



Queenstown Airport Corporation Ltd

Statement of Intent 2020-2022 Revised

30 June 2019



Contents

| | |
|---|-----------|
| Introduction | 3 |
| About Us | 3 |
| Situational Overview | 5 |
| Forward Planning | 7 |
| Strategic Direction | 8 |
| Key Strategic Projects | 9 |
| Priorities and Performance Metrics | 10 |
| Financial Forecast FY2019-2022 | 14 |
| Shareholder Interaction and Corporate Governance | 16 |
| Services Provided to QLDC | 18 |
| Wanaka Guiding Principles | 18 |
| Strategic Alliance with AIAL | 19 |
| Audit | 19 |
| Accounting Policies | 19 |
| Corporate Directory | 20 |
| Abbreviations | 21 |

Introduction

As a Council-Controlled Trading Organisation, Queenstown Airport Corporation (QAC) is required under Section 64(1) of the Local Government Act 2002 to prepare a Statement of Intent (SOI) for Queenstown Lakes District Council (QLDC) before the start of each financial year. This is an annual process with a three-year time horizon. The SOI sets out the strategic priorities that QAC intends to achieve or contribute to over the period as well as its activities and budget for the next financial year. The SOI takes shareholder comments into consideration and provides priorities and performance metrics for organisational accountability.

About Us

Queenstown Airport Corporation

QAC is considered an 'Airport Authority' under the Airport Authorities Act 1966 and is required under this legislation to operate and manage its airports as commercial undertakings, including carrying out improvements where necessary. QAC also has an obligation as a CCTO to support QLDC in providing good quality local infrastructure that is appropriate to meet current and anticipated future needs and circumstances.

QAC was incorporated in 1988 and since then has been responsible for the management and development of Queenstown Airport, striving to deliver an operationally safe and efficient airport with world-class facilities and an outstanding customer experience that reflects the best of the region.

In 2009, QAC was engaged by QLDC to manage Wanaka Airport's day-to-day operations. After a public consultation process in 2017, QLDC granted QAC a 100-year lease for the management, planning and future development of Wanaka Airport, which commenced on 1 April 2018.

QAC also provides property maintenance services at Glenorchy Airstrip on QLDC's behalf. In 2018, QLDC and QAC agreed in principle that, subject to agreeing appropriate terms, QAC would provide a broader range of management services at the airstrip. QAC is a founding member of the Glenorchy Airstrip Consultative Governance Committee.

QAC comprises approximately 70 staff who reside across the Southern Lakes region and represent diversity in all forms, including age, gender, sexual orientation, nationality and work experience. The current female/male ratio is 50:50 in senior management and 47:53 across the QAC team.

The Company is governed by an independent Board of Directors and owned by two shareholders:

- 75.01% by the Queenstown Lakes District Council (QLDC)
- 24.99% by Auckland International Airport Limited (AIAL)

Queenstown Airport

With a rich heritage dating from 1935, Queenstown Airport is today New Zealand's fourth busiest airport. The airport is a strategic national and regional asset which contributes to the vibrancy and prosperity of New Zealand's economy, its tourism sector and the regional communities served by the airport. It is as important as other critical infrastructure, including roading, telecommunications cables and piping for essential services. More than 60 businesses and 700 people work across the airport precinct providing a broad range of services.

The airport is a domestic and international entry point to Queenstown, one of the world's premium visitor destinations, and direct access to the Southern Lakes region which is home to some of New Zealand's most iconic scenery and experiences. Between 30-40% of all arrivals to the region come by air, supporting the economy and the needs of residents, businesses and visitors.

Residents and visitors, domestic and international alike, have access to daily scheduled air services to/from Auckland, Wellington and Christchurch, as well as direct trans-Tasman services to east coast Australia through the ports of Brisbane, Coolangatta, Sydney and Melbourne. Auckland and Sydney airports are the major international hub airports for long-haul travel.

Queenstown Airport is also a base for various general aviation activities, including flightseeing and other commercial operations, search and rescue, life flights and other emergency services. It is New Zealand's busiest helicopter port and a popular choice for private jet customers who reside in or visit the region.

Wanaka Airport

Wanaka Airport is a general aviation airport with nearly 300 people working across approximately 20 businesses. These include flightseeing, flight training, helicopter maintenance, skydiving, private recreational aviation and attractions. Since 1988, Wanaka Airport has been the home of the Warbirds over Wanaka air show. In 2015, the airport joined a select group of NASA global test sites for its scientific space balloon programme. QLDC recognised the need for appropriate infrastructure to support the rapidly growing communities in the Upper Clutha and to that end undertook a public process in 2017 to explore options for the governance and future development of Wanaka Airport. As a result of that process, QLDC granted QAC a long-term lease for the airport in 2018 and the organisations together committed to the reintroduction of scheduled services at the airport.

Company Value

As at 30 June 2018, QAC's land, land improvements and buildings were valued at \$332 million and included 137.6ha at Queenstown Airport and 282.4ha around Wanaka Airport. QAC's estimated enterprise value, as adopted by its Board of Directors in June 2018, was in the range \$466 million to \$483 million. This valuation was supported by an external valuation by Northington Partners. QAC is a significant asset for QLDC and has provided strong dividends each year for the benefit of its shareholders.

