



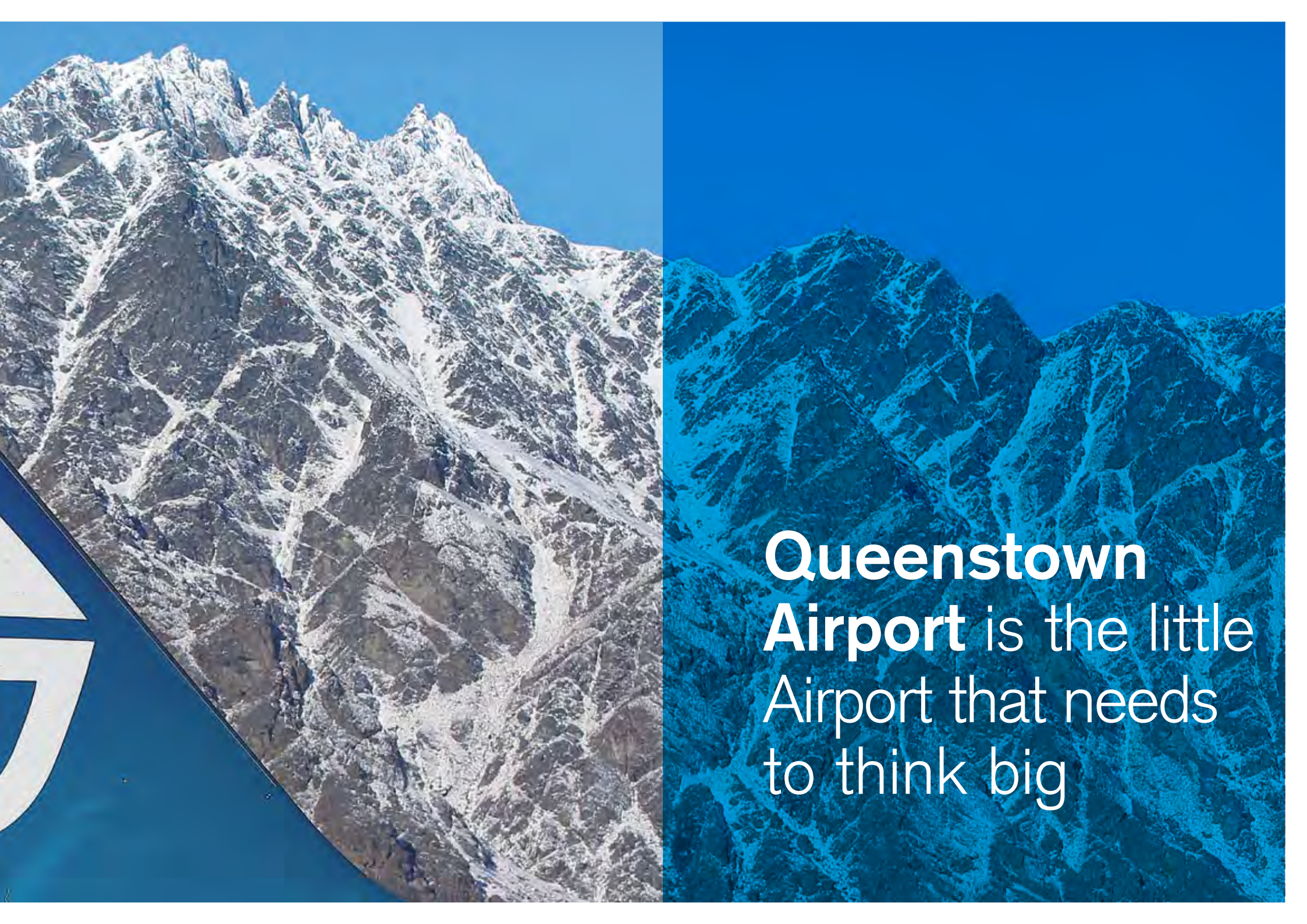
onwards & upwards

annual review 2012



QUEENSTOWN
airport





Queenstown
Airport is the little
Airport that needs
to think big



the year at a glance

(year ended June 2012)

