



## Chairman and Chief Executive Report

### Results for the year ended 31 March 2017

Wellington Airport is pleased to announce its audited results for the year ended 31 March 2017.

A net profit after tax of \$16.1 million with underlying earnings showing an EBITDAF before subvention payment<sup>1</sup> of \$90.5 million, up 5.1% on the last year.

EBITDAF is expected to continue to increase, reflecting investment in route development, new and expanded airport facilities and services, growth in passenger numbers and scheduled aeronautical charges.

\$Millions	Audited Year Ended 31 March 2017	Audited Year Ended 31 March 2016	Variance
Passengers Domestic	5,076,479	4,899,326	177,153
Passengers International	888,427	897,316	(8,889)
Aeronautical income	\$70.3m	\$65.9m	\$4.4m
Passenger services income	\$37.0m	\$35.7m	\$1.3m
Property/other income	\$12.2m	\$11.8m	\$0.4m
Operating expenses	(\$29.0m)	(\$27.3m)	(\$1.7m)
<b>EBITDAF before subvention payment<sup>1</sup></b>	<b>\$90.5m</b>	<b>\$86.1m</b>	<b>\$4.4m</b>
Net Profit After Tax	\$16.1m	\$12.5m	\$3.6m
Capital investment	\$79.3m	\$56.9m	\$22.4m

### Airline Services & Passenger Numbers

Wellington is already seeing the much-anticipated benefits of connectivity to one of the World's largest hubs thanks to the commencement of Singapore Airline's service between Wellington, Canberra and Singapore on 21 September 2016.

Its commencement reflected the work and commitment of Wellington and Canberra Airports, Australia Capital Territory, Wellington City Council, and of course Singapore Airlines. It is ground breaking in too many ways to list and like many new things any initial scepticism has given way to enthusiasm and expectation for more.

Not only is the service a convenient and comfortable way for people to access central New Zealand, and for the region's residents to access the world, it is proof there is strong demand for long haul services to central New Zealand.

<sup>1</sup> EBITDAF before subvention payment is a useful non-NZ GAAP measure of earnings which presents management's view of the underlying business operating performance. A reconciliation between WIAL's NPAT and EBITDAF before subvention payment is set out in the NZX announcement and Note A1 of the Financial Statements for the year ended 31 March 2017.

Air New Zealand's move to introduce larger aircraft on some domestic services and increased capacity on others, contributed towards a 3.6% increase and a milestone of over 5,000,000 domestic passengers using Wellington Airport. The highest domestic growth has been between Auckland and Wellington, but there has been strong regional growth, in particular with Jetstar's Dunedin and Nelson routes and additional Sounds Air services. While these services are quite different to the level provided by Singapore Airlines they illustrate the dynamics of the aviation market and that reliable, affordable services attract users.

International passenger numbers have more than doubled in the last 15 years to nearly 900,000. This year the growth has levelled off following a significant increase of 16% or 122,000 passengers last year (five times the average) which was driven by new airlines, additional capacity and the marketing of Wellington as a destination. In part this was an expected consolidation, but there are other factors channelling New Zealand's international growth via Auckland and Christchurch as a lot of that growth is on long-haul services.

### **Better Passenger Services**

The Airport has almost completed stage one of its \$300m capital investment programme with most of the work on the domestic terminal extension completed. Given the extremely warm response to the first part of this upgrade, Airport users will be delighted with the next phase.

Work is well underway on the multi-level transport hub. It will incorporate a range of state of the art features such as electronic wayfinding and electric vehicle charging points. People dropping off and picking up have been inconvenienced by the construction work, but have started to benefit from new Licence Plate Recognition technology that is enabling faster and easier exiting from the car park. For customers who have booked their car park online it will have the added convenience of allowing them to drive in and out without any tickets at all.

The main terminal extension is transforming the terminal and passenger experience. Air New Zealand's new design standard in its regional Koru Lounge is also pleasing airport users. The next stage is the refurbishment of the original terminal space and to improve the retail, food and beverage options. The first of the new operators, Al Brown's Best Ugly Bagels opened in March and is proving popular.

The International Arrivals area underwent a small expansion to enhance the experience for passengers and to improve processing efficiency. A more significant expansion of the International Terminal is under development.

Construction has commenced on the 4-star hotel which is to be managed by Rydges. It is expected to be complete in late 2018. It is a part of the Airport's wider efforts to improve the experience of everyone who has to catch an early flight or arrive on a late one. Many travellers utilise these international flights and the Airport's particular focus is on improving its role as the gateway for central New Zealand.

### **Bringing Long Haul Air Services to Central New Zealand**

After a four year preparatory process, the Environment Court proceedings for Wellington Airport's application to extend its runway and enable long haul services was scheduled to commence in June 2017.

It has been placed on hold at Wellington Airport's request due to an unexpected development involving the government agency that regulates NZ airports, the Civil Aviation Authority, and the New Zealand Airline Pilots'

Association. In separate proceedings the Court of Appeal overturned a previous High Court decision and found the CAA had misapplied the requirements around the length of safety areas for New Zealand Airports.

The CAA's previous practice was consistent with similar agencies and industries elsewhere in the developed world (including Australia, USA and Europe). However, until the issue is resolved it represents an impediment to Wellington progressing its resource consent.

This is naturally disappointing, but Wellington Airport's commitment hasn't dimmed especially as all the recent evidence has reinforced the huge benefits that would arise to the region and New Zealand from Wellington being able to accept long haul airlines.

New Zealand Airports Association has approached the Minister of Transport for his assistance and Wellington Airport and the CAA have appealed the decision to the Supreme Court.

### **Supporting Wellington's vibrant community, culture and attractions**

The Airport is proud to play a supporting role in the region's events and community endeavours.

The Airport is a major supporter of New Zealand's most successful innovative performing arts and design event, the World of Wearable Art, which this year attracted a record audience to Wellington.

We also honour and celebrate the contribution of community group volunteers with the Wellington Airport Regional Community Awards, which this year attracted 236 nominations from volunteer organisations from across the region. The Supreme Award was taken out by CubaDupa, Wellington's vibrant street arts festival. This year its over 1,000 performers entertained over 110,000 people over the weekend of 25 and 26 March.

Wellington's recreational activities are of significant value to the community. This year, the Airport contributed funding to the Makara Peak Mountain Bike Park, an award-winning community built bike park set in 250 hectares of bird filled native bush. Funds helped build a 66m long suspension bridge across a gully to reach the summit of Makara Peak. The bridge is likely to become an iconic feature for the region's riders.

Closer to the runway, Lyall Bay Surf Club has voluntarily patrolled the beach for over 100 years and has commenced the construction of their new clubhouse. The Airport has contributed towards the build that will meet the needs of a modern club for both lifeguarding and sports.

### **Thank you**

We want to warmly thank our team at Wellington Airport and the many people who work within the wider airport community including our volunteer ambassadors and all our airlines: Air New Zealand, Jetstar, Qantas, Fiji Airways, Virgin Australia, Singapore Airlines and Sounds Air.