

Growing with Queenstown

Annual Review 2011





vision

Seize the challenge to make Queenstown **easy to get to**, with an airport experience that leaves a **wonderful first and last impression.**



“Queenstown Airport has grown exponentially in the past few years becoming the key gateway for visitors to our vibrant Queenstown and regional tourism community.”

Vanessa van Uden
Queenstown Mayor



“We have been working with some of the world’s biggest and best airlines, as well as with the travel trade, to encourage more tourists to include Queenstown in their travel plans. We’ve been delighted with the results to date - and there’s plenty more to come.”

Joan Withers
Chairwoman, Auckland Airport

\$3.28M

Dividend Payment

The \$3.28M payment will be divided between Queenstown Airport's shareholders in accordance with their shareholdings. Queenstown Lakes District Council (QLDC) will receive \$2.46M and Auckland International Airport \$821K.

chairman's report

Queenstown Airport remains the fastest growing Airport in New Zealand, underpinned by the growth in visitor numbers to the Queenstown Lakes District's attractions.

Despite the Chilean volcanic ash cloud in last May and June, which saw up to 50% of certain weekly international aircraft movements cancelled, the airport saw a record 924,248 scheduled passengers travel - up 14% on the previous year. International passengers were up 50% at 161,089 while domestic saw an 8.5% lift with 767,159 passengers moving through the airport. The number of aircraft seats flown (capacity) increased by 14% to 1,176,616.

The strong growth in passenger numbers is the basis of the Airport's financial performance both in aeronautical and commercial revenues, also assisted by maintaining a focus on efficiency and cost control.

2011 EBITDA (earnings before interest, tax, depreciation and amortisation) was \$9.9M, a 31.1% increase over 2010 EBITDA of \$7.54M. 2011 NPAT (net profit after tax) of \$4.58M also represents a favourable lift of 22.1% over normalised NPAT of \$3.75M in 2010.

The Airport's financial performance, combined with last year's restructuring of the balance sheet by raising \$27.7M of new capital, has placed Queenstown Airport in a position to return for the first time a dividend to its Shareholders.

A number of key infrastructure projects were completed during the year including the RESA (Runway End Safety Area), which was essential for the continuation of international flights to Queenstown. The installation of runway lights will not only improve daylight operations in marginal visibility, but will also open the opportunity to maximise the airport's existing 6am to 10pm operating hours. This improves convenience for our visitors and maximises the use of the airport's infrastructure.

On behalf of my fellow Directors I would like to acknowledge the contribution of our retiring Chairman Mark Taylor and wish to thank the Queenstown Airport team for their contribution during the year.



Murray Valentine
Interim Chairman

“The board of Queenstown Airport are committed to its ongoing stewardship to govern and direct Queenstown Airport in being a successful business.”

Murray Valentine
Interim Chairman



James Hadley, Alison Gerry, Murray Valentine

ceo's report

Last year I started my commentary about growth and the year under review has been no different with Queenstown Airport continuing to be one of Australasia's fastest growing airports.

We hosted 924,248 passengers for the year, an increase of 14%. Our prediction of a milestone one million passengers was knocked about by flight cancellations due to Chilean volcanic ash.

The impact of this natural disaster, compounded by other unfortunate events such as the Christchurch and Japanese earthquakes, demonstrate the fragility of projections in the tourism business and consequently the need to be fit financially and operationally to deal with the unknown.

A key challenge in the financial year was to complete several essential infrastructure projects to meet immediate growth as well as ongoing strategic projects to comply with our Master Plan. All were seamlessly achieved thanks to outstanding work by my Airport team and our partners.

We have just passed the first annual anniversary of our strategic partnership with Auckland Airport. The relationship has been valuable and robust, and we have benefitted from their knowledge and expertise in many areas including commercial developments, engineering and route development. The relationship has been invaluable and has contributed immeasurably to making Queenstown Airport more efficient.

Boosted by passenger numbers and an increase in aircraft traffic, the financial performance of the Company was strong with operating revenues increasing 17% to \$15.6M. The increase in passengers also saw a healthy lift in revenues from retail and commercial concessions. Our EBITDA increased 31.1% to \$9.9M.

Passenger movements over the last year have been exceptional with continued double-digit passenger growth. International passenger numbers grew by 50% while domestic grew by 8.5%.

