

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

MARKET ANNOUNCEMENT

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

30 March 2022

Air New Zealand launches comprehensive recapitalisation package including pro rata renounceable rights offer

Air New Zealand is launching a comprehensive NZ\$2.2 billion recapitalisation package to help position the airline for recovery. The recapitalisation has been sized with a view to maintaining Air New Zealand's investment grade credit rating (Moody's Baa2 – stable outlook) and to support the execution of Air New Zealand's strategic priorities.

The package includes a \$1.2 billion pro rata renounceable Rights Offer, allowing eligible shareholders an opportunity to buy additional shares in Air New Zealand at a discount relative to the prevailing share price.

Air New Zealand Chair Dame Therese Walsh, said: "While there will still be bumpy skies ahead over the next few years, the moment is right for Air New Zealand to raise equity, recapitalise its balance sheet and repay the loan it received from the Crown during the Covid crisis. This is an important step in refuelling for our recovery. The Rights Offer we are launching today is structured to provide all eligible Air New Zealand shareholders with a fair opportunity to participate."

Details of the recapitalisation package

Air New Zealand's recapitalisation comprises:

- A pro rata renounceable rights offer of ordinary shares to Eligible Shareholders to raise NZ\$1.2 billion (**Rights Offer**). The Crown has committed to supporting the Rights Offer and will participate in the Offer to ensure it holds a 51% shareholding in Air New Zealand on completion of the Rights Offer. The Rights Offer, other than the Crown participation, is underwritten
- NZ\$600m of redeemable shares to be issued to the Crown under the existing subscription agreement previously announced on 14 December 2021 (**Redeemable Shares**)
- A new committed unsecured 4 year Crown Loan of NZ\$400 million (**New Crown Loan**)

Air New Zealand updates FY22 loss guidance

On 24 February 2022, Air New Zealand announced with its FY2022 interim results that its expectation at that time was that the 2022 financial year will incur a loss before taxation and other significant items that exceeds \$800 million.

Air New Zealand has seen some benefits from the limited period of sales after the Government's recent announcement accelerating the plan to open New Zealand's borders, but a large degree of uncertainty remains.

Air New Zealand now expects its FY2022 full year result to be a loss before other significant items and taxation of less than \$800 million. Beyond FY2022, further losses are expected to be incurred in the near-term with the amount of such losses subject to the level and pace of the return of demand.

Renounceable Rights Offer

The investor presentation and the offer document for the Rights Offer are **attached**. More details can also be found at the offer website at <https://airnz.rightsoffer.co.nz>. Online applications are strongly encouraged. Eligible shareholders should ensure they read all the offer materials and seek independent advice.

Details of the Rights Offer are:

To be read in conjunction with the Offer Document; All amounts in this release are in New Zealand Dollars unless stated otherwise and all times are New Zealand time zone unless stated otherwise.

Rights Offer size and structure	<ul style="list-style-type: none">• \$1.2 billion pro rata renounceable rights offer to eligible shareholders at a ratio of 2 for 1 (Rights Offer)• Approximately 2,246 million new fully paid ordinary shares in Air New Zealand (New Shares) will be issued under the Rights Offer, representing approximately 200% of Air New Zealand's existing ordinary shares on issue
Rights Offer price	<ul style="list-style-type: none">• \$0.53 per New Share (Offer Price), representing:<ul style="list-style-type: none">– 61.5% discount to the last traded price on NZX of \$1.375 on 30 March 2022– 34.7% discount to Theoretical Ex-Rights Price (TERP)¹ of \$0.81– The Australian dollar application price for eligible shareholders has been set at A\$0.49, using the prevailing AUD / NZD exchange rate²
Rights trading³	<ul style="list-style-type: none">• Eligible shareholders who opt not to take up their rights in full may sell some or all of their rights on the NZX between 4 April 2022 and 26 April 2022
Oversubscriptions	<ul style="list-style-type: none">• Eligible shareholders who take up their rights in full have the opportunity to apply for oversubscriptions at the price determined through the shortfall bookbuild process (Bookbuild Price) as part of the application process. The Bookbuild Price is uncapped and will be at or above the Offer Price

Shortfall bookbuild	<ul style="list-style-type: none"> • Participation in the shortfall bookbuild by eligible shareholders and other eligible investors may be possible via a broker or other platform • See the Offer Document for information about the approach to allocation and scaling • New Shares will be issued at the Bookbuild Price (which is uncapped and will be at or above the Offer Price)
Ranking	<ul style="list-style-type: none"> • New Shares issued under the Rights Offer will rank equally in all respects with Air New Zealand's existing ordinary shares
Crown Participation	<ul style="list-style-type: none"> • The Crown has committed to participate for approximately \$602 million of New Shares (Crown Participation), ensuring the Crown will maintain a majority shareholding of 51% in Air New Zealand post-Rights Offer
Underwriting	<ul style="list-style-type: none"> • The Rights Offer is being underwritten up to an amount equal to the Rights Offer size, less the Crown Participation
Record Date	<ul style="list-style-type: none"> • The Rights Offer is open to eligible shareholders on the register as at 7:00pm NZT on the Record Date of 5 April 2022
Use of proceeds	<ul style="list-style-type: none"> • Proceeds from the Rights Offer will be used to repay the existing Crown Loan, strengthen the balance sheet, improve liquidity and help position Air New Zealand for recovery

¹ TERP is the theoretical price at which an Air New Zealand share will trade immediately after the Rights Offer. It is a theoretical calculation only and the actual price at which Air New Zealand shares will trade will depend on many factors and may differ from TERP

² RBNZ published exchange rate as at 3pm on 30 March 2022

³Rights purchased on the NZX may only be exercised by purchasers that meet eligibility requirements. In particular, rights may not be exercised by purchasers that are in the United States or who are acting for the account or benefit of persons in the United States (to the extent such persons are acting for the account or benefit of persons in the United States). Potential purchasers of Rights should familiarise themselves with the requirements for exercise, which are set out in the Offer Document. Eligible shareholders holding their shares on ASX would need to contact their broker to trade their rights on the NZX

Key dates related to the Offer can be found in the appendix.

