INTERIM REPORT

SIX MONTHS ENDING 31 DECEMBER 2023

dunedin AIRPORT

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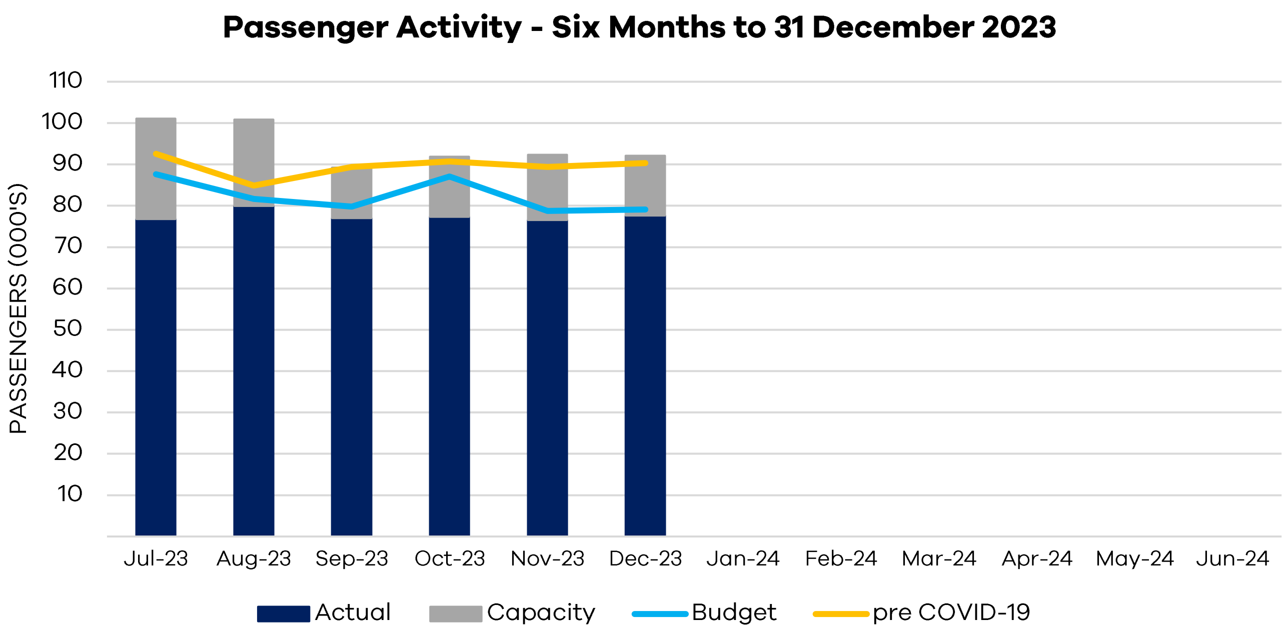
	FY24 YTD	FY23 YTD	Key results at a glance
	-6%	-4%	Passenger traffic 465,233 YTD – 6% behind budget, 4% behind prior year.
	-10%	-3%	Capacity 567,500 seats –10% behind budget, 3% behind prior year.
$	-1%	4%	Operating Revenue (excl. fair value movements) $10.8m – 1% behind budget, 4% ahead of prior year.
	+41%	-12%	Operating Surplus After Taxation $2.3m – 41% ahead of budget, 12% behind prior year.
	3.8	8.7	Bird Strike Rate 3.8 strikes per 10,000 aircraft movements – 12 month rolling average to December 2023.
	2.49	4.98	LTIFR - 12 month rolling average to December 23.
	8.37	9.50	TRIFR - 12 month rolling average to December 23.

CHIEF EXECUTIVES REPORT

We present the Interim Report for the six-month period to 31 December 2023. In terms of passenger numbers, we observed year-to-date passenger volumes trailing 6% below budget and 4% below the corresponding period last year.