Situational Overview

The Southern Lakes region is New Zealand's premier tourism and visitor destination, and has an enviable reputation built on its incredible scenic beauty and its ability to offer a four-seasons visitor experience. Over the past several years, visitor numbers (domestic and international) to the region have experienced a rapid period of growth and for the financial year 2018-2019 were estimated to be over three million. Road and air travel are the only modes of access due to the region's remote location.

Queenstown Lakes District notably has been New Zealand's fastest growing district over recent years, with annual population growth rates in excess of 6%. While this growth is predicted to slow, the long-term forecast numbers are expected to remain positive. The growth in population in Queenstown-Wakatipu and the Upper Clutha has further added to demand for air services, both for business and leisure. An increasing number of residents are weekend only, or remote workers, whose primary home may be in the district and who commute regularly to main centres in New Zealand and Australia for work purposes. Advancements in communication technology, together with companies increasingly seeking to accommodate more flexible work practices, has considerably enhanced the attractiveness of the district to a range of businesses and residents.

Local businesses, large and small, are investing in expanding and diversifying their product offerings. Over the past year various tourism operators have announced major expansion plans of more than \$200 million and a further \$900 million worth of infrastructure projects which support tourism are also underway across the region.

This significant growth has increased demand for air services as the region's population and its economy continue to expand. It has also impacted on QAC in a number of ways, as airlines have sought to meet this demand with enhanced services. It has placed significant pressure on the infrastructure at Queenstown Airport, impacted on levels of activity and movement around the airport environs, and is filling the airport's operational parameters (in particular its air noise boundaries within which flights operate) more quickly than expected. This dynamic requires both short and long-term responses, including robust planning to ensure that QAC remains an effective service provider, profitable and sustainable as well as a good neighbour, conscious of the need to maintain our social license to operate within the communities we serve.

In addition to these challenges, QLDC leased Wanaka Airport to QAC in 2018. This was in response to the potential that scheduled commercial services would return to Wanaka. There is growing demand in the Upper Clutha for improved air services since the withdrawal of such services in 2013, and strong interest from airlines to recommence services at Wanaka Airport. Currently between 15-20% of total annual passenger movements at Queenstown Airport are attributed to residents and visitors travelling directly to/from the Upper Clutha, which is only likely to increase with the growth in this part of the region. The addition of Wanaka Airport also ensures that QAC can factor additional capacity into its long-term planning for air services infrastructure for the Southern Lakes region in a balanced way.

It is in this context that Queenstown Airport and potentially Wanaka Airport are part of a national network of critical infrastructure assets which connect residents and visitors alike to the Southern Lakes region. QAC is responsible for managing these strategic assets on behalf of our two shareholders to ensure they align with district-wide spatial planning and underlying growth forecasts, generate appropriate returns on assets, and contribute to the region's economic development and the wellbeing of its communities. Ultimately, having high quality airport infrastructure is a core part of supporting the region's success and delivering on its economic promise.

We are conscious of the need to manage future airport growth in a manner that is consistent with our sustainability framework and that adheres to our guiding principles of sustainable, adaptable, affordable and memorable. We are also conscious of the importance of offsetting the impacts of our business activities on climate change and are committed to leading the way in our sector in this critical area. QAC supports QLDC's "Climate Change Action Plan" and was an early adopter of Tourism Industry Aotearoa's "Tourism Sustainability Commitment". We are working closely with government and industry on the greenhouse gas emissions challenge in line with specific actions related to measuring and developing emissions reduction initiatives. We also recognise that the footprint of any airport affects the community around it, and we are committed to

meeting our core objectives in a manner that is conscious of and sympathetic to the effects of our business activities on the community.

We support initiatives to coordinate airport capabilities across the lower South Island. To this end, we will continue to work closely with Invercargill and Dunedin airports to explore joint opportunities where possible across a range of areas, including health, safety and security; operations; sustainability; and supporting strategic regional tourism initiatives. However, along with the other airports in the broader region, QAC must abide by its obligations under competition law, and it is the airlines, not the airports, that determine where air services are provided based on their individual commercial and operational considerations.

With regard to transport connectivity, we continue to focus on airport-specific initiatives to enhance customer choice, such as using technology to create an innovative and stress-free carparking experience and providing infrastructure for electric vehicles to help reduce our carbon footprint. As an active member of the Regional Transport Governance Group, we are also working closely with QLDC, ORC and NZTA on short, medium and long-term solutions to improve regional transport connectivity and will continue to look at alternative transport options to help move our customers throughout the region. These include new and improved infrastructure, public transport, mass transit options, and demand management solutions that encourage a shift towards more environmentally-considerate transport modes and lower reliance on private vehicles.

Ongoing investment is needed in the short to medium term at Queenstown Airport to maintain and expand terminal infrastructure and enhance the customer experience. A key priority over the next two years will be working with our airport stakeholders to deliver a significant programme of initiatives, called Project Pathway, which will improve resilience and increase capacity within the current terminal footprint to provide for a modest level of growth.

We will need to manage growth to ensure compliance with our noise boundaries, which we expect to reach within the next three years. We have increased the frequency of our noise monitoring programme and are working closely with our airline partners to manage the rate of growth via flight schedules and route planning.