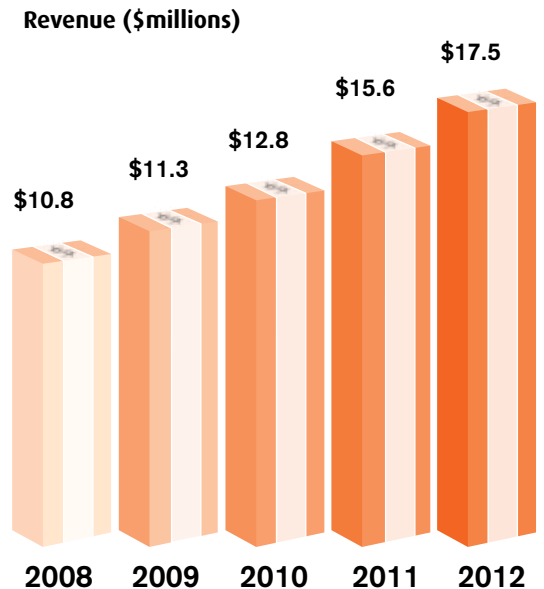
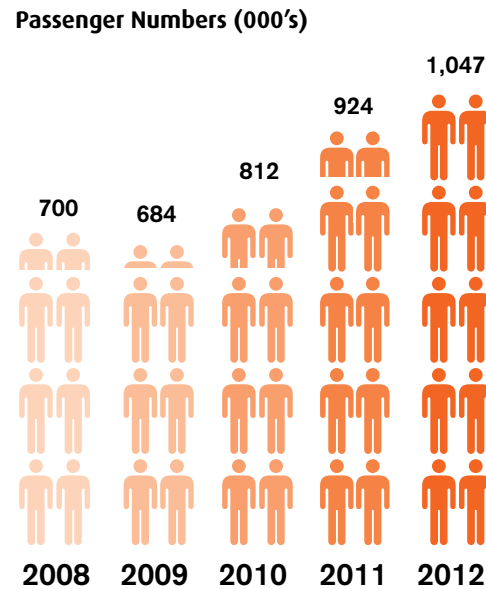
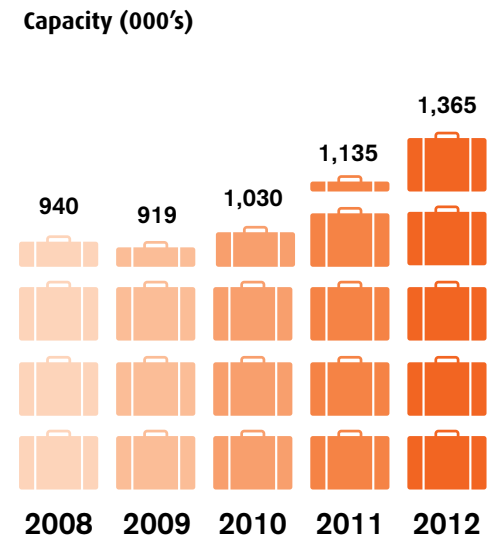
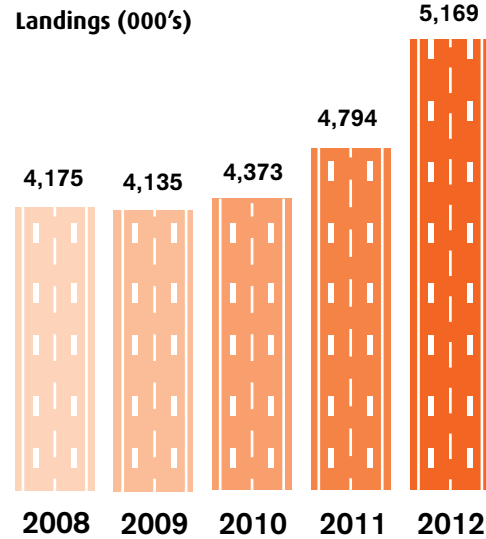
Queenstown Airport achieved an impressive **13.3% growth in annual passengers** for the financial year

