

Queenstown Airport Corporation Limited

Statement of Intent

Year ending 30 June 2022



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INTRODUCTION

This Statement of Intent (SOI) is prepared by the board of directors of Queenstown Airport Corporation Limited (QAC) for its shareholders in accordance with Section 64(1) of the Local Government Act 2002.

QAC is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002. The company is owned by one majority and one minority shareholder:

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

The SOI is a public and legally required document. It is agreed annually in consultation with shareholders and covers a three-year timeframe. This SOI covers the period from 1 July 2021 to 30 June 2024 (FY22-FY24).

The SOI sets out the company's purpose and objectives, the nature and scope of the activities to be undertaken and the financial targets and non-financial measures by which the performance of the company may be judged in relation to its objectives. QAC's achievements against the objectives outlined in each year's SOI are set out in its Statement of Service Performance as part of its end of year reporting.

A joint steering group with senior representatives from QLDC and QAC was established in January 2020 to guide the development of the SOI through its key milestones. The steering group is comprised of the Mayor and three QLDC councillors, three QAC directors (including the Chair), and the chief executives of each organisation.

In January 2021, QLDC as the majority shareholder of QAC adopted a Statement of Expectations (SOE) for the three-year period commencing 1 July 2021, which is reflected in this SOI. The terms of the SOE are supported by Auckland International Airport Limited (AIAL) as the minority shareholder.

QAC takes into consideration QLDC's relevant policies when setting its objectives and performance targets. In addition, QLDC received an independent report on the socio-economic impact assessments of airport infrastructure in the Queenstown Lakes district in May 2020. QAC has also considered this report in the preparation of this SOI.

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NATURE AND SCOPE OF ACTIVITIES

Overview

QAC's primary activity is the safe and efficient operation of Queenstown Airport, facilitating air connectivity through the provision of infrastructure in the region, to meet the needs of our customers, the residents of, and visitors to the lower South Island. This includes the provision of appropriate and sound aeronautical and associated infrastructure and facilities for the operations at the airport. QAC also manages Wānaka Airport and the Glenorchy Airfield on QLDC's behalf. We:

- Ensure effective stewardship of the airports, including meeting all relevant statutory obligations
- Provide airfield, airside, terminal and landside facilities and infrastructure that deliver the required outcomes for all operators and users
- Ensure the operational resilience of Queenstown Airport as a life-line utility, as required under the Civil Defence Emergency Management Act 2002.

Queenstown Airport

At Queenstown Airport, QAC provides for scheduled domestic and international air services, commercial and private general aviation operations and the Lakes District base for the Otago Rescue Helicopter service.

Wānaka Airport

Wānaka Airport is owned by QLDC. QAC manages Wānaka Airport under an Interim Management Services Agreement (IMSA) with QLDC. Wānaka Airport facilitates scheduled domestic air services, and both commercial and private general aviation operations. Sounds Air introduced scheduled domestic services between Wānaka and Christchurch in November 2020. In addition, Wānaka Airport hosts the biannual Warbirds over Wānaka airshow and is one of seven locations used globally for NASA's Scientific Balloon Programme.

Glenorchy Airfield

QAC provides grounds maintenance services and airstrip management at Glenorchy, on QLDC's behalf.

Company Value

As at 30 June 2021, QAC's land, land improvements and buildings were valued at \$383 million and included 153.0ha at Queenstown Airport and 149.5ha near Wānaka Airport. QAC's estimated enterprise value, as adopted by its board of directors in June 2021, was in the range \$535 million to \$550 million. This valuation was supported by an external valuation by Northington Partners.

PURPOSE AND OBJECTIVES

QAC's purpose is to create long-term value and benefits for its shareholders, business partners and the communities of the Queenstown Lakes District, assessed against the four 'wellbeing' measures under the Local Government Act: social, environmental, economic and cultural.

As a CCTO, QAC seeks to maintain or grow shareholder value in a manner that recognises the need for the company to be profitable and return a financial dividend to its shareholders (in line with the dividend policy), invest for the future and support community wellbeing. In response to the impact of the COVID-19 pandemic our business focus over the period covered by this SOI is to support the recovery of the Southern Lakes region and to develop a shared vision for the future of the district's aviation services in conjunction with the communities and businesses in the region.

The board of directors will continue to govern the company on behalf of shareholders as a profitable and sustainable business enterprise, operating in a manner which is safe, financially stable, customer-focused, well planned, and environmentally conscious.