Capacity will be constrained at Queenstown Airport if the noise boundaries are not expanded, with the expected effects being more limited flight choices, higher fares and a switch to other transport modes, namely cars, vans, recreational vehicles and coaches. This will likely lead to impacts on the region's roading infrastructure including more congestion and safety issues. While we signalled through our public consultation last year that we believed that it will be necessary to apply for an expansion to Queenstown Airport's current noise boundaries, we are committed to working with QLDC to ensure that the social, economic and environmental impacts of future airport development are appropriately balanced with the needs of residents and visitors to access the region via air services.

Recent market trends and insights indicate that there are headwinds for New Zealand's aviation and tourism sectors. We are therefore taking a prudent approach by moderating our forward growth rates compared with prior trends. We are also working closely with our partners to monitor these trends so that we can adapt quickly and effectively in any business environment.

Forward Planning

As a public transport infrastructure business, QAC will continue its long-term planning and appropriately invest in infrastructure to maintain the highest levels of safety, efficiency and customer service. Our long-term planning is necessary to future proof the airport infrastructure. However, it does not seek to drive growth above the natural demand for air services to the Southern Lakes region.

We have an obligation to provide high quality infrastructure to support the demand for air services created by those who live in, work in and visit the Southern Lakes region now and into the future. This demand is forecast to continue over time, although at a slower rate than during the past several years.

As QAC's majority shareholder, QLDC provided the Company with its expectations around the strategic direction of the business earlier this year. These are summarised as follows:

- Both Queenstown and Wanaka airports should be managed as key strategic assets on a national, regional and local level;
- The airports should enable high levels of connectivity for residents, businesses and local and international visitors; and
- The Company should continue to manage and develop its infrastructure to maintain high quality air services to support its current and future customer base.

More specifically, QLDC indicated that QAC should:

- Remain financially profitable and have a sound investment programme;
- Actively plan for sustainable long-term demand in an open and inclusive manner; and
- Ensure it maintains a strong and positive social license to operate.

The focus of the Company over the next three years will be on undertaking the day-to-day activities and strategic planning work necessary to continue to deliver on these expectations. Importantly, we want to ensure that we have a strong mandate to go forward with the future development of Queenstown and Wanaka airports.

It is critical that our long-term planning work supports and aligns with the planning and growth projections for the region. The district spatial planning processes currently being undertaken by QLDC, in conjunction with Government, will provide the overarching framework for this outcome to be achieved.

We welcome the recent announcement by QLDC that it will undertake independent economic and social impact assessments of the impact (positive and negative) of future airport development on the district and its communities. Some of this work is already underway by QAC as part of our master planning processes and we will work with QLDC to ensure that their independent assessments inform our long-term planning work. To that end, we will not seek to expand the noise boundaries at Queenstown Airport or introduce scheduled services at Wanaka Airport until QLDC has undertaken these assessments.

There is potential for the additional impact assessments to affect the timing of new investment in airport infrastructure which may in turn have financial and operational consequences, particularly if delays at the more detailed planning stage result in QAC being unable to meet future demand in the short term. We have discussed this possible scenario with our shareholders who accept that risk as part of ensuring the best outcome for the region and its communities over the longer term.

Strategic Direction

Connecting people through our infrastructure and helping to sustain the Southern Lakes region is at the heart of our business. Everything we do to achieve this is underpinned by our core values and guiding principles.

QAC as an organisation has grown, particularly over the past five years, to support the rapid growth across the communities we serve. With the responsibility for managing and developing both Queenstown and Wanaka airports, it is critical that QAC’s organisational structure effectively supports the dual airport business model.

As we work through the long-term planning for Queenstown and Wanaka airports, we will be looking to integrate all aspects of our business, with the aspiration that the airports managed by QAC are recognised as innovative and representing the best of their regional communities. This reflects our desire to be:

- Innovative in our thinking, planning, processes, technology, resourcing and infrastructure development
- Integrated as one team which manages both airports whilst preserving their unique DNA and connecting them to their communities
- An outstanding first and last impression of the destinations represented by the airports, reflecting the best of the region in our people, customer offerings, infrastructure and sustainable practices.

Our direction of travel is reflected in the strategy house below which sets out our aspiration, purpose, major streams of work or themes, and key priorities. The four themes identified are common goals which help us focus our efforts across the organisation. These have been further distilled into priorities against which we measure our performance.

In the following sections ‘Key Strategic Projects’ and ‘Priorities and Performance Metrics’, the key initiatives identified, and the priorities are matched with performance metrics and targets to provide accountability and measure our success each year.



