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MARKET ANNOUNCEMENT

13 August 2021

Air New Zealand updates on capital raise timing and liquidity

Background

On 9 April 2021 Air New Zealand announced its intention to complete a capital raise, with components of both debt and equity, before 30 September 2021.

Yesterday, the Government provided its plan to reconnect New Zealanders to the world in relation to COVID-19. This included updated vaccination rollout plans, a phased approach to reopening borders and from the first quarter of calendar 2022, a phased introduction of an individual risk-based approach to border settings that will establish various pathways of entry into the country.

Capital raise deferral

Subsequently, the Company received a letter from the Minister of Finance outlining his view that the current environment is not sufficiently certain and stable to enable the Crown to provide a firm pre-commitment to support the planned equity raise at this time. A copy of that letter is enclosed with this release.

In this context, the Company has, in consultation with the Crown, decided to further defer its planned capital raise until the first available window in the first quarter of calendar year 2022.

Given the critical role that the airline has in New Zealand's economy and society, the Crown has again confirmed its longstanding commitment to maintaining a majority shareholding in Air New Zealand. Subject to Cabinet being satisfied with the terms of the Company's proposed capital raise at the relevant time, the Crown has again confirmed that it will participate in an equity capital raise by purchasing the number of new shares necessary to maintain a majority shareholding.

On completion of the recapitalisation, the Company expects to repay all amounts drawn under the Crown Standby Facility. The Crown has confirmed to the Company that it shares this expectation.

Crown Standby Facility

The interest rates on drawings under Tranches 1 and 2 of the Crown Standby Facility were due to step up by 1% after 29 October 2021. The Company and the Minister of Finance have agreed that this interest rate step up will no longer apply.

This means that from 29 October 2021 the margin applicable to drawings under Tranche 1 will remain at 2.50% and for Tranche 2 will remain at 4.00%. The line fee payable on the Crown Standby Facility will remain at 1.00%. This will result in an all-in total interest rate of approximately

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4.20% for Tranche 1 and 5.70% for Tranche 2 (incorporating the same Bank Bill Benchmark rate of around 0.70%).

This change has been negotiated on an arm's length basis with each party having been independently advised.

The Crown Standby Facility continues to be available through to September 2023. Other commercial terms of the Crown Facility remain as outlined in the Company's announcements on 20 March 2020 and 8 April 2021.

Liquidity update

As communicated in the Company's latest market announcement on 4 August 2021, the Company expects to draw down further on the Crown Standby Facility. This reflects the cashflow impact of the suspension of the trans-Tasman bubble, combined with upcoming planned payments relating to aircraft.

Given the ongoing uncertainty in the operating environment, on 6 April 2021 the Company suspended its cash burn guidance. While uncertainty continues to exist and the cash burn guidance remains suspended, the Company notes that repayment of approximately $310 million related to PAYE payment deferrals from the IRD is now expected to occur over the three months from January to March 2022.

Dame Therese Walsh
Chairman

Ends.

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Hon Grant Robertson

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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12 AUG 2021

Dame Therese Walsh
Chair
Air New Zealand Ltd
therese.walsh@outlook.com

Dear Dame Therese

Thank you for meeting with me on Thursday 12 August 2021 to discuss Air New Zealand's planned equity capital raise, which the company had previously indicated was expected to occur before 30 September 2021.

My view is that the current environment is not sufficiently certain and stable to enable the Crown to make a decision on providing a firm pre-commitment to support the planned equity raise, as the company has indicated is required to meet that planned timing. I have been advised that this will mean that the company will defer the equity capital raise.

I recognise that Air New Zealand's recapitalisation has been deferred before, which reflects the extraordinary impacts of the COVID-19 pandemic. These deferrals have not affected the Crown's commitment to Air New Zealand to participate in an equity capital raise, as demonstrated by the letters of support I provided on 12 February 2021 and 8 April 2021. This letter does the same in respect of this deferral.

I acknowledge that detailed work has been undertaken by Air New Zealand, officials and their respective advisers on an appropriate recapitalisation of the company including an equity raise. Due to this deferral the final sizing of the recapitalisation will need to be reassessed as part of preparation for the launch of the capital raise at the appropriate time.

You have indicated that the Crown's assurances are important for the directors and in particular have highlighted that the company expects to repay amounts drawn under the $1.5 billion Crown Standby Facility from the proceeds of its capital raise. The Crown shares this expectation regarding repayment of the Crown loan.

In that 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 in the first available window by purchasing the number of new shares necessary to maintain a majority shareholding.

Barring further significant COVID-19 adverse developments, I am of the view based on currently available information that there should be sufficient certainty in the first quarter of calendar year 2022 to enable the Crown to make this commitment. I have asked my officials to continue working with Air New Zealand management to ensure that we continue to clearly communicate the Crown's views.

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In light of this deferral, I have decided to remove the step-up in the margin on the Crown Standby Facility of 1.00% that was due to apply for drawings after 29 October 2021. My officials will prepare a variation letter to implement this change.

Please convey my gratitude to the board and management team of Air New Zealand who have continued to govern and manage the business well under very difficult conditions.

Yours sincerely



Hon Grant Robertson
Minister of Finance

cc Jennifer Page, General Counsel and Company Secretary, Jennifer.Page@airnz.co.nz

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