

INTERIM REPORT








SIX MONTHS ENDED
31 DECEMBER 2022



dunedin
AIRPORT

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	FY23 YTD	FY22 YTD	Key results at a glance
	+26%	+74%	Passenger traffic 483,348 YTD – 26% ahead of forecast.
	+5%	+44%	Capacity 586,942 seats – 5% ahead of forecast
	+36%	+78%	Operating Revenue \$10.3m – 36% ahead of forecast
	896%	+2273%	Operating Surplus \$2.6m – 896% ahead of forecast
	7.6	4.7	Bird Strike Rate 7.6 strikes per 10,000 aircraft movements – 12 month rolling average to Sep 22
	4.98		LTIFR - 12 month rolling average to 31 Dec 22.
	9.5		TRIFR - 12 month rolling average to 31 Dec 22.

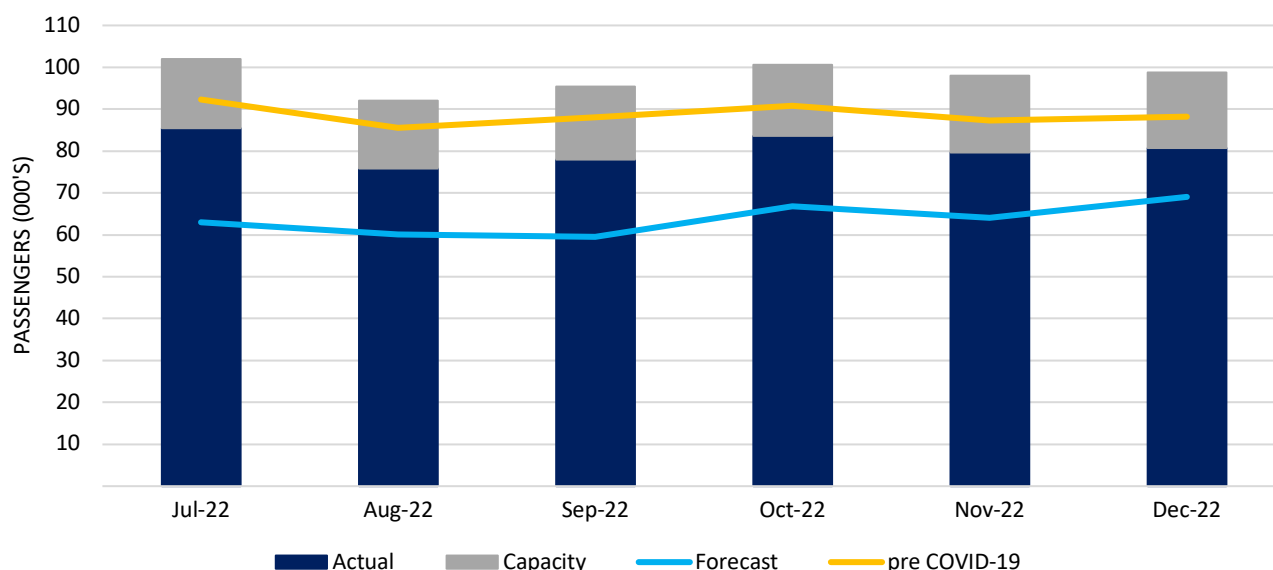
CHIEF EXECUTIVES REPORT

We present the Interim Report for the six-month period to 31 December 2022. Company performance over the period has tracked well ahead of our forecast expectations, thanks to a faster post COVID-19 rebound of passenger volumes. Passenger volumes are 26% ahead of forecast, with healthy load factors in excess of 80%.

Coincident to strong passenger volumes, our operating revenue and surplus are well ahead of budget and prior year performance. All indicators point to a strong COVID recovery of the business, despite pressures with workforce, high inflation, supply chain and the global geopolitical context.

The outlook for the remainder of the year remains positive, with our year end passenger numbers expected to be more than 830,000. Notwithstanding this, the global economic situation is suggestive of further headwinds to come, albeit the impact of this is unknown.

Passenger Activity - Six Months to 31 December 22



PASSENGERS (000'S)	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	YTD
Domestic	85	76	78	84	80	81	483
International	-	-	-	-	-	-	-
Total - Actual	85	76	78	84	80	81	483
Budget	63	60	60	67	64	69	383
Variance	36%	26%	31%	25%	24%	17%	26%
Capacity	102	92	95	101	98	99	587
Load Factor	84%	82%	82%	83%	82%	82%	82%

Sustainability

Our focus on sustainability has been embedded into our ethos over the period, with a dedicated sustainability resource now in place to lead the delivery of our sustainability action plan. A detailed program of initiatives has been developed that will ensure DIAL achieves its emissions reductions targets by 2030 in line with our emissions reduction strategy, in addition to delivering on our wider sustainability framework. Waste reduction and energy efficiency of our terminal & associated buildings remains a key focus.