21.2% growth in international passengers

11.6% annual growth in number of domestic passengers

7.8% increase in the number of landings

24.8% increase in the number of seats available over the last 12 months





Passenger numbers
remain the key driver for
the Airport's strong
financial performance

chairman's report

Financial Performance: I am pleased to report a strong financial performance from Queenstown Airport Corporation Limited for the year ended 30 June 2012 driven by another year of double digit growth in passenger numbers.

Net profit after tax for the year of \$5.2million compares with a profit of \$4.6million in the prior year, a gain of 13%.

Earnings before interest, tax, depreciation and amortization (EBITDA), which effectively represents the net cash earnings from operations, was a strong \$11.5million. This compares with the EBITDA in the previous year of \$9.9million, an increase of 16.7%.

Top line revenue enjoyed a solid 12% boost to \$17.5million underpinned by strong growth in passenger numbers. A total of 1,047,044 passengers entered or departed Queenstown via the airport during the year ended 30th June 2012. This number is an all-time record for the airport and represents an increase of 13.3% over the prior financial year. International passenger numbers rose by 21.2% to 195,249 while domestic passenger numbers were up by 11.6% to 851,795. These impressive increases were the result of an increase in the number of scheduled flights in and out of Queenstown coupled with an increase in the capacity (aircraft seats) available on some aircraft and recognises the value the airlines place on Queenstown as a destination.

Capital expenditure in the year under review totalled \$8.6million the main components of which were completion of the East Runway End Safety area, the sealing of the Cross Runway and the extension of the apron which included provision for an additional jet stand. As a consequence of this expenditure both the cost of depreciation and interest increased during the year. Depreciation rose from \$2.9million in 2011 to \$3.2million reflecting the higher carrying value of capital infrastructure. Interest paid during the year was \$1million compared to \$770,000 in the prior year. This increase reflected drawings on loan facilities to support the necessary expenditure on infrastructure referred to earlier.

Strategic Alliance with Auckland International Airport : The strategic alliance between Queenstown Airport and Auckland Airport continues to benefit both parties. Working closely together on many projects and initiatives covering areas such as marketing, safety and property, the relationship is very buoyant and productive.

Specific deliverables identified from the Alliance, including passenger growth, capital expenditure management, increased EBITDA run rate, master planning and property development/acquisition have, to date, either met or exceeded expectations.

Looking ahead your Directors feel confident that the Strategic Alliance will continue to create opportunities for growth in passenger numbers, improved operating efficiency and profitability and enhanced shareholder and community value.

Dividends: Based on the Company's dividend policy and having regard to the after tax profits reported earlier in this review the final dividend will be, \$2.6million bringing to \$3.6million total dividends payable from profits earned for the year ended 30 June 2012 (prior year \$3.3million). At this level the dividends for the year are covered 1.4 times by the tax paid earnings.

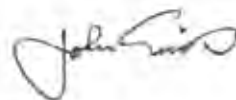
Directors and Management: There were several changes in the Board and senior management during the year which are summarised as follows:

I joined the Board in October 2011 and was appointed Chairman. Grant Lilly and Richard Tweedie were appointed in November 2011. These three appointments brought the number of Directors to six.

In February 2012 the Board appointed Scott Paterson as CEO to replace Steve Sanderson. Scott joined Queenstown Airport having had significant senior management experience which included managing businesses involved in successful infrastructure project developments.

Steve Sanderson, who had been CEO at Queenstown Airport since May 2007, resigned in October 2011 to take up the position of CEO at Wellington Airport. On behalf of my fellow Directors I would like to acknowledge the significant contribution which Steve made during his time with the Company and wish him every success in his new appointment.