This strong growth has been influenced by several factors including increased flight frequency on traditional routes,

the addition of Gold Coast as a new route, an increase in the average number of seats in aircraft and more people electing flying as their preferred form of transport. Indeed seat capacity in and out of Queenstown Airport grew by 14% in the last year.

Our airline customers – Air New Zealand, Jetstar, Qantas and Pacific Blue, also grew their services. Jetstar introduced international flights in December and increased its weekly capacity on the Auckland/Queenstown sector by 57%. Qantas introduced new flights and Air New Zealand increased its capacity with larger aircraft and more flights.

This year most retailers experienced good growth from the higher passenger numbers, with several stand-outs including Patagonia and Duty Free Stores. Demand for retail space in the terminal is strong and with the opening of Global Culture our retail tenancies are fully leased.

The demand from rental car operators is also very strong. Our rental car facilities are fully tenanted and we are working to develop new areas. Queenstown Airport continues to be a key component of New Zealand's rental car industry.

The appointment of iSite Media to manage the advertising rights throughout the airport is already proving to be a good partnership and we expect strong growth in advertising revenues into the future.

Our continual growth has accelerated the rollout of our Master Plan. This year we completed a number of strategic projects including tripling the size of our baggage make up facility, increasing our baggage reclaim area by 40%, creating additional aircraft stands and extending the apron to cater for corporate jet parking and future terminal expansion.

Most importantly we completed ahead of schedule the Runway End Safety Area (RESA), a mandatory requirement for international flights.

The planning for our terminal extension is well underway, which will particularly cater for our international passenger growth, but will also include larger public areas, better passenger flows, retail spaces, and larger airline lounges.

We are excited about the period ahead, especially the opportunity our newly commissioned runway lights represent. We anticipate airlines gaining approval to fully utilise our consented hours and look forward to new schedules being developed to meet demand for travel to Queenstown.

I wish to thank our airline customers – Air New Zealand, Jetstar, Qantas, and Pacific Blue. All the airlines during the year under review have demonstrated their strong commitment to the region.

Thank you to my dedicated team and to the 320 professionals representing 60 businesses at the Airport, for working so hard to engage in creating a positive visitor experience.



Steve Sanderson
CEO

“Growth is all about facing the future and being bold. Sometimes you have to make unpopular decisions – often the results exceed everyone’s expectations. One thing which never changes is the importance of working with the right people.”

Steve Sanderson
CEO

projects



baggage make up (BMU)

Completed in December 2010, the \$4M state-of-the-art baggage handling facility more than tripled the existing baggage capacity at Queenstown Airport.

RESA west, jet blast fence

Both the Runway End Safety Area (RESA) West and East are international aviation requirements. The RESA West, a 90m safety area at the end of the runway, was completed during the year. Sitting within this area is a 44m 'Jet Blast Fence' constructed to reduce the impact from airflow emitted by aircraft engines during take off.

RESA east

The RESA East is near completion with more than 800,000cu m of fill making up the platform which rises 45m from the Shotover River.

apron extension

An apron extension, including the addition of an extra jet stand, taking the total to nine, was finished just in time for winter. As well as providing extra space for jets the new apron extension will enhance and accommodate the expected increase in corporate jet activity.

runway lights

Runway lights were turned on at Queenstown Airport in June – the first set of runway lights to be installed from scratch in New Zealand in many years.

A joint venture between Airways NZ and Queenstown Airport, the 118 lights will minimise the number of disruptions in times of poor visibility.

“It’s been a challenging but rewarding year boosting the infrastructure of the airport to meet the ever growing needs of an expanding airport.”

Chris Read
GM Aeronautical



growth



Aideen Tinney, Terminal Operations Manager

the terminal – building capacity

Queenstown Airport Terminal is regularly operating at the design capacity of 600 passengers per hour.

Continual planning to manage the terminal traffic and ensure all terminal visitors have a good customer experience is a key role of the Airport Team.

Plans are underway to expand the terminal to increase its capacity.

retail – improving sales

The introduction of the Retail Excellence Program focuses on supporting retailers in the terminal. Ultimately designed to help retailers improve sales, program initiatives have included hosting a workshop on improving customer service. Feedback from the program has been very positive.



customer service focus

A new Airport Help desk – opened this year to help visitors with airport related questions. Car park queries, internet access as well as how to get to town are a few of the questions the Airport Help Desk team manage on a day-to-day basis.

