

## Media Release | 20 October 2016

# 2016 annual meeting's Chair and Chief Executive addresses

### Address by Sir Henry van der Heyden, Chair

Shareholders, it is my pleasure to again present the Chair's report at this annual meeting.

When I stood here last year, I said that we had continued to see the New Zealand tourism industry grow.

And, I said that tourism was expected to soon take over from dairy as our nation's top export earner.

That did indeed happen.

Just before Christmas, it was announced that, for the first time in five years, New Zealand had made more from international visitor spend and airfares, than it did from its famous agricultural product.

Half a billion dollars more, to be precise, in the year ended September 2015.

Of course, this does not come as a surprise to anyone involved with Auckland Airport.

For several years now, the company has seen tremendous growth – on the back of increasing air connectivity and a booming tourism industry.

FY16 was certainly no exception.

As a result, our FY16 total passenger numbers were up 9% to 17.3 million.

International passengers were up 8%.

International transit passengers were up 17%.

And, domestic passengers were up 10%.

The benefit to Auckland Airport of the growing tourism industry was clearly evident in our FY16 financial results.

Our revenue was up 13%.

Operating EBITDAFI was up 13%.

Total profit was up 17%.

And underlying profit was up 21% to \$212.7 million.

These strong financial results enabled us to provide shareholders with a total dividend of 17.5 cents per share.

Underlying earnings per share increased 21% to 17.9 cents.

And our five-year average total shareholder return was 26%.

Undoubtedly, FY16 was an excellent 12 months – delivering strong results for our community and city, our country and investors.

It was another year of growth in every part of our business.

Our ongoing strong performance, as a company, was the result of hard work by everyone who works at Auckland Airport – our chief executive, our leadership team, our employees, contractors and consultants.

It was a result of the efforts of people in our local community, airline and other commercial partners, the government's border agencies and every other business that played an important part in the airport's operations.

It was also a result of the commitment and hard work by your directors.

In FY16 the Board continued to prioritise health and safety, and provided the governance leadership required to ensure the health and safety of everyone at the airport.

And, as the company focused on setting its aeronautical charges for the next five year period, the Board increased its oversight of aeronautical pricing – establishing an ad-hoc committee to provide governance oversight of this important task.

In FY16 the Board also provided shareholders with more information about director and employee remuneration.

We hope this commitment to increased remuneration transparency is welcomed by you, the shareholders and owners of the company.

In November 2015 your Board met in Singapore, so we could visit the award-winning Changi Airport.

As you may know, air travellers have voted Changi the best airport in the world seven times, including in each of the last four years.

In Singapore, we met with Changi's senior management and discussed their business priorities.

We also observed their aeronautical and rescue fire service operations and inspected their new infrastructure.

It was an invaluable visit and provided a great opportunity to learn from the world's best.

During FY16, your Board participated once again in the Future Director programme.

This programme helps to promote diversity of leadership and the development of governance talent in New Zealand.

Our FY16 Future Director, Nicola Greer, made a very positive contribution to Board discussions, and directors greatly valued her commitment to the company.

Thank you Nicola - we believe you will play a leading role in New Zealand's corporate governance in the future.

The Board is currently looking for a new Future Director for FY17, and we will announce the name of the successful person in due course.

Shareholders, because of the company's current investment focus on aeronautical and property infrastructure, the Board decided to defer the retirement of Richard Didsbury as a director.

Richard's tenure has been extended until our 2017 annual meeting.

Ladies and gentlemen, I am again able to stand before you at this annual meeting and confirm that your Board is working well.

We have a team of enthusiastic and effective directors, who have a diverse range of backgrounds and skills.

I want to take this opportunity to publicly thank them for the work they do on your behalf.

I also want to thank Adrian, his Leadership Team and everyone who works for the company.

They work very hard on our behalf, and this morning I want to also acknowledge their efforts, and publicly affirm the company's commitment to being a good employer.

I also want to publicly affirm our commitment to being a good neighbour.

Ladies and gentlemen, I cannot overstate the importance we place as a company on working alongside and supporting our community.

In FY16, we developed and launched a new corporate social responsibility strategy.

The many initiatives we are undertaking, under the umbrella of this strategy, help us to deliver on our commitment to the community, particularly those living in South Auckland and the wider Auckland region.

Our twin commitments – to be a good employer and to be a good neighbour – should provide investors with the confidence that Auckland Airport is not just a company focused on economic returns.

It is also a company that cares for its people, cares for its environment, and cares for the community in which it operates.

As we celebrate our 50 years in 2016, it pays to remember where we have come from – especially our location and its significance.

Well before Auckland Airport's arrival in Māngere, it was already a hub for transport.

Hoturoa landed the Tainui waka there.