In conclusion I would like to express my sincere thanks to the "team" at Queenstown Airport for their commitment and loyalty during what has been a year of significant change. The strong financial performance reported earlier would not have been possible without the dedication and skill of our management "team".



John Gilks, Chairman

27 August 2012

ceo's report

Our emphasis on managing the exceptional growth of Queenstown Airport has paid off with another successful year in terms of a strong financial performance achieved through growing passenger numbers.

The double-digit growth in Queenstown Airport's passenger numbers continues to be much faster than the organic growth of the New Zealand aviation market.

We hosted 1,047,044 passengers during the financial year, 13.3% more than the previous financial year. Milestones of processing over one million passengers in a 12 month period, and August 2011 being the first month in which passengers exceeded 100,000 (101,747), despite service disruptions due to heavy snowfalls, all contributed to these higher than industry gains.

Driving this growth was the increased activity of our four airline partners – Air New Zealand, Jetstar, Qantas and Virgin Australia. These airlines continue to recognise Queenstown as a prime destination by increasing flight frequency, boosting the number of seats available on aircraft as well as introducing new routes.

Boosted by increased passenger numbers and airline traffic the financial performance of the Company was strong with revenue sitting at \$17.5million. The revenue from aeronautical activities was up 12.9% and there was an uplift of 11.5% from commercial activities in the year – a direct benefit from the growth in passenger numbers and stronger rental returns from tenants.

Commercial activities include areas such as parking, commercial concessions and retail. Several key leases were renegotiated during the period, most retailers experienced good growth, the demand and plans for expanded rental car operators for tenancies grew. The opening of the new expanded Hertz Car Rental facility in May, the first commercial development completed by the Company outside the terminal in several years, was a highlight and will lift next year's commercial performance.

During the year we consulted with our airline customers to set a new series of landing charges with effect from 1 July 2012. When last set in 2004 Queenstown Airport was a very different business. Going forward the new pricing agreed to will allow us to provide the terminal facilities and airfield infrastructure required of us by the airlines and the travelling public now and into the future.

As part of the new landing charges the \$25 International Departure Fee was abolished as of July 1 2012.

The benefits of our strategic alliance with shareholder, Auckland Airport, have been many. Access to greater aeronautical expertise, more competitive insurance rates, more



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1,047,044
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“buying power” in procurement projects as well as increased exposure of Queenstown in Auckland Airport’s international marketing campaigns are some of the initiatives benefiting Queenstown Airport. Auckland Airport’s push to increase tourism and trade through new routes, particularly from Asia, have also been obvious with the Queenstown township experiencing higher levels of Asian visitors.

Growth does come with challenges none more so than ensuring necessary infrastructure is developed on a timely basis.

The completion of the East Runway End Safety Area ahead of the October 2011 deadline saw the realisation of one of the largest and most challenging projects we have ever undertaken. And the completion of the sealing of the Cross Wind Runway has provided our seven light aircraft operators a much better experience for operator, pilot and passengers for the thousands of take-offs and landings made on this runway each year.

The key capital project started this financial year and well advanced at year-end is Project 2012. Project 2012 includes the major expansion of the airport’s departure facilities which on completion, will mean a 50% increase in size of the screening and emigration area, and the doubling in size of the domestic and international lounges.

With an eye on the long-term future we have undertaken several key planning matters that will allow us to meet the anticipated future growth in aircraft and passenger volumes. The Company spent \$942,000 on District Planning processes for the extension of its noise boundaries (PC35) and amendments to the flight fans. This was in addition to monies spent on other planning matters, including extending the Airport Designation on to neighbouring land (known as Lot 6) to allow for a new aeronautical precinct, and to free up land for terminal expansion. Both these matters are before the Environment Court and decisions are expected before the end of 2012.

We continue our role as a keen and active member of the Queenstown Lakes District community. Hosting the official opening of the May 2012 Trenz Conference for more than 1000 wholesalers and agents, and working with our airlines partners on route marketing campaigns, have been some of the activities we have embarked on to help showcase and support Queenstown as an international destination.

