STATEMENT OF CORPORATE INTENT FY2025/26 ▶ 2027/28

AIRWAYS

Contents

INTRODUCTION	1
OBJECTIVES	1
AIRWAYS OVERVIEW	2
Our purpose	2
Our vision	2
What we do	2
Our values	2
Our structure	3
OUR STRATEGY	4
How we create value	6
Strategic and economic context	8
Performance and financial measures	12
FINANCIAL FORECASTS BY UNIT ($NZM)	20
Dividends	22
Information to be provided to shareholding Ministers	23
Policy for share acquisitions	24
Compensation from the Crown	24
Commercial value of the Crown's investment in Airways	24
APPENDIX	
Appendix A: Financial performance metrics ($NZm)	26
Appendix B: Core (ACNZ) business economic value added (EVA) ($NZm)	27
Appendix C: Statement of accounting policies	28
Directory	32

These materials are the confidential information of Airways Corporation of New Zealand Limited. They may not be used, reproduced or disseminated in any form except as agreed in writing by Airways.

INTRODUCTION

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Airways Corporation of New Zealand Limited (ACNZ), in accordance with section 14 of the State-Owned Enterprises Act 1986 (the Act).

It sets out the Board's overall objectives, business goals and key measures and its subsidiary companies for the year commencing 1 July 2025 and the following two financial years, through to 30 June 2028.

It refers to the Airways Group, including ACNZ and our subsidiaries. The Airways Group is referred to as Airways throughout this SCI.

OBJECTIVES

Under the Act, Airways is required to operate as a successful business and specifically to achieve the following objectives:

- To be as profitable and efficient as comparable businesses that are not owned by the Crown.
- To be a good employer.
- Exhibits a sense of social 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.

Airways' objectives, nature and scope, purpose and core strategies are defined within this context.

Airways is committed to reporting against an integrated reporting framework. By doing so, we demonstrate how we create immediate and long-term value for our shareholder, customers, employees and the wider community.

Airways overview

OUR PURPOSE

Safe skies today and tomorrow

OUR VISION

Create the aviation environment of the future

WHAT WE DO

Airways provides New Zealand's air traffic management services. Our core role is to manage safe and efficient air transport through our Flight Information Regions and to invest in the infrastructure and people to support it.

We employ around 850 valued staff in highly skilled roles. Our people work across 19 towers, two operations centres, and corporate offices in Auckland, Wellington and Christchurch.

OUR VALUES

We are **safe**

Safety is at the forefront of everything we do. We are committed to the safety of our people, our operations and the communities we serve.

We are **one Airways**

We all have our own areas of expertise, and by working together and sharing knowledge, we achieve our aspiration.

We strive for **excellence**

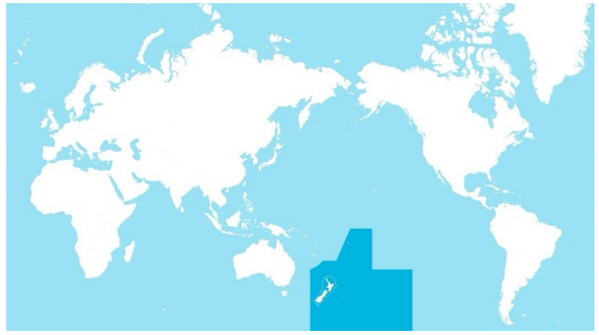
We deliver our best work each and every day and look for ways to continue to improve what we do.

We celebrate **success**

We recognise our people's achievements, big and small, and celebrate our successes.

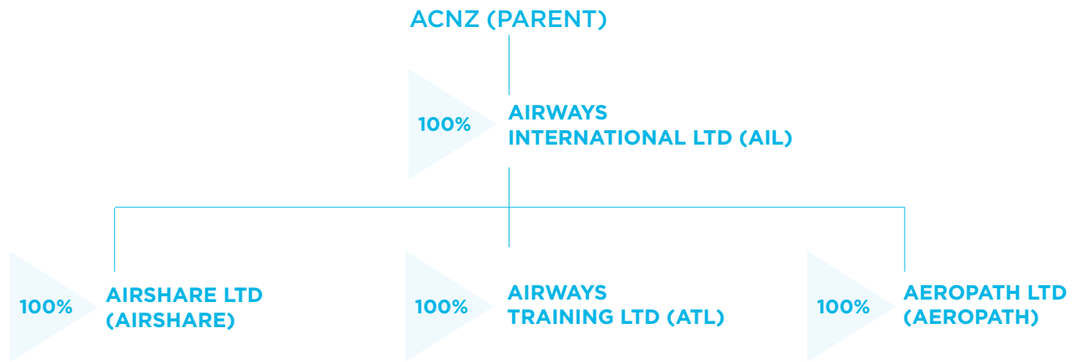
NEW ZEALAND'S DOMESTIC AND OCEANIC FLIGHT INFORMATION REGIONS

We control 30 million square kilometres of airspace over two flight regions: New Zealand Flight Information Region and Oceanic Flight Information Region, which is one of the world's largest airspace regions, extending over the South Pacific and Southern Oceans and the Tasman Sea from 5 degrees south of the equator to Antarctica.



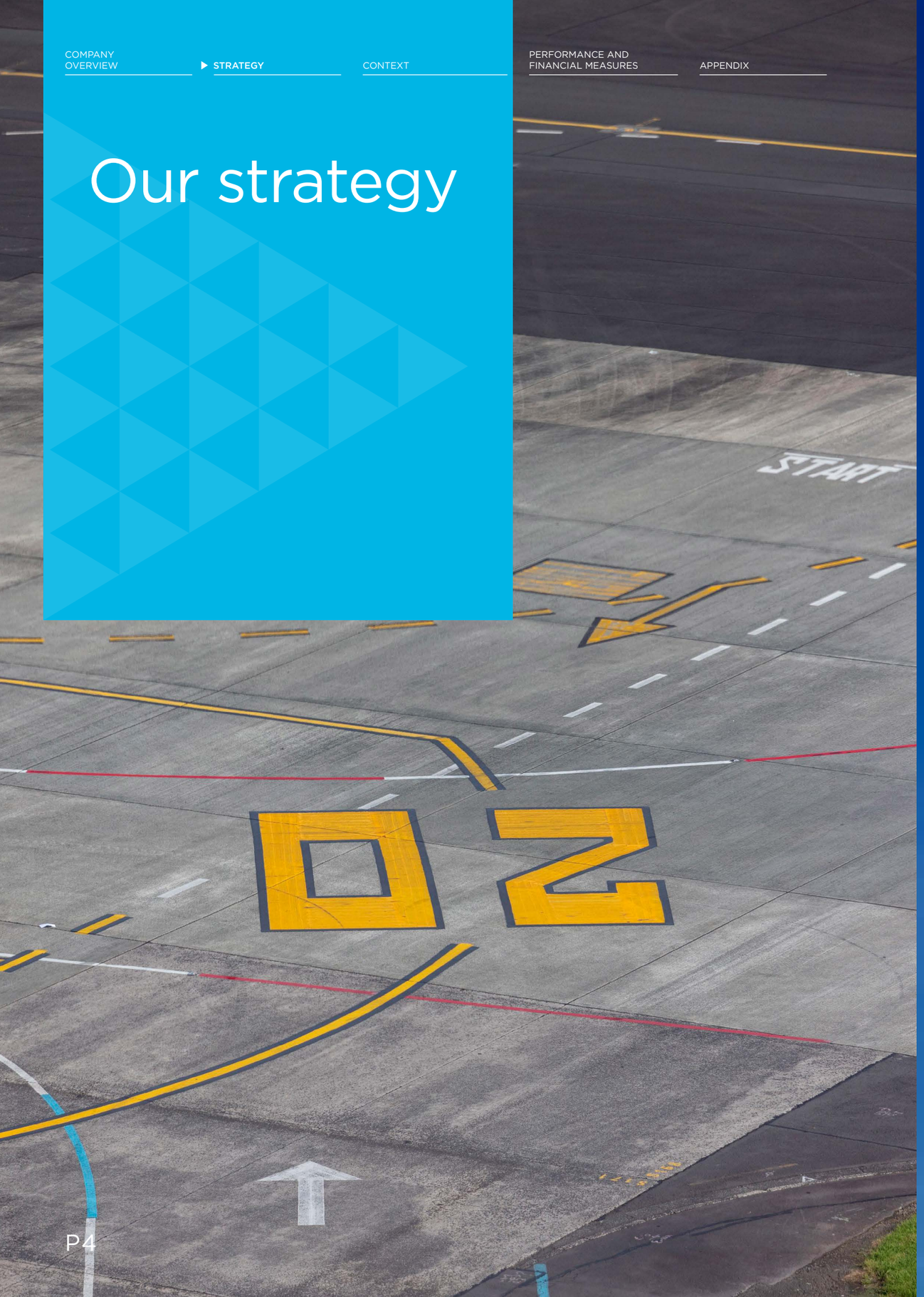
Our subsidiaries represent our commercial arm, providing training, digital products, aeronautical information management, procedure design and aviation consultancy services globally to air navigation service providers, airlines and airports in 65 countries.