Key Strategic Projects

| | FY2019 | FY2020 | FY2021 | FY2022 |
|--|--|--|--|--|
| Queenstown Airport Master Plan | | <ul style="list-style-type: none"> Progress spatial master plan based on agreed growth and demand projections. Engagement on spatial master plan development. | <ul style="list-style-type: none"> Commence development planning. | |
| Wanaka Airport Master Plan | <ul style="list-style-type: none"> Commence development of spatial master plan. Engagement on spatial master plan development. | <ul style="list-style-type: none"> Progress spatial master plan based on agreed growth and demand projections. Engagement on spatial master plan development. | <ul style="list-style-type: none"> Commence development planning. | |
| Project Pathway (Queenstown Airport) | <ul style="list-style-type: none"> Border agency area expansion completed. Check-in transformation completed. | <ul style="list-style-type: none"> Baggage makeup unit expansion completed. Security screening process improvements and infrastructure changes designed and implemented. | <ul style="list-style-type: none"> Domestic departure lounge expansion completed. | |
| Noise and Land Planning | <ul style="list-style-type: none"> Continuation of PDP hearings incorporating PC35 provisions | <ul style="list-style-type: none"> Determine required noise planning framework for ZQN and WKA. | | |
| Noise Mitigation Programme (Queenstown Airport) | <ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. | <ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. | <ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. | <ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. |
| Land Acquisition | <ul style="list-style-type: none"> Complete 'Lot 6' Public Works Act (PWA) proceedings for Queenstown Airport. | <ul style="list-style-type: none"> Agree 'Lot 6' PWA compensation. | | |

Priorities and Performance Metrics

| Making journeys safe, efficient and friendly for our customers | | |
|--|--|----------------------------------|
| Priorities | Performance Metrics | Timing |
| Ensure a safe, secure & compliant airport environment | • Lost Time Injuries | • Zero |
| | • Near miss reporting | • 10% > FY19 |
| | • CAA security audits | • Compliance Achieved |
| | • Critical risk factors identified, evaluated and controlled | • Ongoing |
| | • Annual environmental baseline monitoring and reporting process embedded – energy, water, waste, soil, air, and noise | • June 2021 |
| | • Increase noise monitoring frequency from 3 yearly to annually, to manage growth appropriately and to ensure compliance with our noise boundaries | • Annual |
| | • Work with airport stakeholders on carbon footprint reduction measures | • Ongoing |
| | • Increase operations control room staffing to 16 hrs/7 days a week | • Dec 2019 |
| | • Drone reporting/compliance and public education programme | • Ongoing |
| | • Frontline staff complete customer service training programme | • 100% completed by Jun 2020 |
| Develop a capable, skilled & engaged customer-centric team | • Customer Satisfaction surveys | • 4.1 out of 5 satisfaction |
| | • Unit Standard-based airport operations diploma established and rolled out to all Operational staff as a minimum standard | • Jun 2020 |
| | • Deliver Project Pathway at Queenstown Airport | • Within two financial years |
| Deliver infrastructure & services in line with customer demand | Additional BMU capacity planned and delivered | • Jun 2020 |
| | • Implement Aviation Security-regulated body scanners in conjunction with smart lane technology | • Jun 2020 |
| | • Departure lounge capacity increase | • Jun 2020 |
| | • All airlines move to self-service kiosks | • Dec 2019 |
| | • Airline and agency administration space, and utilities are delivered to meet capacity requirements | • Jun 2021 |
| | • Overall seismic compliance enhanced to 70-100% of New Building Standard (“NBS”) | • Dec 2021 |
| Build business & operational resilience | • Create a back-up potable water supply for ZQN | • Jun 2020 |
| | • Virtual infrastructure replacement completed and commissioned | • Jun 2020 |
| | • Emergency management response training for all staff | • Maintain 100% Operations staff |
| | • Business Continuity Plan enhanced, trained and tested | • Jun 2020 |
| | • Establish GA strategy to help inform both the ZQN and WKA master plans | • Jun 2019 |
| Enable diverse general aviation activities | • Warbirds Over Wanaka agreement completed | • Jul 2019 |
| | • Formal management agreement in place for QAC to manage Glenorchy airstrip on an ongoing basis | • Dec 2019 |

Providing value and memories for our customers

| Priorities | Performance Metrics | Timing |
|--|--|---|
| Provide innovative & valued customer offerings | <ul style="list-style-type: none"> • Appropriate mix of local owner-operators and national brands within both airport precincts | <ul style="list-style-type: none"> • Ongoing |
| | <ul style="list-style-type: none"> • Growth in commercial revenue as per financial forecast | <ul style="list-style-type: none"> • 2019-2021 |
| | <ul style="list-style-type: none"> • All advertising assets are operational | <ul style="list-style-type: none"> • Dec 2019 |
| | <ul style="list-style-type: none"> • Increase real-time customer data delivery | <ul style="list-style-type: none"> • Jun 2020 |
| Deliver an outstanding park-to-plane experience reflecting the best of the region | <ul style="list-style-type: none"> • Establish new customer satisfaction measurements for self-service check-in experience with our airline partners | <ul style="list-style-type: none"> • Dec 2020 |
| | <ul style="list-style-type: none"> • Establish new customer satisfaction measurements for security screening with AVSEC | <ul style="list-style-type: none"> • Jun 2020 |
| | <ul style="list-style-type: none"> • Targeted rate of customer satisfaction achieved for car parking and ground transport | <ul style="list-style-type: none"> • 3.5 out of 5 satisfaction |
| Ensure connecting transport solutions enhance the customer experience | <ul style="list-style-type: none"> • Coordinated and planned approach with our transport partners (QLDC, NZTA and ORC) to achieve enhanced airport, local and regional connectivity – particularly through the master plan processes for Wanaka and Queenstown Airports | <ul style="list-style-type: none"> • Ongoing |
| | <ul style="list-style-type: none"> • Share insights and datasets with our transport partners to help inform decision making for transport decisions and proposals | <ul style="list-style-type: none"> • Ongoing |
| | <ul style="list-style-type: none"> • Deliver ground transport technology solutions such as online parking at terminal, electric charging stations and licence plate recognition in line with infrastructure upgrades | <ul style="list-style-type: none"> • Dec 2020 |
| Embrace & showcase our cultural heritage | <ul style="list-style-type: none"> • Develop a heritage management plan for QACs heritage assets | <ul style="list-style-type: none"> • Dec 2019 |
| | <ul style="list-style-type: none"> • Implement key actions identified | <ul style="list-style-type: none"> • Jan - Dec 2020 |
| | <ul style="list-style-type: none"> • Provide updates twice a year on integrating our aviation heritage, national and regional culture, and Te Reo into planning, appropriate projects, staff training and storytelling | <ul style="list-style-type: none"> • Feb and Aug each year |

