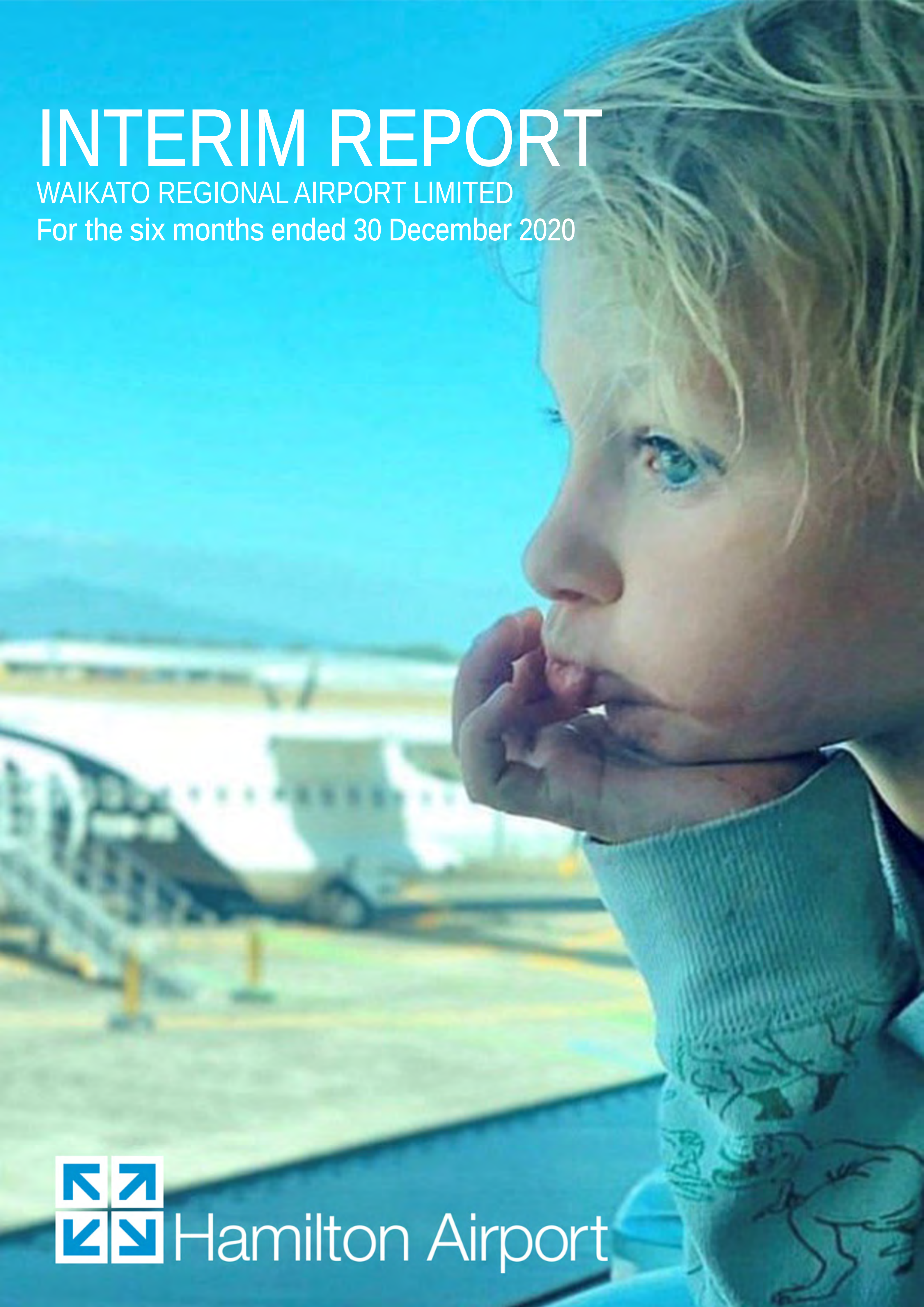
INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED

For the six months ended 30 December 2020



Hamilton Airport

CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE

-24%	Passenger volume - 159,000 Decrease of 49,000
-18%	Aircraft movements - 50,000 Decrease of 11,000
+21%	Operating revenue - $8.2m Growth of $1.4m
+54%	EBITDA excluding land sales - $3.2m Growth of $1.1m
-56%	Net surplus after tax - $1.1m Decrease of $1.6m
+7%	Total shareholder funds - $106.8m Growth of $7.1m

* Growth is measured compared to the six months ended 31 December 2019

COMMENTARY

The first six months of the June 2021 financial year has seen a continuing positive recovery from the lows of the COVID-19 lockdown earlier in 2020.

