

AIR NEW ZEALAND LIMITED

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# *Indicative Terms Sheet*

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Dated 13 October 2016

For an offer of  
NZ\$75,000,000 Fixed Rate Bonds  
due 28 October 2022

This terms sheet (Terms Sheet) sets out the key terms of the offer by Air New Zealand Limited (Air New Zealand) of NZ\$75,000,000 of unsecured, unsubordinated, fixed rate, interest bearing bonds maturing on 28 October 2022 (Bonds) under the Trust Deed dated 12 October 2016 (as amended from time to time) entered into between Air New Zealand and The New Zealand Guardian Trust Company Limited (Supervisor) (the Trust Deed).

## Important Notice

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The offer of Bonds by Air New Zealand is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The offer contained in this Terms Sheet is an offer of bonds (being debt securities) that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Air New Zealand's NZ\$150,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds maturing on 15 November 2016 which are currently quoted on the NZX Debt Market under the ticker code AIR010 (AIR010 Bonds).

The Bonds are of the same class as the AIR010 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Air New Zealand is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found by visiting [www.nzx.com/companies/AIR/announcements](http://www.nzx.com/companies/AIR/announcements).

The AIR010 Bonds (which have a fixed interest rate of 6.90% per annum) are the only debt securities of Air New Zealand that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the AIR010 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Defined terms used in this Terms Sheet and not otherwise defined herein have the meaning given to them in the Trust Deed.

<b>Issuer</b>	Air New Zealand Limited.
<b>Description of Bonds</b>	Unsecured, unsubordinated, fixed rate, interest bearing debt obligations of Air New Zealand ranking equally and without preference among themselves and at least equally with all other outstanding unsecured and unsubordinated indebtedness of Air New Zealand, except indebtedness preferred by law.
<b>Purpose</b>	General business purposes including partial repayment of the AIR010 Bonds.
<b>Joint Lead Managers</b>	Bank of New Zealand (BNZ). Deutsche Craigs Limited.
<b>Organising Participant</b>	Craigs Investment Partners Limited.
<b>Supervisor</b>	The New Zealand Guardian Trust Company Limited.
<b>Issuer Rating</b>	Baa2 with a Stable Outlook from Moody's.  A rating is not a recommendation by any rating organisation to buy, sell or hold the Bonds. The above Issuer Rating is current as at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by Moody's.
<b>Issue Rating</b>	There will be no specific issue rating for the Bonds.
<b>Issue Amount</b>	NZ\$75,000,000.
<b>Opening Date</b>	Thursday, 13 October 2016.
<b>Closing Date</b>	Thursday, 20 October 2016.
<b>Rate Set Date</b>	Thursday, 20 October 2016.
<b>Issue Date / Allotment Date</b>	Friday, 28 October 2016.
<b>Tenor</b>	6 years.
<b>Maturity Date</b>	Friday, 28 October 2022.
<b>Interest Rate</b>	The Interest Rate will be set on the Rate Set Date and will be a fixed interest rate, being the aggregate of the Base Rate and the Margin on the Rate Set Date. Air New Zealand has agreed that the Interest Rate will not be less than 4.10 percent per annum.  The Interest Rate will be announced by Air New Zealand via NZX on the Rate Set Date.
<b>Base Rate</b>	The semi-annual mid-market swap rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Joint Lead Managers in consultation with Air New Zealand, according to market convention with reference to Reuters page 'ICAPAUKIWISWAP2' on the Rate Set Date and expressed on a semi-annual basis (rounded to 2 decimal places if necessary with 0.005 being rounded up).

