

A.B. WON PAT INTERNATIONAL AIRPORT, GUAM Guam's Largest Investment



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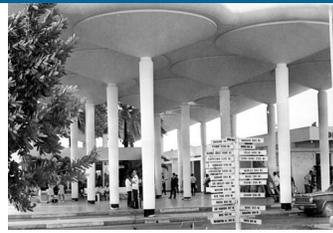
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A Quonset Hut served as Guam's First Air Terminal post WWII.



GIAA begins to operate the Airport Terminal in January of 1976.



New terminal built in 1982 was referred to as a white elephant.

The A.B. Won Pat International Airport, Guam remains the largest capital improvement ever undertaken by the people of Guam. Once operating out of a Quonset hut at the end of WWII, the current sprawling Airport Facility has an incredible history of continual development, with \$167M more to be invested in the coming year.

2013 marked the 38th anniversary of the A.B. Won Pat International Airport Authority's (GIAA) creation as a Government of Guam entity under Public law 13-57. Prior to the enactment, airport business was handled as a division of the

Department of Commerce. GIAA first took over terminal operations in January of 1976 in the facility now known as the Air Terminal Annex. At that time, only three carriers serviced Guam—Pan American Airways, Continental Air Micronesia, and Japan Airlines.

Since then, GIAA has built two new terminal buildings. The first one, funded by \$43M in 1979 revenue bonds was completed in 1982 and was referred to as the "white elephant" because most island leaders thought it would never reach capacity. However, within its fifth year of tenancy and op-

erations, the first terminal was over-crowded and bursting at the seams with passengers. The second and current terminal is the product of a \$241M expansion and construction project, funded by 2003 revenue bonds and completed in 2008.

Now 17 years old, \$167M is earmarked for necessary facility and equipment upgrades and improvements at Guam's Airport.

Such investments keeps Guam at the forefront of the aviation industry and expands its role as an important hub in the Pacific.

\$247 MILLION GENERAL REVENUE BONDS



CAPITAL IMPROVEMENT PROJECTS: International Arrivals Corridor• Phase 3 Near Fault Seismic Upgrade• Hold Bag Screening Relocation• Security Screening Checkpoint• Flight Information Display System• Integrated Passenger Loading Bridge Replacement• Common Use Check-In Facilities• Fuel System Improvements• Parking Expansion• Interisland Passenger Facility • Aircraft Rescue and Fire Fighting Facility Replacement• Cargo Apron Relocation• Replace Terminal Seating• Access Control and Security Improvements• Terminal Flooring Replacement

On September 12, 2013, GIAA closed on \$247 Million in General Revenue Bonds which was the most successful municipal bond sale in Government of Guam to date. The bonds refinanced the GIAA's 2003 Revenue Bonds and provides funding for approximately \$167M worth of new capital improvements,

additions, and extensions to the airport. Key projects are highlighted above. The sale of the bonds was a financial feat and a testament to GIAA's credit strength. Through an outreach prior to bond sale, over \$1.7 billion in institutional orders from over 40 accounts were received. This led underwriters to lower interest rates by al-

most 20 basis points (0.20%) throughout the 30-year debt structure. The Airport's annual debt service coverage under the 2013 indenture is at a rate of 1.25, which the Airport has consistently surpassed in its projected and annual budgets.



Guam Airport Hosts Regional Conference

WE'RE ON IT 24/7

The 9th Airports Council International (ACI) Asia-Pacific "Small and Emerging Airports Seminar" was held on Guam in October 2013 with over 100 participants. The theme, "Rediscovering Emerging Airports' Potential," centered on regional aviation and shared best practices of small and emerging airports' increasing capacity and seeing returns on investment. "Small and emerging airports play a vital role in the Asia-Pacific region, handling 240 million passengers which is about 12% of the region's total traffic of 1.94 billion in 2012," stated Patti Chau, Regional Director, of the ACI Asia-Pacific organization.