Streamlining Departure Fee – electronic kiosks and online purchase of departure fees for international flights is making the process of paying the fee more convenient and efficient.



“Thanks Queenstown Airport for being such an important part of Queenstown’s tourism development story.”

Tony Everitt
CEO, Destination Queenstown

opportunities



“Queenstown Airport is the gateway to the adventure capital of the world. Air New Zealand is proud of its contribution to the growth the airport is enjoying, and looks forward to a collaborative partnership to continue to support the economic growth of the Queenstown and the Lakes District.”

Rob Fyfe
CEO, Air New Zealand



“We see Queenstown as one of the most exciting leisure destinations on the Jetstar network, and we look forward to continuing to build upon our successful partnership as we grow our offering in Queenstown.”

Bruce Buchanan
CEO, Jetstar



Coastguard – supporting Queenstown

For the fourth consecutive year, Queenstown Airport has renewed its sponsorship of the volunteer organisation, Queenstown Coastguard. The sponsorship of \$30,000 goes towards boat maintenance and crew training for the 100% dedicated rescue service on Lake Wakatipu and the surrounding waterways.

the community – building closer relationships

Investing in building relationships with the local community and businesses has been a key initiative for the airport over the last 12 months. Several community based projects have been undertaken including hosting a series of information evenings about airport growth and plans to local residents associations and business groups.

aeronautical business development

Being a relatively new role for airports it is now recognised that airports can have a key part in helping to grow tourism and economic growth. The Queenstown Airport team has been working alongside the market route development team at Auckland Airport, to investigate opportunities to increase the number of routes and flights into Queenstown.

tourism opportunity – getting a slice of 65,000 extra seats

Queenstown Airport worked closely with Auckland Airport to secure China Southern Airlines’ introduction of direct Guangzhou/Auckland flights. Queenstown Airport hopes that the Lakes District will gain a slice of the extra seats these flights generate especially as Queenstown imagery features significantly in the \$10M China Southern Campaign to support the new service.