The company's objectives are to:

Facilitate a safe, efficient and friendly airport experience

- Ensure a safe, secure and compliant airport environment
- Maintain a highly capable, skilled and engaged customer-focused team
- Deliver infrastructure and services in line with customer/stakeholder needs
- Continue to build operational resilience

Provide valued and innovative customer-focused services

- Deliver an outstanding customer experience reflecting the best of the region
- Work with our airline partners to ensure connectivity to reflect underlying demand
- Support diverse general aviation activities
- Ensure connecting transport solutions enhance the customer experience

Make sustainable use of our land and respect our unique environment

- Measure and minimise our impact on the environment
- Ensure our land and air footprint balances growth with community wellbeing
- Undertake strategic planning to support a sustainable airport business model
- Develop our land holdings to optimise return on investment and support economic diversity
- Embrace our cultural heritage

Deliver sustainable returns and balanced outcomes for our team, community & stakeholders

- Deliver value to shareholders through sustainable returns
- Ensure our contributions add value to the communities in the region
- Enhance collaborative relationships across our airport communities and with stakeholders
- Foster a values-led 'one-team' culture
- Continue to develop organisational capability and resilience

OUTLOOK

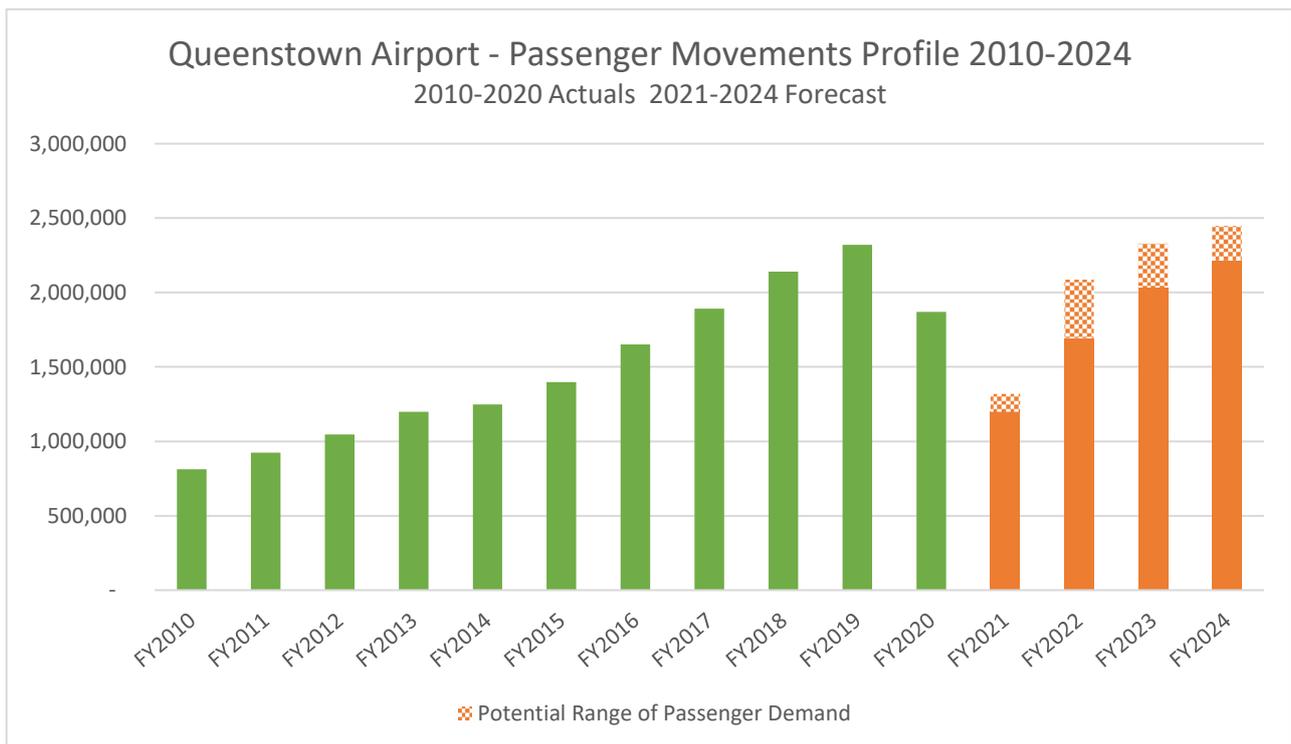
During FY21 our primary goal was to stabilise the business in response to the COVID-19 pandemic and its impact on our business, staff, airport community and the Southern Lakes region. As we look forward, our focus is on underlying business performance and resilience, the wellbeing of our team, and the broader recovery of the district. Over the next three years QAC's priorities are:

- To safeguard core capability to operate vital airport infrastructure for the district
- To ensure the health, safety and welfare of our people, customers and community
- To support the operators at both Queenstown and Wānaka airports wherever possible
- To provide sustainable shareholder returns

We forecast recovery of the business to occur gradually over the next three to four years. Because of the high levels of uncertainty associated with the recovery of international air travel and the potential for nationwide restrictions on people movement associated with COVID-19, forecasting future passenger movements, which in turn underpin our financial performance, is very subjective.

The pace and timing of recovery is dependent on a wide range of factors, including the continued propensity of New Zealanders to travel domestically, the continuation of the trans-Tasman quarantine-free travel zone, the re-opening of long-haul international borders, and the recovery of global aviation and tourism.