<b>Margin</b>	The Margin, which may be above or below the Indicative Margin, will be determined by Air New Zealand in consultation with the Joint Lead Managers following a bookbuild process and announced by Air New Zealand via NZX on or shortly after the Rate Set Date.
<b>Indicative Margin</b>	1.75 – 1.85 percent per annum.
<b>Issue Price</b>	NZ\$1.00 per Bond (being the Principal Amount of each Bond)
<b>Minimum Application</b>	The minimum application amount in respect of the Bonds is NZ\$5,000 and multiples of NZ\$1,000 thereafter.
<b>Interest Payments</b>	Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date.
<b>Interest Payment Dates</b>	28 April and 28 October in each year up to and including the Maturity Date or, if such date is not a Business Day, the immediately following Business Day with no adjustment to be made to the amount payable as a result of the delay in payment.
<b>First Interest Payment Date</b>	Friday, 28 April 2017.
<b>Record Date</b>	10 calendar days before the relevant Interest Payment Date or Maturity Date (whether or not such date is a Business Day).
<b>Brokerage</b>	<p>Brokerage of 0.50% plus 0.25% on firm allocations.</p> <p>Such amounts will be distributed as appropriate to Primary Market Participants and approved financial intermediaries.</p>
<b>No security</b>	The Trust Deed does not create any security over the assets of Air New Zealand or any of its subsidiaries.
<b>No guarantee</b>	None of the subsidiaries of Air New Zealand nor any other person guarantees the obligations of Air New Zealand under the Trust Deed or in respect of the Bonds.
<b>Ranking</b>	<p>The Bonds are unsecured and unsubordinated debt obligations of Air New Zealand. This means that in a liquidation of Air New Zealand the rights and claims of a Bondholder:</p> <p>(a) will rank <b>after</b> the claims of:</p> <ul style="list-style-type: none"> <li>(i) secured creditors of Air New Zealand (if any); and</li> <li>(ii) creditors of Air New Zealand who are preferred by law (e.g. the Inland Revenue Department in respect of unpaid tax);</li> </ul> <p>(b) will rank <b>equally</b> with the claims of all other unsecured, unsubordinated creditors of Air New Zealand; and</p> <p>(c) will rank in <b>priority</b> to the claims of:</p> <ul style="list-style-type: none"> <li>(i) subordinated creditors of Air New Zealand (if any) (being creditors who have agreed to accept a lower priority in respect of their claims in a liquidation of Air New Zealand); and</li> <li>(ii) shareholders.</li> </ul>

<b>Further debt and other securities</b>	Air New Zealand may, from time to time, and without the consent of Bondholders, create and issue further bonds or other securities. Air New Zealand also has the right to continue to incur any further indebtedness, without the consent of Bondholders. Any further debt or other securities may rank equally with, behind, or in priority to, the Bonds and may otherwise be issued on such terms as Air New Zealand may determine.
<b>Financial and other covenants</b>	Air New Zealand has not provided financial covenants to any bank or financial institution or under the Trust Deed and therefore there are no general restrictions on Air New Zealand incurring any indebtedness, granting any security or disposing of assets. There are no restrictions under the Trust Deed on Air New Zealand disposing of its assets (whether to its subsidiaries or affiliates, which do not guarantee Air New Zealand's obligations under the Bonds, or to other persons).
<b>Air New Zealand guarantees its Subsidiaries</b>	Air New Zealand Aircraft Holdings Limited, a subsidiary of Air New Zealand, is the registered owner or lessee of the majority of the aircraft operated by Air New Zealand. Air New Zealand guarantees the obligations of Air New Zealand Aircraft Holdings Limited in relation to loans and finance and operating lease arrangements relating to such aircraft. Any claims against Air New Zealand under these guarantees will rank equally with the Bonds in the event of a liquidation of Air New Zealand. As at 30 June 2016, aircraft and aircraft related assets of Air New Zealand Group having a book value of NZ\$2,906 million were pledged as security for aircraft-related borrowing and aircraft finance lease obligations having a value of NZ\$2,417 million as at 30 June 2016.
<b>Early Repayment</b>	Bondholders have no rights to require Air New Zealand to redeem the Bonds prior to the Maturity Date except through the Supervisor in the case of an Event of Default (as set out in the Trust Deed). Air New Zealand does not have the right to redeem the Bonds early. In the case of an Event of Default which is continuing unremedied, the Supervisor may in its discretion, and shall if directed to do so by an Extraordinary Resolution of the Bondholders, declare by notice in writing to Air New Zealand that all or part of the Outstanding Moneys is immediately due and payable, in which case interest will be payable at the Interest Rate from (and including) the most recent Interest Payment Date up to (and including) the date of repayment.
<b>ISIN</b>	NZAIRD0020L9
<b>NZX Debt Market Quotation</b>	Air New Zealand will take any necessary steps to ensure that the Bonds are, immediately after the issue, quoted. Application will be made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.
<b>NZX Debt Market Ticker Code</b>	AIR020
<b>Expected Date of Initial Quotation and Trading on the NZX Debt Market</b>	Monday, 31 October 2016
<b>Registrar and Paying Agent</b>	Link Market Services Limited. The Bonds will be accepted for settlement within the NZClear system.