Making sustainable use of our land and respecting our unique environment

| Priorities | Performance Metrics | Timing |
|--|---|--|
| Create our land and air footprint to facilitate future growth | <ul style="list-style-type: none"> Continue to actively participate in QLDC’s Proposed District Plan process to ensure Queenstown and Wanaka airports’ planning framework is appropriate to meet their strategic goals, and that the effects of reverse sensitivity are managed. | <ul style="list-style-type: none"> As per QLDC timetables |
| | <ul style="list-style-type: none"> Determine the appropriate land use for each airport based on master planning outcomes and develop a programme to achieve these requirements through the relevant RMA processes. | <ul style="list-style-type: none"> Jun 2020 |
| | <ul style="list-style-type: none"> Secure appropriate consents required for ZQN and WKA airports as part of the master planning process | <ul style="list-style-type: none"> Jun 2020 |
| | <ul style="list-style-type: none"> Complete the Public Works Act (PWA) acquisition of “Lot 6”. | <ul style="list-style-type: none"> Dec 2019 |
| | <ul style="list-style-type: none"> Acquire any land or property required to enable the development of the agreed ZQN and WKA master plans | <ul style="list-style-type: none"> Jun 2020 |
| Develop complementary master plans to support the dual airport model | <ul style="list-style-type: none"> Develop a spatial master plan for Wanaka Airport | <ul style="list-style-type: none"> Mar 2020 |
| | <ul style="list-style-type: none"> Develop a spatial master plan for Queenstown Airport | <ul style="list-style-type: none"> Mar 2020 |
| | <ul style="list-style-type: none"> Refine the Queenstown Airport and Wanaka Airport master plans | <ul style="list-style-type: none"> Dec 2020 |
| | <ul style="list-style-type: none"> Continue to engage with the community throughout the master planning process | <ul style="list-style-type: none"> Ongoing |
| Develop land holdings to optimise return on investment & support long-term growth | <ul style="list-style-type: none"> Clarify any land available for lease, tenure available and day-to-day management of airport land and assets | <ul style="list-style-type: none"> Dec 2019 |
| | <ul style="list-style-type: none"> Following the confirmation of preferred master plans, and the successful acquisition of ‘Lot 6’, commence the planning of the General Aviation precinct | <ul style="list-style-type: none"> Dec 2020 |
| Manage our impact on the environment & community in a sustainable way | <ul style="list-style-type: none"> Noise mitigation works completed on all current inner and mid sector homes who have accepted mitigation offers | <ul style="list-style-type: none"> Dec 2021 |
| | <ul style="list-style-type: none"> Monitor and review noise compliance against monthly aircraft movements | <ul style="list-style-type: none"> Monthly |
| | <ul style="list-style-type: none"> Hold regular airline stakeholder meetings to share information and manage growth | <ul style="list-style-type: none"> Monthly |

Working together to deliver balanced outcomes for our team, stakeholders & community

| Priorities | Performance Metrics | Timing |
|--|--|---|
| Foster a values-led “one team” culture | • Improved staff engagement survey | • 10% improvement year-on-year |
| | • Staff & Leadership development plans achieved | • Annual |
| Ensure a fit-for-purpose organisational design & capability | • Develop a viable dual-airport approach for Queenstown and Wanaka airports | • Dec 2019 |
| | • Develop and roll out an organisational and capability plan to implement the dual airport model | • Jan 2020 |
| | • Internal audit on systems and processes | • Jun 2020 |
| Strive for an engaged community that values our contributions | • Provide updates through various QAC channels on our sustainability programme to share social, economic and environmental value | • Ongoing |
| | • Regularly engage with our shareholders, stakeholders and community about QAC’s long term planning activities | • Ongoing |
| | • Work with key agencies on long-term planning initiatives | • Ongoing |
| | • Engage with our team, airport stakeholders and community through a programme of events: <ul style="list-style-type: none"> – Behind-the-scenes airport education/community visits at both airports from across the region – Annual Airport Community Day at Queenstown and Wanaka airports – Airport Safety Week programme across both airports | • Throughout the year • Dec each year • Oct each year |
| | • Share airport insights and datasets with stakeholders and community via communication channels | • Monthly, quarterly, 6-monthly, annual |
| | • Share relevant airport and aviation news and stories to help inform and educate the communities we serve | • Ongoing |
| | | |
| Deliver value to shareholders through sustainable returns | • Deliver dividends per shareholder expectation | • Annual |
| | • Deliver Long Term Funding strategy | • Dec 2019 |
| | • Leases and licenses reviewed, renewed and up to date | • 2019-2021 |
| | • Explore and implement opportunities to achieve returns on land and property by releasing current vacant land holdings to the lease-hold market | • 2019-2021 |
| Enhance collaborative relationships across our airport communities & stakeholders | • Participate in stakeholder and community long term planning forums | • Ongoing |
| | • Host airport community get-togethers at both airports | • Quarterly |
| | • Participate in Queenstown and Wanaka user groups | • Quarterly |
| | • Share customer experience data with the airport community to assist with performance targets | • Quarterly |