The graph below provides the range of passenger movements forecast for the three-year period covered by this SOI:



COMMUNITY ENGAGEMENT

Queenstown Airport is an important community-owned infrastructure asset. As the owner of Queenstown Airport and manager of both Wānaka Airport and the Glenorchy Airfield, QAC recognises the high importance of balancing aeronautical growth with both the capacity of regional infrastructure and an overarching desire to preserve what makes the region a special place to live, work and visit. More than 80 businesses are based at Queenstown and Wānaka airports, the majority of which are locally owned, and together are a major employer in the district. We are proud to be part of this community.

Consulting with QLDC and the community on these points will be the cornerstone of QAC's future planning philosophy, as we consider the role that air travel plays in supporting the region, and the scale and nature of any future airport investment.

Community stakeholders will include, but are not limited to, community associations directly and indirectly affected by the airports' operations, residents' associations, iwi, the business community, regional tourism organisations, industry sector groups and those community groups specifically established around airport matters.

QAC is committed to positive engagement with local iwi and hapū. QAC's majority shareholder, QLDC has established protocols with both Aukaha and Te Ao Marama, and these organisations are mandated on behalf of iwi to work with relevant Territorial Local Authorities (TLA). QAC will seek guidance from these organisations as we work to highlight the whakapapa of Kāi Tahu as part of our cultural heritage initiatives. QAC shall, as part of any consultation process, engage with Te Ao Marama and Aukaha, as representatives of Kāi Tahu, and ensure that iwi values and issues are reflected in plans and initiatives.

STRATEGIC PLANNING

Our strategic planning will consider how best to provide aviation connectivity and capacity for and to the district, and reflect the company's essential role in contributing to the overall wellbeing of Aotearoa New Zealand's air transport services, the local and regional economies and supporting the needs of current and future communities. The Council's Spatial Plan (and Future Development Strategies (FDS)), required under the National Policy Statement – Urban Development, will provide a base line resource and reference document for our strategic planning. Ultimately, QAC's strategic planning will be interconnected with QLDC's long-term planning, forecasts and aspirations for the district.

Our strategic planning will address the following areas:

Aviation Capacity – QAC's strategic planning will consider the constructive role QAC can play in the national transport system, including how aviation capacity can best support the long-term needs of the region. QAC's long-term forecasts (pre-COVID), and the results of the recent independent socio-economic impact assessment of airport infrastructure in the district, indicate that there is neither demand nor community appetite for the Southern Lakes region to cater for long-haul capable, wide-body jet services. As a result, QAC will not plan for the introduction of wide-body jets to the district.

Air Noise Boundaries – QAC will not seek any expansion of the air noise boundaries at Queenstown Airport over this SOI period. *Note: Any expansion of the Queenstown Airport air noise boundaries would require an application process and formal stakeholder consultation under the Resource Management Act.*

Land Acquisition or Disposal – As part of its commitment to a 'no surprises' relationship with its shareholders, QAC will consult with its shareholders on any significant (\$10m+) land acquisition or disposal.

Climate Action – QAC's planning will reflect our commitment to carbon neutrality by 2050, or earlier, and QLDC's vision that our district sets the standard for regenerative, low impact living, working and travel.

District Plan – QAC will continue to participate in QLDC's proposed district plan process to ensure Queenstown airport's planning framework is appropriate to meet its strategic goals, while balancing those goals with the effects of reverse sensitivity on the community.

Regulatory Obligations – Under the Airport Authorities Act (AAA) and Resource Management Act (RMA), QAC has statutory responsibilities and obligations related to land use and planning and operates in accordance with these obligations. QAC will continue to monitor and maintain regulatory compliance with the obligations set out in the district plan, QAC's designation, resource consents and discharge requirements associated with the operation of Queenstown Airport. QAC will continue to monitor regulatory compliance at Wānaka Airport and highlight any issues to QLDC.

Shareholder Value – QAC is committed to providing sustainable returns to its shareholders and will recommence dividend payments as soon as it is prudent to do so.

Community Engagement – QAC will proactively engage with iwi and with the wider community in an open and transparent manner, giving all community members the opportunity to be involved in shaping the future of Queenstown Airport.

General Aviation – QAC will continue to support general aviation activities at both airports, recognising the important role of general aviation in the region's history and future.

Heritage Assets – QAC will ensure its heritage assets and buildings are preserved and integrated into airport planning and development activities.

Southern Airports Alliance – QAC will continue its commitment to the Southern Airports Alliance with Invercargill and Dunedin airports fostering a collaborative working relationship between the airports of the Lower South making a positive contribution to the region.

Tarras Proposition – QAC’s strategic planning will consider Christchurch International Airport Limited’s (CIAL) proposition to plan and seek approval for a new wide-body, long- haul jet capable international airport in Tarras, with the intention of safeguarding the operational and financial position of QAC within the frameworks of the Commerce Act.