We expect to have a formal Level 2 Airport Carbon Accreditation from Airports Council International by the end of the financial year. We remain committed to delivering on our 46.2% reduction in baseline (FY18/19) Scope 1 & 2 emissions by 2030.

Safety & Security

Safety & security continues to be our number one priority, with no significant issues to report for the period to date. The Dunedin Airport community was pleased to welcome the first of 2 new Rosenbauer Airport Fire fighting vehicles November, with the first vehicle being named “Gordie’ in memory of the late Gordon McDonald, who served DIAL in a customer service role for 12 years.

In response to the International Civil Aviation Organisation (ICAO) recent audit of New Zealand’s aviation security system & infrastructure, we are working closely the Civil Aviation Authority and airport stakeholders on the outcomes from this state level audit.

Our Assets

The team have been working through detailed planning for significant 3-waters upgrades, in addition to progress being made on our wider airport campus electrification master plan. A stronger focus will be placed on long term capital planning in the coming period and FY24, as we seek to provide surety on the longer-term capital requirements that are coincident to our decarbonisation, growth, and infrastructure resilience objectives.

With the airport recently passing its 60th anniversary, aging infrastructure, customer expectations, the environment, climate change and resilience remain key themes for us as we embark on the development of a comprehensive Airport Asset Management Plan.



Daniel De Bono

Chief Executive Officer

FINANCIAL PERFORMANCE

Our financial performance outlined below is in the context of a 26.4% increase in passengers against the budget, and a 72.3% increase over the prior year.

	Actual	Prior Year	Variance to Prior Year	Budget	Variance to Budget
Aeronautical Revenue					
Landing Charges	5,633,293	2,458,266	129.2%	3,415,394	64.9%
Non-Aeronautical Revenue					
Passenger Service Charge	-	-	n/a	-	n/a
Terminal Rentals & Concession Fees	1,285,967	990,487	29.8%	1,236,169	4.0%
Carparking	1,814,377	977,364	85.6%	1,291,884	40.4%
Property					
Rentals and Rental Housing	566,261	594,275	(4.7%)	602,897	(6.1%)
Dairy Farms	457,680	411,598	11.2%	429,653	6.5%
Other incl. Momona Garage	623,489	535,733	16.4%	635,361	(1.9%)
Total Non-Aeronautical Revenue	4,747,773	3,509,457	35.3%	4,195,964	13.2%
Gain/(Loss) in the value of investments (unrealised)	(68,976)	(183,518)	(62.4%)	-	0.0%
Total Revenue	10,312,089	5,784,205	78.3%	7,611,358	35.5%
Total Expenditure	6,668,129	5,553,715	20.1%	7,209,720	(7.5%)
Operating Surplus before Taxation	3,643,960	230,489	1,481.0%	401,638	807.3%
Taxation	1,044,664	120,962	763.6%	140,641	642.8%
Operating Surplus after Taxation	2,599,296	109,527	2,273.2%	260,997	895.9%

Revenue

Aeronautical Revenue

Total passengers for the year to date to 31 December 2022 are up 74.0% (202,860 passengers) against the prior year comparative. This is in the context of a 43.7% increase in capacity over the same period.

This however is comparing two Covid-19 impacted periods to one another. Against the 2019 financial year, which was not impacted by Covid-19, in the six months to December 2018, passengers are down 10.0% (53,900 passengers).

This represents a strong start to the 2023 financial year from a passenger perspective as passenger numbers return materially to pre Covid levels.

The increase in passengers had a direct correlation to our aeronautical revenue which, at \$5,633,000 for the year to date to 31 December 2022, was 129.2% (\$3,175,000) up against the prior year.

The increase in passenger numbers is associated with the higher passenger numbers as noted above, and a higher per passenger charge than that generated in the prior year. This is due the increase in landing charges effective 1 July 2022 following consultation with our airline partners.

Non-Aeronautical Revenue

At \$4,748,000 non-aeronautical revenue is 35.3% (\$1,238,000) up against the prior year.