Hosting the official airport welcomes for the Irish and Georgia Rugby World Cup teams was heralded as a great success and an important first impression of Queenstown and New Zealand.

Most scheduled aircraft operating in and out of the airport are equipped with the state-of-the-art satellite-linked landing and navigational systems – commonly referred to as Required Navigation Performance (RNP). Qantas began flying to Queenstown using RNP on its Boeing aircraft more than eight years ago and Air New Zealand followed shortly afterwards pioneering the technology on its Airbus aircraft.

The use of RNP has had a major impact on improving flight operations at the airport. For the travelling public this has meant a reduction in delays and diverted flights due to low cloud or adverse weather. Before the advent of RNP airlines experienced up to a 14% disrupt rate which has dropped to around 1% with the use of RNP.

We share the view of our airline partners that RNP technology will be the key to allowing non-daylight flights. Under our current consent, evening flights are permitted until 10pm, however the airlines only have approval to conduct daylight operations. This results in extreme peaking in the afternoons during winter as trans-tasman flights arrive and turnaround in a short window to avoid being stranded in Queenstown overnight.

With the support of the airlines, we are taking a leadership role in working with the airline industry and Airways, to develop a framework to look at operational and safety concerns for non-daylight flights. Keeping the community informed is also important and information forums will be held before the end of 2012 calendar year.

For the coming financial year we are confident growth will continue though it will be hard to repeat the double-digit growth rates experienced in the past. Notwithstanding, July 2012 has seen record domestic and international passenger numbers through the airport and Air New Zealand has announced a new Auckland-Queenstown-Auckland service for the 2012/13 summer. A number of tenancies in the terminal expire in the next 12 to 18 months and provide an opportunity to review our terminal layout, retail and service offerings.

It has also been a busy year in personnel changes. My predecessor Steve Sanderson left to join Wellington Airport as Chief Executive Officer after a very successful five year tenure. Chris Read, a previous General Manager Aeronautical, retired after spending 20 years at the airport and several new airport team members joined our small team, including Nina Crawford as Head of Communications and Mark Harrington Manager of Airside Operations.

The Queenstown Airport team has worked hard during the year working closely with airlines and key agencies including Customs, Aviation Security, CAA and Airways to achieve a seamless running of the airport and I am grateful for their commitment.

On behalf our team I would also like to acknowledge the dedication and hard work of the hundreds that call Queenstown Airport their place of work and that make up our “airport community.”

Scott Paterson, Chief Executive

27 August, 2012



**The Queenstown
Airport Terminal**
was only built for a
peak hour capacity
of 700 people and
currently handles up
to 1000 people

NZ 639
Auckland
LANDED Scheduled: 1158

Alpine Aqualand
Great outdoor living

NO Dangerous
Goods on aircraft

VIDEO CAMERAS
MONITORING THIS AREA
DANGER



Managing growth

Growth for GA: With seven major flightseeing operators using Queenstown Airport, the sealing of the Cross Runway was a major development for General Aviation (GA) at Queenstown Airport.

Since sealing the former grass runway there have been no runway closures due to adverse weather and the new asphalt surface makes take-offs and landings more comfortable for passengers and pilots.

Pilot and Chair of the Wakatipu Aero Club, Adrian Snow and his passenger 93 year-old aviator and former RNZAF pilot Robin Muir were in the first aircraft to officially take-off and land on the sealed cross runway in December 2011.

In total the project took ten weeks to complete and cost approximately \$800,000.

Fuel to fly: A new Air BP Fuel Facility on a new site was commissioned during the year at Queenstown Airport as a solution to expand the airport's apron and increase the amount of fuel kept at the airport.

Since completion the larger facility has become the source of jet fuel for all the airport's scheduled aircraft. The increased amount of fuel kept at the airfield is now enough to refuel five days worth of Trans-Tasman flights.

Making room to move: The addition of new jet stands and realignment of the existing ones at Queenstown Airport increased the number of parking positions for heavy aircraft from seven to nine. Three can be used for ATRs and seven for Jets – one stand doubles up for both ATRs and Jets.