<p><b>How to Apply</b></p>	<p>All of the Bonds are reserved for clients of the Joint Lead Managers, institutional investors and other Primary Market Participants invited to participate in the bookbuild.</p> <p>There will be no public pool for the offer.</p> <p>Retail investors should contact a Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire Bonds. You can find a Primary Market Participant by visiting <a href="http://www.nzx.com/investing/find_a_participant">www.nzx.com/investing/find_a_participant</a>.</p> <p>Each investor's financial advisor will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.</p>
<p><b>Transfers</b></p>	<p>The registered owner of a Bond may transfer that Bond at any time, subject to the terms of the Trust Deed and any applicable securities laws and regulations. Bonds may be transferred using any commonly used written instrument of transfer, by any method of transfer permitted by the NZX Debt Market Listing Rules or by any other means of transfer of marketable securities which is not contrary to law and which may be operated in accordance with the NZX Debt Market Listing Rules and which is approved by Air New Zealand.</p> <p>Bonds may be transferred in minimum Principal Amounts of NZ\$1,000 or such lesser amount as Air New Zealand may from time to time permit, provided that following any such transfer each of the transferor (if it holds any Bonds following such transfer) and the transferee holds Bonds with a minimum Principal Amount of NZ\$5,000 (or, in the case of amounts held by NZX registered brokers and registered banks, NZ\$1,000) (the Transfer Restriction). NZX has granted an approval under NZX Listing Rule 11.1.5 to enable Air New Zealand to include the Transfer Restriction in the Trust Deed.</p>
<p><b>Selling Restrictions</b></p>	<p>The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except with the prior consent of Air New Zealand and in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Terms Sheet.</p>
<p><b>FMCA</b></p>	<p>The Bonds will be offered in accordance with the quoted financial products exclusion set out in clause 19 of schedule 1 of the FMCA.</p>
<p><b>Governing Law</b></p>	<p>New Zealand.</p>
<p><b>No Underwriting</b></p>	<p>The offer is not underwritten.</p>
<p><b>Non-reliance</b></p>	<p>This Terms Sheet does not constitute a recommendation, invitation, offer or solicitation by the Joint Lead Managers, the Organising Participant, the Supervisor, or any of their respective directors, officers, employees, agents or advisers to subscribe for the purchase of, or otherwise deal with, any Bond (or to engage or refrain from engaging in any transaction). None of these parties or any of their respective directors, officers, employees, agents or advisers accepts any liability whatsoever for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the offer.</p> <p>The Joint Lead Managers, the Organising Participant and the Supervisor have not independently verified the information contained in this Terms Sheet. In accepting delivery of this Terms Sheet, you acknowledge that none of the Joint Lead Managers, the Organising Participant, the Supervisor nor their respective directors, officers, employees, agents or advisers gives any warranty or representation of accuracy or reliability and they take no responsibility for it. They have no liability for any errors or omissions (including for negligence) in this Terms Sheet, and you waive all claims in that regard.</p>

## Please note

The dates set out in this Terms Sheet are indicative only and Air New Zealand, in conjunction with the Joint Lead Managers, may change the dates set out in this Terms Sheet. Air New Zealand has the right in its absolute discretion and without notice to close the offer early, to extend the Closing Date, or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date and the Maturity Dates) may be changed accordingly.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Copies of the Trust Deed can be found online at [www.airnewzealand.co.nz/bond](http://www.airnewzealand.co.nz/bond).

Investors should seek qualified, independent financial and taxation advice before deciding to invest. Investors will be personally responsible for all tax return filing obligations in respect of their investment in the Bonds, compliance with the financial arrangements rules (if applicable) and payment of provisional or terminal tax (if required) on interest derived.

The Supervisor accepts no responsibility for the information contained in this Terms Sheet.

For further information regarding Air New Zealand, visit [www.nzx.com/companies/AIR](http://www.nzx.com/companies/AIR).

## Directory

### Issuer

**Air New Zealand Limited**

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Private Bag 9007  
Auckland 1142

**Telephone:** +64 9 336 2287

**Email:** [bonds@airnz.co.nz](mailto:bonds@airnz.co.nz)

### Registrar and paying agent

**Link Market Services Limited**

Level 11, Deloitte Centre  
80 Queen Street  
Auckland 1010  
PO Box 91976  
Auckland 1142

**Telephone:** +64 9 375 5998

**Email:** [enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)

### Supervisor

**The New Zealand Guardian Trust Company Limited**

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Auckland 1010

### Legal Advisers to the Issuer

**Bell Gully**

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48 Shortland St  
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### Joint Lead Managers

**Bank of New Zealand**

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Auckland 1010

**Toll free:** 0800 284 017

**Deutsche Craigs Limited**

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48 Shortland Street  
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**Toll free:** 0800 226 263

### Organising Participant

**Craigs Investment Partners Limited**

Craigs Investment Partners House  
158 Cameron Road  
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