Waikato Regional Airport Group

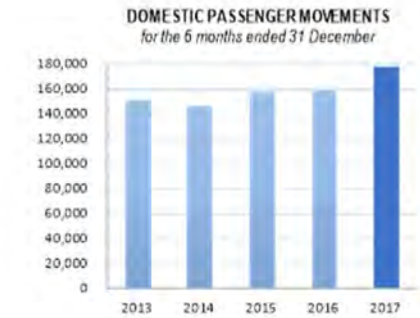
Interim Report

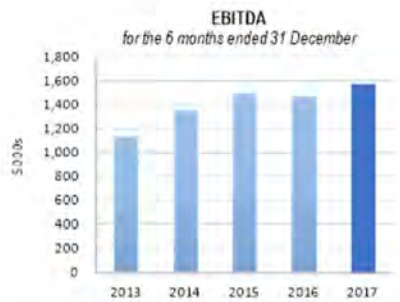
For the six months ended 31 December 2017

CHAIR'S REPORT

Domestic Passenger Numbers *up on prior period by 19k or 12%*	178,000
Air Movements *up on prior period by 6k or 9%*	74,000
Operating Revenue *up on prior period by $332k or 9%*	$4,204,000
Operating Expenses *up on prior period by $96k or 8%*	$1,302,000
Earnings before Interest, Tax, Depreciation and Amortisation *up on prior period by $106k or 7%*	$1,584,000
Surplus After Tax *down on prior period by $12k or 12%*	$86,000

Note: Results are rounded to the nearest thousand and compared to the six months ended 31 December 2016 unless otherwise stated.





CHAIR'S REPORT

OVERVIEW OF THE HALF YEAR

WRAL Board and Management are pleased to report a solid financial performance for the six months ended December 2017. This was primarily driven by strong growth in passenger numbers delivering an increase in aeronautical (landing and terminal charges) and carpark revenue. An increase in depreciation of $30,000 resulted in a surplus after tax of $86,000, being $12,000 down on the prior period.

The primary focus of the management team from an aeronautical perspective over the first half of the financial year was to ensure efficient and compliant operation of the Airport and the establishment of conference facilities within the terminal building. The new conference facilities enable the airport to host up to 200 delegates across five room configurations.

Air New Zealand's newly refurbished check in facilities have contributed to an improved customer experience within the terminal. In addition, we have been delighted with the success of the new Mavis Lounge Café which not only serves the travelling public but has also become a destination café.

Titanium Park Limited has received considerable land sale enquiries during the reporting period resulting in $1.1m of unconditional land sales and $1.1m of conditional land sales. During December, construction started on an extension to Ossie James Drive which will open further land for development. Consultation is underway with NZTA and surrounding land owners to review the access to the Airport and Titanium Park from SH21.

As of 31 December 2017, 178,000 passengers have used the airport which is a 12% increase on the same period last year. All three routes have experienced passenger growth with Christchurch in particular, seeing significant growth of 24%.

Capital works to date have focused on the establishment of conference facilities, a new water filtration plant on the WRAL Farm and the ongoing operational improvements and general maintenance to the aerodrome. In the second half of the year, we are preparing for upgrade works to the carpark and to the air conditioning system within the main terminal.

WRAL has an unconditional sale of land on the Aviation Precinct of 6,600m² with settlement due in January 2018.

On 19 January 2018, WRAL settled on the purchase of the Hamilton Airport Hotel and Conference Centre. The purchase includes the acquisition of all buildings and the ground lease as well as the existing hotel and conference business. Current operators, Hamilton Airport Hotel Limited, will lease back and continue to operate the hotel and conference centre for at least 12 months from the date of purchase. The acquisition is in line with WRAL's strategic objective to grow non-aeronautical revenue and the hotel provides an opportunity for the company to further develop and enhance the range of services offered within the airport precinct.

A major focus remains on Health & Safety. Independent expertise has been engaged to oversee compliance and employee welfare for the Group ensuring obligations are met. There have been no notifiable Health & Safety events and an independent audit is scheduled to be undertaken in the first quarter of 2018.

CHAIR'S REPORT

FINANCIAL RESULTS

The surplus after tax for the Group (inclusive of Titanium Park Limited and Hamilton & Waikato Tourism Limited) for the six months ended 31 December 2017 is $86,000, down on the prior period by $12,000 (12%).

Total revenue for the Group of $4.2m is up on prior period showing a growth of $332,000 (9%) due predominately to increased passenger numbers.

The Group's total expenditure for the period of $4.1m is up 9% on the prior year, due to increased depreciation and operating expenditure.

Term loans have increased by $4.2m (net) which is a reflection of the 98-hectare farm purchase.

OPERATIONS

Due to poor weather conditions in the first three months of the financial year, flight training activity was lower than the same period last year. Recent fine weather during the last two months of 2017 has resulted in a countervailing increase. The net impact has resulted in total air movements for the six months to December 2017 of 68,000 compared to the prior year of 65,000.

In November CAA undertook a Civil Aviation Part 139 holder aerodrome audit. These audits are designed to assess the relevant level of compliance with civil aviation legislation and the degree of adherence to the conditions attached to the airport's operational exposition documents. The audit identified no findings.

TITANIUM PARK LIMITED (TPL)

A solid start to the first six months of the financial year, across all parts of the TPL portfolio, with the company on track to meet all SOI targets by 30 June 2018.

Interest remains positive with the sale of a further three lots in the Central Precinct. Work continues to enable further sub division of Central Precinct land with the extension of Ossie James Drive.

