



# AIRWAYS

## STATEMENT OF CORPORATE INTENT



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— OUR PURPOSE

# ▶ Delivering safe skies

▶ WHO WE ARE

Airways Corporation is a State-Owned Enterprise whose core role is to be New Zealand's air traffic management provider, facilitating safe and efficient air transport through the country's flight information region.

▶ OUR PURPOSE

Safe skies today and tomorrow.

▶ OUR VALUES

Safety,  
Each Other,  
Excellence,  
Success.



# ▶ DEFINING HOW WE CREATE VALUE

## STRATEGIC OBJECTIVES

Deliver safe, resilient, and efficient air traffic services in New Zealand airspace.

Service enhancements to transition to the aviation environment of the future.

Continue the development of systems and processes that enhance Safety Culture and evolves the operating environment and industry.

Have a positive impact on our people, environment and communities.

Implement airspace optimisation to reduce aircraft fuel burn, carbon emissions and improve efficiency of flight paths.

Develop and deploy technology that provides flexibility to customers and resilience to service delivery in the areas of tower management, drone detection and management.

Support recovery of the industry by limiting price increases to our customers.

Be a leading provider of digital solutions for the global aviation industry.

## WHAT WE DO

PROVIDE AIR NAVIGATION SERVICES ACROSS

**30mil sq km**

AIRSPACE

OVER

**470,000**

SAFE FLIGHTS IN THE COMING YEAR

SUPPORTING

**Industry recovery**

## HOW WE DO IT

AIRSPACE MANAGEMENT CONSULTANCY AND TRAINING IN OVER

**65 countries**

**Drone traffic management system**

SERVICES

CARBON REDUCTION OF

**17,000 tonnes**

CO2 EMISSIONS

**779**

HIGHLY TRAINED PEOPLE

**19**

CONTROL TOWERS

**1 + 1**

RADAR CENTRE

OCEANIC CONTROL CENTRE

**3**

SUBSIDIARIES: AIRWAYS INTERNATIONAL, AEROPATH AND AIRSHARE

OUR VALUES

**Safety, each other, excellence, success**

**Reliability + efficiency**

**Socially responsible**

**Good employer**

# ▶ HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

OUR RESOURCES

WHAT WE DO TO CREATE VALUE

OUR OUTCOMES

OUR VISION



**Financial**  
Our financial capability and flexibility



**Our infrastructure**  
Networks and assets that support operations and services



**Our expertise**  
Progressive, innovative, customer-focused technologies and capabilities



**Our people**  
The skills, knowledge and active engagement of our people



**Our relationships**  
With passengers, airline customers, communities, aviation and government



**Our environment**  
The natural resources and environmental assets integral to delivering our services

Provide safe, resilient and efficient air traffic services to New Zealand airspace

THROUGH...

Proactive safety culture, expert knowledge and technology-enabled solutions



**Safety**  
For the travelling public and other airspace users



**Service efficiency**  
Fit for purpose service at a fair price for our customers and the travelling public



**Airspace efficiency**  
Enabling on time performance for airlines and travellers



**Sustainable outcomes**

- ▶ Reducing customer fuel burn
- ▶ Reducing our environmental (carbon; waste; energy; water) footprint



**Financially sustainable**  
Ensuring a sustainable return to government shareholder



**Better work and careers**

- ▶ Health and wellbeing focus
- ▶ Diverse and inclusive workplace culture
- ▶ Ongoing training and development for both our people and the aviation industry
- ▶ Rewarding career paths

To create the aviation environment of the future

## ECONOMIC AND STRATEGIC CONTEXT

### The re-opening of New Zealand’s borders and increasing air traffic in our skies does not spell a quick return to normal for aviation.

The impacts of the pandemic disruption experienced by Airways and our industry will continue to be felt for some time. Despite the uncertainties ahead, Airways’ focus over the next three years will be on ensuring the recovery of our business, in step with our industry, and rebuilding a future-fit air traffic network that is safe, resilient and more sustainable.

Airways has committed to reporting against the Integrated Reporting (IR) Framework going forward to illustrate how we create immediate and long-term value. This approach was implemented in 2021 and we will continue to develop our strategic thinking and reporting practices using the IR Framework over the coming years.

#### AIR TRAFFIC RECOVERY OUTLOOK

Our forecasts indicate it will take at least three years for air traffic to return to a pre-pandemic level. Based on information currently available to the industry, and customer feedback, a quicker recovery is expected for domestic air traffic. International improvements are anticipated to be more gradual as tourism re-emerges from a two-year hiatus.

Airways is forecasting domestic travel to recover to approximately 93 percent of the pre-pandemic level by 2023, reaching full recovery by January 2024. It is thought that New Zealand’s high vaccination levels will eliminate the need for further lockdowns, but periods of travel restriction remain a possibility.

The outlook for trans-Tasman travel is optimistic with a gradual pick-up expected over 2022 as border restrictions and isolation requirements ease.