WRAL's achievements over the last almost 12 months have collectively highlighted the success of the diversification strategy implemented over the past few years, led by optimisation and acquisition of properties around the Airport precinct.

Whilst aeronautical activity had rebounded strongly compared to other domestic airports in New Zealand passenger numbers were still down 25% on last year, however with steady recovery and increases in capacity being scheduled in and out of Hamilton by Air New Zealand, the month of December 2020 saw an increase on December 2019.

Total aircraft movements down 18% primarily due to border restrictions prohibiting new pilots commencing flight training at the L3 Airline Academy who account for around 70% of our flight movement activity.

Overall, our aeronautical earnings (at the EBITDA level) were down $0.3m on the same period last year.

Near the end of the period, Hamilton Airport welcomed a second regular scheduled service airline with the re-commencement of the Palmerston North route serviced by Nelson-based carrier Originair. There are plans to increase capacity and improve scheduling in the second half of the year and for Originair to introduce additional routes including re-starting a return Nelson direct service, a connection previously provided up until 2015. Whilst not financially significant to the airport these represent important milestones and reflect the strength of our airport and region such that we can foster new airline activity at a time where globally the air travel industry has been decimated.

The group's finanical success for 2021 will be underpinned by the performance of the airport's Hotel. While originally the outlook for the hotel was expected to be grim, hotel manager Jet Park was able to secure the site as a COVID-19 managed isolation facility on the back of their Auckland Airport site operating as a quarantine hotel. The hotel has been highly occupied under its managed isolation facility contract, regularly maintaining physical occupancy rates above 80% and during this time the recently upgraded property infrastructure has performed well. Equally, the high quality of service we had seen delivered to hotel guests in normal trading times has continued under the managed isolation model with the hotel ranking at the very high end of guest satisfaction statistics for isolation guests across the New Zealand-wide network of these facilities. The current contract remains in place until at least April 2021, with the Crown having options to extend as far as December 2021.

The hotel's earnings for the period contributed to about three quarters of the Group's year to date net profit. Its comparison to last year is distorted somewhat by the fact the hotel operation late in 2019 was disrupted by the extensive upgrade works and costs of re-launching the property under WRAL and Jet Park's operation resulting in around $0.5m of non-recurring costs incurred in 2019.

The Group also includes the Regional Tourism Organisation, Hamilton & Waikato Tourism. Whilst continuing with the highly successful "Mighty Local" campaign to promote tourism and consumer spend in our home region as the country emerged from lockdown, the organisation has been successful in securing two major multi-year funding streams from central government to re-invest back into the heavily damaged industry. These will assist to develop new opportunities to drive domestic visitation. An initial grant of $0.7m under the Strategic Tourism Asset Protection Partnership will fund tourism activation in our immediate region while Hamilton & Waikato Tourism has been appointed as the lead agency for an almost $4m contestable fund that will offer grants to events across the Waikato, Rotorua, Taupo and Ruapehu regions over the next 3-5 years.

No land sale settlements took place in the first half of the 2021 financial year for Titanium Park, however over $2.8m of construction was commited to complete the Southern Precinct Stage 2 and Central Precinct Stage 4 developments. Both precinct stages were delivered ahead of time and under budget. There is over $7m of revenue expected to arise from nearly 4ha of land settlements taking place in the second half of the year, of which $4m has settled at the time of writing.

The land sale proceeds will provide an important injection of capital enabling the Group to reduce its debt levels to their lowest in a decade at a time of continuing uncertainty due to the global resurgence of the virus and the potential economic impacts. In addition, the airport will encounter a period of emerging new challenges including news that the L3 CTS Airline Academy will close early in 2021 and the need to turn our attention to preparing the hotel for re-launch into the local accommodation market upon conclusion of the Managed Isolation Contract.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2020 (unaudited)

	2020 $ '000	2019 $ '000
Revenue		
Operating revenue	8,156	6,751
Land sales	-	5,875
Other gains/(losses)	191	1,096
	8,347	**13,722**
Expenses		
Operating expenses	(2,815)	(2,740)
Cost of land sales	-	(3,500)
Employee benefits expense	(2,084)	(1,927)
Depreciation & amortisation	(1,683)	(1,602)
Finance costs	(304)	(299)
	(6,886)	**(10,068)**
Net surplus/(deficit) before tax	**1,461**	**3,654**
Tax expense	(403)	(923)
Net surplus/(deficit) after tax	**1,058**	**2,731**
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	**-**	**-**
Total comprehensive revenue & expense	**1,058**	**2,731**

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.