Financial Forecast FY2019-2022

Net Profit after Tax (NPAT) is forecast to increase in the three-year period from \$15.5 million in FY2019 (current financial year) to \$17.9M million in FY2022 (period ending 30 June 2022).

EBITDA is forecast to increase from \$32.7 million in FY2019 to \$42.0 million in FY2022. This improvement in EBITDA is primarily due to a combination of the revenue derived from an increase in passenger numbers and managing operating expenditure at a lower rate than revenue growth.

QAC intends to manage aircraft movements within the parameters of the existing noise consents at Queenstown Airport, as reflected in the financial forecasts to FY2022.

Further infrastructure improvements, including Project Pathway (to meet short/medium term demand) and building resilience improvements, will lead to an increase in both interest expenses and depreciation. Depreciation and amortisation expense are also negatively impacted by the amortisation related to the airport's noise mitigation programme. QAC will continue to review the useful life of property, plant and equipment to ensure that the depreciation and amortisation rates applied remains appropriate.

Dividend payments are forecast to be in the range of \$7.7 million to \$8.8 million during the period. Dividends are declared based on 50% of NPAT. In making any dividend payments, QAC's Board of Directors will give due consideration to forecast operating profits, capital expenditure and other cash requirements.

The Company has sufficient funding head-room within existing bank facilities to execute its capital investment programme during the period.

SOI FINANCIAL FORECAST

For the Financial Years Ending 30th June

000

| | FCT FY2019 | FCT FY2020 | FCT FY2021 | FCT FY2022 | 2 YR CAGR |
|---|-----------------|-----------------|-----------------|-----------------|--------------|
| Financial Performance | | | | | |
| Total Revenue | 49,163 | 55,300 | 58,229 | 61,286 | 5% |
| Total Operating Expenditure | (16,430) | (18,136) | (18,438) | (19,275) | 3% |
| EBITDA | 32,733 | 37,164 | 39,791 | 42,011 | 6% |
| Depreciation & Amortisation | (8,126) | (9,971) | (10,628) | (12,405) | 12% |
| EBIT | 24,607 | 27,193 | 29,163 | 29,606 | 4% |
| Interest Expense | (3,064) | (3,233) | (4,748) | (4,707) | 21% |
| Profit Before Tax | 21,543 | 23,960 | 24,416 | 24,898 | 2% |
| Tax | (6,078) | (6,714) | (6,761) | (6,971) | 2% |
| Net Profit After Tax | 15,465 | 17,246 | 17,655 | 17,927 | 2% |
| Dividends Paid ¹ | 7,186 | 7,732 | 8,623 | 8,693 | 6% |
| Operating Cash Flow | 36,788 | 32,410 | 35,113 | 38,533 | |
| Capital Expenditure | (29,155) | (63,212) | (37,751) | (24,304) | |
| Closing Debt | 69,639 | 115,501 | 132,313 | 134,587 | |
| Return on Equity (NPAT to Avg SH Funds ²) | 5.5% | 5.9% | 5.7% | 5.5% | |
| Return on Assets (NPAT to Avg Total Assets ³) | 4.1% | 4.0% | 3.8% | 3.7% | |
| EBITDA > 2 times funding expense | 10.7 | 11.5 | 8.4 | 8.9 | |
| Shareholders Funds to Total Tangible Assets > 50% | 76% | 69% | 68% | 68% | |
| Revenue per Pax | \$20.69 | \$21.43 | \$21.51 | \$21.73 | |
| EBITDA per Pax | \$14.07 | \$14.86 | \$15.05 | \$15.27 | |
| NPAT per Pax | \$6.65 | \$6.90 | \$6.68 | \$6.52 | |
| Passenger Movements (000) | 2,327 | 2,501 | 2,644 | 2,751 | 5% |
| Growth on previous year | | 7% | 6% | 4% | |
| Air Traffic Movements (ATMs) | 17,763 | 19,120 | 20,178 | 21,000 | 5% |
| Growth on previous year | | 8% | 6% | 4% | |

Notes

1. Dividends calculated on a paid basis rather than earned.
2. Average Shareholders' funds based on opening and closing balances.
3. Average Total Assets based on opening and closing balances.

Shareholder Interaction and Corporate Governance

Regulatory Framework

QAC is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. Section 59 sets out the principal objectives of a CCTO which are to:

- (a) *achieve the objectives of its Shareholders, both commercial and non-commercial, as specified in the statement of intent; and*
- (b) *be a good employer; and*
- (c) *exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and*
- (d) *conduct its affairs in accordance with sound business practice.*

QAC's business is also subject to regulatory control under the Airport Authorities Act 1966 and complies with the disclosure requirements of a specified airport company pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations.