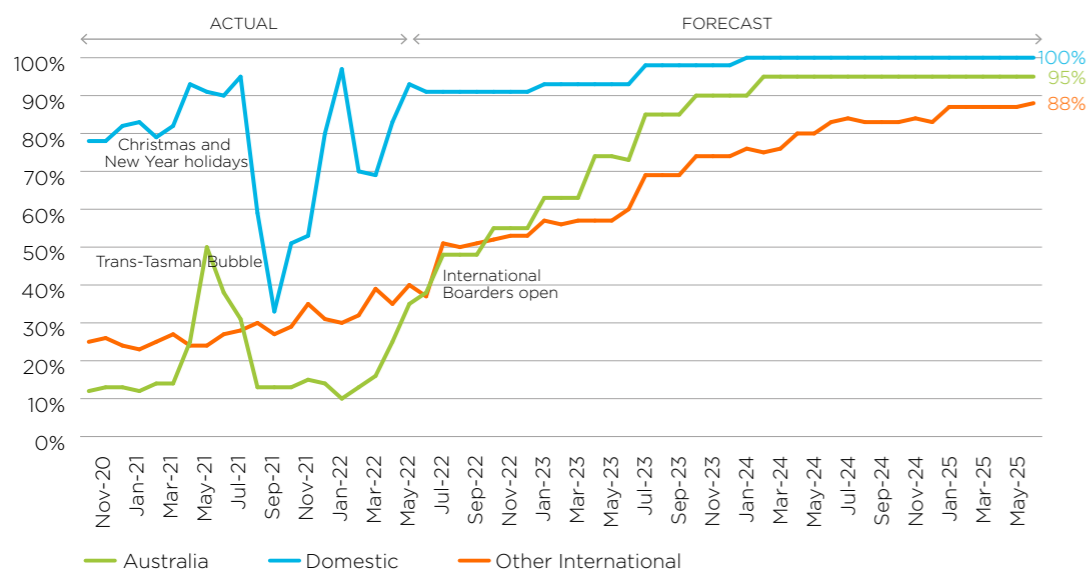
A gradual recovery of wider international travel is expected from late 2022, however the impacts of higher fuel costs and rising supply chain costs are expected to be felt in ticket prices. International air traffic levels are expected to recover to 70 percent of pre-pandemic levels by mid-2023.

#### RECOVERING IN STEP WITH OUR INDUSTRY

We will ensure we are well positioned to support the industry’s recovery and we will continue to collaborate and take a customer-centric approach with our customers and stakeholders on initiatives to sustain safe, efficient and right-sized services. We will work closely with the Civil Aviation Authority on regulatory matters.

Airways is managing costs prudently and within inflationary bounds. However, two years of travel disruption has had a critical impact on Airways’ business – a position

#### Recovery hypothesis



shared by our customers. In June Airways announced its service prices for the 2022 to 2025 period. The announcement followed a two-month consultation with our customers, stakeholders and wider aviation sector.

To support the recovery of the industry and ensure that Airways recovers in step, we will be limiting our price increases to customers for three years and Airways will not be seeking full recovery of revenue. This has been made possible through the Government’s continued financial support of Airways and our banking partners.

#### BUILDING A MODERN AND FUTURE FIT AIR TRAFFIC NETWORK

For a number of years, Airways has been undertaking a modernisation programme aimed at providing more resilient and flexible air traffic management services to our customers and partners. Our activities over the next three years will continue to be centred on achieving these objectives.

#### Driving digital technology and innovation

Digital technologies are a core enabler for driving positive change in the aviation industry. These developments will enable improvements to our services that boost resilience, improve safety outcomes, support regional connectivity and achieve greater sustainability. The development of digital air traffic control tower services and unmanned aerial vehicle (UAV) management are priorities for Airways in this space.

Airways has been investigating digital air traffic control tower technology for several years and watching closely as airports internationally have moved to this way of operating. We see our Auckland International Airport control tower as a potential location for New Zealand’s first digital control tower service. The current Auckland tower has been in place since the early 1960s and is due for replacement. We are considering options for what this replacement will be, including implementing digital tools. Digital air traffic control tools could be used to support new operating models for our regional services in the future.

The automatic dependent surveillance - broadcast (ADS-B) mandate for all of New Zealand airspace will come into effect on 31 December 2022, offering significant

opportunities for supporting the safety and efficiency of the way we manage flights into and out of our regional airports. The ADS-B system implementation was completed in 2019, providing a more extensive picture of our airspace than was possible with radar. The requirement for all aircraft to be ADS-B capable means we will have the option to replace procedural approach services with the enhanced safety and efficiency associated with surveillance.

We will continue to collaborate with the industry to investigate solutions that will, in time, enable us to safely integrate UAVs into our existing air traffic network, alongside traditional aircraft. This requires the implementation of UAV traffic management technologies, alongside a regulatory framework that is suitable to safely support the proliferation of UAVs in New Zealand’s skies.

While there are limitations on technologies currently available in the market, we are investigating the use of UAV detection systems designed to recognise UAVs operating in controlled air space at major airports.

Airways has contributed to a number of initiatives and workstreams aimed at safely supporting safe UAV sector development. We see the introduction of compulsory registration for UAV operators, remote identification capability and geo-awareness requirements as necessary components of any new regulation. We will look to continue to take a leading role in driving positive change within the industry as we await the development of new regulation. We will continue to work with and support the Ministry of Transport and Civil Aviation Authority on these reforms.

The table below summarises the key technologies that have been implemented which enable a different operating philosophy, and developments in digital towers and UAV management solutions.

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Enhancement	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Benefit
Implementation of ADS-B network	█								More accurate information leading to optimal aircraft spacing and routing
Seismically resilient operations building	█	█							High building strength intended for operations to be fully recovered after an earthquake
Core network transformation	█	█	█	█					Network transformation to enhanced performance, capacity and security
Implementation of Skyline-X		█	█	█					Updated multi-channel architecture that is more resilient and allows multi sector management
Implementation of digital tower solutions					█	█	█		Enhanced situational awareness through informational overlay and operational flexibility and resilience

**Airspace optimisation**

The design of New Zealand’s air traffic control airspace sectors has developed piecemeal over several decades, resulting in a number of inefficiencies. In 2019 Airways began a comprehensive ground-up review of the way we sectorise airspace, which has identified opportunities for adjustments that would improve the overall efficiency of flight paths, and reduce aircraft fuel burn and carbon emissions. We are now working in the near term to progress track shortening for some flight paths at high altitudes. We will work to assess the benefits of potential changes to the way our airspace sectors are organised over the coming years.