Hamilton Airport

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2020 (unaudited)

	Share Capital $ '000	Retained Earnings $ '000	Revaluation Reserves $ '000	Total $ '000
Opening Balance - 1 July 2019	**14,860**	**25,323**	**57,102**	**97,285**
Net profit/(loss) after tax	-	2,731	-	2,731
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2,731	-	2,731
Dividends paid to shareholder	-	(300)	-	(300)
Closing Balance - 31 December 2019	**14,860**	**27,752**	**57,102**	**99,714**
Opening Balance - 1 July 2020	**14,860**	**33,772**	**57,102**	**105,734**
Net profit/(loss) after tax	-	1,058	-	1,058
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,058	-	1,058
Dividends paid to shareholder	-	-	-	-
Closing Balance - 31 December 2020	**14,860**	**34,830**	**57,102**	**106,792**

Hamilton Airport

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2020 (unaudited)

	2020 $ '000	2019 $ '000
Current Assets		
Cash and cash equivalents	1,014	390
Trade and other receivables	2,121	1,228
Inventories	485	427
Development property	12,145	8,262
	15,765	**10,307**
Non Current Assets		
Property, plant and equipment	94,394	95,028
Investment property	26,305	18,942
Intangible & other non-current assets	1,156	1,566
	121,855	**115,536**
Total Assets	**137,620**	**125,843**
Current Liabilities		
Trade and other payables	2,676	2,131
Income received in advance	1,655	440
Employee entitlements	495	284
Borrowings	-	48
	4,826	**2,903**
Non Current Liabilities		
Provisions for Infrastructure Development	1,417	1,586
Borrowings	19,725	13,168
Deferred tax liability	4,860	8,472
	26,002	**23,226**
Total Liabilities	**30,828**	**26,129**
Net Assets	**106,792**	**99,714**
Equity		
Share capital	14,860	14,860
Retained earnings	34,830	27,752
Revaluation reserves	57,102	57,102
Total Equity	**106,792**	**99,714**

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six months ended 31 December 2020 (unaudited)

	2020 $ '000	2019 $ '000
Operating activities		
Receipts from operations	7,584	12,254
Payments to suppliers and employees	(4,694)	(4,707)
Payments for construction of development property	(2,836)	(1,022)
Payment of interest	(283)	(292)
Payment of income taxes	-	(812)
Net cash from/(used in) operations	**(229)**	**5,421**
Investing activities		
Receipts from sale of property, plant and equipment	-	4
Purchases of property, plant & equipment	(555)	(3,756)
Purchases of investment properties	(929)	-
Acquisition of business	-	(500)
Net cash from/(used in) investment activities	**(1,484)**	**(4,252)**
Financing activities		
Receipts from/(repayments of) borrowings	2,098	(1,290)
Payments of dividends	-	(300)
Net cash from/(used in) financing activities	**2,098**	**(1,590)**
Net change in cash for the period	**385**	**(421)**
Add opening cash and cash equivalents balance	629	811
Closing cash and cash equivalents	**1,014**	**390**

PERFORMANCE REPORTING

Performance against Statement of Intent

For the six months ended 31 December 2020 (unaudited)

	SOI Full Year 30/6/21	Actual 6 months 31/12/20	Forecast Full Year 30/6/21
Financial Targets			
EBITDA excluding Land Sales	($0.5m)	$3.2m ✓	$3.9m ✓
EBITDA including Land Sales	$0.3m	$3.2m ✓	$5.9m ✓
Net Profit before Tax	($3.7m)	$1.5m ✓	$2.5m ✓
Net Operating Cash Flow excl Land Sales	($1.5m)	($0.8m) ✓	$3.9m ✓
Total Debt (not exceeding)	$30.0m	$19.7m ✓	$12.0m ✓
Percentage of non-landing charges revenue	60%	77% ✓	78% ✓
Land Sales	$4.0m	- ✓	$7.3m ✓
Interest coverage	-4.0x	10.7x ✓	8.2 ✓

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