The Airport Authorities Act 1966 (section 4(3)) states that the Airport "...must be operated or managed as a commercial undertaking."

The company's governance is also covered by the Companies Act 1993.

QAC's aeronautical operations are governed by the Civil Aviation Act 1990 and Civil Aviation Rules Part 139.

Statement of Intent (SOI) Process

As a CCTO, QAC must prepare a SOI in accordance with Section 64(1) of the Local Government Act 2002.

QAC submits a draft SOI for the coming financial year to Queenstown Lakes District Council (QLDC) by 1 March. Following consultation with QLDC, and after considering any comments from QLDC, the final SOI is approved by QAC's Board of Directors and delivered to QLDC by 30 June.

Board of Directors

QAC's Board of Directors and management are committed to ensuring the Company meets recommended best practice governance principles and maintains the highest ethical standards.

The Board of Directors is appointed by the Shareholders to govern and direct QAC's activities. The Board is the overall final body responsible for all decision-making within the Company. It is accountable to its Shareholders for the financial and non-financial performance of the Company.

The Board has established an Audit and Financial Risk Committee to oversee the Company's financial reporting processes, system of internal control, and the external audit process, and its processes for identifying and managing financial risk, and for monitoring compliance with applicable law and its own policies. The Board has also established a Safety and Operations Risk Committee to oversee the Company's performance and reporting related to health, safety & security and operational activities and monitor compliance with applicable law and its own policies.

Role of the Board

The Board is responsible for the proper direction and oversight of QAC's activities. This responsibility includes:

- Approving strategic plans, budgets and the SOI
- Corporate policies, including financial and dividend policies, and delegated authorities
- Monitoring financial performance and achievement of the strategic initiatives and SOI objectives
- Appointment and monitoring of the performance and remuneration of the Chief Executive (CE)
- Integrity of management information systems
- Assessment of business opportunities and business risks
- Internal control and assurance systems
- Compliance with relevant law
- Reporting to Shareholders

Reporting to Shareholders

The Company has adopted 30 June as its balance date.

Within two months of the end of the first half of each financial year, Directors will deliver to Shareholders an Interim Report which will consist of:

- Chair and CE's report
- Directors' Responsibility statement
- Unaudited financial statements
- Notes to the financial statements including accounting policies

Within three months of the end of each financial year, Directors will deliver to Shareholders an Annual Report which will consist of:

- Chair and CE's report
- Directors' Responsibility statement
- Audited financial statements
- Notes to the financial statements including accounting policies
- A Statement of Service Performance summarising QAC's performance of the SOI goals and objectives
- Independent Auditor's Report

The Board works collaboratively with its Shareholders to ensure a "no surprises" relationship.

Quarterly meetings are held between QAC's Chair and CE and QLDC's Mayor and CE. These meetings are an opportunity to provide greater insights and information on business performance and issues of importance. QAC's CE and CFO also present the annual financial results to the QLDC Council and QLDC Audit Committee.

Annual meetings are held between QAC's Chair and CE and Auckland International Airport's Chair and CE where opportunities to work together in delivering Strategic Objectives are discussed (refer Strategic Alliance).

Dividend Policy

The Directors will declare dividends according to the following policy:

At their discretion, Directors may declare a full year dividend each year in a range of 50% and 100% of normalized Net Profit After Tax (NPAT), after adjusting for unrealised gains and losses arising from revaluation of property or treasury instruments and material extraordinary items.

In determining the full year dividend the Directors will consider:

- Solvency;
- Banking covenants and company treasury policy;
- Working capital and capital expenditure requirements; and
- The interests of shareholders.

An interim dividend may be declared and paid by 28 February each year. Any final dividend will be paid by 31 August each year.

Directors will determine the level of imputation credits having regard to the needs of shareholders.

The Directors will consider any request from the Shareholders for additional dividend payments and will apply prudent governance when considering such requests.

The Directors will not issue shares wholly or partly in lieu of the proposed dividend or proposed future dividends, without the written approval of Shareholders.

Capital Subscription

No new shares in the company can be issued without the consent of Shareholders.

The company is confident it can fund its capital growth plans from internal sources (cash flow and/or debt) during the forecast period FY2019-FY22. The Board will assess this position annually as part of the SOI process.

Investment in Other Entities

The Company must consult with the Shareholders prior to any investment being made in another entity.

Services Provided to QLDC

QAC provides property maintenance services at Glenorchy Airstrip on behalf of QLDC. QLDC and QAC have agreed in principle that, subject to agreeing the terms, QAC will provide a broader range of management services at the airport.

QAC leases land to QLDC which forms part of the Frankton Golf Course for \$25,000 p.a.

