Airways Corporation of New Zealand Limited

Annual interim results announcement – 29 February 2016

	6 months ended 31 December 2015	6 months ended 31 December 2014	% change
Revenue from operating activities	$NZ 99.6m	$NZ 92.4m	8%
Profit from operating activities after tax	$NZ 11.5m	$NZ 6.6m	74%
Net Profit	$NZ 11.5m	$NZ 6.6m	74%
Service improvement (Capital) projects	$NZ 14.6m	$NZ 14.2m	3%
Interim dividend (Oct 2015)	$NZ 1.0m	$NZ 1.0m	
Forecast interim dividend (27 Feb 2016)	$NZ 2.0m	$NZ 1.0m	
Forecast final dividend (26 June 2016)	$NZ 2.0m	$NZ 2.0m	
Total Forecast dividend	$NZ 5.0m	$NZ 4.0m	

Comments:

Airways has maintained its strong safety record during the first six months of the year with no near collision incidents.

Service availability has also remained high at 99.98%. However, severe weather and record traffic volumes in Auckland have contributed to a decrease in efficiency from the same period last year, with average inflight delays increasing from 14 to 17 seconds per flight. In flight delays overall remain well below historic levels.

Group NOPAT is ahead of the same period in the prior year, due primarily to increased flight volumes (both domestic and international) and a continued focus on controllable costs. This has been offset by continued delays in securing revenue from the Flightyield business and new international training campuses. These trends are expected to continue into the second half of the year, delivering a forecast full year NOPAT of $17.6m - $18.6m.

Revenue for the System Operator – Air Traffic Control (ATC) Business has benefited from increased traffic volumes, which are up on the prior year for international and domestic routes by 5.3% and 4.9%, respectively. Prices have remained relatively stable, with a planned 1.2% price increase being reduced to 0.7% off the back of higher than expected volumes in the prior year. This price increase has been necessary to fund Airways' service enhancement programme, which continues to optimise the New Zealand aviation network and allow the industry to transition from ground to satellite-based navigation.

Expenditure on the service enhancement (capital) programme is in line with the prior year and Airways is on track to deliver the capital plan agreed in the 2013-2016 pricing framework. Key investments during the first six months of the year include: significant progress on the new Wellington control tower; lifecycle replacement of the critical high frequency radio communication system; seismic strengthening at key operational locations to ensure service resilience; and construction of new facilities at Queenstown to support the airport's current expansion programme.

NOPAT for Airways' other services of $1.0m is ahead of the same period last year, although behind the target of $1.3m. This result reflects an ongoing focus on tight cost control in the face of prolonged delays in establishing secure, ongoing revenue from some of the new businesses. Challenges in commercialising the Flightyield business continue, although the pipeline remains encouraging. The domestic training campuses are performing well, with students from Saudi Arabia and Vietnam currently on site; however the international campuses are not expected to commence the first full training courses until later in the financial year. Significant progress has been made in extending Airways' presence in the Pacific, with a multi-year contract signed with the Ministry of Foreign Affairs and Trade to deliver a range of navigation, surveillance and procedural design services into the region.