This decline is primarily attributed to the reduction in domestic seat capacity resulting from persistent engine issues with Air New Zealand's A320/A321 NEO fleet. As highlighted in our previous reports, we anticipate this challenge to plateau and exert downward pressure on seat capacity growth in the upcoming periods. Nevertheless, our revenue (excluding fair value movements) has proven resilient, only falling 1% behind budget but maintaining a 4% lead over the previous year. Additionally, our 12-month rolling passenger volumes stand at an impressive 8.7% ahead of FY22Q2 – this is a demonstration of a strong post COVID-19 recovery of the domestic business.

Despite the challenges posed by seat capacity reduction, load factors have strengthened, underscoring robust demand in the market. We remain vigilant in addressing the ongoing issues and are optimistic about navigating through these challenges in the coming periods.



PASSENGERS (000'S)	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD
Domestic	77	80	77	77	77	78	n/a	n/a	n/a	n/a	n/a	n/a	465
International	-	-	-	-	-	-	-	-	-	-	-	-	-
Total - Actual	77	80	77	77	77	78	n/a	n/a	n/a	n/a	n/a	n/a	465
Budget	88	82	80	87	79	79	n/a	n/a	n/a	n/a	n/a	n/a	494
Variance	-12%	-2%	-4%	-11%	-3%	-2%	n/a	n/a	n/a	n/a	n/a	n/a	-6%
Capacity	101	101	89	92	92	92	n/a	n/a	n/a	n/a	n/a	n/a	568
Load Factor	76%	79%	86%	84%	83%	84%	n/a	n/a	n/a	n/a	n/a	n/a	82%

Sustainability

Progress continues in the advancement of the formal carbon accreditation process with Airports Council International (ACI). We have now calculated the landing and take-off emissions stemming from aircraft operations, contributing to the refinement of our Scope 3 greenhouse gas (GHG) inventory.

Notably, we spearheaded a collaborative bid with Lower South consortium for the Air New Zealand NextGen aircraft project, involving Queenstown and Invercargill airports. While our proposal emerged as the preferred choice, the constraints associated with the selected aircraft for the 2026 commercial demonstrator launch rendered our operational concept unfeasible.

Undeterred, our team remains committed to advancing sustainability initiatives. Currently, we are actively engaged in the design phase of an extensive rooftop solar system intended for implementation across the airport terminal and adjacent structures.

Safety & Security

This quarter saw Dunedin Airport audited by the Civil Aviation Authority, and the five-year renewal of our Part 139 Aerodrome Operations Certificate.

The audit recognised the work carried out by Dunedin Airport staff, and the wider airport community to improve security outcomes through training, infrastructure improvements, and culture.

Our bird strike rate for Q2 was 1.6 strikes per 10,000 aircraft movements, reflecting the effort and attention given to wildlife hazard management. We were recognised nationally (together with Nelson Airport) as having the best improvement in bird-strike rate nationally, which the team are justly proud of.

No Lost Time Injuries were recorded during the quarter, and all lessons learned and actions arising from the previous quarter's incident have been implemented.

Our Assets

Work continues across our Capital Project Portfolio, with significant airside works on track for delivery this year. This will see the resurfacing of Taxiway Alpha, and our loop taxiway, as well as construction of stormwater interceptors and new access roading.

Procurement planning is well underway for the range of consultancy inputs which will together comprise the Dunedin Airport Masterplan, with the first commissions focussing on aviation demand forecasting, and climate change risk and resilience planning.

Terminal improvement projects, like the replacement of terminal flooring, and the retrofit of energy-efficient LED lighting throughout the terminal continue alongside an increased focus on programmed maintenance, with several new service-level agreements in place this quarter.

We have reached the end of optioneering on our Wastewater Masterplan project, with a cost and constructability review underway, and are well advanced with detailed design for the Water Storage project, which we expect to construct during the 24/25 financial year.
Asset data collection and classification work continues, using a combination of our existing ArcGIS platform, and our new Aerosimple software.

Airport Charges

It is a legislative requirement under The Airport Authorities Act 1966 that all airport companies consult over charges with all substantial customers, before any new or altered charges are implemented.

Charges allow airports to cover aeronautical operating expenditure and generate a return (equal to the airports weighted average cost of capital) on aeronautical assets.

Charges are based on forecast passenger numbers anticipated during the upcoming financial year.

