

# Half Year Report to Shareholders

## For the 6 months ending 31 December 2015



Queenstown Airport Corporation (QAC) is pleased to present the results for the six months ended 31 December 2015.

The airport's strong financial performance and passenger growth continue to deliver value for the community and shareholders.

### **Financials**

The first half results have delivered a strong trading performance:

- Net Profit After Tax is \$6.2m, up 31% compared to the 6 months ending 31 December 2014 and 16% up on our Statement of Intent (SOI) target.
- Revenue is up 19.6% to \$15.7m compared to the same period last year, with both aeronautical and commercial revenues performing strongly.
- Commercial performance was very strong with revenue up 19% on the same period last year driven by new retail offerings and increased passenger numbers.
- Expenses, excluding depreciation, interest costs and tax, were \$4.0m - up \$0.1m, or 3%, compared to the same period last year.
- An interim dividend of \$1.0m was declared and paid in February 2016 in line with the company's dividend policy.

### **Passenger Numbers**

A sustained period of outstanding passenger growth in the past six months has set new records, with total passenger numbers hitting 1.5 million for the first time over a 12-month period.

In the 6 months ending 31 December 2015, total passenger numbers reached 830,560. This is 6% ahead of target of 781,309.

- International passenger numbers were 264,965 against a target of 247,438, which is 7% ahead of target. This is a 20% increase on the same period last year.
- Domestic passengers were 565,595 against a target of 533,871. This is 6% ahead of target and a 13% increase on the same period in 2014.

Air New Zealand and Jetstar have both delivered significant additional capacity to facilitate this growth.

### **Future growth**

#### ***Evening Flights***

On the back of delivering a significant terminal expansion in 2015, our next focus is to introduce evening (after-dark) flights for winter 2016 which will allow us to expand capacity in the short term without building additional terminal infrastructure. Evening flights will allow the airport to use its full consented operational hours between 06:00 and 22:00, moving from an 8-hour operating window during the winter peak to a 16-hour window.

In accordance with conditions set by the Civil Aviation Authority (CAA) and Australia's Civil Aviation Safety Authority (CASA) when approving our evening flights safety case in 2014, we are now implementing the required safety measures to make after-dark flights a reality this winter.

On 1 November 2015, we commenced an \$18m runway and lighting infrastructure upgrade. This work includes:

- Resurfacing the runway with a 110mm thick asphalt overlay and lateral surface grooving to improve friction and reduce the risk of hydroplaning
- Widening the main runway to 45 metres from its current 30 metres
- Improved navigational infrastructure through the installation of a comprehensive aeronautical lighting package (runway, taxiway, approach and apron lights).

This project is due to be completed in April and sets the platform for airlines to develop their own safety cases. The main elements required to be in place are:

- Customised training and crew selection process
- Procedures which fully employ Required Navigational Performance (RNP) technology
- Changes to on-board flight procedures to further reduce pilot workload at decision altitude.

Air NZ has already announced that it will commence evening flights into and out of Queenstown this winter from 1 July. Subject to regulatory approval, Air NZ will operate services between Queenstown and Auckland between 7am to 9.30pm daily using A320 aircraft.

The evening flights project continues to be a collaborative effort by QAC, the airlines and Airways, who have put aside individual commercial interests to implement one of the most thorough and comprehensive airline safety programmes ever delivered.

The introduction of evening flights will also mark a step-change for the airport as a major local employment hub as it moves to a 'split-shift' operating model to cater for the extended operating window. This will create a number of job opportunities, adding to the 350-strong team already working in and around Queenstown Airport.

### ***Lot 6 Acquisition***

The Lot 6 land acquisition is progressing, with a decision handed down by the court on 22 December 2015. The court found in favour of QAC on the following points:

- A 168 metre runway-taxiway separation distance is required and that conversely a 93 metre separation distance is inadequate
- Reconfirmation of the court finding that the General Aviation precinct should be established to the south of the taxiway and on Remarkable Park Limited (RPL) land
- Held that the area of RPL land required is about 16ha and not the 8ha it originally decided (based on 93m taxiway).

The court declined to confirm the designation at this stage and requires an aeronautical study and/or CAA approval, based on the 168m separation and GA relocating to its south. QAC will undertake this study in the next few months.

## **Noise Management**

Several key milestones were achieved during the six-month period, including:

- The completion of preliminary design work for the 13 homes that qualify for the full noise mitigation package
- Legal agreements for presentation to homeowners were drafted and subsequently approved by the Queenstown Airport Liaison Committee. This included a thorough review by an independent solicitor acting as an advocate for homeowners' interests.
- One-on-one detailed meetings were held with each homeowner to present and discuss the bespoke noise mitigation design solution for their home and the legal documentation. Further correspondence and discussion with owners took place after the meetings to address questions, and owners took their own independent advice.
- By the end of 2015, a number of homeowners had indicated they would proceed with noise mitigation works. We remain in discussion with all owners and in particular with those who require further information before deciding whether to proceed.
- Works will be packaged into groups of 3 or 4 homes for tendering and will be completed in stages, starting in 2016.
- Approximately a further 128 homes qualify for a mechanical ventilation package. This phase of the project will commence in mid-2016.