**Sustainability and tackling Climate Change**

Airways recognises it has a responsibility to make a positive contribution to the world we live in. We are committed to achieving our strategic goals in a socially and environmentally sustainable way that works for us, our people, our communities and for all of New Zealand.

In FY22 we will undertake a review of the way we deliver sustainability at Airways. We will work with our people, customers and stakeholders in developing the new strategy and roadmap for Airways to realise our growing ambition and ensure we play our part in tackling climate change and creating a more sustainable future.

The greatest contribution we can make to support the industry to tackle climate change is through our Airspace Optimisation programme, the outcomes of which will reduce aircraft fuel burn and carbon emissions. This will be a cornerstone of our sustainability strategy. We will work with our customers and policy makers to collaboratively realise the opportunities through more efficient airspace management.

Our goal to become a zero waste, zero emissions business will also be a cornerstone of our new strategy, but the way we get there may look different as we seek to realise this ambition earlier than the currently planned date of 2050. Company-wide initiatives already underway include work to transition our vehicle fleet to electric or hybrid vehicles, increasing our use of recycling and reducing our general waste and amount of paper printed will continue to be priorities.

We have recommenced our carbon measurement and reporting work and, as part of the new strategy and framework, we expect to have a new baseline established along with targets developed and methods for enhanced monitoring our Greenhouse Gas (GHG) emissions, waste and carbon use, including offsets.

In 2021 the Climate Change Commission identified pathways for New Zealand to meet its greenhouse gas reduction obligations by 2050. We will continue to work with the industry on these pathways and our role in reducing emissions in the industry. This includes working

with industry stakeholders both here in New Zealand and internationally on advancing sustainable initiatives in the interest of the industry, including airspace optimisations and sustainable aviation fuels and associated future network requirements.

We are also working actively within the Civil Air Navigation Services Organisation (CANSO), the representative body of companies that provide air traffic control, to advance industry wide environmental and sustainability initiatives.

**CONTINUOUS SAFETY IMPROVEMENT**

Airways has an established record of excellent safety results, enabling more than 500,000 safe journeys through our skies every year prior to the outbreak of COVID-19.

We are committed to achieving the highest level of safety performance across our organisation and, as our industry and internal environment evolves, we are working to proactively and continuously identify safety enhancements and learn from them. We have a safety culture development programme underway that will continue to build on this.

**AIRWAYS INTERNATIONAL: EXPORTING AIRWAYS’ EXPERTISE AND INNOVATION WORLDWIDE**

Closed global borders, a continuation of lockdowns and travel restrictions sped up the development of cloud-based digital products and services. Airways International will promote these over the 2022-2025 period in key markets through digital marketing initiatives and investment in partnerships and key customer relationships. In the longer term, the target product and service mix will be primarily software-based, highly scalable and able to deliver long term, repeatable revenue streams.

Over time, we will also focus on potentially higher value sectors in the aviation industry, including airlines and airports. The commercial business opportunities over the next three years are targeted in the Middle East, South East Asia, Hong Kong and Europe. The impact of COVID-19 on current and potential international customers varies by region and by the source of the funding – either government or private.

**OUR PEOPLE: BUILDING A SKILLED, ENGAGED AND DIVERSE WORKFORCE**

We recognise the importance of having a skilled and diverse workforce and are committed to fostering a culture in which our people continue to feel respected, valued and invested in. We know this is critical to encouraging the high performance of our people, and attracting and retaining the best talent – something that will become more challenging in the tightening labour market.

In 2020 we implemented a new Diversity, Inclusion and Belonging (DIB) policy. We have started the process of working towards receiving Rainbow Tick accreditation as an employer. This initiative specifically addresses the areas of sexual orientation and gender diversity at Airways. The process of becoming accredited will help us to be confident that we are doing all we can to ensure we are a workplace where our LGBTTQIA+ people feel safe and free to be their authentic selves. Receiving the Rainbow Tick will be a visible way of demonstrating our inclusive culture.

In FY23 we will be progressing the focus of our DIB programme to include neurodiversity. Introductory training will be available to our people to first help build their understanding of the concept and how we can build a truly psychologically safe environment.

While we are proud that we have achieved a level of gender balance within our senior leadership, we are aware that there is work to do to address a level of underrepresentation for women across our wider business.

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## AIRWAYS BUSINESS UNITS

Airways Corporation of New Zealand Limited (ACNZ) is a State-Owned Enterprise established under the State Owned Enterprise Act 1986 (the Act) and is a public company registered under the Companies Act 1993. The shareholders are the Minister for State Owned Enterprises and the Minister of Finance, each of whom holds \$74.55 million fully paid shares.

