

## **Half Year Report to Shareholders For the 6 months ending 31 December 2014**

### **Financials**

The unaudited first half result for Queenstown Airport reflects a strong trading performance:

- Profit after Tax is \$4.7m; up 23% compared to the 6 months ending 31 December 2013.
- Revenue is up 14% to \$13m with both aeronautical and commercial revenues ahead of the same period last year.
- Non-aeronautical performance was very strong with non-aeronautical revenue up 24% on the first half last year. This increase is due to new food and beverage offerings and retail tenancies as well as a stronger performance from existing retail and rental car operators.
- Expenses, excluding depreciation, interest costs and tax, were \$3.8m, an increase of 13%, driven primarily by unplanned runway repairs and provision of a baggage reclaim pop-up over winter.
- An interim dividend of \$1m was declared and paid in February 2015 in line with the company's dividend policy.

### **Passenger numbers**

Overall, passenger numbers have increased 11.1% in the 6 months under review to 720,000.

- International passengers continued to grow strongly in the first half; up 23.5% to 221,000 compared to the same period last year. In September 2014, Jetstar announced it would recommence its Gold Coast–Queenstown service and in December the airport welcomed the first of its 3 x weekly flights to Queenstown. This new service and the anticipated increases on existing routes means the airport's double digit growth should continue for the remainder of the 2014/15 financial year.
- After finishing the 2013/2014 financial year slightly down, domestic passenger numbers have rebounded in the past 6 months, up 6.3% on the same period last year to 499,000. This increase is primarily on the Auckland–Queenstown route but has also been helped by up-gauging of aircraft on the Christchurch and Wellington routes to meet demand. The outlook for summer is very positive with both Auckland and Christchurch airports expecting strong long haul growth from Asia which will have flow-on impacts to Queenstown.

The private jet market is growing and in December the airport handled a record 30 private jets. Unfortunately over the winter peak, the airport's two private jet handling companies had to turn away business due to a lack of aircraft parking space.

### **Infrastructure expansion**

#### ***Terminal building upgrade***

Winter 2014 saw Queenstown Airport reach new record levels for the number of international passengers and flights handled.

In anticipation of this growth, QAC installed a temporary 'pop up' baggage reclaim area and additional baggage belt to expand the international arrivals capacity for the winter peak. In September the temporary structure was removed and construction commenced on the expanded international terminal.

The new terminal will expand the current terminal building footprint by a third and double the airport's international capacity, allowing it to better cater for existing passenger volumes and accommodate future growth.

Building work is on schedule and Stage 1 will be completed by June, housing new international arrival and departure lounges, a new Customs area, airside retail stores, baggage claim and handling areas, a covered walkway, and office space. The changes will allow the airport to process up to 1,000 passengers per hour compared to the current 480.

The expansion of the airport's international facilities will also allow QAC to expand the airside retail offerings. The Duty Free arrivals store will be relocated to a larger area to provide a greater range of duty free products to inbound international passengers. Outbound international passengers will enjoy a full café and bar offering by Airspresso and PaperPlus will expand its magazine and book offerings. QAC is in discussions with the duty free operator around options to expand its product range.

The terminal expansion is the latest in a series of developments around the airport. Other new offerings in the past six months have included:

- New cafe: Airspresso opened its café and bar in July and complements the Patagonia café which opened in March 2014. Both are trading well and receiving great feedback from our passengers.

- Second passenger lounge: PlaneBiz opened its new passenger lounge in early December. Entry is free for eligible Qantas and Jetstar passengers and there is a pay-in option for any passenger to use its facilities.
- A travel pharmacy: Travelpharm opened in December and offers travellers easy access to over-the-counter pharmacy products as well as healthcare items, beauty products and travel necessities.

### ***New aviation precinct***

Progress on QAC's plans to compulsorily acquire land from Remarkables Park Limited (RPL) for a new aviation precinct has been slow. Mediation between QAC and RPL finished in July 2014 with QAC unable to negotiate the purchase of the necessary land. A court decision was handed down in November 2014 dismissing RPL's appeal claims and clearing the way for a June hearing to decide the location of the future parallel taxiway which will determine the exact size of land required for the proposed new aviation precinct. The Public Works Act hearing will follow and has been set down for November 2015.

### ***Evening flights***

Following the decision by CAA and CASA (the Australian Civil Aviation Authority) to approve the safety case for evening flights, QAC is now in the design phase of the required infrastructure upgrades and continues its discussions with partner airlines.

### ***Runway***

Our runway is nearing its next major overlay – the placing of an additional layer of pavement across the entire runway to increase the runway's strength. Before this occurs the runway maintenance costs are expected to increase to address small sections of runway deterioration.

### **Achievements**

The airport's efforts to secure CAA and CASA approvals for evening flights were recently recognised by the NZ Airports Association which awarded QAC '2014 Major Airport of the Year'.