Oversized baggage belts: Each year the amount of oversized baggage, such as skis, snowboards, golf clubs and bikes causes congestion and delays as passengers wait to pick up their baggage.

Two new oversized baggage belts, one in international and the other in domestic baggage reclaim, have made the handling of the larger baggage much easier and more efficient.

An airport experience
that **leaves a
wonderful first and
last impression**



Better journeys improving the passenger experience

Abolishment of International Departure Fee: Queenstown Airport's \$25 International Departure Fee for all international passengers exiting New Zealand was abolished as of July 1 2012 as part of the new landing charges structure.

Paying a departure fee at Queenstown Airport had long been a frustrating imposition on international passengers. Its removal greatly improves the experience of the passengers when leaving the airport.

Direct Exit Lanes: Direct Exit lanes, which have recently been introduced to Queenstown Airport, allow New Zealand and Australian passport holders who are assessed as low risk, to bypass luggage x-ray screening when arriving at New Zealand's international airports.

Eligible passengers, however, are still subject to other biosecurity checks – e.g. risk assessment by Quarantine Inspectors, declaration forms and detector dogs.

In addition, the Ministry for Primary Industries still x-rays luggage from New Zealand and Australian passengers who are not cleared for Direct Exit, or on a random sampling basis, or when it is believed they are carrying risk goods.

Direct Exit allows the Ministry to direct its resources where they are most needed and to speed up border clearance for New Zealand and Australian passport holders – travellers that research shows are unlikely to pose a high biosecurity risk.

Keeping Everyone Connected: All visitors to Queenstown Airport have access to one hour free wifi.

Helping the Retailer: The airport has hosted several workshops for its retailers over the last year. Proving particularly useful was a workshop for retailers introducing Chinese culture and advising specifically how to tailor retail to the Chinese traveller.

Improving the International Experience: Retailers Paper Plus and Good Group opened kiosks in the international lounge allowing international passengers to purchase magazines, newspapers and books to read on the aircraft as well a coffees/teas and other freshly baked goods.

Keeping Time: Michael Hill Jewellery donated two clocks for the terminal - one in the main concourse and the other in international arrivals.



Queenstown Airport's \$25 International Departure Fee for all international passengers exiting New Zealand through Queenstown Airport was abolished as of July 1 2012 as part of the new landing charges structure.

Achievements

2011 - 2012

July 2011 runway lights switched on

August 2011 declaration of \$3.288m year end dividend

September 2011 welcome to the Irish rugby team

October 2011 record number of corporate jets

November 2011 appointment of new directors and chair

December 2011 first flight on sealed crossing runway

January 2012 Jetstar starts daily Queenstown - Wellington service

February 2012 project 2012 begins

March 2012 BP's new fuel facility completed

April 2012 one millionth passenger in 12-month period

May 2012 Hertz development completed

June 2012 oversized baggage belts finished in time for busy winter season







Aviation is a fast changing and dynamic industry requiring constant reviews and updates of procedures, practices and technology by skilled aviation experts.

World class approach

Queenstown's Air Space: Airways New Zealand's 2011 - 2016 Strategic Review of Queenstown Airport's airspace identifies the procedures, technology and flight paths needed to meet the projected growth of flights at Queenstown Airport.

The existing air traffic management system, that uses point-to-point flying with ground-based navigation, will be replaced with a performance-based navigation system known as Required Navigational Performance (RNP).

The Review also identified the need to introduce new approach and departure flight paths at Queenstown to allow a greater flow of aircraft.

Required Navigational Performance (RNP):

Air New Zealand, Jetstar and Qantas **fleets are equipped with RNP Technology.** Virgin Australia aims to be fully equipped, and pilots trained with RNP, by the end of 2012.

Most scheduled aircraft operating in and out of Queenstown Airport are equipped with the state-of-the-art satellite-based landing and navigational system – Required Navigation Performance (RNP).

