

**BRIERLEY INVESTMENTS LIMITED****Registered Office**

Cedar House  
41 Cedar Avenue  
Box HM 1179  
Hamilton HM EX  
Bermuda

**Group Head Office**

20 Collyer Quay  
#16-00 Tung Centre  
Singapore 049319  
Tel (65) 438 0002  
Fax (65) 435 0040

21 September 2001

TO : Dr Jim Farmer QC  
Acting Chairman, Air New Zealand  
Fax : 64 (9) 358 7091

Dr CK Cheong  
Deputy Chairman & CEO, Singapore Airlines Ltd  
Fax : (65) 545 6375

Mr Rob Cameron  
Financial Advisor  
Fax : 64 (4) 499 6651

**Strictly Private & Confidential**

Dear Sirs

Arun Amarsi has briefed me on the outcome of this morning's meeting of the Board of Air NZ. As a consequence, I thought it appropriate to write once again to set out BIL's position in relation to the proposed recapitalisation of Air NZ in accordance with the Heads of Agreement signed last week by BIL, SIA and the NZ Government.

BIL's position is as follows :

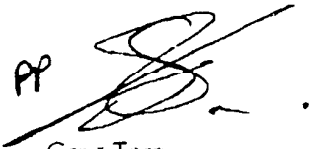
- (a) BIL is committed to the recapitalisation plan as set out in the Heads of Agreement and to the process of review envisaged in the Heads. We note that this review was a fundamental prerequisite for each of BIL, SIA and the Government. Our position on the need for management to produce a business plan and corporate strategy which has been approved by the Air NZ Board and which demonstrates the projected viability of Air NZ has not changed. We assume the same is true of the other interested parties.
- (b) BIL is prepared to consider the means by which the process agreed in the Heads can be carried out in the shortest possible time frame. Roger France and John Waller have, in a memorandum dated 17 September 2001, proposed a timetable which would mean the recapitalisation would not occur before December of this year. The interested parties had previously considered that a period of approximately 6 weeks was necessary. We will consider ways in which the time for undertaking that process can be shortened but we must not prejudice the integrity of that process. As noted above, it is a crucial first step that Air New Zealand has a credible and financially viable business plan. We are prepared to explore the suggestion made by Government (through Rob Cameron) yesterday, that the interested parties consider appointing external consultants to facilitate the due diligence process although the final decisions of the implications of the due diligence must, of course, rest with each of BIL, SIA and the Government. That will require a high degree of involvement by those parties in the process.

- (c) If there is a need to negotiate any part of the recapitalisation package in view of the changed circumstances which have affected Air NZ over the past week (including the voluntary administration of Ansett and the terrorist activity in America), we will consider alternative proposals in good faith and with a view to what is in the best interests of our shareholders and of Air NZ and all of its shareholders. Alternative proposals which could be considered might include equity participation by the Government in Air NZ in order to overcome gearing issues. The preliminary numbers which have been provided to us by management do seem to support the view that the Government proposal to make available NZ\$550 million of subordinated debt to Air NZ at an interest rate of approximately 15% (9% over the bank bill rate), leaves Air NZ in an unsustainable financial position. We understand that alternatives may need to be considered.

On the basis of the financial projections which have been put to the Directors today, we understand that the Company will make an immediate approach to Government to secure emergency funding which will assist in overcoming any immediate concerns as to the financial viability of Air NZ caused, in large part, by concerns on the future of the global airline industry in the wake of the terrorist attacks in America. Of course, we fully support the representations, made by Air NZ.

We look forward to discussing these issues with you in the telephone call proposed for tomorrow.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Greg Terry', with a large, stylized flourish extending upwards and to the right. To the left of the signature, the initials 'PP' are written in a smaller, simpler font.

Greg Terry  
Chief Executive Officer

cc : All Air NZ Directors