Wānaka Airport High Court Decision – On 21 April 2021 the High Court handed down its decision on the judicial review proceedings initiated by the Wānaka Stakeholders Group in late 2019, to which QAC was the second respondent. As a result of the decision, the 100-year lease of Wānaka Airport granted by QLDC to QAC on 1 April 2018 was voided from the date of the judgement. In considering the impact of the decision, QAC has entered into an interim management services agreement with QLDC under which QAC will operate and manage Wānaka Airport on behalf of QLDC as it did for the period from 2009 to 2018. However, QAC will not carry out any strategic planning or development activities for Wānaka Airport under this agreement.

Over the three-year term of this SOI the following planning exercises will be completed:

10-Year Strategic Plan

Our long-term business planning will set the strategic direction for Queenstown Airport, reflect QLDC’s 2021 Statement of Expectations, and guide our work over the FY22 – FY31 period. A new 10-year strategic plan will be completed in the first year of this SOI (FY22). The strategic plan will align to the directions agreed by shareholders through the Statement of Intent. QAC will proactively engage with its shareholders on its development and content and seek and have regard to any feedback from its shareholders before any final approval by the board. The 10-year strategic plan will be reviewed annually in line with the preparation of the SOI and updated every three years.

Airport Master Planning

Master plans provide a clear long-term plan for the design and development of airport infrastructure assets and are prepared after consultation and input on a range of options from shareholders and stakeholders. QAC halted its preparation of draft master plans for both Queenstown and Wānaka airports (while the 100-year lease was active) in 2019, at the request of QLDC, while Council undertook its independent impact assessments and district spatial plan work. The draft master plan for Queenstown Airport will be completed over the term of this SOI. QAC will not resume master planning work for Wānaka Airport.

Long-term Forecasts - In FY17 long-term passenger movement forecasts were completed to inform the business’s master-planning process. In FY22 QAC will review and revise its previous long-term forecasts. These revised forecasts, along with the district spatial plan, and the broader outlook for air transport in the post-COVID-19 environment, will inform scenario planning and airport design options that will be presented in the Queenstown Airport draft master plan.

Shareholder Endorsement - QAC will engage constructively and collaboratively with its shareholders and seek the endorsement of Council on the draft master plan for Queenstown Airport. QAC will also report the final draft master plan to its shareholders and seek and have regard to any final feedback from the shareholders before any final approval by the board.

Community Consultation - Formal community consultation will be undertaken on the draft master plan, once endorsed by Council. Stakeholder feedback is a vital part of the process and will be sought to ensure a shared future vision.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The global aviation industry produces approximately 2% of all human induced CO₂ emissions. Over the term of this SOI, QAC intends to take significant strides in its climate action initiatives, ensuring they are meaningful, tangible and measurable. We will play our part in the district and national responses to climate change through QLDC's Climate Change Action Plan (March 2020), QLDC's Emissions Reduction Masterplan (2020), and the Government's Climate Change Response (Zero Carbon) Amendment Act (2019).

Climate Change Action Plan – QAC supports QLDC's vision that our district sets the standard for regenerative, low impact living, working and travel. QLDC's Climate Change Action Plan includes a bold goal of making QAC the most sustainable airport company in New Zealand. QAC embraces this goal. Our approach is one of collaboration and continuous improvement to embed sustainability, innovation and resilience across our business activities to reduce environmental harm. Achieving this will take time, resources and unwavering commitment.

Reducing emissions - QAC will implement and regularly review a programme of activities to reduce our carbon footprint and emissions. QAC is a member of the Toitū Envirocare programme. The annual independent audit and certification process is ongoing and enables us to benchmark, set science-based targets and measure our progress in reducing the environmental impact of our business operations and to achieve *at least* carbon neutrality by 2050. QAC will report its targets and progress annually from FY22.

Over the three-year term of this SOI, QAC will:

- Allocate additional resource to enable us to deliver on our objectives
- Implement an emissions reduction plan focusing on energy, waste, and ground transport
- Introduce initiatives, working collaboratively with tenants and operators, at the airports to reduce waste and energy consumption
- Work collaboratively with the aero industry and airlines to maximise the opportunity to reduce the carbon footprint associated with flying into and out of the district
- Assess the company's climate risk profile and ensure we meet our regulatory obligations
- Be a proactive participant in promoting a sustainable tourism industry and support economic diversification in the district
- Collaborate with the other airports of the lower South Island on environmental sustainability, health and safety and regional sustainable tourism initiatives
- Champion Tourism New Zealand's Tiaki Promise
- Continue our support of the Tourism Industry Aotearoa's Tourism Sustainability Commitment
- Ensure wherever possible that technology and management practices are enabled, encouraged and maximized in a manner that extends the timeframe for contemplation of an application to expand air noise boundaries at Queenstown Airport to respond to future forecast aircraft movements

HEALTH, SAFETY AND SECURITY

The health, safety, security and wellbeing of our team, airport community, customers and contractors are our highest priority. QAC is committed to achieving Zero Harm. We prioritise a safe aviation operational environment and a 'just culture' framework and encourage site-wide incident reporting, which is a positive indicator of a strong safety culture. QAC is responsible for maintaining stringent levels of health, safety and security as a lifeline utility and as an aerodrome operator to achieve and maintain its certification requirements under NZ Civil Aviation Act.