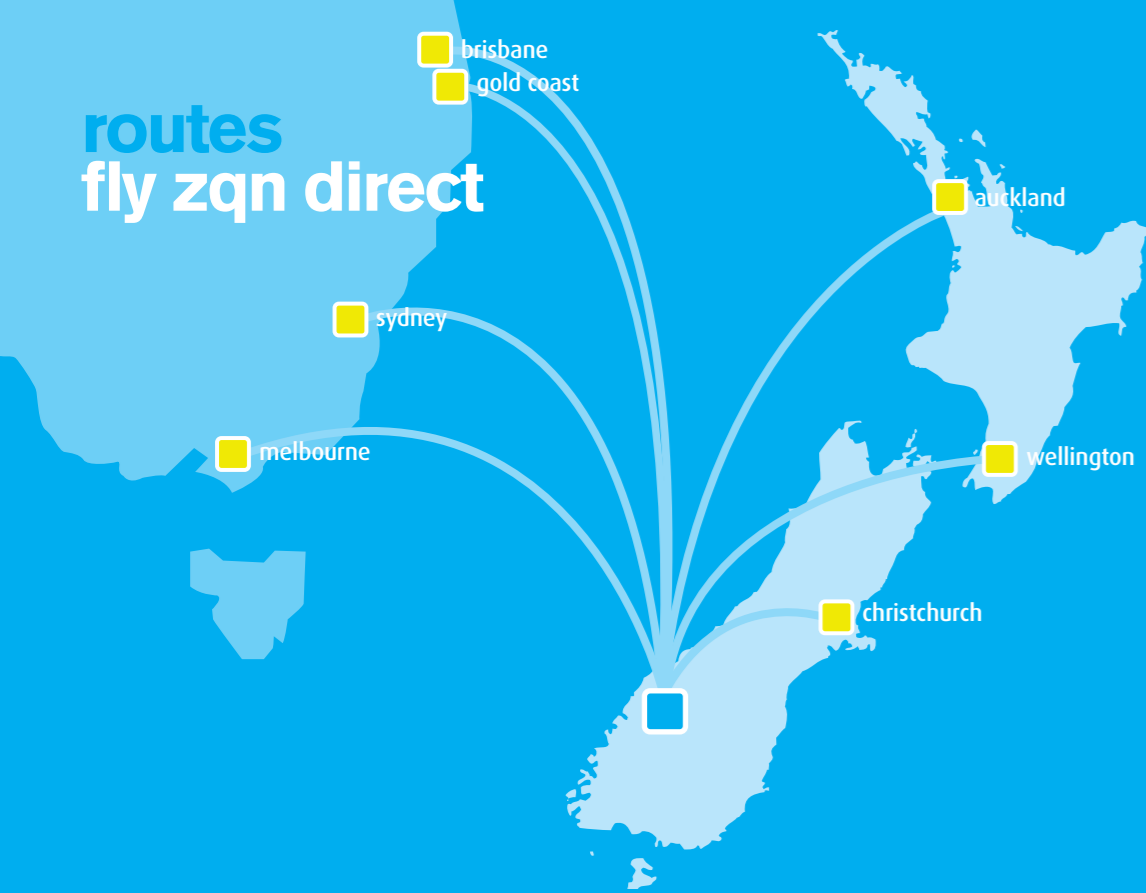
advertising at the airport

iSite Media – New Zealand’s most dynamic ‘Out of Home’ advertising placement company came on board in the last year to manage the advertising rights at Queenstown Airport. Advertisers have started to take advantage of the opportunities to promote their products and services throughout the terminal with window wraps, light boxes and displays to the captive Queenstown Airport audience.



Simon Barr, GM Commercial

routes fly zqn direct



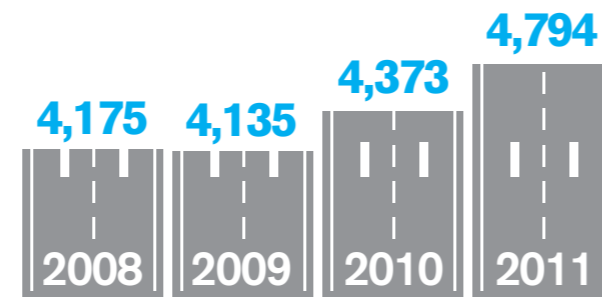
airlines

air new zealand
jetstar
pacific blue
qantas

1.176M

The number of aircraft seats (capacity) increase by 14% to 1,176,616 seats

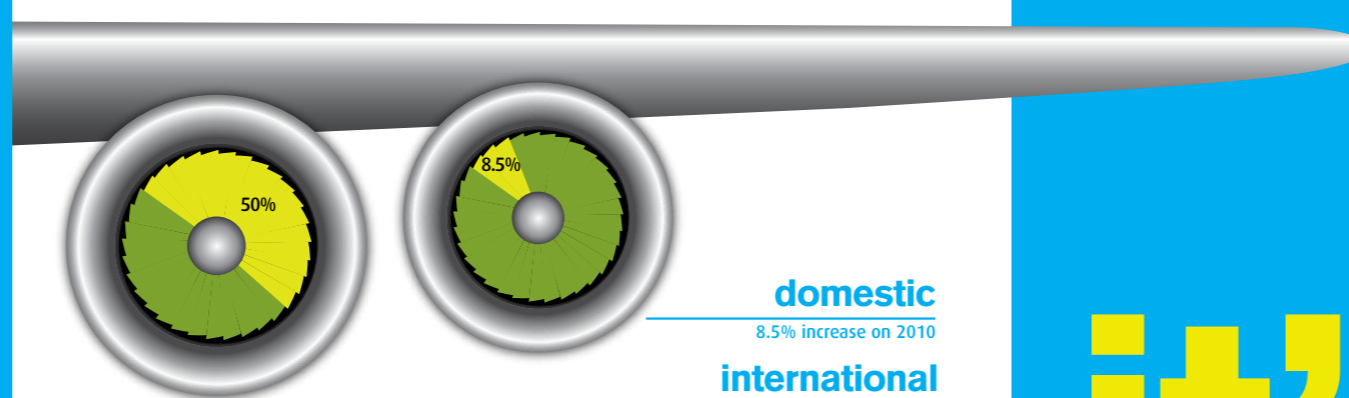
landings



key drivers of domestic & international growth

Jetstar's introduction of direct Gold Coast and Melbourne services, as well as its expanded Auckland - Queenstown connections from 7 to 11 services per week.

