

ANNUAL REPORT 19/20



Message from the Chair



As we complete another financial year, my first as Chair of Newcastle Airport, I can say with confidence it was a year like no other. And whilst it may be easy to focus on the negative aspects of 2020, we should look back with some pride on the way in which we have dealt with circumstances thrown at us.

Firstly, I need to acknowledge the work of our CEO Peter Cock and all of our staff. Whilst one can theoretically prepare for crisis management, it is only when we are thrust into such a situation that our true colours are displayed. The way the management team navigated the business during the pandemic, with the constraints placed upon it, gave the Board confidence about our shared future.

I would also like to acknowledge the vision and drive of my fellow Directors. As the new Chair, it would be impossible to have dealt effectively with the environment we found ourselves in, if not for their support. I would like to welcome Samantha Martin-Williams and Morgan Parker to the Board as new appointees and acknowledge the immediate and positive impact they have had. I will also show my gratitude to outgoing Chair Peter Gesling and Director Ted Campbell for their years of service and admirable contribution to the business.

Pleasingly, we entered the difficult days of late March, when severe travel restrictions came into place, in a healthy financial position. We were, however, immediately required to shorten our planning horizon and sharpen our focus. Our determination was to control the things we could, act responsibly, both fiscally and from a health and wellbeing perspective and, importantly, retain a sense of confidence about our future. As Chair, I can reflect with pride on the way the business dealt with these challenges.

Whilst the final quarter of the year severely impacted our financial results, Newcastle Airport delivered a profit of \$3.5 million for the year ending 30 June 2020. Given the circumstances, however, it was decided not to return dividends to our shareholders, City of Newcastle and Port Stephens Council. Since the change in ownership, the

airport has delivered almost \$20 million in dividends to both shareholders. I would like to acknowledge their cooperation and understanding regarding the Board's decision to retain profits this year.

It would, of course, be remiss not to reflect on some of the positive outcomes delivered despite the impacts of Covid-19. Strong passenger numbers prior to the pandemic, significant development of our Astra Aerolab precinct, delivery of key infrastructure across our footprint and effective government advocacy should be acknowledged.

All these things give us the confidence and resolve to invest and plan for a strong future. Our long-term vision has not diminished and includes a Code E runway, significant expansion of our terminal and the exciting Astra Aerolab development. We are also working strongly with partner tourism organisations, local Councils, airlines, and tenants to collaboratively drive a strong post-Covid-19 aviation recovery.

Whilst the full ramifications of the Covid-19 pandemic and its aftermath are yet to fully play out, we already know that our business will emerge with a renewed sense of what is most important. We will be leaner and nimbler in terms of decision making. We're determined to be better for the experience.

Clearly there is much to be optimistic about. Whilst our future path still offers uncertainty, our determination to be the airport our region deserves remains resolute. With the ongoing support of Peter Cock and his team, working alongside my fellow Directors, I look forward to a new and bold 2021.

A handwritten signature in black ink, appearing to read 'Kirby Clark', written in a cursive style.

Kirby Clark
Chair



Message from the Chief Executive Officer



It would be an understatement to say the past year has been a turbulent one for Newcastle Airport. Whilst the effects of the Covid-19 pandemic have been far reaching across society, it would be difficult to find an industry more impacted upon than aviation.

Our organisation has certainly not been immune to those impacts, which has made the year one of extreme contrasts. We went from the beginning of the year when we were breaking records to the conditions we faced in the back end of the financial year that were incredibly challenging. I am very proud that the constant throughout the year was the resolve and resilience displayed by our team. Through their efforts, and despite the extraordinary circumstances, we managed to deliver some real highlights.

By December 2019, the airport had set a new calendar year record of 1.284 million passengers - a 1.5% increase on the previous year. This achievement was a great show of support from our region and included the airport's busiest ever month in October when 118,896 passengers passed through the terminal.

Our region also put their support on show through the 2019 International Airport Service Quality (ASQ) survey ranking, in which passengers rated Newcastle first, across Australia and New Zealand in a range of categories including car parking facilities and affordability, ease of connection to other flights and short security wait times.

Our commitment to passenger safety and security meant we were one of the first airports in Australia to become fully compliant with the Australian Government's new mandatory aviation security screening requirements. Our new state-of-the-art security screening equipment includes CT and body scanners.

We implemented a range of new health and safety measures in response to the Covid-19 pandemic. The airport was registered as a Covid-19 Safe business through the NSW Government safe business scheme and we implemented aviation industry protocols endorsed by the Australian Health Protection Principal Committee.

We are proud to have launched a new airport website, designed to help our customers, stakeholders and the community connect with us. Built on user centred

design, the platform delivers our customers with more engaging and easily accessible information, whilst supporting the growth of our regional tourism economy.

The new Astra Aerolab development also took shape, with stage one works nearing completion and several high-profile organisations signing MoU's with our organisation. Astra will soon be a globally significant precinct and something our region can be proud to call their own.

It was the Covid-19 pandemic that dominated our thinking from early April when air traffic at Newcastle Airport dropped by 99%. This changed our focus but not our resolve to be the airport our region deserves. We turned our attention towards shoring up the finances of the business and managing the health of the airport team and those who were still travelling. By the end of the financial year, we had managed to retain most of our staff and map a clear path forward for the business.