QAC will:

- Comply with all legislative requirements and industry standards
- Set high standards and expectations for health, safety and security performance
- Review our health, safety and security commitment policy annually
- Take a highly collaborative approach with our staff, stakeholders, contractors and tenants to continue to improve our health, safety and security performance
- Take all practical and reasonable steps to provide and maintain a healthy, safe, secure and injury-free environment for employees, contractors and visitors
- Incorporate 'safety in design' into all our infrastructure projects
- Take swift and decisive action to respond to health, safety, security emergencies, such as the COVID-19 pandemic
- Ensure that staff are appropriately informed, equipped and supported to manage COVID-19 protocols and processes
- Work constructively and collaboratively with our airline customers and wider airport community in response to COVID-19
- Measure, benchmark and regularly report on health, safety and security performance
- Support QLDC's Vision Beyond 2050 goal to ensure that Queenstown Lakes is a place that is ready and prepared for every emergency
 - Have an emergency management plan in place and conduct regular exercises and training to build operational readiness for emergency and business interruption events
 - Maintain and 'stand-up' as required the emergency operations centre (EOC) on-site at Queenstown Airport
 - Maintain strong links with key stakeholders including NZ Police, Fire Emergency New Zealand (FENZ), St John Ambulance Service and the Southern District Health Board and conducts full-scale multi-agency emergency training exercises annually
 - Continue to meet legislative requirements as a lifeline utility under the Civil Defence Emergency Management Act 2002 by ensuring that Queenstown Airport can function to the fullest possible extent during and after an emergency to minimise the consequences on the district and to support a resilient New Zealand

PEOPLE AND WELLBEING

As part of its response to COVID-19, QAC has made a commitment to support the broader recovery of the Southern Lakes region. This is a particularly challenging time for the communities of the region and our focus naturally starts with the wellbeing of our team, airport communities and their whanau. We are taking a holistic approach to our people and culture policies based on our core business values: to 'lead the way', 'win together', 'do the right thing' and 'keep the balance'. These core values connect us, guide our strategy, and underpin the way we work.

QAC will:

- Be a good employer and provide a diverse, dynamic and welcoming workplace where people feel safe and valued
- Continue our commitment to staff wellbeing and engagement and strive to be an employer of choice
- Maintain our Living Wage Aotearoa accreditation
- Support community events and activities with an emphasis on health, wellbeing and social inclusion
- Contribute to and participate in the local community
- Take pride in our region and care for our place, doing our part in safeguarding it for future generations by championing the Tiaki Promise (kaitiaki) and embedding our sustainability framework across the business
- Contribute to the wellbeing and resilience of the region and the country

MAJOR PROJECTS

Our major projects are aligned to the key priority of QLDC as defined by the Local Government Act: to promote the social, economic, environmental, and cultural wellbeing of the communities of the district, within the context of continuing to deliver a profitable and sustainable business enterprise.

Terminal Upgrade Programme

QAC is committed to an ongoing programme of works to continually improve the resilience and amenity of its assets. The terminal upgrade programme (TUP) at Queenstown Airport will deliver improved passenger facilities and ensure the continued resilience of our existing terminal infrastructure. The programme is classed as essential and will be completed in phases with three key focus areas:

Seismic Performance - Queenstown Airport meets its New Building Standard (NBS) compliance obligations, which ensures the infrastructure is safe for occupancy. QAC is committed to achieving at least a 70% NBS across all elements of the terminal infrastructure to ensure a higher level of resilience in the event of a major seismic event.

Regulatory Compliance - Civil Aviation Authority (CAA) regulations require all airports to accommodate new security screening equipment. The reconfiguration of the passenger facilitation and security screening areas will improve passenger flow and amenity, as well as accommodating the required equipment. QAC continues to work with CAA and other relevant authorities on phasing the rollout of this security equipment.

Sustainability - Sustainability in both design and construction is a key consideration, with the focus being energy efficiency, reducing emissions, and reducing waste to landfill during construction.

Noise Mitigation Programme

We acknowledge that noise and noise management is a significant matter to QLDC communities, particularly those near the airports. QAC is committed to mitigating the noise impact of its business operations on the local community by providing acoustic treatment to reduce the level of noise experienced by residents living in homes near the airport. QAC either fully or partially funds the costs of noise mitigation works on existing homes in the inner and mid-noise sectors, as prescribed in the QLDC district plan.