And for aviation enthusiasts, it was the home of the Auckland Aero Club for many years.

Indeed, the journey of our airport land reflects the evolution of our nation.

From native forest to Māori settlements, from rural farmland to an urban environment, aviation hub and business park.

Since our opening we have proudly connected Auckland to New Zealand, and New Zealand to the world.

And I can assure you that we will continue to do so for the next 50 years.

Shareholders, can I conclude this address by confirming that the Board and Management believe FY17 will be another great year.

As noted in our latest Annual Report, we expect FY17's underlying net profit after tax – excluding any fair value changes, and other one-off items – to be between \$230 million and \$240 million.

This guidance would deliver an increase in underlying earnings per share of between 8.1% and 12.8%.

As always, thank you for your ongoing support and confidence in Auckland Airport.

There is a large number of companies in which you could invest – your decision to support Auckland Airport is much appreciated.

Thank you.

**ends**

**Address by Adrian Littlewood, Chief Executive**

Kia ora - thank you Sir Henry and good morning everyone.

Can I add my welcome to our annual meeting and thank you for joining us here today.

Recently, Aucklanders have been considering what sort of city they want to live in over the next 30 years.

It has been an important debate and there have been many views expressed about how our city should grow, but it was not the first time we have had such a debate in this city, and for certain it will not be the last.

More than 50 years ago the city and local and central governments were weighing up where exactly New Zealand's new international airport should be located.

Believe it or not there were several options considered, including: the North Shore; Ōrākei; Glen Innes and even Brown's Island in the Waitematā Harbour.

In fact, the years of debate over locations almost caused the city to lose its primary international airport status to Christchurch.

Eventually, the site at Māngere was chosen and in 1960 construction began. It took five years to build and by any assessment it was a big task.

When the official opening was celebrated on 29 January 1966, hundreds of thousands of Aucklanders flocked to see their new airport.

In that first year 700,000 passengers travelled through Auckland Airport and its opening heralded the start of the jet age in New Zealand. Indeed, growth came so quickly that the planners realised very early that they had underestimated capacity required and almost immediately started planning an expansion of the new airport.

In the 50 years since, Auckland's airport has steadily grown to the over 17 million passengers we now welcome – an average growth rate over 50 years of 6.6%.

There have been many milestones since 1966 – opening our new international terminal building in 1977; the bridge over Pukaki Creek which in

1996 made the airport more accessible from the east and south; the international terminal building's three-year expansion between 1995 and 1997; our listing on the New Zealand stock exchange in 1998; as well as welcoming people from all over the world, including a Pope and several Presidents.

But while we often mark milestones by focusing on those things made of concrete and steel, fundamentally it is people that have made Auckland Airport a success over its 50 years. So, I want to take the opportunity to pay tribute to all those people who have gone before us who have each made their own contribution to our success today and over the last five decades.

Turning to the past financial year, our 50<sup>th</sup> year, by any measure it was a big one.

I won't repeat the financial results which Sir Henry has already covered. Instead, I thought I would pick out a few highlights from across the business. It was an extraordinary year in tourism markets with eight new airlines either launching or announcing direct services to New Zealand. And, since June a further two new airlines have announced they are coming.

This has contributed to a period of excellent growth for Auckland Airport and for New Zealand tourism by significantly strengthening our connections into fast growing markets like China, but also established markets like the USA. Indeed, since the launch of the new US carriers in early July 2016, US visitor numbers to New Zealand have grown 41%.

While there is no doubt that there have been positive market tailwinds, our team can be very proud of the important role they have played in convincing these new carriers to serve Auckland and our country.

As an airport, we invest in route development and marketing because building sustainable air-connectivity is essential for our long-term growth. But it also delivers more choice and lower prices for travellers and provides the critical connectivity to travel markets that fuel our tourism industry – now New Zealand's top export sector.

We have consciously broadened our role in the past few years to provide more support to help grow and develop the tourism industry.

That is why in FY16 we continued to invest in overseas marketing campaigns – like our Four Seasons Five Senses programme which promotes New Zealand as a year round travel destination to international travellers – it is why in FY16 we hosted another international travel summit here to keep the local industry informed about emerging tourism trends, and it is why we again announced a further \$100,000 in grants for local tourism operators to develop new and innovative products - like Ngāti Whātua Ōrākei's fantastic dawn karakia experience.

Supporting tourism growth is also why we continued to invest time and effort in helping Queenstown Airport to take full advantage of its appeal as a world class tourist destination. We have worked closely to support the Queenstown team right across its airport business, from infrastructure and operations to aviation markets and commercial property. It is great to see that Queenstown has continued its stellar run with passenger volumes up 18% in FY16.