OUR STRUCTURE



ENTITY	PRINCIPAL ACTIVITY
AIRWAYS CORPORATION OF NEW ZEALAND LIMITED (ACNZ	PROVISION OF AIR TRAFFIC MANAGEMENT SERVICES
AIRWAYS INTERNATIONAL LTD	REVENUE MANAGEMENT, RECRUITMENT AND TRAINING, AND AIR NAVIGATION SERVICES AND MAINTENANCE OF SYSTEMS
AIRWAYS TRAINING LTD	NOT TRADING
AEROPATH LTD	AERONAUTICAL INFORMATION MANAGEMENT, PROCEDURAL DESIGN AND DEVELOPMENT SERVICES
AIRSHARE LTD	DELIVERY OF UNMANNED AERIAL VEHICLE (UAV) AND DRONE TRAFFIC MANAGEMENT SERVICES

Our strategy



OUR PURPOSE

Safe skies today and tomorrow

OUR VISION IS TO

Create the aviation environment of the future

OUR FOUR STRATEGIC PILLARS

- Put our people first
- Serve all airspace users
- Support sustainable aviation
- Unlock future growth

STRATEGIC PRIORITIES 2025/26

Future Services

Ensuring we're ready to deliver safe, efficient and sustainable services that evolve with our customer's needs into the future.

- Remote Flight Information Service (R-AFIS) deployment into Milford
- Airspace architecture business case
- Procedure standardisation in operational units
- Flight Information Management System (FIMS) business case
- Drone Detection Capability

Organisational leadership and performance

Strengthening leadership and increasing investment in our people as we work to deliver our 10-year strategy.

- Leadership, performance, learning and development
- Refresh company strategy

Sustainability

Taking practical action to reduce our carbon footprint and drive sustainable progress.

- Sustainability framework
- Emissions Reduction Committee

Safety system enhancements

Prioritising health, safety, and well-being through continuous improvement of our safety culture and practices.

- Strengthen Health & Safety (H&S) practices
- Mature and align risk management
- Mature Airways' Group Safety Promotion Programme
- H&S Practices Compliance Mapping

Strengthen technology foundations

Developing reliable, future-ready technology that effectively supports our operations and innovation.

- Standardised software development framework
- Product consolidation
- Corporate applications strategy

Customer & Stakeholder engagement

Working closely with our customers and stakeholders to understand and best meet their needs.

- System leadership
- Review Service Framework
- Auckland Tower replacement
- Airport Service Agreements

UNDERPINNED BY OUR VALUES

▶ We are always **safe** ▶ We are one **Airways** ▶ We strive for **excellence** ▶ We celebrate **success**

How we create value

Our Resources

Financial
Our financial capability and flexibility

Our infrastructure
Networks and assets that support operations and services

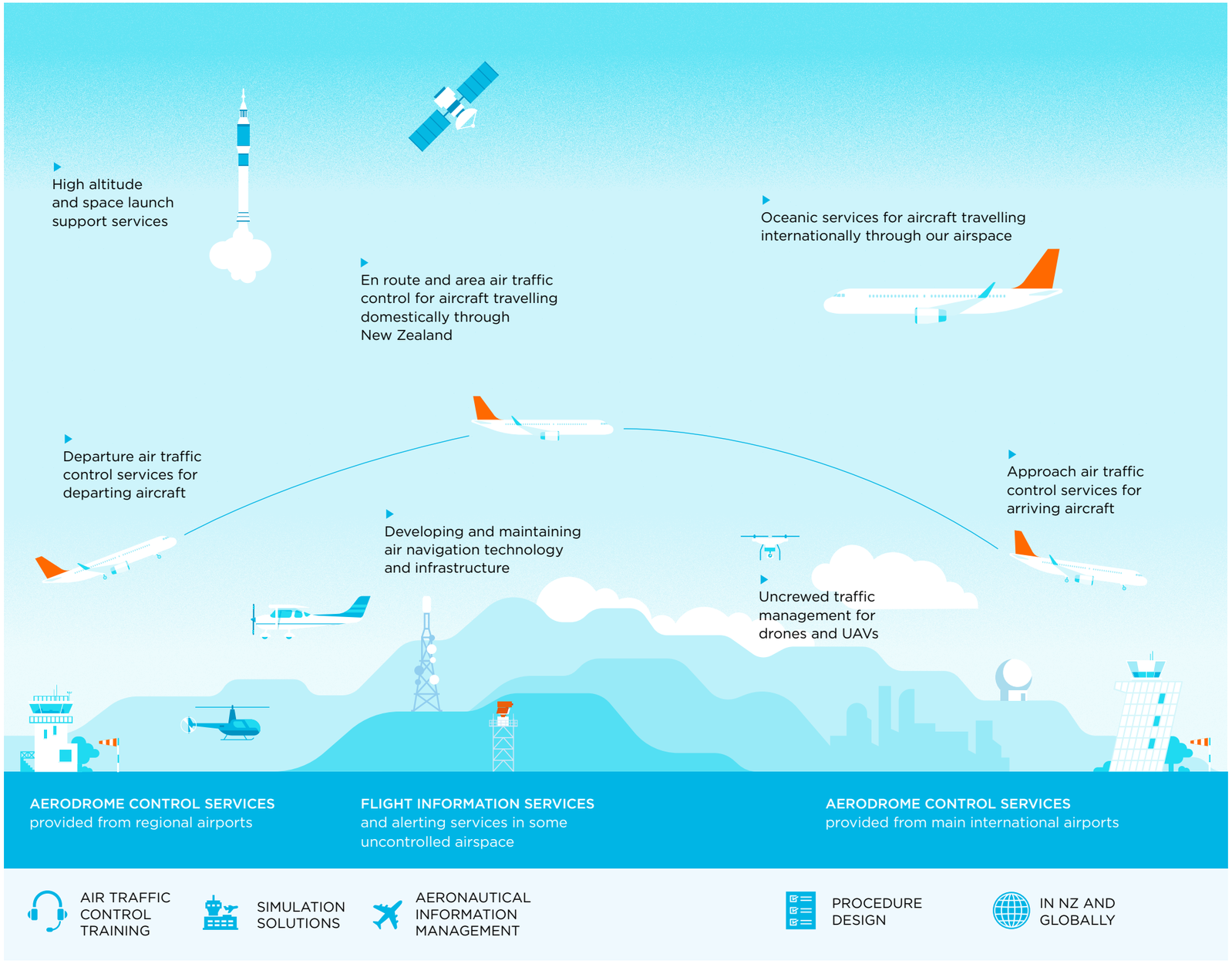
Our expertise
Progressive, innovative, customer-focused technologies and capabilities

Our people
The skills and knowledge of our people

Our relationships
With our customers, aviation industry, communities and government

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

How we create value



And achieve these outcomes

Better work and careers
We are committed to creating a diverse workplace where people feel valued and safe. By focusing on attracting, developing and retaining our people, we will become an employer of choice in the aviation industry.

Value for all airspace users
We are committed to delivering a safe, flexible and accessible customer experience at a fair price, for current and future users, through the use of technology and innovation.

Sustainable outcomes
We will continue to play our part in championing a sustainable approach to airspace management to ensure the industry achieves its long-term objectives.

Financial sustainability
We will ensure a sustainable return to government shareholder.

Strategic and economic context

As the aviation industry navigates a period of constrained growth and ongoing challenges, Airways remains focused on delivering safe, efficient and reliable air traffic management services while continuing to respond to the evolving needs of the sector.

Economic and operating context

The long-term outlook for New Zealand's air traffic remains positive, but the industry continues to face significant near-term challenges. While future growth in air traffic is expected, the current landscape is shaped by a tight fiscal environment and mechanical issues putting pressure on airline operations and constraining supply.

Domestic air traffic volumes are steady at approximately 90% of FY19 levels. With aircraft mechanical issues impacting fleet availability and therefore air traffic volumes, we anticipate growth in domestic air traffic in the later part of the FY26–28 period.

The international market is slowly building to near FY19 levels. Over the past five years, the industry has navigated substantial disruption. Some airlines have ceased operations to New Zealand, while others are cautiously expanding. This mixed trend reflects the ongoing evolution of international aviation as airlines adjust to evolving global conditions. Growth in the trans-Tasman, Pacific and North American markets is expected, driven by planned fleet capacity increases.