Queenstown Airport Liaison Committee (QALC) - The QALC is an independent, community-led representative committee, which provides an effective interface between the airport, the surrounding community and other key stakeholders. The QALC's mandate is prescribed by the Noise Management Plan (NMP) as set out in Queenstown Airport's aerodrome designation. The QALC meets quarterly, and the committee membership, the minutes of its meetings, together with the NMP, are publicly available on the Queenstown Airport website.

Wānaka Airport – As the manager and operator of Wānaka Airport, QAC in conjunction with QLDC, will establish a parallel noise committee for Wānaka Airport in line with the airport's existing aerodrome designation.

Sustainability Framework

Our sustainability framework responds to the four wellbeing measures under the LGA and is aligned to QLDC's Vision Beyond 2050 goal that our district is a place where our quality of life is enhanced by growth through innovation and thoughtful management. Our goal is that, like health, safety and security, sustainability is just 'what we do'. The framework provides a pathway forward, a more systematic approach, ensuring shared accountability, transparent reporting and industry benchmarking. There is considerable work to do to achieve our sustainability and decarbonisation goals, and we are committed to achieving them. Our sustainability framework 2022-2024 is available on the Queenstown Airport website.

PERFORMANCE MEASURES

Statement of Service Performance

QAC produces an annual Statement of Service Performance (SSP) as part of its end-of-year reporting. QAC will report its progress during FY22 to shareholders in the company's SSP in the following areas:

- Strategic Planning
- Major Projects
- Health, Safety and Security
- People and Wellbeing
- Wellbeing Measure: Social
- Wellbeing Measure: Environmental
- Wellbeing Measure: Economic
- Wellbeing Measure: Cultural

Performance Targets

Progress against the performance targets below will be reported in the SSP and updated as required.

| Workstream | Performance Indicators | | |
|----------------------------------|--|--|--|
| | FY22 | FY23 | FY24 |
| 10-Year Strategic Plan | FY22 – FY31 plan completed | Review strategic plan in line with preparation of SOI | Review strategic plan in line with preparation of SOI |
| Queenstown Airport Master Plan | Revised long-term forecasts completed Resume preparation of draft master plan for Queenstown Airport Develop community engagement plan | Draft master plan completed Consult shareholders on draft master plan Complete formal community consultation on Queenstown Airport draft master plan, once endorsed by QLDC Prepare final master plan for Queenstown Airport incorporating feedback from all key stakeholders | Begin implementation of master plan for Queenstown Airport as appropriate |
| Terminal Upgrade Programme (TUP) | Detailed design phase completed Construction phase 1 completed | Construction phase 2 initiated | Construction phase 2 completed |
| Noise Management Plan (NMP) | Continue to implement the NMP including: <ul style="list-style-type: none"> • facilitating the QALC • noise monitoring / modelling • noise mitigation programme • support QLDC to establish a parallel noise committee for Wānaka Airport, under the IMSA. | Continue to implement the NMP including: <ul style="list-style-type: none"> • facilitating the QALC • noise monitoring / modelling • noise mitigation programme | Continue to implement the NMP including: <ul style="list-style-type: none"> • facilitating the QALC • noise monitoring / modelling • noise mitigation programme |

FINANCIAL PERFORMANCE

A core objective of QAC is to deliver sustainable long-term value to our community and to our shareholders, including an annual dividend where possible. Ensuring QAC's financial sustainability through COVID-19 is a priority and the fundamentals of the business remain sound. The full extent of the impact of COVID-19 is not known and operating conditions are variable. Our focus is therefore prudent management and regularly revised forecasting as we move into recovery.

We forecast:

- 1.7 million passenger movements (arrivals and departures) for the full year to 30 June 2022 (FY22)
- Direct scheduled services to/from Australia to continue after re-commencing in April 2021
- Long-haul international services to New Zealand from the rest of the world to begin gradually from FY22/23

The forecast includes a range based on three scenarios, and underlying assumptions including:

- An extended period of market uncertainty and volatility
- An elevated risk profile
- Market impacts including variable aircraft load factors, schedule fluctuations, market demand and availability of aero and accommodation capacity in the district

Passenger and Aircraft Movements

| Passengers (000's) | FY21 | FY22 | FY23 | FY24 |
|---------------------------|--------------|--------------|--------------|--------------|
| Domestic | 1,256 | 1,200 | 1,468 | 1,593 |
| International | 31 | 494 | 565 | 624 |
| Total Passengers | 1,288 | 1,694 | 2,034 | 2,216 |
| Aircraft Movements | 10.9 | 13.4 | 16.0 | 17.5 |