The Airways Group comprises the following businesses and support functions:

Core business	International business
<ul style="list-style-type: none"> <li>▶ Delivers safe, resilient and efficient air traffic services to NZ airspace users, including airlines and other commercial aircraft operators, the general aviation (GA) community, the Royal New Zealand Air Force and airports.</li> <li>▶ The service offering comprises:                             <ul style="list-style-type: none"> <li>— Enroute and approach services in the New Zealand flight information region (FIR).</li> <li>— Aerodrome air traffic control services, provided on behalf of airports, including the provision of navigation infrastructure.</li> <li>— Enroute services in the Auckland Oceanic FIR, on behalf of the International Civil Aviation Authority Organisation (ICAO).</li> <li>— The safe integration of drone activity into New Zealand’s airspace.</li> </ul> </li> <li>▶ Governed by a Service and Pricing Framework which provides for a ‘fair return on investment’ and is reviewed through consultation with customers every three years.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Airways International utilises Airways’ intellectual property and expertise to provide products and services to international air navigation service providers (ANSPs) and wider aviation industry.</li> <li>▶ The portfolio of businesses comprises:                             <ul style="list-style-type: none"> <li>— Airways Training, delivering world leading Air Traffic Control (ATC) training to both ANSPs, and directly to ATC students through an outsourced academy model.</li> <li>— Aeropath, providing aeronautical information management and procedure design services.</li> <li>— Digital products, utilising cloud-based technologies to deliver a range of services to ANSPs including simulation, revenue management, recruitment and selection, industry language skills and interactive digital learning.</li> <li>— Aviation Services, providing ANSPs and airports with outsourced air traffic services and support in the development and maintenance of technology.</li> <li>— AirShare, a platform that provides information to drone users on how to operate safely, plan drone flights, and request access to controlled airspace.</li> </ul> </li> </ul>

<b>Corporate Services</b>	<ul style="list-style-type: none"> <li>▶ Provides advice to Airways’ board, management and staff on commercial, technology and operational matters.</li> <li>▶ Services are structured functionally in the form of People, Finance, Customer and Regulatory Partnerships, and Public Affairs teams to secure value and manage risk within approved mandates.</li> <li>▶ Manage stakeholder relationships and protect and enhance Airways’ brand.</li> </ul>
<b>Safety and Assurance</b>	<ul style="list-style-type: none"> <li>▶ Provides leadership, advice and assurance on safety management and maturity, safety performance and ‘safety culture’ to Airways and Airways’ board.</li> <li>▶ Ensures Airways becomes predictive in safety: moving from reactive to proactive and then to predictive practices; learning through what could happen, as well as what has happened; and tailoring improvements in system design to ensure the best result.</li> </ul>



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## KEY STRATEGIC WORKSTREAMS

The key workstreams Airways will progress during FY23, and the initiatives and activities that will enable them, are set out in the table below.

Key strategic workstreams	Objectives
<b>Airspace Optimisation</b>	<ul style="list-style-type: none"> <li>▶ Implement a series of track shortening initiatives to reduce aircraft fuel burn, carbon emission and improve efficiency of flight paths.</li> <li>▶ Develop a long-term airspace plan to improve resiliency, efficiency and flexibility for system users.</li> <li>▶ Work with Government to ensure future UAV regulatory framework is modern and enables safe integration and monitoring of UAVs into controlled airspace.</li> </ul>
<b>Safety Culture</b>	<ul style="list-style-type: none"> <li>▶ Start the phased implementation of actions in response to the recommendations of the independent report.</li> <li>▶ Continue the development of systems and processes that enhance safety culture in a way that is constructive, predictable, and evolves with changes to the internal operating environment and industry.</li> </ul>
<b>ATS System Transformation</b>	<ul style="list-style-type: none"> <li>▶ Complete the build, testing and operations proving of the new ATM platform.</li> <li>▶ 'Go-live' ATC operations in the new IL4 buildings, greatly enhancing operational resilience and flexibility.</li> </ul>
<b>Digital Solutions</b>	<ul style="list-style-type: none"> <li>▶ Develop and deploy digitally enabled products and services to support ANSPs and the wider aviation community.</li> <li>▶ Grow the business globally through digital solutions that solve meaningful problems, are fit for purpose, repeatable and scalable.</li> </ul>
<b>Auckland Tower Replacement Programme</b>	<ul style="list-style-type: none"> <li>▶ Develop specifications and requirements for a replacement tower solution in Auckland in consultation with stakeholders.</li> <li>▶ Engage specialist advice for design and build specifications for selected replacement option.</li> </ul>
<b>Airfield Power and Lighting Exit</b>	<ul style="list-style-type: none"> <li>▶ Collaborate with airport customers on transitioning to a new ownership and maintenance model for airfield power and lighting assets, taking into account the interests of each airport customer.</li> </ul>
<b>Core Business Price Reset</b>	<ul style="list-style-type: none"> <li>▶ Following consultation with our customers – airlines, airports and the general aviation community – on services and associated prices, implement a new pricing structure period starting from 1 August 2022.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>▶ Review and reinvigorate Airways' sustainability strategy and framework to support future aspirations and the work of the industry to combat climate change.</li> </ul>
<b>Enhanced Service Management</b>	<ul style="list-style-type: none"> <li>▶ Improved information management enabling enhanced planning and reporting.</li> <li>▶ Implementation of the Service Now platform and MS Dynamics.</li> </ul>

## MEASURES OF SUCCESS

This section outlines Airways' aspirations and targets for the three years to 2025. Airways is moving to an Integrated Reporting (IR) framework. The measures of success are set against the six capitals of the framework. The aspirations and targets link into Airways' long-term strategy.

### FINANCIAL

#### Aspiration

- ▶ Restore financial independence and remove the need for any further government support.
- ▶ In step with recovery of the New Zealand aviation industry, target a return to profitability in 2023/24.
- ▶ Secure stable planning and funding arrangements with the industry to transition the business to a digital future.
- ▶ Secure new growth opportunities through partnerships and development of products and services.

#### FY23 – FY25 Focus

- ▶ Secure new debt funding arrangement.
- ▶ Review Airways' pricing for General Aviation.
- ▶ Contain operating cost growth within long run CPI averages.

Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
Revenue (\$M)	142.7	208.6	270.8	283.6
Profit / (loss) before tax (\$M)	(50.7)	(15.1)	34.6	40.2
Capital expenditure (\$M)	29.4	74.0	69.5	63.6
Gearing	32.8%	36.7%	35.5%	32.1%
Dividends (\$M)	Nil	Nil	Nil	10.0

### INFRASTRUCTURE

#### Aspiration

- ▶ Transition into a digital future as assets become due for replacement.
- ▶ Integrated planning and management of systems and infrastructure that support air traffic management services and operations.
- ▶ Optimal aviation system availability and reliability.
- ▶ Deliver a strategic investment programme that underpins safety, customer flexibility and strategic objectives.
- ▶ Ensure the investment in assets drives better environmental outcomes.

#### FY23 – FY25 Focus

- ▶ Deliver ATC platform, operating in new Christchurch and Auckland buildings.
- ▶ With customer-centricity at the forefront, advance planning and development of the Auckland Tower replacement.
- ▶ Implement next generation aviation surveillance strategy.
- ▶ Develop robust service management frameworks.
- ▶ Improve the flexibility of project delivery utilising both internal and external delivery models.

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Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
Monthly drone incursions (within aviation system)	5	+10%	+10%	+10%
Track miles saved vs modelled flight distance*	>825k NM	>825k NM	>825k NM	>825k NM
Core system availability	99.98%	99.98%	99.98%	99.98%
Service availability				
Main trunk	99.98%	99.98%	99.98%	99.98%
Regional	99.80%	99.80%	99.80%	99.80%
Surveillance	99.98%	99.98%	99.98%	99.98%
Enroute Domestic	99.93%	99.93%	99.93%	99.93%
Enroute Oceanic	99.93%	99.93%	99.93%	99.93%
Flight information	99.93%	99.93%	99.93%	99.93%

\*subject to traffic volumes

**EXPERTISE**

**Aspiration**

- ▶ To build a sustainable global business by establishing strategic partnerships to complement service offerings and enter new markets.
- ▶ Deliver safe, sustainable, and inclusive services.
- ▶ Become a leading provider of digital solutions for the aviation industry.
- ▶ To be recognised globally as thought leaders in aviation industry.
- ▶ Embed a culture of innovation and outward thinking across the organisation.

**FY23 – FY25 Focus**

- ▶ Develop innovative cloud based technologies to support ANSPs.
- ▶ Actively take a leadership role globally in the aviation industry.
- ▶ Aeropath partnership in Europe to extend capacity and enter new markets.

Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
Air proximity event (Category A)	NIL	NIL	NIL	NIL
Drone incursions with Airways' involvement	NIL	NIL	NIL	NIL
Products under development	5	5	5	5
Thought leadership events	10	10	10	10
Number of new customers	2	3	4	5

**PEOPLE**

**Aspiration**

- ▶ Everyone returns from work, safe and well.
- ▶ Achieve zero harm to our staff.
- ▶ Build a more sustainable and diverse workforce for the future.
- ▶ Everyone feels safe to be their whole self at work.
- ▶ Provide employees with a rewarding and satisfying career path.

**FY23 – FY25 Focus**

- ▶ Attract, develop and retain talent to meet our future workforce requirements.
- ▶ Continue our focus on delivering a diverse and inclusive workplace and culture, where all employees feel they belong.
- ▶ Build on our existing safety culture to ensure safety continues to underpin everything we do.
- ▶ Develop targeted initiatives to support well-being, including mental health and fatigue management.
- ▶ Enhance our leadership development approach and build resilient and effective leaders for the future.
- ▶ Work with our people's representative unions on areas of mutual interest.
- ▶ Lift people culture and engagement across the business.

Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
People culture	Baseline	FY22 +3%	FY23 +3%	FY24 +3%
Work accidents resulting in lost time injury	Nil	Nil	Nil	Nil
Notifiable safety events	1	Nil	Nil	Nil
Staff turnover	7.5%	7.5%	7.5%	7.5%
Women in the workforce	23%	+2%	+2%	+2%
Women in senior leadership	44%	45%	46%	47%

**RELATIONSHIPS**

**Aspiration**

- ▶ Align stakeholders and the New Zealand public on Airways' purpose and strategy.
- ▶ Collaborate with customers to offer fit-for-purpose services.
- ▶ Ensure our services deliver improved environmental outcomes.

**FY23 – FY25 FOCUS**

- ▶ Implement new customer management framework, building trust and industry collaboration.
- ▶ Foster customer centricity within Airways
- ▶ Build out voice of customer programme.
- ▶ Establish customer focused reporting.
- ▶ Transition ownership and maintenance of airfield power and lighting to airports.

Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
Flight count	369,925	470,773	505,157	512,568
Customer engagement	New measure	>satisfied	>satisfied	>satisfied

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## — FINANCIAL FORECASTS BY UNIT (NZ\$M)

### ENVIRONMENTAL CAPITAL

#### Aspiration

- ▶ Deliver enduring actions that improve Airways' carbon and environmental footprint.
- ▶ Become carbon zero by 2050.
- ▶ Support the industry to achieve New Zealand's climate goals.
- ▶ Foster partnerships to identify and realise opportunities for carbon reduction.

#### FY23 – FY25 Focus

- ▶ Participate in government and industry-led initiatives to reduce emissions and improve environmental performance.
- ▶ Participate in the development of an international air navigation service provider standard of environmental excellence.
- ▶ Continue developing enduring initiatives to reduce Airways' carbon and environmental footprint.
- ▶ Improve visibility of waste outcomes and reduce waste to landfill.
- ▶ Transition to electric and hybrid vehicles and reduce kilometres travelled.