Shareholder context

Our focus is on ensuring Airways continues to remain fit for purpose and investments create future impact and deliver long-term value.

In the coming period, we will remain focused on meeting our shareholder's expectations of ensuring prudent cost management, efficient resource allocation and continuous improvement. Our commitment is to deliver a commercially appropriate return to the Crown that aligns with shareholder expectations. To achieve this, we have set ambitious targets and performance measures.

The five-year average Airways total shareholder return (TSR) and return on equity (ROE) was significantly impacted by the complete disruption of the industry during 2020–2022 due to COVID travel restrictions, which resulted in a structural dislocation of the aviation industry. To support the recovery of the industry and ensure Airways recovered in step, and with the support of the Government at that time, we did not seek full recovery of revenue across the FY23–25 period, limiting our price increases to buffer the effects of inflation and rising funding costs.

This action during the FY23–25 price path suppressed our TSR and ROE during these years. In FY24, our TSR lifted to 4.8% and ROE to 7.3%. We expect TSR and ROE to continue to improve as we complete consultation on our upcoming FY26–28 price period and reset our revenue and profit outlook. In line with shareholder expectations, we will also continue to grow international revenues through activities that Airways and our subsidiaries are looking to conduct overseas.

Strategic context

We are entering the second phase of our Safe Skies Today and Tomorrow strategy, a 10-year roadmap designed to shape the airspace environment of the future.

During the FY26–28 period, we will move into the build phase of the strategy, where we will leverage the strong foundation laid over the past three years. Our focus will shift to investing in the infrastructure, technology and workforce needed to support the evolving needs of our industry.

An enduring commitment to safety

Maintaining safety is core to our air navigation services role. Airways' absolute priority is to deliver safe, efficient and reliable air traffic management services in New Zealand's airspace, ensuring all aircraft and passengers reach their destinations safely.

Safety system enhancements is one of our strategic priorities and reflects our commitment to ensuring we maintain and continue to invest in infrastructure and services that support the safe, resilient and efficient operation of New Zealand's airspace.

Our Board and Management continue their commitment to health, safety and wellbeing, and it will continue being essential to our success. Our focus will be on minimising risk exposure, guided by the Board's risk appetite, through targeted risk-reduction initiatives.

This includes continuing to develop the three lines of defence and strengthening our safety promotion to ensure there is a clear and consistent understanding of safety at Airways. We will foster a strong and positive safety culture by utilising data-driven intelligence and our integrated safety management system. We are also committed to building on our safety culture through collaboration and communication across Airways, ensuring safety remains a shared responsibility and embedded in everything we do.

By taking a comprehensive approach, we will continue to provide a safe operating environment that supports the wellbeing of our people and the safe delivery of our services.

Putting our people first

Putting our people first means creating a diverse and inclusive workplace where people feel valued, rewarded and, most importantly, safe. Central to this is our ability to attract, retain and develop the right people to ensure we meet our strategic goals.

Over the past phase of our strategy, we have built a strong foundation for our people-first aspirations by fostering a culture of connection and valuing our people and diversity. We have strengthened our employee value proposition to attract and retain top talent, increased our workforce planning maturity and implemented key safety culture initiatives.

Additionally, we have recently introduced new leadership and performance frameworks and refreshed our remuneration framework to support a high-performing and future-ready workforce. Our focus from FY26 will shift to operationalising these frameworks.

As part of our broader efforts to strengthen equity and inclusion, we are committed to improving gender pay equity and will continue working towards closing the gap. As of 31 December 2024, Airways had a gender pay gap of 16%, higher than the overall New Zealand gender pay gap of 8.2%. The primary driver of this gap is the uneven distribution of men and women across roles at Airways, with men overrepresented in higher-paying roles and women in lower-paying roles.

To work to close this gap, we will be measuring and reporting on it annually and embedding gender equity considerations into our leadership development, recruitment and succession planning practices. We recognise that meaningful change will take time, and we are committed to making consistent and long-term progress.

Serving all airspace users

Through our 'serve all airspace users' strategic pillar, we are committed to delivering a safe, flexible and customer-centric experience at a fair price. By leveraging technology and innovation, we will meet the needs of current airspace users while preparing for future demands.

There is a need to enhance system resilience and modernise the way air navigation services are delivered in New Zealand. The FY26-28 period will see strategic projects aimed at modernising air traffic control infrastructure, redesigning the airspace, upgrading surveillance systems and optimising service delivery models. In July, we completed our three-yearly pricing consultation with our airline and airport customers, helping to shape these objectives.

In July 2025, Airways concluded its pricing consultation for the FY26–28 period, following consultation with customers and stakeholders that began in March. The consultation resulted in a 17.7% pricing increase for the period, with an average annual increase of 5.9%.

We appreciate the feedback provided by our customers and stakeholders as part of the consultation process.

In setting prices, we have worked to balance cost management in the current industry context with our obligations to provide a safe, efficient and reliable service now and into the future.

Airways is required to deliver our services and pricing within the parameters of our Service Framework and Pricing Framework. We will engage with stakeholders on our Service and Pricing Frameworks ahead of the FY28 pricing period.

This will ensure the service offering and pricing is fit for purpose and continues to meet the current and future needs of all stakeholders.

Customer focus

A key focus of Airways' strategy is to ensure strong relationships with our customers and stakeholders, taking a customer-centric approach in everything we do.

In December, we undertook our voice of the customer survey to gather insights that will help us refine and strengthen our customer and stakeholder relationships.

The results of this show our customers see Airways as a trusted and reliable partner. We received strong feedback around our coordination across the aviation sector, with four out of five respondents recognising our contribution to maintaining safe air travel. Our approach to engagement and consultation was also rated positively.

While core safety performance remains a strength, some customers noted room to improve the delivery and responsiveness of certain services.

The results of the survey are informing the development of our refreshed customer framework to be rolled out in FY26. This will guide how we work with our customers to deliver long-term value and ensure our services align with their evolving needs and the broader industry landscape.

Collaborating for a safer and more efficient airspace

The aviation industry is an integrated system, and its evolution relies on all industry players working together. Airways will continue to work collaboratively with the Civil Aviation Authority (CAA) to identify areas for improvement and evolution of a most efficient system. We are currently in discussion with the CAA on a range of subjects that require changes to regulations and/or rule parts to enable these system and financial efficiencies.

Remote Aerodrome Flight Information Service

A project is under way to develop a remote aerodrome flight information service for Milford Aerodrome.

The remote and isolated nature of the aerodrome presents significant challenges staffing a flight information service on site. Extensive efforts have been made to ensure continuity of service at Milford for a number of years, and a flight information service provided remotely will alleviate a number of these ongoing obstacles.

Flight information services (FIS) are provided at airports that do not require a full air traffic control service. Rather than being actively directed by air traffic controllers, FIS provides information to pilots to enable them to safely operate in and around an aerodrome, including weather, traffic and hazard updates.

After undertaking due diligence, in order to better align with regulations, we are now proceeding with a Remote Aerodrome Flight Information Service (R-AFIS), which aims to ensure the continuity of safe service at Milford Aerodrome while addressing staffing challenges in this remote location. Our people currently face extensive travel in difficult conditions to reach Milford Tower and spend over half the year living in isolated conditions.

Implementing a R-AFIS, a globally established safe service model, would enable FIS to be provided from a remote location – initially Queenstown.

Alongside providing greater assurance around the continuity of service for Milford, a R-AFIS provides enhancements that will support greater safety. New surveillance tools not currently used as part of the Milford FIS, including automatic dependent surveillance – broadcast (ADS-B), may be introduced to enhance the safety and efficiency of the service provided.

The project will continue with the target of implementing a R-AFIS at Milford by late 2026, following the development of a safety case, concept of operations, prototype trials and CAA approval.

Optimising airspace architecture

Airways is undertaking a long-term, system-wide review of New Zealand's domestic surveillance airspace to ensure our airspace architecture keeps pace with changing industry needs. This modernisation initiative aims to enhance operational efficiency, safety, service delivery and environmental sustainability.

By redesigning airspace with a whole-of-system approach, we are shifting away from legacy structures shaped by incremental change. Instead, we are moving towards an optimised and standardised design that supports more flexible and resilient operations. The expected benefits include reduced delays, more efficient and direct flight paths and increased capacity for all airspace users – from commercial airlines to emerging aviation technologies.

The programme will be delivered over a six-year timeframe. It includes a full review of all sectors, standardisation of procedures and integration of benefits from a modern country-wide surveillance technologies.

In 2025 and 2026, the programme will focus on validating proposed concepts and engaging with stakeholders to ensure the future design meets the needs of users. Looking ahead, this work is expected to provide the platform for the introduction of trajectory-based operations and more dynamic airspace management.