In Queenstown's mountainous terrain the application of RNP procedures allows aircraft to fly very precise paths.

RNP keeps the aircraft within a tight block of predetermined airspace, allowing pilots to avoid ground-based obstacles and to descend to lower levels while in cloud.

This essentially means that when the aircraft "break visual" the pilot is presented with the runway immediately in front and the aircraft is in line with the runway.

At Queenstown Airport the use of RNP has had a major impact on improving the performance of flight operations especially when the weather is bad.

The number of disruptions has been reduced and the on-time performance of aircraft has improved dramatically. Before RNP airlines experienced up to 14% disrupt rate – now that rate has dropped to around 1% for RNP operators.







Queenstown Airport was the scene for the official welcome of the **Irish and Georgian rugby teams, as part of the RWC 2011.**

For many locals, expats and school children **the airport welcomes heralded the start of RWC 2011 fever.**

Working with our community

Arriving after a 24-hour flight, the Irish Captain Brian O'Driscoll led his team across the Queenstown Airport tarmac on a beautiful crisp and sunny day to meet the fans. More than 500 people very loudly and excitedly greeted the team and watched the official welcome hosted by Queenstown Mayor Vanessa van Uden. Thoroughly enjoying themselves, much to the delight of the crowd, the team broke into an Irish song.

Officially welcoming the Georgian team several weeks later was a much quieter affair but just as rewarding with the team mixing with young local rugby players and also singing a tune.

Community and Business Relationships: As a key member of the Queenstown community, Queenstown Airport and its management is actively involved in local business groups and associations. Keeping these groups up-to-date on airport activities and development is important.

As well as a series of information nights and presentations to community groups and associations Queenstown Airport hosted the Queenstown Chamber of Commerce at the airport terminal. More than 100 local business representatives attended the function to learn about the airport's plans and projects.

Bring the Tourists to Town: At Queenstown Airport we believe that we have a vital role in helping to build Queenstown's tourism industry. Providing the venue for the official opening event to welcome 1000 wholesalers and agents to Trenz 2012 is one project the airport has undertaken to support tourism.

A First - Route Marketing: Route marketing was a new initiative for Queenstown Airport this year. Already widely practiced by other larger airports, the primary aim of this activity is to support airline clients build and maintain routes in and out of Queenstown Airport.

In conjunction with Jetstar, Queenstown Airport ran a "Getting to Know Wellington" campaign to help generate local awareness and traffic for the recently introduced Jetstar Queenstown - Wellington daily services.

"Converting the Unconverted" is the title of Air New Zealand's ongoing Kiwi Skeptics campaign. Working with the local tourism office, Destination Queenstown and Air New Zealand, Queenstown Airport helped support this highly successful marketing campaign to help raise awareness of Queenstown and its attractions.





Queenstown Airport Corporation Limited Summary Of Financial Performance

For the financial year ended 30 June 2012

	2012 Actual (\$)
Income	17,457,425
Net Surplus/(Deficit (Before Tax))	7,240,723
Net Surplus/(Deficit) After Tax	5,173,012
Dividend	3,586,506
Net Assets	120,304,998

Full Financial Statement: This is a summary of the financial information only, which has been derived from, and should be read in conjunction with the Queenstown Airport Corporation Limited Annual Report. The Annual Report contains the full Company Financial Statement and the accompanying notes which form part of these Financial Statements. The Annual Report is available at www.queenstownairport.com/about/reports/

the board

John Gilks Chairman

Appointed to the Board as a Director and Chairman in October 2011 John has strong corporate governance skills developed over many years.

John's previous experience of nine years as Chair, and 12 years as Deputy Chair of the Otago Regional Council owned Port Otago Limited, means he is familiar with the layer of public accountability and responsibility required for a council-controlled trading organisation such as Queenstown Airport.

Before becoming a professional director, John was a chartered public accountant in Dunedin. He founded Motor Trade Finance Ltd and was its Managing Director for 22 years. John has held many directorships which include both public and private companies.