Measure	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
Transition vehicle fleet to EV / Hybrid	10%	20%	40%	60%
Reduction in paper printed	5%	5%	5%	5%
Waste recycled (tonnage)	722	700	650	600
Carbon reduction (CO <sub>2</sub> saved)*	>17k/Tn	>17k/Tn	>17k/Tn	>17k/Tn

\*subject to traffic volumes



The financial performance of the Airways Group continues to reflect the challenging aviation environment. The Group financial impact of COVID-19 has been profound, and this year the Airways Group is forecasting a Net Loss After Tax of \$36.5 million which is \$19.0m lower than budget due to the COVID-19 restrictions in response to the Delta and Omicron variants.

Our commercial businesses have performed well in difficult operating environments, successfully delivering work remotely while borders remained largely closed. The business is forecast to deliver Net Profit After Tax of \$4.5 million comparing favourably to the budget of \$4.3m.

To support the recovery of the industry and ensure that Airways recovers in step, we will be limiting our price increases to customers. At least for FY23, Airways will not be seeking full recovery of cost, therefore a Group loss of \$10.9m is expected in FY23.

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	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
<b>Revenue (Includes internal revenue)</b>				
► Core business	127.1	190.7	247.1	256.2
<b>Commercial businesses</b>				
► Aviation services	8.6	9.5	12.6	13.4
► Digital	6.8	4.4	5.0	6.3
► Aeropath	11.5	13.6	13.9	14.3
► Training course delivery	0.1	4.1	5.3	6.7
	<b>26.9</b>	<b>31.5</b>	<b>36.9</b>	<b>40.7</b>
<b>Group revenue</b>	<b>154.1</b>	<b>222.2</b>	<b>284.0</b>	<b>296.9</b>
<b>NPAT</b>				
► Core business	(40.9)	(13.9)	20.0	22.5
<b>Commercial businesses</b>				
► Aviation services	2.9	2.1	3.4	3.8
► Digital	0.5	(0.6)	(0.4)	0.0
► Aeropath	1.6	1.4	1.4	1.4
► Training course delivery	(0.5)	0.1	0.5	1.2
	<b>4.5</b>	<b>3.1</b>	<b>4.9</b>	<b>6.5</b>
<b>Group NPAT</b>	<b>(36.5)</b>	<b>(10.9)</b>	<b>24.9</b>	<b>29.0</b>
<b>Key financial metrics</b>				
► Capital investment	29.4	74.0	69.5	63.6
► Group FTEs	775	826	826	832
► Group return on capital	(19.5%)	(4.0%)	13.5%	14.6%

**ACCOUNTING POLICIES**

Airways prepares financial statements in accordance with NZ GAAP, with a complete list of accounting policies available in the latest annual report available on Airways' website.

The financial forecasts and budgets set out in this SCI comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards (as appropriate for profit-oriented entities) except for revenue, which is determined

at the individual business unit level. As a result, the Group revenue number above includes internal revenue earned by Airways' commercial businesses from the statutory business. This internal revenue is eliminated in the annual financial statements, which are prepared at a Group level only. This has no impact on Group profit.

Airways also uses Economic Value Added (EVA) principles to guide pricing decisions. Further detail is provided in Appendix B.

**DIVIDENDS**

Due to the impacts of COVID-19 on Airways, the company is not expected to be in a position to pay a dividend until FY25. Management will continue to review distributions as part of the financial outlook and incorporate into the business planning process.

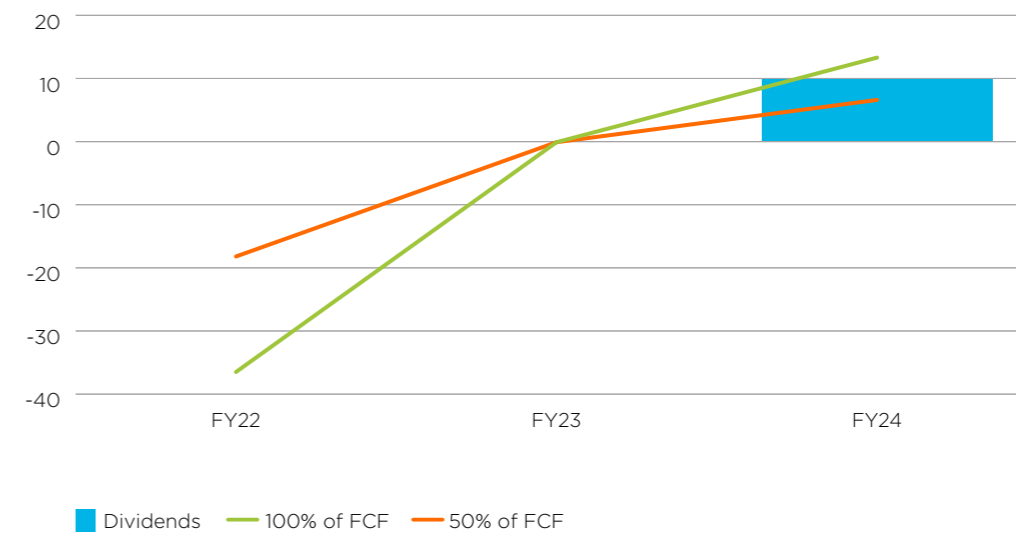
The Directors will seek to return a dividend of between 50 percent and 100 percent of free cash flow from the Group (normalised for maintenance levels of capital investment), subject to maintaining gearing ratios below 50 percent over a rolling five year term<sup>1</sup>.

Actual dividend payments will also remain subject to both solvency test and banking covenant restrictions.