Standardising procedures

While we have standard procedures across our air traffic services, there is always some variation in how these are applied. Historically, decisions have been made in response to a specific site issue without necessarily considering the system as a whole.

Over time, we have seen a subtle drift in the way procedures are operationalised at our sites. Our sites may also have different equipment models and varied training approaches. All of this combined has led to different sites having a different solution to the same issue. While there is no risk to our operational safety in this divergence from the standard, it does result in increased training time for people moving between sites as well as some inconsistency of service delivery for customers.

The standardisation project will see a project team working across the system to standardise the way we apply procedures, deliver training and deploy, implement and utilise operational equipment. This project will set a strong foundation for any future changes to training, procedures and equipment deployment.

Safely integrating UAVs

As UAVs increasingly populate our skies, a comprehensive approach to their integration into controlled airspace is essential. While current air traffic management services are effective for existing UAV levels, updates to airspace structure, separation standards and procedures are needed to ensure safe integration.

Since 2018, Airways has collaborated with the CAA, Ministry of Transport and Ministry of Business, Innovation and Employment on UAV safety. However, current management practices limit the ability to safely oversee drones in controlled airspace, hindering industry growth. As UAV use expands, so does the risk of aircraft collisions, posing significant public safety concerns.

Airways' recommendation is for:

- a clear safety mandate defining accountability in UAV management and detection
- mandatory registration for UAVs over 250g
- location transmission requirements (conspicuity) with legal use by Airways.

A collaborative approach is essential, with airspace safety responsibilities shared among the CAA, airlines, airports and Airways. We look forward to working together to enhance UAV management and ensure safe integration into controlled airspace.

Through the year we will work with the Ministry of Transport and the Civil Aviation Authority to enable the environment for drone detection capability in controlled airspace.

Airways is conducting a long-term review of our domestic surveillance airspace. This initiative aims to modernise New Zealand's airspace design to enhance operational efficiency, safety, service delivery and sustainability.

Supporting sustainable aviation

The aviation industry is rapidly moving to adopt more-sustainable options, with a strong focus on reducing carbon emissions. The International Civil Aviation Organization has adopted a collective long-term global aspirational goal of net-zero emissions by 2050.

Supporting sustainable aviation is firmly integrated into Airways' strategy, and we will continue to play our part, including championing a sustainable approach to airspace management to ensure the industry achieves its long-term objectives.

We have developed a sustainability roadmap to guide sustainable practices within Airways and support the wider industry's transition to a lower-emissions future. Following our first externally audited carbon footprint, we have established emissions reduction targets of 5.9% annually for scope 1 and 2 emissions and 4.2% annually for scope 3 emissions.

Through FY26, we will work to develop a clear plan for achieving these targets, focusing on reducing emissions from our own operations – such as energy use in our own facilities and staff travel – while also assessing climate-related risks as part of our broader strategy. In FY26, we will be introducing carbon budgets for individual business units to support emissions reduction efforts.

At the same time, we will continue to work with industry partners to support more-sustainable practices across the sector.

Unlocking future growth

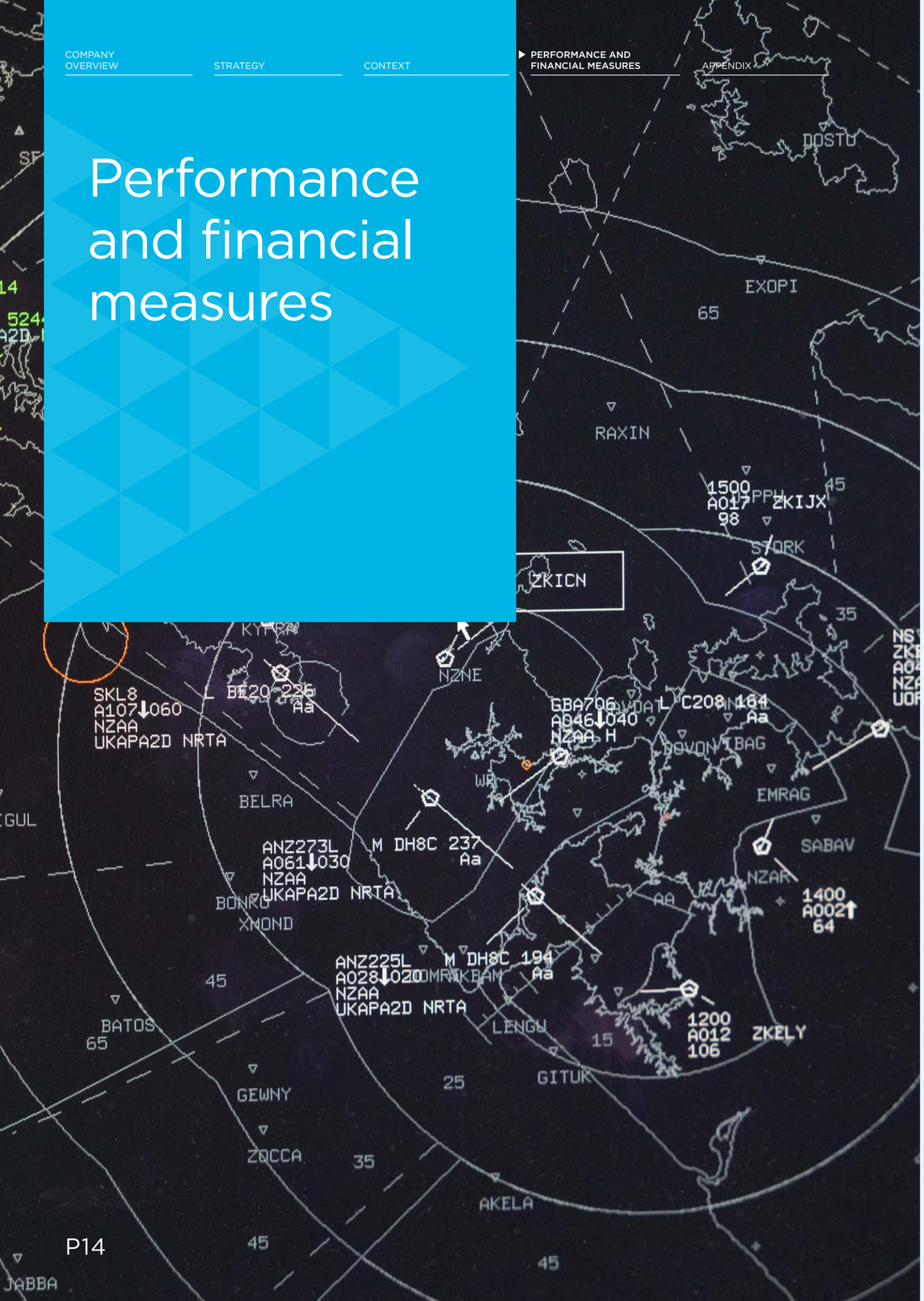
In the year ahead we will work to further refine our ten-year safe skies today and tomorrow strategy. Introduced in 2022, the strategy outlines three phases: connect, build and adapt. With the connect phase largely complete, efforts are now focused on the build phase, shaping the capabilities and foundations that will enable the next stage of growth.

Work is already underway across several areas and will continue through FY26, refreshing key elements and identifying the shifts required to achieve long-term outcomes. While the strategy spans the whole of Airways, the commercial business will be a critical focus within this work.

Alongside core air traffic management functions, our Airways International business leverages our expertise in delivering safe air traffic services to develop innovative technology products and training solutions for the global market. These two arms of the company reinforce and strengthen one another, enabling the commercialisation of relevant products and services, and generating income that can be reinvested back into Airways.

Through FY26 we will continue to grow a sustainable global commercial business, supported by key strategic partnerships, a strong customer base with multi-year contracts, and recurring revenue streams both in New Zealand and internationally.

Performance and financial measures



This section outlines Airways' aspirations and targets for the three years to 2028.

These key performance indicators (KPIs) are aligned with Airways' strategic pillars and sustainability roadmap, ensuring a clear connection to long-term value creation. Each KPI also reflects relevant sustainability material issues, highlighting Airways' commitment to responsible and sustainable business.

Putting our people first

Aspiration

- Our people are happy to go to work and return home safe and well.
- We continue to build a more diverse and flexible workforce for the future.
- Our people feel safe to be their whole self at work and do their best work.
- We provide our people with a rewarding and satisfying career path.

FY26–28 focus

- Continue to strengthen people culture and engagement across the business.
- Continuously build on our safety culture through collaboration and communication across Airways.
- Continue our focus on delivering a diverse and inclusive workplace and culture where all employees feel they belong.
- Embed our refreshed leadership development approach to build resilient and effective leaders for the future.
- Strengthen performance culture by embedding new performance and remuneration frameworks that support development and growth.
- Enhance learning and career progression opportunities.
- Attract, develop and retain talent to meet our future workforce requirements.
- Work with our people's representative unions on areas of mutual interest.