Financial Performance Summary

| \$(000's) | FY21 | FY22 | FY23 | FY24 |
|---|--------|--------|--------|--------|
| Income Statement | | | | |
| Total Revenue | 26,770 | 38,827 | 43,053 | 50,325 |
| EBITDA | 15,026 | 24,257 | 28,627 | 35,509 |
| Net Profit After Tax | 1,896 | 8,735 | 11,815 | 15,524 |
| EBITDA as % of Revenue | 56% | 62% | 66% | 71% |
| Dividends Paid | - | - | 2,954 | 6,835 |
| Return on Capital Employed (EBIT to Net Operating Assets) | 1.4% | 3.7% | 4.6% | 5.6% |

When considering QAC's financial forecasts for the next three years, the following points should be noted:

- The COVID-19 pandemic is forecast to have a prolonged impact on global markets and economies and more directly on passenger volumes to/from Queenstown Airport.
- Underlying commercial revenue is subject to passenger volumes.
- QAC has a relatively fixed operating cost base, particularly in respect to its major terminal and airfield assets. QAC has been able to leverage these characteristics during a period of growth.

- QAC has significant elements of its cost base where cost increases are outside of its control and are likely to increase at rates higher than CPI. For example, rates, insurance and electricity.
- Depreciation and amortisation expenses will increase as the assets are commissioned. QAC will continue to review the useful life of property, plant and equipment to ensure that the depreciation and amortisation rates applied remain appropriate.

Wānaka Airport

The financial forecasts exclude results from operations for Wānaka Airport but include a management fee to provide operational, safety, commercial, property and finance services on behalf of QLDC under the IMSA. The financial forecast reflects the transfer of all assets by 30 June 2021, including the value ascribed to the long-term lease, relating to Wānaka Airport to QLDC. The final value of the assets to be transferred to QLDC will reflect the agreement with QLDC. The assets are expected to be transferred by 30 June 2021.

Capital Investment

The capital expenditure primarily relates to investment in building resilience (seismic improvement, security screening facilitation and sustainability) classed as essential. In addition, capital investment in planning and development of QAC's bare land assets is anticipated during the forecast period.

| \$(000's) | FY22 | FY23 | FY24 |
|---|---------------|---------------|---------------|
| Terminal (incl. seismic improvements) | 12,100 | 16,805 | 18,750 |
| Airfield (incl. runway, apron, and taxiway) | 767 | 2,939 | 318 |
| Noise Mitigation | 1,000 | 1,000 | 1,000 |
| Fire Appliance | 1,200 | - | - |
| Back-up Potable Water Supply | - | 250 | 250 |
| Bare Land Planning & Development | 1,675 | 8,050 | 8,500 |
| Sustaining Capital | 2,171 | 2,553 | 2,585 |
| TOTAL | 18,913 | 31,597 | 31,403 |

Funding and Financial Covenants

| | FY21 | FY22 | FY23 | FY24 |
|---|--------|--------|--------|--------|
| Closing Debt (\$000) | 82,000 | 70,233 | 73,416 | 83,916 |
| EBITDA > 2 times funding expense | 5.4 | 10.8 | 16.6 | 20.8 |
| Shareholders' Funds to Total Tangible Assets > 50% | 76.2% | 78.6% | 77.5% | 75.7% |
| Notes | | | | |
| 1. Average shareholders' funds based on opening and closing balances. | | | | |
| 2. Average total assets based on opening and closing balances. | | | | |

Closing debt is forecast to peak over the forecast period at \$83.9 million in FY24 (from \$82.0 million in FY21), after capital expenditure (including the required investment in existing terminal infrastructure).

In FY21, QAC successfully negotiated an extension to its existing bank facilities, with a weighted average maturity beyond 30 June 2024, ensuring the business has sufficient funding headroom for both operating cashflows and future capital investment over the forecast period.

Dividend Payments

Shareholder dividends are forecast to recommence from FY23 reflecting the continuation of a prudent cash management strategy given the volatility in passenger volumes. If passenger volumes exceed forecast, the board of directors will be able to consider recommencing dividend payments in FY22, as well as the amount of the dividends paid in FY23 and FY24.

GOVERNANCE

Commitment

QAC's board of directors and management are committed to effective governance and ensuring the company meets recommended best practice governance principles and maintains the highest ethical standards.

Legal and Regulatory Requirements

QAC's obligations and rights are defined within various pieces of legislation. QAC is required to fulfil all its statutory duties, both to QLDC and AIAL as shareholders, and to work collaboratively with QLDC to enable it to achieve some of its wider statutory obligations.

QAC is:

- a) An 'airport authority' under the Airport Authorities Act 1966
- b) A 'council-controlled trading organisation' (CCTO) under the Local Government Act 2002
- c) An 'aerodrome operator' under Civil Aviation Rule Part 139 and the Civil Aviation Act 1990
- d) Queenstown Airport is a lifeline utility under the Civil Defence Emergency Management Act 2002
- e) A network utility operator and a requiring authority under section 166 of the Resource Management Act 1991

Section 59 of the Local Government Act 2002 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 also complies with the disclosure requirements of a specified airport company pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations. 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.