In determining dividend levels, the board will balance the objective of providing a stable or increasing dividend to the Shareholder against short-to-medium term investment requirements and prudent risk management.

Specific dividend forecasts for the planning period, with respect to base free cashflow parameters, are set out opposite.

Gearing is expected to remain within policy limits for the five year period FY23 - FY27.



1. Dividends are payable where average gearing over the next 5 year period remains below policy levels and there is no individual year where gearing exceeds 40% exclusive of leases or 55% inclusive of leases

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## REPORTING TO SHAREHOLDING MINISTERS

In compliance with the Act and in accordance with the requirements of the shareholding Ministers, the following reports will be presented to shareholders:

### ANNUAL REPORT

Within three months after the end of each financial year, an annual report including:

- ▶ audited financial statements for the year
- ▶ notes to the financial statements including accounting policies
- ▶ a report from the Chair which will include:
  - a review of operations
  - changes in the nature and scope of Airways’ activities
  - a summary of achievements measured against performance targets
  - comments on the outlook for the next 12 months
  - statement of dividend payable

### INTERIM REPORT

Within two months of the end of each half-year, an interim report including:

- ▶ an abridged, unaudited statement of Airways’ financial performance and position
- ▶ a qualitative report from the Directors on Airways’ performance compared with the objectives set out in the SCI, any significant changes in intent and scope during the half-year and the outlook for the next half-year

### QUARTERLY REPORT

Within one month of the end of each quarter, a quarterly report comprising a commentary and summary of financial statistics indicating performance against targets for the preceding quarter.

### INVESTMENT PROJECT REVIEW

Provide a report covering all post-project investment reviews conducted in the previous calendar year greater than \$5 million, by 28 February each year.

### “NO SURPRISES” POLICY AND INFORMATION REQUESTS FROM SHAREHOLDING MINISTERS

Inform the Ministers of any material or significant events relating to Airways that may be contentious or could attract public interest.

In accordance with Section 18 of the SOE Act, Airways will also provide other information relating to the affairs of the Company as requested by the Shareholding Ministers.

## POLICY FOR SHARE ACQUISITIONS

Any share, equity or asset acquisitions (or sales) will reflect Airways’ business strategy requirements for achieving our vision. Airways will consult shareholding Ministers on equity investment or capital expenditure above:

- ▶ \$10 million on an individual item of capital expenditure or investment in New Zealand, if outside of activities reported in this SCI
- ▶ \$5 million investment in an individual overseas project, or other significant investments, even if they do not meet the above thresholds

## COMPENSATION FROM THE CROWN

Section 7 of the Act allows the Crown to enter into an agreement with Airways whereby the Crown would pay Airways for undertaking a non-commercial activity. Airways does not currently undertake any such activities but reserves the right to seek payment where Airways is restrained from acting in a normal business-like manner.

## COMMERCIAL VALUE OF THE CROWN’S INVESTMENT IN AIRWAYS

The Directors’ estimate of the current commercial value of the Crown’s investment in the Airways Group at 30 June 2022 was \$301.9 million (30 June 2021 \$271.6 million).

	June 2022
Group Enterprise Value	\$395.4m
Less Net Debt*	\$93.5m
<b>Group Equity Value attributable to Crown</b>	<b>\$301.9m</b>

\* Includes lease liabilities of \$75.2 million

The key characteristics of the valuation approach adopted are

- ▶ The core business comprising air traffic control services and supporting infrastructure has been valued using a discounted cash flow (DCF) valuation approach as the primary methodology. The DCF valuation references comparable company multiples (noting the limitations of this in the current economic environment) and the book value of net operating assets employed in the business. The discount rate was based on the projected average cost of capital of 8.03 percent.
- ▶ The commercial business comprises a portfolio of products and services utilising Airways’ intellectual property and expertise supporting international ANSPs and the wider aviation industry. The discount rate was based on the projected average cost of capital of 10.76 percent.
- ▶ A growth rate of 0 percent per annum was assumed in the terminal value calculation for all business units.
- ▶ The valuation was prepared by the Airways’ management and reviewed by Deloitte Limited, prior to approval by the Board.
- ▶ The current valuation of \$301.9 million compares with a value as at 30 June 2022 of \$271.6 million. This reflects higher earnings projections as the industry recovers from the impacts of COVID-19 and the plan assumes Airways’ costs are recovered from our pricing framework in FY24.

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## APPENDIX A: FINANCIAL PERFORMANCE METRICS (\$NZM)

Year ended 30 June	Actual FY21	Forecast FY22	Plan FY23	Plan FY24	Plan FY25
<b>► Profitability</b>					
Total revenue	147.0	142.7	208.6	270.8	283.56
EBITDA	41.6	(20.2)	23.0	77.0	85.2
EBIT	13.4	(47.7)	(10.3)	37.7	43.2
Group (loss)/profit after tax	5.4	(36.5)	(10.9)	24.9	29.0
<b>► Shareholders' returns</b>					
Total shareholder return <sup>2</sup>	10.2%	(8.5%)	(10.2%)	0.0%	3.4%
Dividend yield	0.0%	0.0%	0.0%	0.0%	3.4%
Dividend payout	0.0%	0.0%	0.0%	0.0%	24.2%
Return on equity	3.1%	(19.6%)	(5.4%)	11.2%	11.8%
ROE, adjusted for IFRS revaluations	3.0%	(19.6%)	(5.4%)	11.2%	11.8%
<b>► Profitability/efficiency</b>					
Return on capital employed	5.7%	(19.5%)	(4.0%)	13.5%	14.6%
Return on assets	3.8%	(13.2%)	(2.7%)	9.6%	10.4%
Operating margin	28.3%	(14.2%)	11.0%	28.4%	30.1%
Net profit margin	3.7%	(25.6%)	(5.2%)	9.1%	10.2%
Asset turnover	0.4	0.4	0.5	0.7	0.7
<b>► Leverage/solvency</b>					
Equity multiplier	2.0	1.9	1.8	1.7	1.7
Gearing ratio (net) – excluding leases	10.0%	8.7%	19.3%	18.3%	15.5%
Gearing ratio (net) – including leases	34.8%	32.8%	36.7%	35.4%	32.0%
Interest cover (before capitalised interest)	7.9	(4.1)	3.8	12.4	14.4
Solvency (current ratio)	1.8	1.8	1.0	1.3	0.9
<b>► Growth/investment</b>					
Revenue growth	(29.8%)	(2.9%)	46.2%	29.8%	4.7%
EBITDAF growth	504.2%	(148.7%)	213.6%	235.1%	10.7%
NPAT growth	117.3%	(772.2%)	70.2%	329.4%	16.2%
Capital employed growth	2.3%	4.4%	7.7%	7.8%	4.5%
Capital renewal	0.8	1.3	2.6	2.0	1.7