"Guam's Airport is the island's only commercial airport and has emerged

as the engine of our island economy and the principal airport serving the Micronesian islands," said Charles H. Ada II, Executive Manager of Guam's Airport. Mr. Ada further stated that small airports "must evolve using best practices to encourage an unencumbered business climate and capture

reciprocal effects for our neighboring airports, and the Asia-Pacific region as a whole."

Note: ACI Asia-Pacific, based in Hong Kong, represents over 500 airports in 43 countries in Asia Pacific and the Middle East.



Expanded Air Services in 2013

The Airport made great strides in 2013 with expanded Air Services.



The Airport's portfolio was enhanced with the opening of the **Japan Airlines (JAL)** flight crew training facility on Guam. JAL cadet pilots are trained on two of JAL's fleet models here on Guam, in take-off, landing, flying and stop-and-go operations, adding to the airport's revenue base and business activity for the fuel handler, ground handler, hotels, restaurants and other providers the flight crew and instructors utilize during their training cycles.



Korean Airlines commenced charter service from new origin Busan, Korea twice weekly, utilizing a B737-800 and maintained these services operating throughout 2013.



New airline operators added over 3,500 passenger seats to Guam in 2013. 2,000 seats became available from new origin Kitakyushu, Japan with the introduction of **Star Flyer** charters.



1,500 additional seats from Narita were added with **Sky-mark** Airline's charters to Guam in Spring 2013.



Philippine Airlines Guam Airport's profile as a viable

transit and technical stop for airlines was endorsed with the continuation of **Philippine Airlines'** use of Guam as a technical stop in its San Francisco to Manila route. Tech stops add to the Airport's revenue base and enhances the airport's reputation as an important transit and technical stop in the Asia-Pacific area.

Increased Revenue and Improvements in New Retail Contract

Lotte Duty Free Guam, LLC was awarded to be the exclusive operator of the duty free retail concession at the Main Terminal of the Airport in May of 2013. The Agreement is for an exclusive term of five years with an additional five-year term on a non-exclusive basis.

Under the Agreement with Lotte, GIAA is guaranteed rental revenues of \$15.4M annually, as compared to the \$4.5M annual guarantee under former operator DFS Guam LP. DFS Guam LP held the lucrative exclusive duty free contract at the Guam Airport for over 30 years. The Airport was also able to negotiate additional revenue of 1% of all sales made by Lotte's flagship store on Guam. Lotte has announced they will be opening a main store on Tumon Bay, showcasing its full extent of luxury goods.

In addition to the minimum annual guarantee of \$15.4M, Lotte had also committed another \$23M in capital improvements to its retail space and additional renovations to the Airport food court and restroom facilities at no cost to the Airport. Lotte formally began operations at the Main Terminal at the stroke of midnight, July 21, 2013.



2013 PERFORMANCE

Passenger activity in FY 2013 approached record level for the Authority. Total FY 2013 passenger enplanements bordered on the 1.7 million threshold. FY 2013 total enplanement of 1,697,986 exceeded the prior year by 7.8%.

The Authority continued to position itself as the 8th ranked airport for international arrivals for all US ports of entry ahead of large airports such as Chicago and Atlanta. Over 90% of the Authority's enplanements are international from origin and destinations markets.

Going forward to FY 2014, the Authority seeks to maintain the FY 2013 enplanement level with a slight uptick based on airline-budgeted forecasts. There are uncertainties with the devaluation of currencies from our major markets, particularly with Japan, and its contractionary impact on leisure travel; consumer confidence in their local economies; unstable fuel costs; and the US fiscal recovery.

Financial Results

For FY 2013, total revenues amounted to \$86.7M, an increase of 30.4% year over year versus FY 2012 amount of \$66.5M. Operating income which amounted to \$59.8M, accounted for 69% of all revenue in 2013. The remaining 31% or \$2.9M of revenue was

comprised of non-operating income that included interest income, passenger facility charges and grants from the US government and transfers from GovGuam.

The \$59.8M of operational revenues represented a 13.9% increase attributed to

increases in concession revenues, ground transportation revenues and rental income.