### **Noise management**

Aircraft noise monitoring was carried out in August 2014 and will be repeated in February 2015.

QAC is currently completing noise mitigation works on its two owned residential properties in McBride Street and Grant Road to trial and test different building systems and performance of contractors. Going forward, the McBride Street house will act as a show home for QAC to demonstrate what will be offered to affected homeowners.

Preliminary assessments of the residential properties designated for mitigation works will commence in late February and the works programme is expected to roll out in the second half of 2015.

The Queenstown Airport Liaison Committee continues to meet quarterly to oversee the airport's Noise Management Plan and meet with homeowners to hear their concerns.

### **Technology upgrades**

QAC will complete a number of technology upgrades before winter which aim to improve the experience of airport users both online and around the terminal.

### **Personnel changes**

In December, QAC's GM Operations Mark Harrington resigned to move overseas to live. He has been replaced by Mike Clay, formerly Manager Aeronautical Policy at Auckland Airport. Mike holds the overall responsibility for QAC's airside and terminal operations with an emphasis on aeronautical relationships and enhancing the passenger experience.

QAC also welcomed two new directors, Michael Stiasny and Norm Thompson, to its Board in December and thanked former directors, Alison Gerry and Richard Tweedie for their contribution to the company's success over the past few years.

**Scott Paterson**  
CEO  
31 January 2015

**John Gilks**  
Chairman  
31 January 2015

QUEENSTOWN AIRPORT CORPORATION LIMITED  
 STATEMENT OF FINANCIAL PERFORMANCE  
 For the financial period ending 31 December 2014

	6 months to 31-Dec-14		Last Year
	SOI	Actual	
<b>PAX (000)</b>	<b>730</b>	<b>720</b>	<b>648</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Income</b>			
Revenue - Aeronautical	8,980	8,706	7,990
Revenue - Commercial	3,849	4,332	3,501
Other gains/(losses)			(7)
<b>Total Income</b>	<b>12,829</b>	<b>13,038</b>	<b>11,485</b>
<b>Expenditure</b>			
Operating Expenses	2,404	2,524	2,208
Employee benefit expense	1,316	1,280	1,144
<b>Total operating expenditure</b>	<b>3,720</b>	<b>3,804</b>	<b>3,352</b>
<b>Operating earnings before interest, taxation, depreciation and amortisation</b>	<b>9,109</b>	<b>9,234</b>	<b>8,132</b>
Depreciation	1,999	2,095	1,888
Amortisation	19	65	19
<b>Operating earnings before interest and taxation</b>	<b>7,091</b>	<b>7,074</b>	<b>6,225</b>
Finance costs	760	559	906
<b>Profit before income tax</b>	<b>6,331</b>	<b>6,514</b>	<b>5,319</b>
Income tax expense	1,899	1,820	1,497
<b>Profit after tax</b>	<b>4,432</b>	<b>4,694</b>	<b>3,822</b>

**QUEENSTOWN AIRPORT CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2014**

	As at 31-Dec-14		Last Year
	SOI \$ 000	Actual \$ 000	\$ 000
<b>Current assets</b>			
Cash and cash equivalents	200	285	465
Trade and other receivables	1,217	2,728	2,104
Prepayments	51	249	155
<b>Total current assets</b>	<b>1,468</b>	<b>3,261</b>	<b>2,724</b>
<b>Non-current assets</b>			
Property, plant and equipment	181,617	184,623	149,018
Derivatives	-	-	0
Intangible assets	2,460	2,318	2,398
<b>Total non-current assets</b>	<b>184,078</b>	<b>186,942</b>	<b>151,415</b>
<b>Total assets</b>	<b>185,545</b>	<b>190,203</b>	<b>154,140</b>
<b>Current liabilities</b>			
Trade and other payables	1,649	1,329	1,542
Income in advance	37	89	53
Employee entitlements	-	274	162
Current tax payable	257	874	657
<b>Total current liabilities</b>	<b>1,943</b>	<b>2,566</b>	<b>2,414</b>
<b>Non-current liabilities</b>			
Borrowings (secured)	16,734	19,650	20,407
Derivatives	1,206	964	1,206
Deferred tax liabilities	6,365	8,258	6,366
<b>Total non-current liabilities</b>	<b>24,305</b>	<b>28,872</b>	<b>27,979</b>
<b>Total liabilities</b>	<b>26,248</b>	<b>31,439</b>	<b>30,394</b>
<b>Net assets</b>	<b>159,298</b>	<b>158,764</b>	<b>123,746</b>
<b>Equity</b>			
Share capital	37,657	37,657	37,657
Retained earnings	13,740	14,818	11,630
Asset revaluation reserve	108,430	106,643	74,988
Cash flow hedge reserve	(529)	(355)	(529)
<b>Total equity</b>	<b>159,298</b>	<b>158,764</b>	<b>123,746</b>