The June 2024 financial year represents the final year of the three-year pricing round agreed to by substantial airline customers. Accordingly, we have commenced the consultation process with airlines regarding the charges to apply for the 2025 – 2027 financial years.

Daniel De Bono
Chief Executive Officer

FINANCIAL PERFORMANCE

Our financial performance outlined below is in the context of a 4% decrease in passengers against the prior year, and a 6% decrease over budget.

Aeronautical Revenue	Actual	Prior Year	Variance to Prior Year	Budget	Variance to Budget
Landing Charges	5,712,854	5,633,293	1.4%	5,861,801	(2.5%)
Non-Aeronautical Revenue					
Passenger Service Charge	-	-	n/a	-	n/a
Terminal Rentals & Concession Fees	1,341,410	1,284,874	4.4%	1,448,352	(7.4%)
Carparking	1,851,276	1,814,377	2.0%	1,955,978	(5.4%)
Property					
Rentals and Rental Housing	641,381	566,261	13.3%	620,098	3.4%
Dairy Farms	458,162	457,680	0.1%	426,394	7.5%
Other incl. Momona Garage	780,534	623,489	25.2%	597,495	30.6%
Total Non-Aeronautical Revenue	5,072,763	4,746,680	6.9%	5,048,317	0.5%
Gain/(Loss) in the value of investments (unrealised)	(181,462)	(68,976)	163.1%	-	0.0%
Total Revenue	10,604,154	10,310,997	2.8%	10,910,118	(2.8%)
Total Expenditure	7,337,084	6,654,894	10.3%	8,503,534	(13.7%)
Operating Surplus before Taxation	3,267,070	3,656,103	(10.6%)	2,406,584	35.8%
Taxation	968,390	1,044,664	(7.3%)	770,107	25.7%
Operating Surplus after Taxation	2,298,680	2,611,439	(12.0%)	1,636,477	40.5%

Revenue

Aeronautical Revenue

Total passengers for the year to date to 31 December 2023 are down 4% against the prior year comparative. This is in the context of a 3% decrease in capacity over the same period.

Notwithstanding the decrease in passengers against the prior year, at $5,713,000 for the year to date to 31 December 2023, aeronautical airport charge revenue is 1.4% ($79,500) up against the prior year.

The decrease in passengers is offset by a higher per passenger charge than that generated in the prior year. This is due the increase in landing charges effective 1 July 2023 following consultation with our airline partners, compounded by additional development charges associated with the new firefighting appliances and fire station expansion.

Non-Aeronautical Revenue

At $5,073,000 non-aeronautical revenue is 6.9% ($326,000) up against the prior year.

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

- Administration revenue is $191,000 ahead of the prior year. In August Fonterra implemented their $800 million capital return. One in every six of our shares were bought back by Fonterra and immediately cancelled. At the same time as the share cancellation, a share subdivision has occurred so that, immediately after the share buyback and subdivision, the airport continues to hold the same number of shares as we held before the share buyback and subdivision. As a result of the buyback, we received $116,600.

  Further, dividend revenue is $81,000 ahead of the prior year and gains from the sale of PP&E are $78,000 ahead of the prior year.
- An increase against prior year in rental revenue from our airport and terminal tenancies of $123,000 (7.6%). This is a result of increased percentage of tenant revenue-based rental (due to rental increases in line with tenancy agreements), offset by historic rental relief granted to tenants allocated to the current year to date.

Offsetting these revenue increases is a $35,700 decrease in garage revenue. This decrease is a function of:

- A decrease in fuel volume sold of 8.3%, offset by,
- increasing fuel prices. Our blended (average across all fuel grades) fuel price per litre continues to increase, from $2.34 per litre for the year-to-date December 2022, to $2.39 per litre for year to date to December 2023.

Expenditure

At $7,337,000 total expenditure is 10.3% ($682,000) up against the prior year.

Wages and salaries are $240,000 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 35.4 vs the prior year of 32.5 as we rebuild airport staff post Covid recovery, and
- Escalation in holiday pay and long service leave accrued entitlements.

Depreciation is $324,000 above the prior year due to an increase in the underlying cost base following capital expenditure.

