 public announcements on vaccination programme timing, and the potential implications for broader border reopenings, and the announcement of the Trans Tasman quarantine free travel bubble to commence on 19 April, which are all fundamental to Air New Zealand's financial performance.

In light of these evolving circumstances, the Crown and the Company have agreed it would be appropriate to defer the equity capital raise to allow time to assess these evolving circumstances further. Consequently, the Company and the Crown have signed a binding term sheet to amend the existing Crown standby loan facility ("the facility") which, together with the deferral, the Company considers to be in its best interests in order to ensure sufficient liquidity through to completion of that capital raise.

Timing for the capital raise

Air New Zealand's Board continues to assess the airline's capital structure and longer-term funding needs and expects the structure, once finalised, will have components of both debt and equity ("the proposed capital raise").

The proposed capital raise is now targetted to be undertaken before 30 September 2021.

With this revised timing in mind and given the critical role the Company has in New Zealand's economy and society, the Crown has reconfirmed its longstanding commitment to maintaining a majority shareholding in the airline, and subject to Cabinet being satisfied with the terms of the proposed capital raise, the Crown would participate in the equity capital raise in order to maintain a majority shareholding. The Crown intends to participate by purchasing the number of new shares necessary to maintain a majority shareholding. Those confirmations are set out in a letter from the Minister of Finance to the airline dated 8 April 2021.

Air New Zealand's intention is that all amounts outstanding under the facility (including as amended as described below) will be repaid from the proceeds of the proposed capital raise.

[1] *Previously known as the International Airfreight Capacity Scheme.*

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MARKET ANNOUNCEMENT

Amended terms of the facility

To ensure the Company has sufficient liquidity through the period until completion of the proposed capital raise, the existing facility with the Government has been renegotiated and Air New Zealand has entered into a binding terms sheet with the Crown to effect agreed amendments summarised below.

The terms sheet is conditional on Air New Zealand and the Crown entering into an amending deed reflecting the terms sheet and NZX Regulation Limited issuing waivers in relation to NZX Listing Rules 5.1.1 and 5.2.1 (as it did when the original facility was put in place in March 2020), as well as other conditions precedent which are generally within Air New Zealand's control or which are usual for these types of transactions.

The facility is to be amended to provide an increase of up to $600 million in additional liquidity, bringing the size of the total facility to $1.5 billion. The facility will continue to be provided in two tranches, a first tranche of $1.0 billion with a reduced margin of 2.5-5.0% per annum and a second tranche of $500 million with a reduced margin of 4.0-5.0% per annum, plus a base rate calculated by reference to the Bank Bill Benchmark Rate ("BKBM"). In addition, a reduced commitment fee of 1.0% per annum will be payable calculated on the limit of each of tranche one and tranche two. See the table below for a summary of the pricing changes and how the margin steps up in certain circumstances.

The change in pricing will take effect in two steps, with the reduction in commitment fee taking effect from the effective date of the amendment to the facility, which is anticipated to be in the second half of April 2021, and the reduction in margin applying from 27 May 2021.

The facility will now be available through to September 2023 which is an extension of 16 months. Other commercial terms of the facility remain as outlined in the Company's announcement from 20 March 2020.

The facility amendments have been negotiated on an arm's length basis with each party having been independently advised.

Summary of changes to Crown facility terms

	Tranche	Existing facility	Amended facility
Tranche Size	First Tranche	NZ$600 million	NZ$1,000 million
	Second Tranche	NZ$300 million	NZ$500 million
Pricing[2]	First Tranche	~7.0 - 8.0% per annum	3.5% per annum[3]
	Second Tranche	~9.0% per annum	5.0% per annum[4]

[2] *Pricing includes aggregate of the commitment fee and margin. The interest rate applicable to drawings is equal to BKBM plus the margin.*
[3] *The margin will step up by 1.00% for drawings after 29 October 2021 and by a further 1.50% from the first date of drawing the Second Tranche.*
[4] *The margin will step up by 1.00% for drawings after 29 October 2021.*

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MARKET ANNOUNCEMENT

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Cash burn and liquidity update

The Company continues to focus on managing its level of cash burn and confirms that there have been no further drawdowns on the Crown facility since the interim results were announced on 25 February 2021, therefore drawdown on the facility remains at $350 million.

As stated in the Company's announcement on 6 April 2021, the commencement of quarantine-free trans-Tasman travel is expected to improve cash burn going forward. However as noted in that announcement, the Company is not in a position to provide updated cash burn information. As such, the Company's cash burn guidance has been suspended at this time.

Dame Therese Walsh
Chairman

Ends

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MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing

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0 8 APR 2021

Dame Therese Walsh
Chair
Air New Zealand

by email: Therese.Walsh@outlook.com

Dear Dame Therese

I am writing in light of the decision to defer Air New Zealand's planned capital raising, which the company now intends to undertake before 30 September 2021.

In this context I reiterate and confirm the Crown's longstanding commitment to maintaining a majority shareholding in Air New Zealand given the critical role that the airline has in New Zealand's economy and society. Subject to Cabinet being satisfied with the terms of the company's proposed capital raise, the Crown would participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

Yours sincerely

Hon Grant Robertson
Minister of Finance

cc Greg Foran, Chief Executive
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