## **People**

- Chief Financial Officer Mark Edghill was appointed Acting Chief Executive in August 2015 and an interim CFO, Martyn Dominy, was appointed in October until 3 June 2016. Recruitment for QAC's new Chief Executive will commence in February. Korn Ferry International Inc has been appointed to undertake the search.
- Our operations team is preparing to move to double shift operations to support evening flights and has almost completed the reorganisation which began in November.
  - The majority of the positions in the new structure have been filled internally and the remainder will be filled shortly.
  - Rescue Fire has increased from 6 to 10 staff. The new recruits started on 5 January and will head to Auckland in February to complete two months of firefighter training with Auckland Airport before commencing their daily duties in Queenstown.

## **Technology and innovation**

We are working with our airline and airport partners to optimise operational efficiency and visitor experience through technology and innovation. Key projects to date include:

- Public WiFi upgrade
- Queenstown Airport website enhancements
- New Wanaka Airport website.

### **Outlook for 3<sup>rd</sup> and 4<sup>th</sup> quarter**

Prospects for the second half of the 2015/2016 financial year remain strong.

Passenger growth is forecast to continue and we are aiming for a 12-month target of 1.57 million passengers, based on 11% domestic growth and 16% international growth.

New commercial revenue opportunities will become available following a repurposing of some terminal space. Improvements will also be made to the forecourt, carpark and airport road network in the 4<sup>th</sup> quarter.

A key priority for the next six months is to ensure that we are ready for evening flights. This includes completing the runway and lighting infrastructure, supporting airline preparations and facilitating appropriate staffing levels across the airport for double shift operations.

Developing a 30-year master plan over the next 12 months will also be a key focus. A project outline has been completed and consultants will be appointed in the 3<sup>rd</sup> quarter, with plans starting to be developed in the 4<sup>th</sup> quarter.

Despite a challenging six months for the QAC team with the passing of our CEO Scott Paterson, the staff have pulled together to provide effective leadership at the airport and wish to express their gratitude to shareholders for the care and support they have received during this difficult time.



**John Gilks**  
Chairman



**Mark Edghill**  
Acting Chief Executive

**9 February 2016**

**QUEENSTOWN AIRPORT CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the financial period ending 31 December 2015

	6 months to 31-Dec-15		Last Year
	SOI	Actual	
<b>PAX (000)</b>	<b>781</b>	<b>831</b>	<b>720</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Income</b>			
Revenue - Aeronautical	10,149	10,508	8,706
Revenue - Commercial	5,217	5,149	4,332
Other gains/(losses)			
<b>Total Income</b>	<b>15,367</b>	<b>15,657</b>	<b>13,038</b>
<b>Expenditure</b>			
Operating Expenses	2,720	2,230	2,383
Employee benefit expense	1,967	1,741	1,421
<b>Total operating expenditure</b>	<b>4,687</b>	<b>3,971</b>	<b>3,804</b>
<b>Operating earnings before interest, taxation, depreciation and amortisation</b>	<b>10,680</b>	<b>11,686</b>	<b>9,234</b>
Depreciation	2,528	2,470	2,095
Amortisation	86	73	65
<b>Operating earnings before interest and taxation</b>	<b>8,066</b>	<b>9,143</b>	<b>7,074</b>
Finance costs	708	590	559
<b>Profit before income tax</b>	<b>7,358</b>	<b>8,553</b>	<b>6,514</b>
Income tax expense	2,060	2,395	1,820
<b>Profit after tax</b>	<b>5,298</b>	<b>6,158</b>	<b>4,694</b>

**QUEENSTOWN AIRPORT CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2015**

	As at 31-Dec-15		
	SOI	Actual	Last Year
	\$ 000	\$ 000	\$ 000
<b>Current assets</b>			
Cash and cash equivalents	200	384	285
Trade and other receivables	3,040	3,401	2,728
Prepayments	100	316	249
<b>Total current assets</b>	<b>3,340</b>	<b>4,101</b>	<b>3,261</b>
<b>Non-current assets</b>			
Property, plant and equipment	206,090	197,943	184,623
Derivatives	-	-	-
Intangible assets	3,013	2,529	2,318
<b>Total non-current assets</b>	<b>209,104</b>	<b>200,472</b>	<b>186,942</b>
<b>Total assets</b>	<b>212,444</b>	<b>204,573</b>	<b>190,203</b>
<b>Current liabilities</b>			
Trade and other payables	4,570	4,129	1,329
Income in advance	33	127	89
Employee entitlements	162	242	274
Current tax payable	890	1,490	874
<b>Total current liabilities</b>	<b>5,654</b>	<b>5,989</b>	<b>2,566</b>
<b>Non-current liabilities</b>			
Borrowings (secured)	34,893	26,560	19,650
Derivatives	964	1,459	964
Deferred tax liabilities	8,453	7,574	8,258
<b>Total non-current liabilities</b>	<b>44,310</b>	<b>35,593</b>	<b>28,872</b>
<b>Total liabilities</b>	<b>49,964</b>	<b>41,581</b>	<b>31,439</b>
<b>Net assets</b>	<b>162,479</b>	<b>162,992</b>	<b>158,764</b>
<b>Equity</b>			
Share capital	37,657	37,657	37,657
Retained earnings	18,534	19,438	14,818
Asset revaluation reserve	106,643	106,643	106,643
Cash flow hedge reserve	(355)	(747)	(355)
<b>Total equity</b>	<b>162,479</b>	<b>162,992</b>	<b>158,764</b>