Airfield travel and accommodation is $38,800 above the prior year due to staff attendance at the New Zealand and Australian Airports conferences, plus international travel associated with the research, and implementation of our AeroSimple airport management software.

Rental housing repairs is $108,800 above the prior year as we invest to improve the quality, and thereby associated rental, of untenanted properties.

Offsetting these increases, fuel cost of goods sold is $45,000 behind the prior year as a result of decreased sales volumes.

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 2023	Budget 6 months to 31 December 2023	Unaudited 6 months to 31 December 2022	Audited 12 months to 30 June 2023	Budget 12 months to 30 June 2024
Operating Revenue	10,644,412	10,876,012	10,317,792	20,608,000	22,201,098
Interest Received	47,894	20,766	25,715	99,000	32,167
Bad Debts Recovered	-	840	-	-	1,680
Gain/(Loss) On Investment	(181,462)	-	(68,976)	88,000	-
Depreciation Recovered	77,947	-	-	-	-
Dividend Received	93,311	12,500	36,466	57,000	25,000
Total Revenue	**10,682,101**	**10,910,118**	**10,310,997**	**20,852,000**	**22,259,945**
Audit Fee	51,426	43,002	51,426	135,000	86,004
Directors Fee	68,514	70,224	54,100	123,000	140,448
Interest Paid	261,417	383,252	286,500	580,000	906,941
Ineffective hedges	-	-	-	-	-
Wages and Salaries	1,918,614	1,798,296	1,678,446	3,274,000	3,650,941
Depreciation	2,191,601	2,036,339	1,867,689	4,213,000	4,172,461
Operating Exp	2,923,459	4,172,421	2,716,457	6,602,000	8,432,791
Loss On Disposal	-	-	276	1,000	-
Total Expenses	**7,415,031**	**8,503,534**	**6,654,894**	**14,928,000**	**17,389,586**
Operating Surplus /(Deficit) Before Income Tax	3,267,070	2,406,584	3,656,103	5,924,000	4,870,359
Income Tax	968,390	770,107	1,044,664	1,688,000	1,558,514
Tax Prior Year Adjustment	-	-	-	(77,000)	-
Operating Suplus/Deficit	**2,298,680**	**1,636,477**	**2,611,439**	**4,313,000**	**3,311,845**
Other Comprehensive Income					
Ineffective Hedges Amortised to Expense	-	-	-	-	-
Cash Flow Hedges Gain/(Loss)	(173,856)	-	-	57,000	-
Revaluation of Property, Plant & Equipment	-	-	-	-	-
Income Tax on Items of Other Comprehensive Income	48,679	-	-	(16,000)	-
Total Comprehensive Income/(Deficit)	**2,173,503**	**1,636,477**	**2,611,439**	**4,354,000**	**3,311,845**

Statement of Movements in Equity

Equity at Beginning of Year	85,453,431	85,817,269	69,206,682	82,097,000	85,817,269
Comprehensive Income/(Deficit)	2,173,503	1,636,477	2,611,439	4,354,000	3,311,845
Less Dividends Paid	2,500,000	2,845,961	-	1,023,000	2,845,961
Closing Equity	**85,126,935**	**84,607,785**	**71,818,121**	**85,428,000**	**86,283,153**

STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months to 31 December 2023	Budget 6 months to 31 December 2023	Audited 12 months to 30 June 2023	Budget 12 months to 30 June 2024
Shareholders Equity				
Share Capital	8,800,000	8,800,000	8,800,000	8,800,000
Hedge Reserves	78,388	203,564	203,000	203,564
Property Reserves	48,805,608	48,805,608	48,812,000	48,805,608
Reserves	27,644,258	28,008,096	24,323,000	28,008,096
Current Surplus/Profit	2,298,680	1,636,477	4,313,000	3,311,845
Final Dividend	(2,500,000)	(2,845,961)	(1,023,000)	(2,845,961)
	85,126,935	**84,607,785**	**85,428,000**	**86,283,153**
Current Liabilities				
Payables and Accruals	1,283,164	2,102,716	2,437,000	1,801,689
Short Term Advance	-	-	-	-
Provision for Taxations	889,407	369,100	1,712,000	762,218
	2,172,571	**2,471,815**	**4,149,000**	**2,563,906**
Non Current Liabilities				
Term Loans	10,500,000	14,500,000	9,000,000	18,750,000
Interest rate term derivatives	(108,873)	(350,000)	(283,000)	(350,000)
Deferred Taxations	15,508,937	16,043,341	15,889,000	15,778,964
	25,900,064	**30,193,341**	**24,606,000**	**34,178,964**
Total Equity & Liabilities	**113,199,570**	**117,272,942**	**114,183,000**	**123,026,023**
Represented by				
Current Assets				
Cash On Hand	6,200	6,400	6,000	6,400
Cash and Cash Equivilants	1,510,895	590,463	1,717,000	473,722
Receivables and Prepayments	1,762,184	2,098,826	1,821,000	2,035,765
Provision for Doubtful Debts	(131,159)	(60,000)	(251,000)	(60,000)
Stock on Hand Momona	39,314	40,000	42,000	40,000
	3,187,434	**2,675,690**	**3,335,000**	**2,495,887**
Non Current Assets				
Fixed Assets	109,261,950	113,763,250	109,897,000	119,714,136
Investments	618,695	650,000	800,000	650,000
Deferred Tax Asset	131,491	184,000	151,000	166,000
Interest Rate Hedge Derivative	-	-	-	-
	110,012,135	**114,597,250**	**110,848,000**	**120,530,136**
Total Assets	**113,199,570**	**117,272,940**	**114,183,000**	**123,026,023**
Equity Ratio (Equity over Total Assets)	**75.20%**	**72.15%**	**74.82%**	**70.13%**
Debt to Equity Ratio (Liabilities over Equity)	**32.98%**	**38.61%**	**33.66%**	**42.58%**

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STATEMENT OF CASHFLOWS

	Unaudited 6 months to 31 December 2023	Unaudited 6 months to 31 December 2022
	000's	000's
Cash Flows from Operating Activities		
Cash was provided from:		
Receipts from Customers	(10,694)	(10,188)
Interest Received	(48)	(25)
Dividends Received	(93)	(36)
Cash was applied to:		
Payments to Suppliers	3,705	3,232
Payments to Employees	1,845	1,739
Interest Paid	261	287
Taxation Paid/(Refund)	2,103	909
Net Cash Flows from Operating Activities	**2,921**	**4,082**
Cash Flows from Investing Activities		
Cash was provided from:		
Sale of Assets	(92)	-
Cash was applied to:		
Purchase of Shares	-	-
Purchase of Fixed Assets	2,219	1,928
Net Cash Flows from Investing Activities	**(2,127)**	**(1,928)**
Cash Flows from Financing Activities		
Dividend Paid	2,500	1,023
Net Loan Facilities (Drawdown)/Repaid	(1,500)	1,000
Net Cash Flows from Financing Activities	**(1,000)**	**(2,023)**
Net Increase/(Decrease) in Cash Held	(206)	131
Plus Opening Cash Brought Forward	1,723	1,685
Closing Cash Held	**1,517**	**1,816**

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

	Unaudited 6 months to 31 December 2023 000's	Unaudited 6 months to 31 December 2022 000's
Operating Surplus after Taxation	2,299	2,598
Items not involving Cashflows		
(Increase)/Decrease in value of investments	181	69
Depreciation	2,192	1,868
Increase/(Decrease) in Deferred Tax	(311)	(294)
Loss/(Gain) on disposal of fixed asset	-	-
Movements in Opoerating Surplus classified as investing	(78)	
Impact of changes in working capital items		
Increase/(Decrease) in payables and accruals	(1,125)	(363)
(Increase)/Decrease in receivables and provision for doubtful debts	(95)	(270)
(Increase)/Decrease in prepayments	28	110
Increase/(Decrease) in tax payable	(823)	429
(Increase)/Decrease in stock	3	40
Movements in working capital items classified as investing	651	(105)
Net Cash Flows from Operating Activities	**2,922**	**4,082**