Key measures	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Employee experience (measured biennially)	70%		72%	
Voluntary attrition	≤7%	≤7%	≤7%	≤7%
WorkSafe notifiable incidents (significant or above)	0	0	0	0
Women in the workforce	28.10%	≥30%	≥31%	≥32%
Women in senior leadership	39%	≥43%	≥44%	≥45%
Gender pay gap	17.2%	16%	14%	12%

The following sustainability material issues are addressed by these KPIs:

- Health safety and wellbeing
- Employee attraction and retention
- Diversity equity and inclusion

Serve all airspace users

Aspiration

- Deliver safe, flexible and customer-centric services at a fair price for all airspace users, including new entrants.
- Use technology and innovation to enhance the safety and efficiency of current and future services we deliver for all airspace users.
- Deliver a strategic investment programme that underpins safety, efficiency and reliability and enables new business opportunity for our aviation customers.
- Transition to a digital future in step with asset lifecycle and industry priorities.
- Positively influence the global aviation industry through collaboration and leadership.

FY26–28 focus

- Standardise procedures nationally, giving better productivity and efficiency for all airspace users, through the Airspace architecture programme.
- Develop a Flight Information Management System (FIMS).
- Deliver improved international services for an efficient gate-to-gate experience for our customers around the Pacific through participation in global and regional initiatives such as SWIM (System-Wide Information Management).
- Actively support airport companies, airlines and new business opportunities to develop their commercial aspirations through our focus on customer relations coupled with our core service delivery.
- Deliver our first R-AFIS for Milford, serving as a demonstration of how digital services can provide safe and efficient results for our customers regardless of where they are.

Key measures	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Flights handled	495,372	504,845	510,391	518,703
Average delay per arrival	<20 seconds	<20 seconds	<20 seconds	<20 seconds
Serious air proximity events (attributable to Airways – Cat A)	1	Nil	Nil	Nil
UAV incursions (attributable to Airways, high or above assessed risks)	Nil	Nil	Nil	Nil
Customer experience	66%	≥68%	≥70%	≥72%
Air traffic services availability				
Main trunk	100%	99.98%	99.98%	99.98%
Regional	99.94%	99.99%	99.99%	99.99%
En route domestic	100%	99.93%	99.93%	99.93%
Oceanic	100%	99.93%	99.93%	99.93%
Flight information stations	99.39%	99.7%	99.7%	99.7%
Technology services availability				
Core system availability	99.92%	99.99%	99.99%	99.99%
Air traffic management service				
Main trunk aerodromes	99.90%	99.98%	99.98%	99.98%
Regional B and C aerodromes	99.84%	99.90%	99.90%	99.90%
Regional D aerodromes	99.99%	99.70%	99.70%	99.70%
Visual nav aids				
Main trunk aerodromes	99.97%	99.95%	99.95%	99.95%
Regional B, C and D aerodromes	99.96%	99.90%	99.90%	99.90%
Approach services				
Main trunk A+ aerodromes	99.99%	99.98%	99.98%	99.98%
Main trunk aerodromes	99.99%	99.93%	99.93%	99.93%
Regional B, C and D aerodromes	99.98%	99.70%	99.70%	99.70%
En route domestic	100%	99.93%	99.93%	99.93%
En route oceanic	99.90%	99.93%	99.93%	99.93%
Flight information	99.97%	99.93%	99.93%	99.93%
Alerting	99.99%	99.93%	99.93%	99.93%

The following sustainability material issues are addressed by these KPIs:
- Trusted provider of safe air navigation services
- Economic and social contribution

Support sustainable aviation

Aspiration

- Deliver actions that reduce Airways' greenhouse gas (GHG) emissions to achieve our emissions reduction targets.
- Support the aviation industry to achieve New Zealand's climate goals.
- Foster and lead partnerships to identify and realise opportunities to support the circular economy.

FY26–28 focus

- Develop a sustainability strategy with clearly defined objectives, initiatives and tracking
- During FY26, create carbon budgets for each cost centre within Airways
- Actively participate in government and industry-led initiatives to reduce GHG emissions and improve sustainability performance.
- Initiate participation in the CANSO GreenATM accreditation programme.
- Leverage technology to develop enduring initiatives to reduce Airways' carbon footprint.
- Improve circular economy within Airways by procuring products that can be reused or recycled and reducing waste to landfill.
- Transition to electric and hybrid vehicles where possible
- Roll out sustainability training.

Key measures	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Transition vehicle fleet to EV/hybrid	33%	≥42%	≥50%	≥60%
Operational waste to landfill (tonnage)	44	≤43	≤42	≤41
Non-operational waste diversion (bins/skips provided for projects)	New measure	≥50%	≥60%	≥70%
Emission reduction				
Scope 1 and 2 emissions	New measure	≥5.9%	≥5.9%	≥5.9%
Scope 3 emissions	New measure	≥4.2%	≥4.2%	≥4.2%

The following sustainability material issues are addressed by these KPIs:
- Sustainable financial performance
- Carbon footprint reduction (footprint)
- Climate-related business risk
- Governance (ESG)

Unlock future growth

Aspiration

- Build a sustainable global business by establishing strategic partnerships that complement our service offerings, enhance productivity and provide access to new markets.
- Become a leading provider of digital solutions and thought leadership within the aviation industry.
- Deliver risk-adjusted returns through disciplined investment, value creation and resilient network operations that support our long-term strategic goals.
- Secure stable planning and funding arrangements to support the transition to a digital future and ensure sustained business growth.

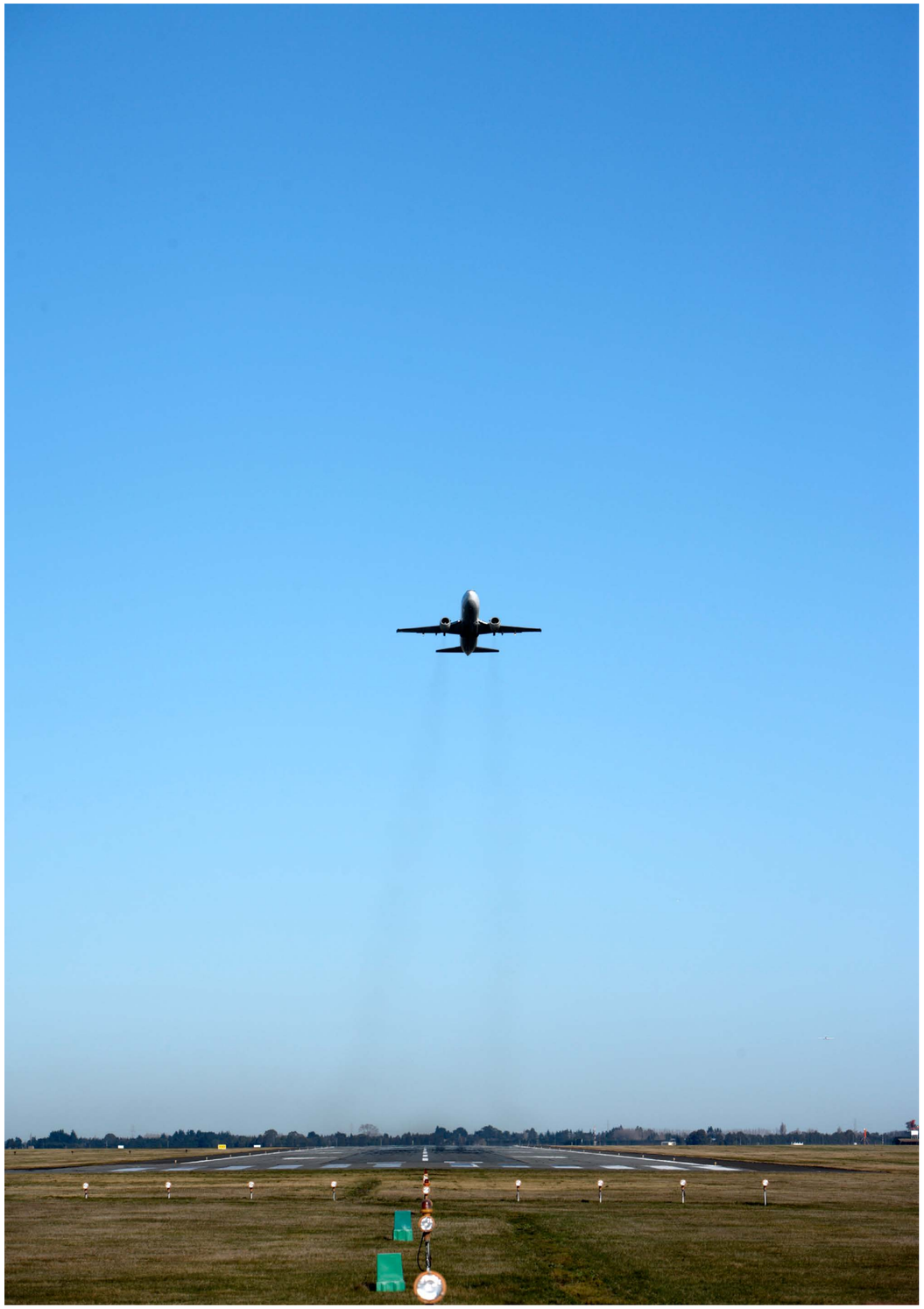
FY26–28 focus

- Launch trial of regional training simulation hubs.
- Invest in AI technologies to enhance training outcomes and support adaptive learning.
- Develop new products focused on trainee tracking, assessment and performance analytics.
- Conduct a review and refresh of the commercial strategy to align with growth opportunities.
- Expand current commercial relationships and re-establish historical and recurring agreements.
- Continue to grow market presence through online outreach, participation in key events, thought leadership and direct customer engagement.