Significant planning and consultation continues on the access strategy for SH21 which includes reviewing the primary entrance for the Airport and the entrance to both the Central and Southern Precincts.

There has been limited demand for design build. This will be a key focus for management in the second half of the year.

In addition to the business as usual activities of continuing to build the sales pipeline, the focus for Board and Management will be on the completion of the roading and services on the Central Precinct along with the finalisation of the SH21 access strategy. TPL will continue to work on delivering the outcomes from the Hotel and Farm acquisitions.

CHAIR'S REPORT

HAMILTON & WAIKATO TOURISM LIMITED (HWT)

For the first time, the Hamilton & Waikato region has surpassed $1.45 billion in visitor expenditure (for the year ended October 2017). This is a 6% growth on the same period last year.

The strong results have also continued in the business events sector with our region claiming third behind Auckland and Wellington for conferences with 11% market share.

Two key game-changer projects are progressing well.

The Major Events Strategy will look to develop existing events which are unique to our region, while growing an events programme for the shoulder seasons. The draft strategy is expected to be completed during Quarter 1 2018.

The Regional Brand Strategy is intended to help address the Waikato's domestic perceptions, plus create reasons to visit our region and drive economic, social and cultural benefits for the region.

GROUP OUTLOOK

The ongoing focus for the Board and Management during the second half of the financial year will be to prudently control operating expenses, complete the capital works programme and maintain the momentum on land sales and finalise the longer term operating structure of the Airport Hotel.

John Spencer
Chair

CONSOLIDATED INCOME STATEMENT
For the Six Months Ended 31 December 2017

	GROUP $000 2017	GROUP $000 2016
REVENUE		
Operating revenue	4,204	3,872
Land Sales	32	-
Finance Revenue	-	-
Other gains/(losses)	-	-
Total Revenue	**4,236**	**3,872**
EXPENSES		
Cost of land sales	41	(8)
Employee benefit expenses	1,134	1,055
Depreciation and amortisation expense	1,210	1,180
Operating expenses	1,302	1,206
Directors' fees	130	96
Bad debts written off	-	-
Audit fees	45	45
Finance costs	235	142
Total Expenses	**4,097**	**3,716**
Surplus Before Tax	**139**	**156**
Income tax expense	53	58
Surplus After Tax	**86**	**98**
Other Comprehensive Revenue		
Gain on property revaluation	-	-
Total Other Comprehensive Revenue and Expense	-	-
Total Comprehensive Revenue and Expense	**86**	**98**

The above results have not been audited

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	GROUP $000 2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	77	118
Receivables	449	515
Inventories	95	88
Prepayments	77	114
Development property	8,620	10,620
Total Current Assets	**9,319**	**11,456**
Non-Current Assets		
Property, plant and equipment	76,571	63,982
Intangible assets	979	1,145
Investment property	15,307	3,750
Other non-current assets	69	78
Total Non-Current Assets	**92,926**	**68,955**
Total Assets	**102,245**	**80,412**
LIABILITIES		
Current Liabilities		
Payables and accruals	812	1,100
Employee benefit liabilities	238	274
Revenue in advance	195	205
Total Current Liabilities	**1,245**	**1,579**
Non-Current Liabilities		
Term loans	11,248	7,049
Deferred tax liabilities	7,783	7,989
Total Current Liabilities	**19,031**	**15,038**
Total Liabilities	**20,276**	**16,618**
Net Assets	**81,969**	**63,794**
Equity		
Share capital	14,860	14,860
Retained earnings	20,375	15,856
Dividend to shareholders	(200)	-
Other reserves	46,934	33,078
Total Equity	**81,969**	**63,794**

The above results have not been audited

FINANCIAL PERFORMANCE TARGETS

For the Six Months Ended 31 December 2017

MEASURES (Parent)	Actual 31 Dec 2017	Forecast 30 Jun 2018	SOI 30 Jun 2018
Earnings before interest, taxation & depreciation (EBITDA)	$1,583k	$3,075k	$2,374k
Net surplus/(deficit) after tax	$189k	$70k	$(366k)
Net operating cash flow	$821k	$1,594k	$1,700k
Net investing cash flow*	$(548k)	$(4,043k)	$(1,500k)
Funding Titanium Park Limited	$(413k)	$742k	$0k
Total net cash flow (operating & investing)	$(140k)	$(1,707k)	$200k
Total debt	$11,248k	$12,826k	$13,000k
Total liabilities/shareholders' funds (debt/equity ratio)	16:84	15:85	35:65
Shareholders' funds to total assets	84%	85%	76%
Percentage of non-landing charges revenue to total revenue	77%	77%	76%
Interest cover	6.75x	5.73x	5.0x

* *The significant change in net investing cash flow between December 2017 and June 2018 is due to the hotel purchase for $2.85m in January 2018.*

The above results have not been audited.

CORPORATE DIRECTORY

For the Six Months Ended 31 December 2017

Board of Directors	John Spencer CNZM (Chair) Annabel Cotton Carlos da Silva Margaret Devlin
Chief Executive	Mark Morgan
General Manager Operations	Simon Hollinger
Finance Manager	Nikki Orange
Registered Office	Hamilton Airport Terminal Building Hamilton Airport Airport Road, R D 2 Hamilton 3282
Telephone	07 848 9027
E-mail	wral@hamiltonairport.co.nz
Auditors	Audit New Zealand, Tauranga on behalf of the Controller and Auditor-General
Solicitors	Ellice Tanner Hart, Hamilton
Bankers	Bank of New Zealand
Website address	www.hamiltonairport.co.nz