In 2009 John was appointed as a Member of The New Zealand Order of Merit (MNZM) in recognition of his services to business and the community and in 2010 received the City of Dunedin Mayor's award for business personality of the year.

Murray Valentine (Director) 2006 – 2012

Appointed to the Queenstown Airport Board in November 2006, serving as its Interim Chairman for six months in 2011, Murray has made a significant contribution to Queenstown Airport over his seven year Board tenure.

His experience as a long-standing Board member has provided the Board and Company with continuity, and his strong governance skills, particularly in the areas of finance and risk management, have been key to ensuring that the Company has stayed financially strong through a very rapid period of growth and expenditure.

Murray is sole director of Jackson Valentine Limited, Chartered Accountants and Business Advisors in Dunedin and Queenstown. He has been actively involved in director responsibilities for more than 20 years.

While his specialisation includes finance, risk management, accounting and systems he is experienced in mergers and acquisitions, due diligence and meeting procedures.

Murray is retiring as a Board member at the next Annual General Meeting in November 2012.

James Hadley Director

James has been a permanent Queenstown resident for over 15 years and was appointed a Director of the Airport in November 2008. With a long career in engineering including managing the award winning consulting engineering company Hadley Consultants Ltd, James' extensive engineering and RMA experience has been invaluable over the last few years as the Company has tackled and achieved many major infrastructure projects including the East Runway End Safety Area project, the largest civil project ever undertaken by the airport. James has also been a past and present Director and Trustee of several other council, public and private companies.

Alison Gerry Director

Appointed as a Director in June 2010, Alison is a professional company director with over 20 years' experience working in finance and treasury for both corporates and financial institutions. She is also Chair of the Queenstown Airport's Audit and Risk Committee.

Alison holds other directorships and is currently Deputy Chair of Kiwibank, and a Director of TVNZ, NZX Limited and Pioneer Generation. Prior to that, Alison was Group Treasurer for Lion Nathan, based in Sydney. She has

worked for various financial institutions such as HSBC and Macquarie Bank in Sydney, Hong Kong, Tokyo and London, primarily in trading, finance and risk roles. Alison was also a visiting fellow at the Applied Finance Centre of Macquarie University for 12 years until 2011.

Grant Lilly Director

Appointed to the Queenstown Airport Board in November 2011 Grant has a strong background in aviation. During his 20 year career in aviation he has held senior executive roles with both Air New Zealand, where he was General Manager International Airline, and at Qantas Airways where he was General Manager for NZ and the Pacific Islands. He also established the Qantas New Zealand based airline operator, Jetconnect.

Grant also brings a wealth of tourism experience gained through past roles and current directorships including Tourism Industry Association and Civil Aviation Authority.

Grant strengths of strategy planning, sales/marketing, commercial, operations and safety/risk management skills will greatly assist the Company as the Board guides the Airports' growth.

Richard Tweedie Director

Appointed as Director of the Company in November 2011 Richard is one of New Zealand's most successful and experienced senior executives. As Managing Director of Todd Energy, a company he worked with for more than 33 years, he acquired strategic development and commercial business skills which are a key to his role on the Board. A lawyer by background Mr Tweedie has formerly chaired Liquigas Limited, Maui Development Limited and Greymouth Coal Limited. He remains Chairman of Cue Energy.





On behalf of the Board of Directors and Management Team at Queenstown Airport we would like to thank **Murray Valentine** for his contribution, leadership and knowledge as he retires from the Queenstown Airport Board in November 2012.

Queenstown Airport Board (left to right) Grant Lilly, James Hadley, Alison Gerry, John Gilks (Chairman) and Murray Valentine. Absent: Richard Tweedie.



This is a summary of financial information only, which has been derived from, and should be read in conjunction with, the Queenstown Airport Corporation Limited Annual Report. The Annual Report contains the full company Financial Statements and the accompanying notes which form part of these Financial Statements. The Annual Report is available at: www.queenstownairport.com/about/reports