Key measures*	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Revenue ($m)	270.5	298.9	330.0	351.1
Profit before tax ($m)	16.9	33.8	46.5	50.0
Capital expenditure ($m)	61.1	69.7	91.2	74.7
Gearing	37.6%	38.4%	40.1%	39.4%
Dividends ($m)	10	11	12	15
Total shareholder return	6.8%	0.2%	3.0%	4.6%
Dividend yield	3.2%	3.4%	3.7%	4.6%
Return on capital employed	8.5%	14.5%	16.4%	15.4%

* For a complete listing of our financial measures, please refer to Appendix A.

The following sustainability material issues are addressed by these KPIs:
- Sustainable financial performance
- Innovation



Airways Group financial forecasts ($NZm)

The financial performance of the Airways Group in FY25 reflects the final year of the FY23–FY25 pricing period.

Airways is forecasting a net profit before tax of $16.9 million and net income after tax of $12.0 million. This is a positive result in a challenging operating environment, driven by strong cost discipline and sustained growth in commercial revenue. Capital investment for FY25 is forecast at $61.0 million supporting critical infrastructure, systems modernisation, and long-term service delivery improvements.

From FY26 onwards, financial forecasts reflect the new prices to be introduced on 1 September 2025, which were set as part of Airways' three-year pricing cycle for the FY26–FY28 period, following consultation with customers earlier in the year. Airways recognises that, while global aviation activity has largely recovered, the New Zealand sector continues to face structural headwinds. Domestic traffic volumes remain around 90% of pre-pandemic levels, and international activity is still rebuilding. In setting prices for FY26–FY28, Airways has sought to balance cost recovery and efficiency with the need to maintain safe, reliable, and resilient services for customers.

Revenue is expected to increase steadily from $298.9 million in FY26 to $351.1 million by FY28, with growth driven by air traffic management revenue in line with expected volume recovery and new pricing. Expenses are also forecast to rise, driven by continued investment in capability and infrastructure to meet future service demands.

Group net income after tax is forecast to rise from $24.2 million in FY26 to $36.0 million by FY28. This supports a progressive increase in forecast dividends, from $11.0 million in FY26 to $15.0 million in FY28, reflecting the Crown's expectation that Airways deliver ongoing returns where commercial conditions allow.

Airways' commercial strategy has recently been refreshed to align with Airways' long-term growth objectives and to ensure sustained contribution to Group performance. Airways' commercial business is forecast to strengthen over the plan period, with revenue increasing from $38.6 million in FY26 to $47.7 million in FY28. Growth is expected across all business lines and profit after tax is forecast to rise from $7.5 million in FY26 to $10.7 million by FY28.

Airways Group in FY25 continued

Airways Group Financial forecasts ($NZm)

	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Revenue				
Air traffic management revenue	251.7	275.5	304.1	322.1
Other revenue	18.8	23.5	25.9	29.0
Total revenue	**270.5**	**298.9**	**330.0**	**351.1**
Expenses				
Employee remuneration	166.2	170.6	179.4	186.6
Employee-related costs	4.0	3.9	4.3	4.4
Depreciation and amortisation	35.0	36.1	42.0	48.4
Other operating costs	39.8	45.8	49.3	52.8
Rental expense	5.4	5.2	5.4	5.7
Net finance expense	3.1	3.6	3.2	3.2
Total expenses	**253.5**	**265.1**	**283.5**	**301.1**
Net profit before tax	16.9	33.8	46.5	50.0
Taxation expense	4.9	9.5	13.0	14.0
Net income after tax	**12.0**	**24.2**	**33.4**	**36.0**
Key financial metrics				
Dividend (proposed)	10	11	12	15
Group return on equity (%)	6.3%	11.7%	14.5%	14.2%
Capital investment	61.1	69.7	91.2	74.7
Gearing (%) excluding leases	18.3%	20.1%	26.0%	26.4%
Gearing (%) including leases	37.6%	38.4%	40.1%	39.4%

Accounting policies

Airways prepares financial statements in accordance with generally accepted accounting practice in New Zealand, with a complete statement of accounting policies included in Appendix C and within the 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.

Dividends

Airways' dividend policy is to distribute between 50% and 100% of base free cash flow (BFCF), having regard to the company's long-term financial sustainability and the requirements of its capital programme. Dividend decisions are subject to maintaining prudent gearing levels, with a target of remaining below 50% over a rolling five-year period. Actual dividend payments will also be subject to compliance with the solvency test and all banking covenant obligations in place at the time.

For the FY26–FY28 period, Airways is forecasting the following dividend payments for planning purposes:

	Proposed Dividend	Payout Ratio (% of BFCF)
FY26	$11m	86%
FY27	$12m	98%
FY28	$15m	94%

These forecast dividends reflect a considered approach that balances the goal of delivering stable and sustainable returns to the Shareholder with the need to fund investment, preserve financial resilience, and maintain an efficient capital structure.

The proposed dividend levels are consistent with Airways' dividend policy and have been tested against all relevant thresholds, including forecast gearing, liquidity, and lender covenant compliance.

This dividend profile remains indicative and will be reassessed annually based on actual financial performance, liquidity needs, capital expenditure requirements, and overall economic conditions.

Information to be provided to shareholding Ministers

In compliance with the Act and in accordance with the requirements of the shareholding Ministers, the following information will be presented to the shareholder.

Annual report

Within three months after the end of each financial year, an annual report will be presented, 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 of Airways during that financial year
  - 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 will be presented, including:

- an abridged, unaudited statement of Airways' financial performance and position
- a qualitative report from the Directors of ACNZ 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 information and commentary will be presented and should summarise performance against plan, highlight major achievements for the quarter, identify the cause of any major variances, provide an outlook of performance to the end of the year and signal any developing issues and emerging risks and opportunities.

No-surprises policy and information requests from shareholding Ministers

The shareholding Ministers will be informed 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 Act, the ACNZ Board will also provide other information relating to the affairs of ACNZ or its subsidiaries 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 Airways' 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 estimate of the current commercial value of the Crown's investment in the Airways Group at 30 June 2025 is $323.3 million, up $18.2 million from the 30 June 2024 value of $305.1 million.

The valuation was prepared by management and reviewed by Bancorp Corporate Finance Limited, who conducted a limited-scope review of selected valuation inputs and methodology.

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) methodology as the primary valuation approach. This is supported by reference to comparable company multiples and the book value of net operating assets. The WACC applied decreased from 8.91% in FY24 to 7.90% in FY25, reflecting revised cost of capital inputs and assumptions.
- The commercial business (and its subsidiaries) has been separately valued using a DCF methodology. The discount rate decreased from 11.04% to 9.62%, following an updated peer review and refinement of risk and capital structure assumptions.
- A terminal growth rate of 0 percent per annum was applied to all business units.
- The valuation was based on a ten-year forecast period and reflects the current strategic direction of the Group.

The key reasons for the change in commercial value are:

- Core business valuation decreased by $4.8 million, primarily due to reduced forecast free cash flows resulting from higher forecast operating costs. This was partially offset by a lower discount rate.
- Commercial business valuation increased by $23.0 million, reflecting improved long-term earnings expectations and a lower discount rate informed by updated peer benchmarking and market inputs.

Appendix

Appendix A: Financial performance metrics ($NZm)

This appendix provides additional financial measures to support the Group-level financial forecasts. These metrics offer insight into Airways' profitability, shareholder return, capital efficiency, leverage and investment profile across the forecast period.