2. Company valuations are not forecast from 2023–25.

Definitions for the financial performance measures above are at the following link:  
<https://treasury.govt.nz/sites/default/files/2015-09/fpm-soes.pdf>

## APPENDIX B: CORE BUSINESS ECONOMIC VALUE ADDED (EVA) (\$NZM)

### BACKGROUND

EVA provides an economic measure of performance and explicitly recognises the expected return to investors. EVA underpins our pricing framework, which is premised on achieving a fair return on the capital invested in the core business, reflected by an EVA result of zero.

The Government provided Airways with equity support for FY23 to FY25, therefore we are not targeting EVA of zero for this period.

EVA	Plan FY23	Plan FY24	Plan FY25
<b>► Total capital employed</b>			
Debt employed	191.3	200.8	202.7
Equity employed	139.3	172.5	195.3
	<b>330.6</b>	<b>373.3</b>	<b>398.0</b>
<b>► Charge on operating capital</b>			
	<b>21.7</b>	<b>26.3</b>	<b>28.7</b>
<b>► Economic value added</b>			
	<b>(30.1)</b>	<b>(2.9)</b>	<b>(2.9)</b>
<b>Cost of capital – key parameters</b>			
Risk free rate – 3 year Government Stock	3.18%	3.18%	3.18%
Market risk premium	7.50%	7.50%	7.50%
Business risk factor (asset beta)	0.60	0.60	0.60
WACC range percentile	67th	67th	67th
<b>► Cost of capital</b>			
	<b>8.03%</b>	<b>8.03%</b>	<b>8.03%</b>
<b>► Return on capital (RoC)</b>			
	(3.12%)	7.15%	7.22%

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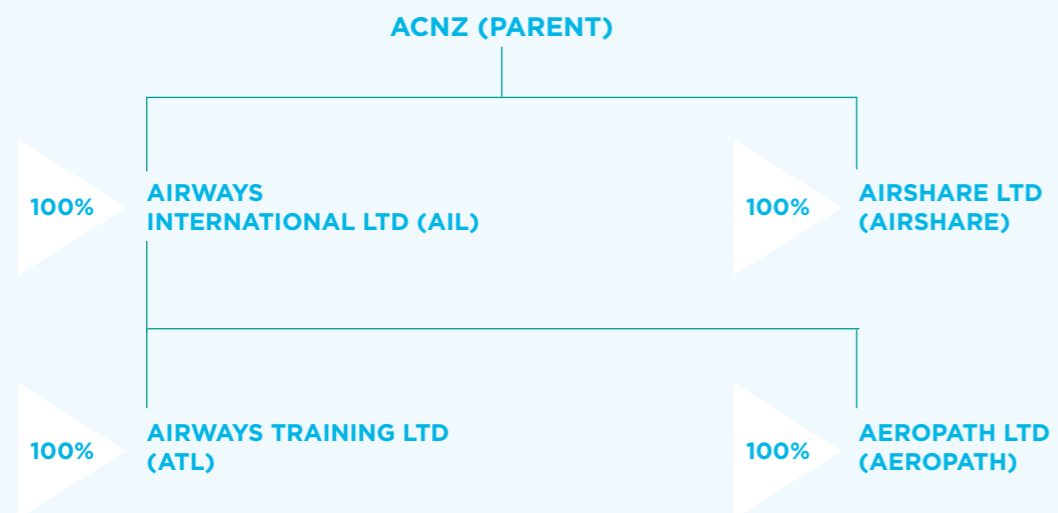
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## APPENDIX C: GROUP STRUCTURE

The legal entities that make up the Airways Group, and their respective principal activities, are set out below:

Legal entity	Principal activity
Airways Corporation of New Zealand Limited (ACNZ)	Provision of air traffic management services
Airways International Limited (AIL)	Revenue management, recruitment and training, and air navigation services and maintenance of systems
Airways Training Limited (ATL)	Not trading
Aeropath Limited (Aeropath)	Aeronautical information management, procedure design and development services
Airshare Limited	Unmanned aerial vehicle (UAV) and drone traffic management services



## DIRECTORY

### BANKERS

ANZ Bank New Zealand Limited  
Bank of New Zealand Limited

### AUDITORS

Mark Bramley, with the assistance of PricewaterhouseCoopers on behalf of the Auditor-General

### REGISTERED OFFICE

Level 2  
6 Leonard Isitt Drive  
Auckland Airport 2022  
New Zealand

[airways.co.nz](http://airways.co.nz)

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