Wanaka Guiding Principles

As part of the long-term lease process in 2017, QLDC and QAC developed principles to guide the management and development of Wanaka Airport:

1. QLDC and QAC are committed to the development of Wanaka Airport to support district growth and community needs.
2. QLDC and QAC support the operation, management, planning and development of Wanaka Airport by QAC as a key element of an integrated, complementary, district-wide strategy to foster the growth of aviation services.
3. QLDC and QAC acknowledge that the long-term lease arrangement regarding Wanaka Airport should vest economic control of Wanaka Airport in QAC and its terms should encourage investment in the Airport by QAC.
4. QLDC and QAC agree that the governance model for Wanaka Airport will be effective and similar to the current model in place for Queenstown Airport.
5. QLDC and QAC agree Wanaka Airport should become an economically viable and sustainable business.
6. QLDC and QAC believe that the support of the communities served by Wanaka Airport is important to its development.
7. QLDC and QAC agree to commit to engage with all of the stakeholders involved at the Wanaka Airport and the wider Wanaka community in future planning activities.
8. QLDC and QAC support Activities, (such as, general aviation, scientific research and education), and Events, (such as Warbirds over Wanaka), at Wanaka Airport.
9. These Activities and Events will require sustainable arrangements including an appropriate transition period.

The commercial vision is for Wanaka Airport to become a financially viable and sustainable airport, generating appropriate returns on its assets and contributing to the district's economic development and wellbeing of the community.

- We will adopt a commercial approach promoting and enabling sustainable growth whilst retaining the public, community and social values.
- We will consider the needs and activities of different operators and seek to adopt a 'user pays' model – operators pay for what they use and no more.
- All existing legal agreements will be honoured. Transitional arrangements will be developed to assist operators to move smoothly from the current model to a more sustainable model.
- We will actively engage with the airport community, particularly in the transition, giving everyone the opportunity to give feedback on the commercial approach.

Strategic Alliance with AIAL

Auckland International Airport Limited's (AIAL) investment in QAC includes an undertaking between the two companies to work together to grow QAC's business returns and increase passenger numbers.

The focus of the strategic alliance for the next five years will be for the two companies to leverage the scale and connectivity of a multi-airport relationship to grow visitor activity and deliver superior earnings growth to both companies and economic growth to their respective communities.

Where appropriate, QAC will seek to leverage AIAL's market and operational scale, intellectual property and management capabilities in aeronautical, retail, commercial and property development functions including:

- Collaboration to further develop air services between the two airports, sharing relevant market information and analysis
- Joint ventures on relevant tourism-related marketing and tactical promotions
- Optimising operational efficiency through technology and process innovation
- Support in maximising non-aero revenue through the sharing of data and retail/transport expertise
- Input on industry/airport trends and operating efficiencies, particularly in identifying and managing common strategic risks
- Training and/or mentoring support for personnel
- Support with procurement

AIAL will continue its own route development into markets such as the US, China, South East Asia and South America that cannot support direct flights to Queenstown Airport due to its inability to accommodate any aircraft size larger than narrow-body jet aircraft.

Audit

The Office of the Auditor General (OAG) has appointed Deloitte to undertake the financial audit of QAC for the three years ended 30 June 2017 to 2019.

Accounting Policies

QAC will maintain accounting records in accordance with the Companies Act 1993.

QAC will prepare financial statements in accordance with the Financial Reporting Act 2013; the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (as amended in 2014). These include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

Corporate Directory

| | | |
|--|--|---|
| Location: | Queenstown Airport Corporation Airport Administration, Queenstown Airport Sir Henry Wigley Drive Frankton Queenstown 9300 | |
| Mailing address: | PO Box 2641 Queenstown 9349 NEW ZEALAND | |
| Phone: | +64 3 450 9031 | |
| Email: | admin@queenstownairport.co.nz | |
| Websites: | www.queenstownairport.co.nz www.wanakaairport.com | |
| Shareholders | Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%) | |
| Directors | Prudence Flacks (Chair) Grant Lilly Michael Stiasny Norman Thompson Mark Thomson Adrienne Young-Cooper | |
| Senior Management | Chief Executive | Colin Keel colin.keel@queenstownairport.co.nz |
| | Chief Financial Officer and Company Secretary | Andrew Williamson andrew.williamson@queenstownairport.co.nz |
| | General Manager, Operations and Safety | Mike Clay mikec@queenstownairport.co.nz |
| | General Manager, Property and Planning | Rachel Tregidga rachelt@queenstownairport.co.nz |
| | General Manager, Commercial and Customer Experience | Olivia Pierre olivia.pierre@queenstownairport.co.nz |
| | General Manager, Corporate and Community Affairs | Sara Irvine sara.irvine@queenstownairport.co.nz |
| Senior persons per Civil Aviation Rules, part 139 | Chief Executive | Colin Keel |
| | General Manager, Operations and Safety | Mike Clay |

Abbreviations

| | |
|--------|---|
| AIAL | Auckland International Airport Limited |
| CAA | Civil Aviation Authority of New Zealand |
| CE | Chief Executive Officer |
| CCTO | Council-Controlled Trading Organisation |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| F&B | Food and Beverage |
| FY | Financial Year – 1 July to 30 June |
| GA | General Aviation |
| NPAT | Net Profit After Tax |
| OCB | Outer Control Boundary |
| PC35 | Queenstown Lakes District Council Plan Change 35 relating to Airport Noise boundaries |
| PDP | Proposed District Plan |
| QAC | Queenstown Airport Corporation, the company that operates Queenstown Airport and Wanaka Airport |
| QLDC | Queenstown Lakes District Council |
| RMA | Resource Management Act |
| SOI | Statement of Intent |
| WKA | Wanaka Airport |
| ZQN | Queenstown Airport |