Year ended 30 June	Actual FY24	Forecast FY25	Plan FY26	Plan FY27	Plan FY28
Profitability and efficiency					
EBIT	29.0	19.9	37.4	49.6	53.2
EBITDA	61.0	53.8	73.5	91.6	101.6
Operating margin	22.1%	19.9%	24.6%	27.8%	28.9%
NOPAT	14.5	12.0	24.2	33.4	36.0
Net profit margin	5.2%	4.4%	8.1%	10.1%	10.2%
Return on invested capital	11.7%	8.5%	14.5%	16.4%	15.4%
Shareholder return					
Return on equity	7.2%	6.3%	11.7%	14.5%	14.2%
Total shareholder return[1]	4.8%	6.8%	0.2%	3.0%	4.6%
Dividend yield	6.3%	3.2%	3.4%	3.7%	4.6%
Dividend payout	55.6%	59.4%	39.4%	35.3%	40.7%
Leverage/solvency					
Gearing ratio (net) – excluding leases	14.4%	18.3%	20.1%	26.0%	26.4%
Gearing ratio (net) – including leases	36.2%	37.6%	38.4%	40.1%	39.4%
Interest cover (before capitalised interest)	9.9	9.5	10.9	12.9	13.5
Solvency (current ratio)	0.8	0.7	0.8	0.8	0.8
Growth/investment					
Revenue growth	23.2%	(1.9%)	10.5%	10.4%	6.4%
NPAT growth	166.6%	(16.9%)	101.6%	38.0%	7.6%
Capital employed growth	(16.0%)	6.4%	14.3%	19.6%	9.7%
Capital renewal	1.9	2.2	2.3	2.5	1.8

1 Company valuations are not forecast from 2026–28. Definitions for the financial performance measures above are at the following link: Owner's Expectations: Expectations for Crown companies and entities monitored by the Treasury - July 2020

Appendix B: Core (ACNZ) 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.

In FY26 we have targeted an EVA of -$3.4m to accommodate a 2-month deference in Pricing.

Key parameters and inputs into the EVA framework have been presented to our customers through the consultation process for the FY26-28 pricing round.

EVA	Plan FY26	Plan FY27	Plan FY28
Total capital employed			
Debt employed	136.5	163.7	174.2
Equity employed	252.0	279.3	305.7
	388.5	**443.0**	**480.0**
Charge on operating capital	23.6	28.0	30.1
Economic value added	**(3.4)**	**0**	**0**

Cost of capital – key parameters	Plan FY26	Plan FY27	Plan FY28
Risk free rate – 3-year Government Stock	3.72%	3.72%	3.72%
Market risk premium	7.00%	7.00%	7.00%
Business risk factor (asset beta)	0.60	0.60	0.60
WACC range percentile	65th	65th	65th
Cost of capital	**7.9%**	**7.9%**	**7.9%**
Return on capital (RoC)	7.9%	7.9%	7.9%

Appendix C: Statement of accounting Policies

This appendix includes the key accounting policies adopted in the preparation of Airways' financial statements, which are also followed in the SCI. For ease of reference, the accounting policies that are included in the financial statements are provided here in full. For further context and detailed explanations, readers are encouraged to refer to the full financial statements, which are available on Airways' website.

Basis of preparation

The financial statements are for the Airways Group, consisting of ACNZ and its subsidiaries. They have been prepared in accordance with the following:

- Generally accepted accounting practice in New Zealand. As a result, they comply with NZ IFRS and other applicable New Zealand accounting standards and authoritative notices, as appropriate for for-profit Tier 1 entities. They also comply with International Financial Reporting Standards.
- The requirements of the Financial Reporting Act 2013, Companies Act 1993 and State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis as modified by the revaluation of derivative financial instruments and are presented in New Zealand dollars, which is Airways' presentation currency and the functional currency of all entities within Airways. All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

All components in the primary statements have been stated net of GST, with the exception of receivables and payables, which include any GST invoiced.

Key accounting policies

Key accounting policies adopted in the preparation of these consolidated financial statements can be found in the specific note to which the policy applies. These policies have been consistently applied to all the years presented.

Profit or loss and other comprehensive income information

This note provides further information about items in the statement of profit or loss and other comprehensive income, which are either individually significant or involve estimates or judgements in determining their value.

Revenue from contracts with customers

Airways recognises revenue in accordance with NZ IFRS 15 Revenue from Contracts with Customers. Under this standard, specific performance obligations within contracts are identified, and the revenue assigned to the obligations is recognised when the control of the good or service is transferred to the customer. Depending on how this control passes, revenue is recognised either at a point in time or over time.

With respect to the different sources of revenue for the Airways Group, the following accounting policies have been adopted.

Revenue type	Accounting policy	Over time vs point in time
Air traffic management	Recognised at completion of the flight or aircraft movement.	Point in time
Consulting	For consultancy contracts with specified contractual obligations where Airways retains control until the work is completed, revenue is recognised once the obligations are satisfied.	Point in time
	Revenue from ongoing consultancy services or where assets are being constructed for customers that do not have an alternative use for Airways and there are contractual rights to payment for work performed is recognised as the service is provided or asset is constructed. Revenue recognition is based on the input method utilising direct costs incurred.	Over time
Software licences	For licences with a defined term, revenue recognition is based on straight-line recognition across the life of the licence.	Over time
	Revenue for perpetual licences that grant a right to use is recognised once the licence is available for use.	Point in time
Training	Revenue recognition is based on the output method utilising the days of training provided.	Over time
Publications	Revenue from subscriptions to aeronautical information is recognised on a straight-line basis over the life of the subscription.	Over time
Data services	Data services include the ongoing provision of access to Airways data and revenue recognition is based on the output method utilising the days of services provided.	Over time

Employee entitlements

Superannuation

Airways contributes to various defined contribution schemes that are funded through fixed contributions into trustee-administered funds. Airways has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense in profit or loss when they are due for payment to the funds.

Leave benefits

Liabilities for annual leave, long-service leave and retiring leave are accrued and recognised in the balance sheet. These liabilities equal the present value of the estimated future outflows as a result of employee services provided at balance date. Long-service leave that has vested with employees is recognised as a current liability within employee entitlements. Actuarial estimates of future demographic trends and employee remuneration are used to calculate the long-service leave and retiring leave liabilities that have not yet vested with staff. This is recognised as a long-term liability within employee entitlements.

Income tax and related balances

This note provides an analysis of Airways' income tax expense and shows which amounts are recognised directly in equity and in other comprehensive income and how the tax expense is affected by non-assessable and non-deductible items.

Income tax expense

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is measured on the basis of laws enacted or substantially enacted at the reporting year end.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the reporting year end.

Deferred tax assets arising from tax losses are recognised only if it is probable that future taxable amounts will be available to utilise those losses.

Deferred tax

Deferred tax assets and liabilities are offset on the face of the balance sheet when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities

Airways classifies all financial assets and liabilities as being measured either at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Financial liabilities (other than fair value through other comprehensive income) are recognised initially at fair value, net of any costs incurred, and subsequently measured at amortised cost using the effective interest rate method. The carrying value of trade and other payables approximates their fair value.

Airways uses forward exchange contracts to hedge expenditure and revenue denominated in foreign currency and interest rate swaps to hedge interest repayments on its term debt. The effective portion of changes in the fair value of hedging instruments is recognised in equity until the underlying transaction being hedged occurs. At this point, the fair value of the hedging instrument deferred in the cash flow hedge reserve is recognised in profit or loss (as interest costs or foreign currency denominated revenue or expenses as appropriate) or on the balance sheet (within the recognised value of any hedged asset or stock purchase). If the hedged transaction is no longer expected to take place, the cumulative unrealised balance recognised in equity is recognised immediately in profit or loss.

The derivatives used for hedging are considered Level 2 financial instruments and are recognised on the balance sheet at their fair values, which are determined using observable inputs as follows:

- Forward exchange contract values are determined using observable forward exchange market rates at the balance date.
- Interest rate swaps are valued using the projected methodology. For floating rates, this method projects all future floating cash flows and discounts these back to the revaluation date. For fixed rates, the individual cash flows are discounted from the cash flow date to the revaluation date. The discount rate used to calculate the net present value of the deal is the zero-coupon curve, based on a blended swaps curve obtained from Reuters.

Trade and other receivables

Collectability of trade receivables is reviewed on an ongoing basis and uncollectible debts are written off. Airways uses the simplified model to determine expected credit losses. A provision for expected credit losses is recognised for groups of trade receivables that have been grouped based on shared credit risk characteristics and the days past due. The amount of the expected credit losses will reflect the specific circumstances of individual debtors, including the expected ability and intent to pay. However, as a guide and based on previous historical observed default rates for different groupings:

- debt that is greater than 90 days but less than one year overdue is provided for at 10%
- debt that is greater than one year but less than two years is provided for at 50%
- debt that is greater than two years is provided for at 100%.