The increase in non-aeronautical revenue against the prior year is a function of:

- A \$837,000 (85.6%) increase in carpark revenue. This increase is a function of:
 - the increase in passenger numbers, compounded by,
 - an increase in the carpark rates effective 1 September 2022.
- An increase against prior year in rental revenue from our airport and terminal tenancies of \$255,000 (18.5%). This is a result of increased percentage of tenant revenue-based rental (due to increased passenger numbers), offset by rental relief granted to tenants allocated to the current year to date.
- A \$134,000 (32.6%) increase in garage revenue. This increase is a function of:
 - A marginal increase in fuel volume sold of 10.1%, compounded by,
 - increasing fuel prices. Our blended (average across all fuel grades) fuel price per litre continues to increase, from \$1.94 per litre for the year-to-date December 2021, to \$2.34 per litre for year to date to December 2022.
- A \$46,000 increase in Dairy Farm Revenue due to milk production volume being 6.5% above the prior year. The Fonterra Farm Gate Milk Price remains consistent with the prior year to date at \$2.85 per kgMs (for Dunedin Airports 50% share of production).

Expenditure

Total expenditure is 20.1% (\$1,114,000) up against the prior year.

Wages and salaries are \$348,600 up against the prior year. This is a function of:

- Salaries/wages rate increases processed in the current year, and
- A year-to-date actual FTE of 32.6 vs the prior year of 28.2 as we rebuild airport staff for recovery under orange and ultimately green.

Fuel purchases are \$132,000 ahead of the prior year as a result of increased sales volumes (in line with increase in passenger numbers against the prior year), coupled with increased fuel purchase prices.

Depreciation is \$44,000 above the prior year due to an increase in the underlying cost base following the infrastructure valuation completed 30 June 2022.

Terminal electricity is \$78,000 due to increased passenger activity coupled with a new electricity supply contract that front loads the rates in the earlier years of the 5-year contract.

Airport Emergency Services training and protective equipment are a combined \$44,000 above the prior year as the team increases staffing levels.

Interest expense is \$47,000 above the prior year on the back of increasing interest rates.

Consultants fees are \$89,000 above the prior year to date due to the engagement of a sustainability consultant, a review of sensitive expenditure, consultant costs associated with our rental car tender, and recruitment costs.

General administration expenses are \$48,000 above the prior year due to ex-gratia payments on the resignation of two long standing staff members.

Business development costs are \$20,000 above the prior year following the engagement of an aeronautical data analytics consultant.

All other expenditure variances against budget are immaterial in nature and represent timing slides between actual spend and budget.

Detailed financial statements are provided on the following pages.

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 December 2022	Budget 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021	Audited 12 months to 30 June 2022	Budget 12 months to 30 June 2023
Operating Revenue	10,318,884	7,595,018	5,930,142	13,375,000	16,095,658
Interest Received	25,715	3,000	2,053	12,000	6,000
Bad Debts Recovered	-	840	-	-	1,680
Gain/(Loss) On Investment	(68,976)	-	(183,518)	(201,000)	-
Depreciation Recovered	-	-	-	-	-
Dividend Received	36,466	12,500	35,528	47,000	25,000
Total Revenue	10,312,089	7,611,358	5,784,205	13,233,000	16,128,338
Audit Fee	51,426	34,248	29,868	60,000	68,496
Directors Fee	54,100	60,078	58,614	117,000	120,156
Interest Paid	286,500	345,347	235,513	485,000	777,974
Ineffective hedges	-	-	-	-	-
Wages and Salaries	1,678,446	1,648,008	1,329,837	2,811,000	3,296,016
Depreciation	1,867,689	1,960,922	1,823,781	3,645,000	4,022,454
Operating Exp	2,729,693	3,161,117	2,071,115	5,050,000	6,089,976
Loss On Disposal	276	-	4,987	5,000	-
Total Expenses	6,668,129	7,209,720	5,553,715	12,173,000	14,375,072
Operating Surplus /(Deficit)					
Before Income Tax	3,643,960	401,638	230,489	1,060,000	1,753,266
Income Tax	1,044,664	140,641	120,962	358,000	613,643
Tax Prior Year Adjustment	-	-	-	(4,000)	-
Operating Suplus/Deficit	2,599,296	260,997	109,527	706,000	1,139,623
Other Comprehensive Income					
Ineffective Hedges Amortised to Expense	111,822	-	-	426,000	-
Cash Flow Hedges Gain/(Loss)	(31,310)	-	-	(119,000)	-
Revaluation of Property, Plant & Equipment	-	-	-	14,137,000	-
Income Tax on Items of Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income/(Deficit)	2,679,808	260,997	109,527	15,150,000	1,139,623

Statement of Movements in Equity

Equity at Beginning of Year	85,996,395	71,311,560	69,206,682	71,457,000	71,311,560
Comprehensive Income/(Deficit)	2,679,808	260,997	109,527	15,150,000	1,139,623
Less Dividends Paid	1,023,000	227,543	-	624,000	227,543
Closing Equity	87,653,203	71,345,014	69,316,209	85,983,000	72,223,640

STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months to 31 December 2022	Budget 6 months to 31 December 2022	Audited 12 months to 30 June 2022	Budget 12 months to 30 June 2023
Shareholders Equity				
Share Capital	8,800,000	8,800,000	8,800,000	8,800,000
Hedge Reserves	243,107	(144,062)	162,000	(144,062)
Property Reserves	52,450,297	38,312,987	52,456,000	38,312,987
Reserves	24,583,502	24,342,635	24,483,000	24,342,635
Current Surplus/Profit	2,599,296	260,997	706,000	1,139,623
Final Dividend	(1,023,000)	(227,543)	(624,000)	(227,543)
	87,653,203	71,345,014	85,983,000	72,223,640
Current Liabilities				
Payables and Accruals	1,300,002	587,680	1,474,000	1,150,804
Short Term Advance	1,000,000	-	-	-
Provision for Taxations	825,825	(226,085)	397,000	22,631
	3,125,827	361,595	1,871,000	1,173,434
Non Current Liabilities				
Term Loans	11,250,000	22,050,000	13,250,000	19,400,000
Interest rate term derivatives	(337,648)	75,000	(226,000)	75,000
Deferred Taxations	12,497,111	12,908,726	12,763,000	12,715,011
	23,409,463	35,033,726	25,787,000	32,190,011
Total Equity & Liabilities	114,188,492	106,740,334	113,641,000	105,587,085
Represented by				
Current Assets				
Cash On Hand	6,200	6,400	6,000	6,400
Cash and Cash Equivalents	1,807,762	289,291	1,679,000	499,148
Receivables and Prepayments	1,883,854	1,616,582	1,536,000	1,580,820
Provision for Doubtful Debts	(224,532)	(40,000)	(251,000)	(40,000)
Stock on Hand Momona	31,737	32,000	72,000	32,000
	3,505,022	1,904,272	3,042,000	2,078,367
Non Current Assets				
Fixed Assets	109,859,502	103,902,254	109,703,000	102,565,718
Investments	642,825	750,000	712,000	750,000
Deferred Tax Asset	181,144	184,000	184,000	193,000
Interest Rate Hedge Derivative	-	-	-	-
	110,683,470	104,836,254	110,599,000	103,508,718
Total Assets	114,188,492	106,740,526	113,641,000	105,587,085
Equity Ratio (Equity over Total Assets)	76.76%	66.84%	75.66%	68.40%
Debt to Equity Ratio (Liabilities over Equity)	30.27%	49.61%	32.17%	46.19%

STATEMENT OF CASHFLOWS

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021
Cash Flows from Operating Activities		
Cash was provided from:		
Receipts from Customers	(10,188)	(6,142)
Interest Received	(25)	(2)
Dividends Received	(36)	(36)
Cash was applied to:		
Payments to Suppliers	3,232	2,459
Payments to Employees	1,739	1,426
Interest Paid	287	236
Taxation Paid/(Refund)	909	952
Net Cash Flows from Operating Activities	4,082	1,107
Cash Flows from Investing Activities		
Cash was provided from:		
Sale of Assets	-	-
Cash was applied to:		
Purchase of Shares	-	-
Purchase of Fixed Assets	1,928	358
Net Cash Flows from Investing Activities	(1,928)	(358)
Cash Flows from Financing Activities		
Dividend Paid	1,023	624
Net Loan Facilities (Drawdown)/Repaid	1,000	-
Net Cash Flows from Financing Activities	(2,023)	(624)
Net Increase/(Decrease) in Cash Held	131	125
Plus Opening Cash Brought Forward	1,685	1,781
Closing Cash Held	1,816	1,906

RECONCILIATION OF NET SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING REVENUE

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021
Operating Surplus after Taxation	2,598	108
<i>Items not involving Cashflows</i>		
(Increase)/Decrease in value of investments	69	184
Depreciation	1,868	1,824
Increase/(Decrease) in Deferred Tax	(294)	(287)
Loss/(Gain) on disposal of fixed asset	-	5
WIP written off	-	-
<i>Impact of changes in working capital items</i>		
Increase/(Decrease) in payables and accruals	(363)	(481)
(Increase)/Decrease in receivables and provision for doubtful debts	(270)	167
(Increase)/Decrease in prepayments	110	85
Increase/(Decrease) in tax payable	429	(545)
(Increase)/Decrease in stock	40	18
Movements in working capital items classified as investing	(105)	28
Net Cash Flows from Operating Activities	4,082	1,106