▲ **50%** growth in international passengers

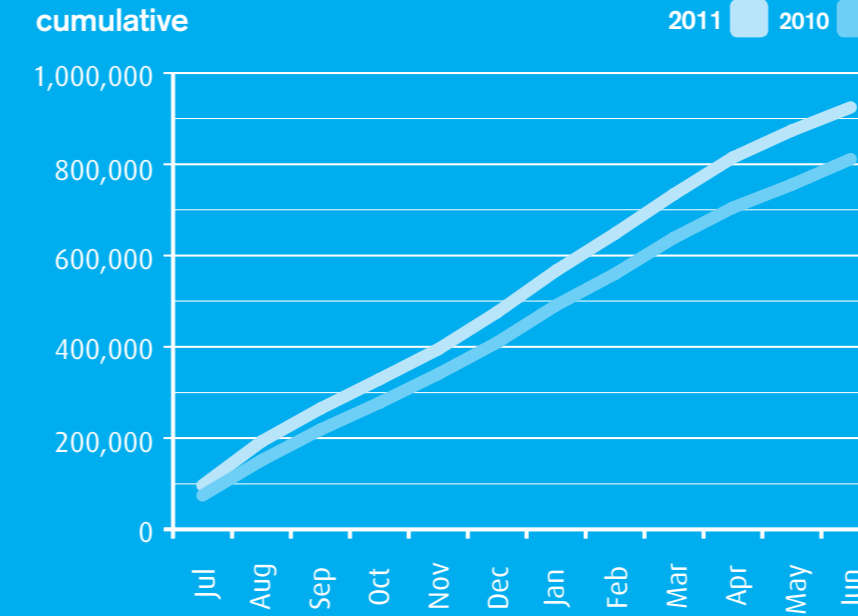


domestic
8.5% increase on 2010

international
50% increase on 2010

▲ **8.5%** growth in domestic passengers for the financial year.

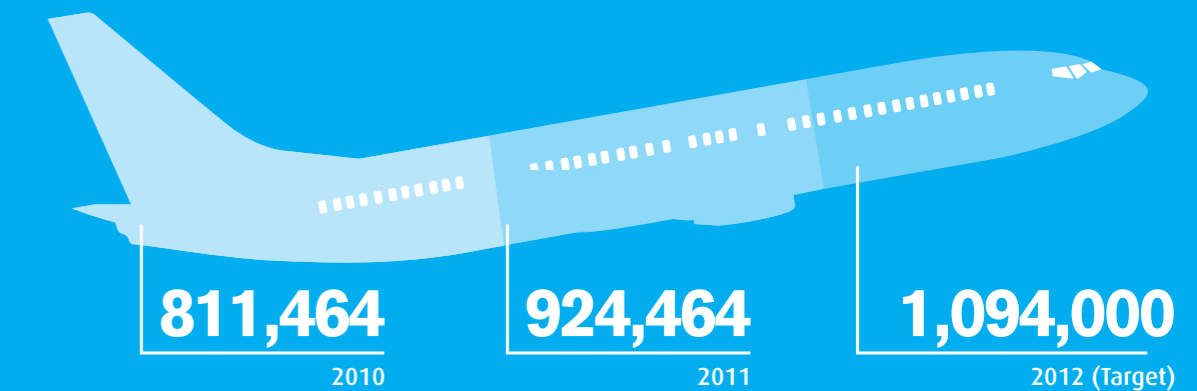
passenger numbers



▲ **14%**

Queenstown Airport achieved an impressive **14% growth in annual passengers** for the financial year.

looking to the future



it's a record

Queenstown Airport Corporation Limited Summary of Financial Performance

for the financial year ended 30 June, 2011

	2011 Actual \$
Income	15,579,230
Operating Expenses	<u>9,404,397</u>
Net surplus/(Deficit) Before Tax	6,174,833
Taxation	1,598,713
Net Surplus/(Deficit) After Tax	<u>\$4,576,120</u>
Net Assets	\$120,257,964

Full Financial Statement

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/corporate/financialstatements



our community

“At Queenstown Airport we believe that an airport is only as good as the people who make it happen. It’s not all about runways and buildings. It’s about normal everyday people making the journey more enjoyable.”

Steve Sanderson
CEO



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