Redeemable Shares and New Crown Loan

Air New Zealand has submitted a call notice to the Crown to issue \$600 million of Redeemable Shares, to be issued during the Rights Offer.

The total proceeds of the Rights Offer and the Redeemable Share issue will be used to repay the \$850 million outstanding under the existing Crown loan and \$950 million (less transaction costs) will be used to strengthen the airline's balance sheet, improve liquidity and help position Air New Zealand for recovery.

In addition, Air New Zealand intends to raise approximately \$600 million through a debt capital markets issuance, currently intended to be completed by 30 June 2022, subject to market conditions. Upon successful completion, approximately \$400 million of the Redeemable Shares are intended to be repaid, leaving approximately \$200 million of the Redeemable Shares remaining on issue. Under the terms of the Redeemable Shares, the Company cannot issue any further Redeemable Shares to the Crown after the Rights Offer has been completed.

The \$400 million New Crown Loan is not intended to be drawn and is available to

provide additional liquidity if required through the recovery period.

A summary of the key terms of the Redeemable Shares was previously announced on 14 December 2021.

A summary of the key terms of the New Crown Loan is as follows:

Duration	Available until 30 January 2026
Availability	Available to use from the close of the Rights Offer subject to satisfaction of usual conditions.
Type of loan	Unsecured committed revolving standby facility
Initial interest rate (once drawn)	BKBM plus an initial margin of 1.50% per annum, subject to certain performance / compliance-based increases
Line fee	1.00% per annum on the facility limit of \$400 million will be payable for the duration of the facility, subject to certain reporting-based increases
Dividend restriction	Air New Zealand will be unable to pay dividends on its ordinary shares (including the New Shares) if it has drawn under this facility
Financial covenants	There are no financial covenants
Representation Warranties and Undertakings	Typical of such a facility, including regular reporting on operational and financial performance and there are additional reporting and information requirements once the loan has been drawn
NZX Waivers	The entry into the New Crown Loan is being undertaken without shareholder approval in reliance on waivers from the NZX Listing Rules 5.1.1 and 5.2.1, granted by NZX Regulation on 30 March 2022. See www.nzx.com/companies/AIR/announcements

Shareholder meeting late 2022 to ratify the entry into the Crown Loans

Air New Zealand obtained waivers from NZX Listing Rules 5.1.1 and 5.2.1 in connection with the issuance of the Redeemable Shares and the existing Crown Loan on 13 December 2021, and a further waiver from those NZX Listing Rules in connection with the entry into the New Crown Loan on 30 March 2022.

There are certain conditions set out in those NZX waivers which mean that Air New Zealand is required to call a shareholders' meeting to ratify the entry into the existing Crown Loan (if the Redeemable Shares or the existing Crown Loan remain in place at the end of 2022) and the entry into the New Crown Loan (if it remains in place at the end of 2022). Air New Zealand now expects that by the end of 2022, there will still be some Redeemable Shares on issue and the New Crown Loan will still be in place. On that basis, Air New Zealand expects to seek these necessary ratifications later in 2022. The Crown has today confirmed to Air New Zealand its intention to vote in favour of those ratification resolutions at such meeting.

Investor call details

A conference call regarding the announcement will be hosted by Chief Executive Officer Greg Foran and Chief Financial Officer Richard Thomson on Thursday, 31 March 2022 at 10:30am NZ time.

To register for the call and access a dial-in, please use the following link:
<https://s1.c-conf.com/diamondpass/10021059-dfje333.html>

Ends.

This announcement has been authorised for release to NZX and ASX by:

Jennifer Page
General Counsel & Company Secretary
Email: jennifer.page@airnz.co.nz
Phone: +64 27 9090 691

For investor relations queries please contact:
Leila Peters
GM Corporate Finance
Email: leila.peters@airnz.co.nz
Phone: +64 21 743 057

For media enquiries, please contact:
Air New Zealand Communications
Email: media@airnz.co.nz
Phone: +64 21 747 320

Important Information

This communication is not for distribution or release in the United States. This communication does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The Rights and the New Shares have not been, and will not be, registered under the US Securities Act of 1933 (US Securities Act), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of any person in the United States, except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

Appendix

Key dates¹ (all times are NZ time unless otherwise stated).

	DATE 2022
Announcement of the Offer	
Ex-date	4 April 2022 ²
Rights trading commences on NZX	4 April 2022 ²
Record Date for determining Rights	7.00 pm 5 April 2022
Rights Offer opens (Offer Document, Acceptance Forms sent to Eligible Shareholders)	6 April 2022
Rights Trading ceases	26 April 2022
Rights Offer closes	5.00 pm 2 May 2022
Shortfall bookbuild	Post-NZX and ASX close on 3 May and on 4 May 2022
ASX settlement	6 May 2022
NZX settlement and NZX and ASX allotment	9 May 2022
Commencement of trading of new shares	9 May 2022

¹ These dates are subject to change and are indicative only. Air New Zealand reserves the right to alter the timetable, subject to applicable laws and the NZX Listing Rules and the ASX Listing Rules. Air New Zealand reserves the right to withdraw the Rights Offer at any time prior to the issue of the New Shares at its absolute discretion.

² The Ex Date is two business days following the announcement of the Rights Offer, in reliance on a waiver from NZX Listing Rule 4.17.6(a) granted by NZX Regulation on 30 March 2022. See www.nzx.com/companies/AIR/announcements