



Guam International Airport Authority FY 2010 Highlights

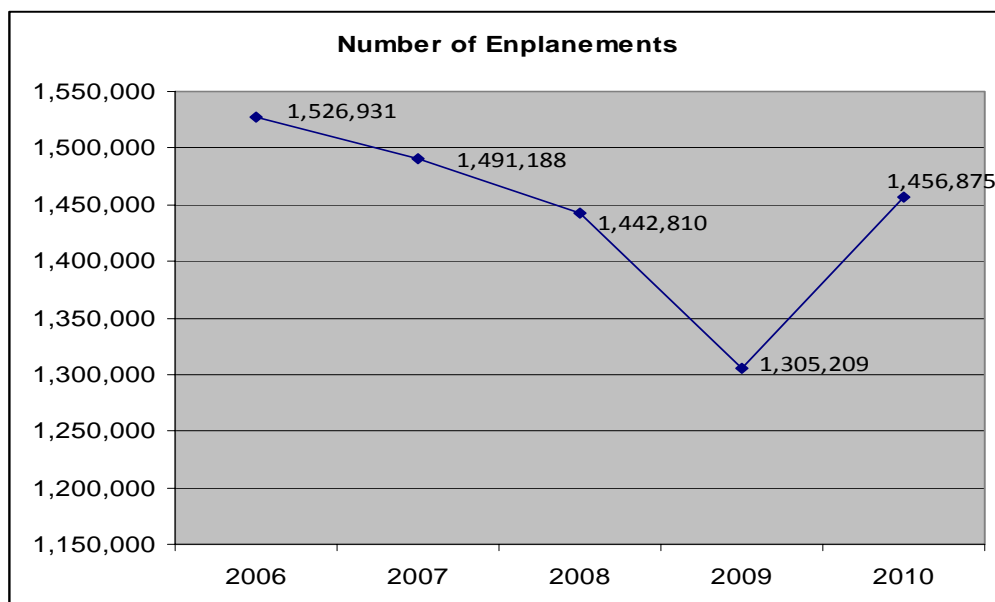
January 20, 2011

The Guam A.B. Won Pat International Airport Authority (Airport) viewed fiscal year (FY) 2010 as the year of recovery for the Airport and its airline partners. The Airport experienced increased passenger activity with enplanements amounting to approximately 1.5 million, or an 11.6% increase from the previous year. Additionally, the Airport continued its pursuit of federal funding. This contributed to their positive financial performance in FY 2010 as they closed the year with an increase in net assets (net income) of \$9.7 million (M) and achieved Debt Service Coverage of 1.58 compared to the 1.25 required by the 2003 Bond Covenants. Independent auditors Ernst and Young, LLP gave the Airport an unqualified (clean) opinion for FY 2010 on its financial statements.

For the third year in a row auditors gave an unqualified opinion on the Airports report on compliance and internal control; however, they identified significant deficiencies with respect to the Airport's major federal programs in FY 2010. These deficiencies involved the Airport's timeliness of reimbursement requests and the receipt and completion of weekly certified payrolls required by the Davis-Bacon Act. There were no questioned costs or material weaknesses. A separate management letter was issued containing four reportable control deficiencies involving cost of evaluation studies, lease agreements, clarification on Davis-Bacon Act rates, and customs fees.

Increased Passenger Activity and Revenues

Enplanement activity reached 1.46M in FY 2010, reversing the downward trend that the Airport had experienced since FY 2007. The highest enplanement activity experienced by GIAA since 9/11 was in FY 2006 with 1.53M. See chart below.



The increase in enplanement activity contributed to the \$5.4M increase in operating revenues, from \$41.7M to \$47.1M. Airport management also attributed the revenue increase to its airline incentive program, which provided airline partners up to 50% off on the Authority's rates and charges. This resulted in airline partners increasing their charter operations. Facilities and systems usage charges, which account for 49% of the Airport's revenues, increased by 29%, from \$17.8M to \$23M. Revenues from concession fees, which make-up 30% of operating revenues, also increased, from \$12.9M to \$13.9M.

As part of their Strategic Plan, non-airline revenue streams and other revenue enhancement initiatives were undertaken such as public/private partnerships for three air cargo facilities. These property development investments are expected to generate \$35.5M in revenue for the Airport over the next 20 to 30 years.

Operating Expenses Increase

The Airport's operating expenses increased by 5.3%, from \$29.5M in FY 2009 to \$31.1M in FY 2010. This was mainly attributed to the 7.8% increase in Contractual services or \$1.2M, from \$16.1M to \$17.3M. The two largest increases under Contractual services were from Repairs and maintenance for the operation of a loading bridge and Professional services for financial, environmental, and legal consultants. Repairs and maintenance increased by 24.9%, from \$3.3M to \$4.1M, and Professional services increased by 13.4%, from \$3.1M to \$3.5M in FY 2010. Although personnel costs nominally increased by \$49K, the Airport was mandated by Public Law 29-154 to pay approximately \$894K to certified technical and professional positions in April 2010.

Capital Grants and Federal Awards

In FY 2010, the Airport was awarded 10 grants amounting to \$19.4M. These funds will be used towards various capital improvement projects to include: upgrades to the airfield, runway extensions and rehabilitations, Geographic Information System survey, and airport utility infrastructure improvements. The \$4.8M American Recovery and Reinvestment Act grant that was awarded to the Airport in FY 2009 was completely expended as of FY 2010.

Future Outlook for the Airport

With the Asia-Pacific region expecting to be one of the most profitable regions for the airline industry, coupled with the impending military buildup, the Airport is expecting the upward trend in passenger activity to continue during FY 2011. Thus, the Airport has several initiatives and projects underway aimed at positioning Guam as a major transportation hub in the Western-Pacific region.

See the Management Discussion and Analysis for details. These reports may be downloaded at www.guamairport.com or at www.guamopa.org.