Consideration is also given to other economic factors that could contribute to further expected credit losses.

The net impairment losses are recognised in profit or loss under other operating costs. Any subsequent recoveries of amounts previously provided for or written off as bad debts are credited against the same line item.

Property, plant and equipment and intangible assets

Recognition and measurement

All classes of property, plant and equipment and intangibles are initially recorded at cost. Cost is determined by including all charges directly associated with bringing the assets to their location in working condition.

Capital work in progress includes expenditure on partially completed assets that management expects will form part of the asset cost at completion.

Where assets are generated internally, costs are only capitalised once a formal investment case has been prepared and approved in line with Airways' delegated financial authority policy. The costs on these projects may include both internal labour and third-party costs. The investment case must demonstrate that:

- the economic and other benefits of the asset are clearly articulated and consistent with Airways' strategy
- the cost associated with the project is within Airways' budget and can be reliably measured
- there are sufficient staffing and technical resources available to complete the project (either internally or externally)
- the asset to be created is technically feasible.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Airways and the cost of the item can be measured reliably. The carrying amount of any replaced parts is written off.

Depreciation and amortisation

The cost of all fixed and intangible assets (excluding freehold land and work in progress), less their estimated residual value, is written off on a straight-line basis over the asset's estimated useful economic life. Asset useful lives and residual values are assessed annually and adjusted if required.

Impairment

All assets are reviewed for potential indicators of impairment at every balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For work in progress, these indicators include any changes to the scope or expected outcome of individual projects.

In addition, impairment tests are carried out at every balance date for intangible assets within work in progress regardless of whether indicators of impairment exist.

These tests involve reassessing the feasibility of the project, the expected cost to completion and the expected economic benefit to be realised. Where the expected economic benefit provided by the asset is lower than the expected cost to completion, the difference is booked as an impairment to the current carrying value in work in progress unless a higher amount could be realised through sale of the asset less costs to sell (fair value less costs to sell). The corresponding impairment is recognised in profit or loss.

Leases

Recognition and measurement

The determination of whether a contract is or contains a lease is based on the substance of the arrangement at the inception of the lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease agreement, Airways recognises a right-of-use asset and a lease liability.

Right-of-use assets are recognised when a member of the Airways Group, as a lessee, has the right to use an underlying asset for the lease term.

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Airways' incremental borrowing rate. The incremental borrowing rate is the rate that Airways would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Airways has used an incremental borrowing rate as the discount rate for all leases.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value and short-term leases recognised on a straight-line basis by Airways comprise of IT equipment and small items of office furniture.

Inventories

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. The costs of individual items of inventory are determined using weighted average costs.

Share capital and reserves

Airways has issued ordinary shares that confer on the holders the right to vote at any general meeting of shareholders.

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument designated as a cash flow hedge that is determined to be an effective hedge.

Financial risk management

Airways is exposed to a number of financial risks, which are managed through setting appropriate objectives and implementing prudent policies and controls. These objectives, policies and controls are managed through Airways' Treasury Policy and summarised below.

Liquidity risk

In the short term, Airways is exposed to liquidity risk through timing differences between cash receipts from sales or facility drawdowns and cash requirements for current capital expenditure and business operating costs. In addition, Airways is also exposed to liquidity risk in the long term through the potential unavailability of debt funding to finance future capital expenditure, business developments and loan repayments.

Airways' primary objective in managing liquidity risk is to ensure there is sufficient liquidity and funding capacity to cover known funding requirements and a reasonable level of unforeseen funding requirements.

Interest rate risk

Airways is exposed to interest rate risk through:

- differences between cost of debt assumptions used when setting air traffic management service pricing for three-yearly periods and actual interest rates available when debt is drawn down
- fluctuations in interest rates on unhedged floating debt.

Airways' primary objective in managing interest rate risk is to secure interest rates below pricing assumptions and the long-term average cost of debt, ensuring revenue from customers is sufficient to cover interest costs. This is achieved using interest rate swaps to secure fixed debt funding costs for forecast positions.

Foreign exchange risk

Airways is exposed to foreign exchange (FX) risk through:

- revenue streams denominated in foreign currencies
- operational costs requiring payment in foreign currencies
- capital expenditure requiring payment in foreign currencies.

Possible fluctuations in foreign exchange rates are not expected to have a material impact on Airways' financial position or performance.

Credit risk

Airways is exposed to credit risk through:

- cash and cash equivalents on deposit with banks
- interest rate swaps and foreign exchange contracts with counterparties
- customers with outstanding receivables.

Capital management

Airways' primary objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a target gearing ratio over the medium term (five years). In order to maintain or adjust the capital structure, Airways may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase or reduce debt, sell assets or reduce capital expenditure.

Directory

Bankers

ANZ Bank New Zealand Limited

Bank of New Zealand Limited

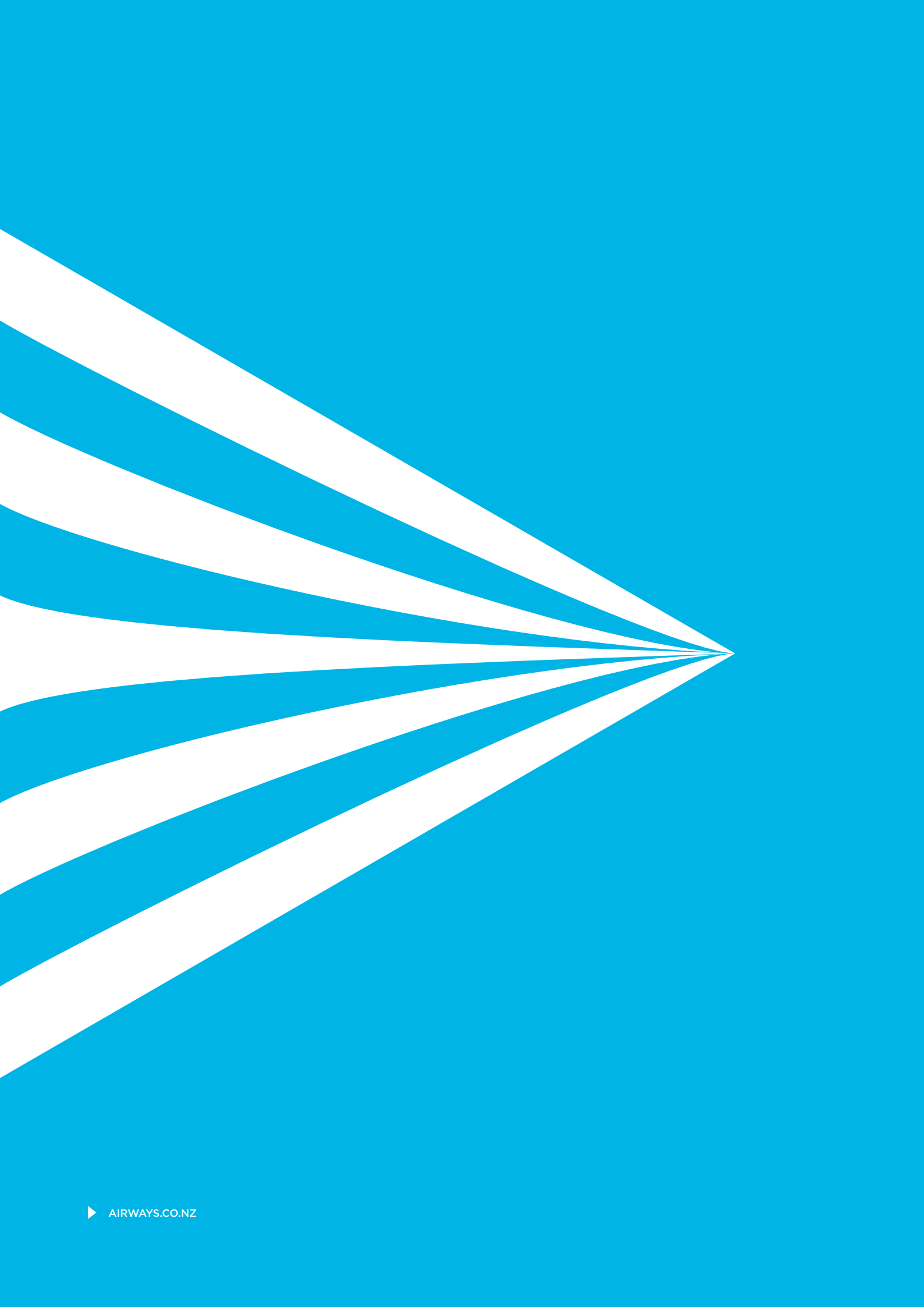
Auditors

Chris Ussher, 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



AIRWAYS.CO.NZ