Commercial Entity

As an airport authority QAC is required to operate and manage its airport as a commercial undertaking, including carrying out improvements where necessary.

QAC is committed to retaining and growing shareholder value over the long-term. One component of this commitment is the ongoing payment of dividends to shareholders. The company will strive to deliver a prudent annual dividend to its shareholders on a long-term ongoing basis. This will be impacted by the regional, national and global economic climate, and by future capital investment in any given year.

Board of Directors

The board of directors is appointed by the shareholders to govern and direct QAC's activities, within the parameters of the Statement of Intent. 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. The board has established a People and Culture Committee to oversee the company's people, culture and wellbeing strategy, including policies, procedures and employment practices.

Role of the Board of Directors

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

- Approving strategic plans, airport master plans, budgets and the SOI
- Approving capital investments and land acquisitions/disposals
- Establishing procedures and systems to ensure the occupational health and safety of the company's people and contractors
- 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)
- Ensuring that the company adheres to high ethical and corporate behaviour standards
- Integrity of management information systems
- Assessment of business opportunities and business risks
- Internal control and assurance systems
- Compliance with relevant regulations and legislation
- Ensuring that QAC has appropriate risk management and regulatory compliance policies in place and the company's adherence to these policies
- Reporting to Shareholders

Relationship with Shareholders

The board of directors is appointed by the shareholders to govern and direct QAC's activities. QLDC is the majority shareholder. Five directors, including the Chair are appointed by QLDC. Auckland International Airport Limited (AIAL) is the minority shareholder. One director is appointed by AIAL.

QAC is committed to engaging with its shareholders in an open, collaborative and proactive manner.

QAC will review and update the constitution in 2021, in consultation with its shareholders.

QAC meets regularly with QLDC, as follows:

- a. Bi-monthly Chief Executive/Chief Executive (CE) meetings
- b. Quarterly Mayor and CE/ QAC Chair and CE meetings
- c. Quarterly QLDC/QAC Climate Action Plan progress meetings
- d. Annually with the QAC board and QLDC councillors to discuss business performance, vision and direction
- e. At least annually with the Wānaka Community Board to discuss matters relevant to Wānaka Airport
- f. Meetings of the QLDC/ QAC joint steering group to guide the development of the SOI through its key milestones held as required

QAC's CE and General Manager, Finance & Commercial also present the annual financial results and interim financial results to the QLDC council.

QAC maintains regular engagement with AIAL. Annual meetings are held between QAC's Chair and CE and AIAL's Chair and CE.

The board works collaboratively with its shareholders to ensure a 'no surprises' relationship.

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, the 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
- Half-yearly passenger, aircraft and general aviation movements

Within three months of the end of each financial year, the 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
- Annual passenger, aircraft and general aviation movements

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 normalised 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 plans from internal sources (cash flow and/or debt) during the three-year period covered by this SOI. The board of directors 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 manages and operates Wānaka Airport under an interim management services agreement with QLDC. It also provides grounds maintenance services and airstrip management at Glenorchy Airstrip, on QLDC's behalf. QAC leases land to QLDC which forms part of the Frankton Golf Course.

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 2022.

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).

COMPANY INFORMATION

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|--|---|---|
| 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 (0) 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 | Adrienne Young-Cooper (Chair) Simon Flood (Deputy Chair) Mark Thomson Anne Urlwin Mike Tod Andrew Blair | |
| Senior Leadership Team | Chief Executive | Colin Keel* colin.keel@queenstownairport.co.nz <i>*resignation effective 30 June 2021, recruitment process currently underway</i> |
| | General Manager, Finance & Commercial | Andrew Williamson andrew.williamson@queenstownairport.co.nz |
| | General Manager, Operations & Safety | Mike Clay mikec@queenstownairport.co.nz |
| | General Manager, Property & Planning | Rachel Tregidga rachelt@queenstownairport.co.nz |
| | General Manager, Corporate & Community Affairs | Sara Irvine sara.irvine@queenstownairport.co.nz |
| | Manager, People & Culture | Donna Darlington donna.darlington@queenstownairport.co.nz |
| Senior persons per Civil Aviation Rules, part 139 | Chief Executive General Manager, Operations & Safety | Colin Keel Mike Clay |

ABBREVIATIONS

| | |
|--------|---|
| AIAL | Auckland International Airport Limited |
| CAA | Civil Aviation Authority of New Zealand |
| CCTO | Council-Controlled Trading Organisation |
| CE | Chief Executive |
| CIAL | Christchurch International Airport Limited |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| F&B | Food and Beverage |
| FY | Financial Year – 1 July to 30 June |
| GA | General Aviation |
| IMSA | Interim Management Services Agreement |
| 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 manages Wānaka Airport |
| QLDC | Queenstown Lakes District Council |
| RMA | Resource Management Act |
| SOI | Statement of Intent |
| WKA | Wānaka Airport |
| ZQN | Queenstown Airport |