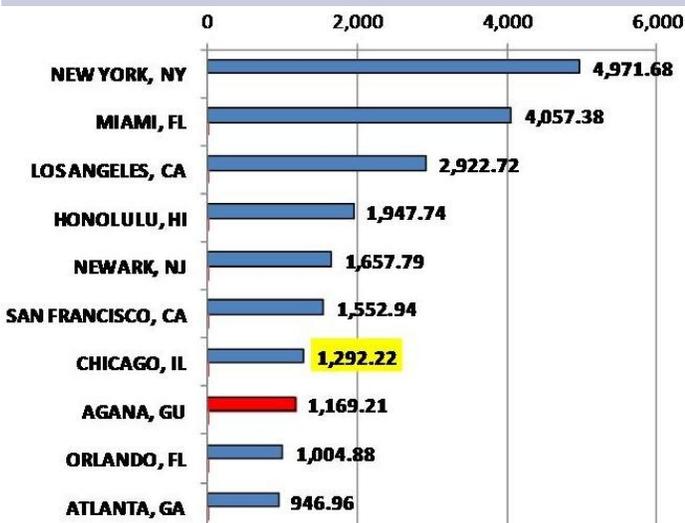
Non-operating revenues of \$27M represents an increase of 91.8% versus the prior year. This is attributed to increase in grants from the US Government and interest

income. Operational expenses equaled \$38.4M, an increase of 9.3% over the prior year. The increase is a result of personnel services increases due for law enforcement pay, phased implementation of the authority's compensation plan, and retirement contributions.

Source: FY12 and FY13 Acctg. Statistics

Arrivals		2012	1,412,502
1,485,648		2011	1,284,203
		2010	1,283,754
		2009	1,163,670
Departures		2012	1,407,163
1,498,419		2011	1,264,243
		2010	1,286,486
		2009	1,158,752
Transit		2012	322,450
405,117		2011	329,976
		2010	363,590
		2009	289,895
Landing/Takeoffs		2012	48,750
52,725		2011	46,030
		2010	44,426
		2009	40,276
Cargo <small>Metric Tons</small>		2012	30,379
21,094		2011	24,541
		2010	31,613
		2009	31,428
Gross Take-Off Weight <small>(in 1000's pounds)</small>		2012	3,296,664
3,258,721		2011	2,787,086
		2010	3,169,743
		2009	3,017,815

Top U.S. Ports of Entry (all Modes) by Non-Residents



Source: U.S. Dept. of Commerce, ITA, Office of Travel & Tourism, September 2012

	FY 2013	FY 2012	% Change
Revenues	\$59.8m	\$52.5m	13.9%
Expenses	\$38.4m	\$35.1m	9.3%
Net Position	\$316.2m	\$301.1m	5%
CPE	17.24	\$16.81	2.5%
DSC	2.06	1.66	24.1%

Source: Ernst & Young GIAA Financial Statements, FY12 and FY11

What Do You Know?

- ✈ **Over 252 scheduled flights operated weekly out of the A.B. Won Pat International Airport, Guam**
- ✈ **GUAM IS CONNECTED TO OVER 22 DESTINATIONS**
- ✈ **Over 2.6M passengers arrived and departed through the A.B. Won Pat International Airport, Guam in 2013**
- ✈ **10 AIRLINES SERVICE THE GUAM INTERNATIONAL AIRPORT**
- ✈ **Annually, the Federal Aviation Administration inspects and certifies our Airport and deems our operations as meeting and exceeding U.S. regulatory standards**
- ✈ **THE AIRPORT WILL LAUNCH A MOBILE APPLICATION FOR SMART PHONE USERS WITH PASSENGER SERVICES AND TRAVELER INFORMATION**
- ✈ **“GUM” is the three-letter code for the Guam International Airport assigned by the International Air Transport Association (IATA)**
- ✈ **TRANSLATED INTO CHAMORRO, THE AIRPORT IS REFERRED TO AS THE “ANTONIO B. WON PAT PUETTON BATKON AIREN GUAHAN”**