With the growth in passengers comes the need to respond with new capacity and in FY16 we continued to do exactly that.

We responded quickly to new growth demands with a number of smaller infrastructure projects right across the airport — such as a new domestic mini terminal for use by Jetstar's new regional services, a new bus lounge in the International Terminal's Pier B and an extra 17,500 square metres of airfield to park all the new international planes arriving at Auckland.

In parallel we also got on with the big infrastructure projects to respond to longer-term growth needs. I am sure many of you will have noticed the two cranes up at the international terminal that are there to support the major upgrade of our international departure area which is now well underway.

This project includes a new security processing zone, a new passenger lounge and a new shopping hub and doubles the footprint of our primary international departures area. I can assure you it will be a significant



improvement and we are looking forward to the unveiling of stage 1 of the upgrade mid-next year with completion in mid-2018.

The two other big infrastructure projects we progressed in FY16 included finalising and then commencing the expansion of the international terminal's Pier B to add new boarding gates and the planning of the domestic section of the new combined domestic and international terminal building.

But it wasn't just the infrastructure capacity projects that took our focus – we again gave a lot of attention to operational performance and customer experience. For example, our joint work with airlines and border agencies helped us decrease international outbound processing times by 4% at a time when passenger volumes grew 8%. We also overhauled our online and mobile experience so passengers could more easily access travel information and rolled out new customer feedback units across our terminals to allow us to get real-time feedback from customers.

Another leg of lifting the customer experience was the ongoing execution of plans to lift our retail business performance through better choices, better brands and better retailers.

This year was the first with our two new duty free operators, Aelia and The Loop. Both these operators launched on 1 July last year, refurbished their stores and overhauled the range of products on offer. They also brought with them real retail innovation with examples like the world's first robotic duty free shopping collection service.

These changes helped drive up sales performance and underpinned our results with retail income growing twice the rate of passenger growth.

While it was a big year for retail, we have many more changes to come in the next 18 months as our new international retail area is developed.

We also carried the focus on customers through to several changes in our commercial transport business. In the past year we added new parking capacity at ParknRide and Valet carparking and introduced The Wait Zone, a new service where customers can park free for 30 minutes to wait for the

arrival of passengers rather than circling our forecourts. This new free service has already been used by more than 53,000 customers.

We also took the opportunity to restructure our taxi arrangements to seek a better outcome for travellers. As a result of the taxi tender, the average fare from the airport to the city centre dropped by almost \$30 with the journey now costing as little as \$38.

Lastly we invested a great deal of time working with central and local government transport agencies to improve transport to, from and around the airport by better coordinating traffic operations in our part of Auckland and ensuring we have the right long-term transport connections to support our growth.

Turning to our role in our own neighbourhood, I would like to pick up what Sir Henry mentioned about our commitment to being a good neighbour.

At Auckland Airport we are focused on delivering positive employment, educational and environmental outcomes where we think we can make a positive impact.

As an example of this commitment we have partnered with the Government's Agency, EECA, to introduce smart energy management capability to save 6 gigawatt hours of energy across the electricity users based in the airport precinct – enough to power around 750 homes every year.

It is why we invested in new world-leading online tools to enable local residents to better monitor and understand aircraft and environmental noise in their neighbourhood.

It is also why we have invested in local education, for example providing tertiary education scholarships for local students, and providing 19 professional development scholarships for local teachers.

But it is our investment in the launch of Ara, a partnership with central and local government and our contracting construction companies, where we have made some real gains in education and employment in the past year.

Ara is the new airport jobs and skills hub that we launched in late 2016. It provides local people with targeted training for specific job vacancies at the airport giving them the exact skills they need to fill a role. Since launch it has already provided 1000 training opportunities and placed 135 people into employment - 123 of them came from South Auckland and 63 came off a benefit. Ara now also has 23 new apprenticeships registered with it.

We are very encouraged by Ara's early progress and we now have requests from many other companies operating around the airport to join Ara to help source skilled labour.

I opened by paying tribute to those who have worked at Auckland Airport over the last 50 years, so it is natural to finish by acknowledging those who currently work for us.

As you have all heard today, the 2016 financial year was very busy for us and it will continue to be busy in coming years.

We continue to support our people by investing in new tools, new training programmes and through a big focus on safety at work.

We have also recognised the strong company outcomes in the past two years by sharing the rewards with staff. Last year we paid a discretionary bonus of \$1,200 to staff, and this year we paid \$1,500.

So I want to offer my thanks to all the team at Auckland Airport for their commitment and hard work over the past year.

Lastly, I wanted to thank you, our shareholders, for your ongoing support. I hope you share our sense of pride in the progress we are making and that you stay with us as we head in the next 50 years at Auckland Airport.

Thank you.

**ends**

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