



Results for the Six Months Ended 30 September 2014

12 November 2014

Wellington International Airport Limited (WIAL) is pleased to provide the NZX with its unaudited results for the six months ended 30 September 2014.

6 months ended 30 September	2014 \$000	2013 \$000
Landing and terminal charges	30,940	32,403
Retail and trading activities	16,929	16,981
Property income	5,692	5,603
Total revenue	53,561	54,987
Operating costs	(13,153)	(12,529)
EBITDAF before subvention payment ¹	40,408	42,458
Depreciation and other ²	(8,370)	(8,338)
Increase in value of financial instruments at fair value	289	6,700
Net interest expense	(9,093)	(9,725)
Tax	7,756	5,529
Subvention payment	(38,230)	(35,330)
Net (loss)/profit after tax	(7,240)	1,294

WIAL's results produced a net loss after tax for the six months of \$7.2m. Underlying earnings show an EBITDAF before subvention payment ¹ of \$40.4m, down \$2m on the previous half year mainly driven by lower aeronautical charges. International passenger numbers grew 2.2% over the half year. Domestic passenger's declined 2.3%, reflecting reduced Auckland and Queenstown capacity. The decline in charges and domestic passengers were signalled previously and both are forecast to rise from current levels.

International and domestic traffic

Wellington's international passenger numbers have reached 761,000 passengers for the last year and 357,200 for the six months, increases of 2.3% and 2.2%. The best performing route over the half year was Melbourne which expanded 5% and the Airport's growth in international passengers occurred notwithstanding reduced airline capacity and reflected the highest aircraft loadings Wellington has experienced.

Over recent years Wellington Airport has increased its focus and investment in route development. As a consequence the Airport was delighted with the announcement by Jetstar to commence direct flights to the Gold Coast. Historically market growth on the Tasman has largely come from new entrants and Jetstar's new route will deliver an additional 50,000 seats to Wellington's trans-Tasman market and improve connectivity to Asia.

¹ EBITDAF before subvention payment is a non-NZ GAAP measure of earnings. A reconciliation between WIAL's NPAT and EBITDAF before subvention payment is set out in the NZX announcement.

² Other includes impairment of assets held for sale, investment property revaluation net (decrease)/increase and (loss)/gain on sale of property, plant and equipment.

The domestic market declined by 2.3% to 2.7m in the six months as forecast with the market adjusting to reduced capacity on Auckland and Queenstown routes.

While overall passengers were slightly down for the period due to the capacity changes, these are not forecast to alter the medium term growth trend. Over the next five years the international market is forecast to rise by nearly 30% and the domestic market by 10%.

Extending Wellington's runway will deliver up to \$1.75b in direct benefits to New Zealand

There is great interest and support in the initiative of Wellington City Council and the Airport to extend the runway to enable long haul services. Three key pieces of analysis in determining the feasibility have been finalised each of which were encouraging:

- Economic consultants EY concluded that a modest level of direct services to Asia and increases on the Tasman would deliver up to \$1.75 billion in direct economic benefits to New Zealand.
- Globally recognised airline route development consultants, InterVISTAS, demonstrated that Wellington's existing demand justifies new services to Asia, Australia and North America, if the runway was suitable.
- Engineering consultants URS have undertaken geotechnical analysis of the seabed at either end of the runway. They found that while Evans Bay is far less feasible, the southern end at Lyall Bay has solid rock and would effectively support the extension.

These reports have informed discussions with airlines, the local community, businesses and other regional interests as work progresses on the case for consenting the runway extension.

Five year investment plan to improve facilities and service

Over the last decade and a half around \$350m has been invested in facilities at the Airport which has grown to become one of the most efficient and user friendly in Australasia. A major programme of capital developments is now underway to ensure WIAL maintains and improves the level of service quality including investigating a hotel and multi-storey car park.

The 6,000 square metre extension of the main terminal to the south commences in November 2014. It will double the widths of both southern piers, provide extra gate lounge space, increase the retail mix, double the number of toilets and provide more parking spaces for aircraft. Floor to ceiling windows and laminated timbercross-braces will span the full length of the southwest pier. This strong architectural feature will enhance the Airport's existing use of natural light with views over the runway and Lyall Bay.

Work has also commenced on the Northern Pier to improve access and expand the gate lounges for Jetstar customers, including new bathrooms.

Wellington Airport has to take a long-term view on the returns of its investments and in this regard the Commerce Commission's ongoing regulatory adjustments are making formulating such a view difficult. It had been hoped that the six year implementation of the Commerce Amendment Act (2008-2014) would be followed by a period of regulatory calm, but this has not occurred. The Airport is assessing its long term capital investment plans against the ongoing regulatory uncertainty.

Visitors to Wellington are now benefitting from the assistance of 50 new ambassadors as they arrive and depart from the city.

Supporting Wellington events and the community

In 2015 the Airport and Air Noise Management Committee will commence the roll out of a noise mitigation package for up to 700 dwellings, schools and early childhood centres within the Air Noise Boundary. This is the final stage of a project to reduce the impact of aircraft noise on the local community and reflects the many and varied interests of the local community and airport users. We wish to recognise the immense contribution of the late Councillor Leonie Gill who worked selflessly to bring this solution about.

Last year was the 10th anniversary of the Wellington Airport Regional Community Awards and this year marked the 10th anniversary of the World of Wearable Arts in Wellington, of which the airport sponsors the Avant Garde category. WoW achieved a record number of patrons this year and the airport was proud to play its role in welcoming visitors.

Behind the Airport's welcoming, safe and award winning gateway are its people. We would like to warmly thank the team at WIAL, our customers, service providers, contractors and stakeholders.