The pandemic tested our ability to be agile and adapt to our quickly changing business environment. The Newcastle Airport team worked closely with airline partners, airport colleagues, government and the business community, to meet the needs of our valued customers. Our ability to think on our feet and pivot at short notice is testament to our team.

Importantly, despite the setbacks that presented themselves this year, our long-term aspirations remain unchecked. We have a bold vision for the airport, which includes positioning the airport as a truly international airport. This work will unlock billions of dollars in economic potential and represents a once in a generation opportunity for our region.

In closing I would like to take this opportunity to thank our team: staff, directors, and shareholders, for the past year, as we continue to work towards a bright and confident future.

A handwritten signature in black ink, appearing to read 'Peter Cook'.

Peter Cook
Chief Executive Officer



Milestones

2019



AKL

July 2019

Newcastle Airport and Virgin Australia announce three years of direct international flights to

Auckland, NZ

Season 2 operated from 21 November – 16 February with a 10% increase in passengers.



November 2019

Kirby Clark commenced as Chair of the Newcastle

Airport Board

on 1 November 2019 replacing outgoing chair Peter Gesling. The Board also welcomed new directors Morgan Parker (30 Aug 2019) and Samantha Martin-Williams (10 Oct 2019).



January 2020

The purchase of 76 hectares of land for the Airport expansion and

Astra Aerolab

development is completed.



April 2020

Covid-19 Border Restrictions

force flights on major routes to cease in April and again in July.



May 2020

NSW Government names Williamtown as location for a new

Special Activation Precinct.



June 2020

The development and launch of a

New Airport Website

to help drive business in post Covid-19 environment.



September 2019

Undertook strategic brand positioning to develop

'Stress-free' brand proposition.



November 2019

Newcastle Airport was one of the first airports nationwide to install new cutting-edge aviation

Security Technology.



December 2019

Newcastle Airport announces a

Record 1.284 million

passengers travelling through the airport in the 2019 calendar year, a 1.5% increase on 2018.



February 2020

Commenced Stage 1 civil works for

Astra Aerolab,

which were completed in December 2020 with an official unveiling on 8 December.



May 2020

Our Board endorsed Newcastle Airport's new

Sustainability Roadmap.



June 2020

\$1.5 million terminal refurbishment

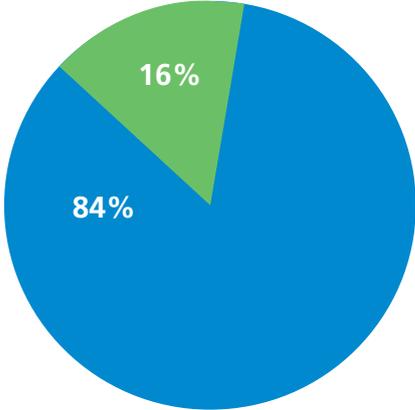
project implemented during reduced Covid-19 trading period and low air traffic.

2020

Financial Performance

\$28,000,000

Total revenue FY2019/20



- 84% Property and commercial activities
- 16% Passenger facilitation

\$3.5 M

total profit FY2019/20.

\$19.7 M

dividends provided to shareholders since ownership of the Councils.

\$31.2 M

invested in capital expenditure in the last 5 years FY2016 - FY2020.

\$1.16 Bn

contributed by Newcastle Airport in economic activity to the NSW economy each year.

5,600

number of FTE's currently employed across the tourism and airport cluster.

Aviation

Passenger Movements

930,415

passengers passing through the terminal.

347,458

less passengers travelled through the airport due to Covid-19 restrictions.

27%

representing a decline.

272

flights per week (outside of Covid-19 travel restrictions).

85%

of total passengers travelled to/from Brisbane & Melbourne.

8

direct destinations.



Annual load factors

↑ 69% Brisbane

↑ 81% Melbourne

↑ 85% Gold Coast

Response to Covid-19 pandemic

The Covid-19 pandemic and the myriad of travel restrictions which flowed from it had a significant impact on the aviation industry and Newcastle Airport in particular.

Not only did it impact on our activity and financial position, but also changed the way we did business for much of the year.

Impact on aviation

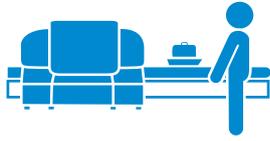
- Prior to March Newcastle Airport facilitated around 272 flights per week.
- By 9 April, flights had dropped to approximately 16 per week representing a decrease of 94.2%.
- As a result, April & May saw a drop in passenger numbers of 99.6% year on year.
- Despite a temporary lifting of border restrictions mid-year, they were closed again in July.
- By the end of the financial year 930,415 passengers had passed through the terminal.
- That was 347,458 less than the previous year, representing a decline of 27.2%.

A shift in focus

- We worked hard on our relationships, offering financial relief to our tenants, airlines and other partners.
- Staff were re-deployed to a myriad of tasks, including working on a \$1.5 million terminal refurbishment project implemented during restrictions and low air traffic.
- Focus shifted towards Stage 1 of Astra Aerolab, which was boosted by the announcement of the Williamstown Special Activation Precinct in May.
- Some car parks were temporarily closed to minimise operating costs. Our passengers were relocated to parking spaces closer to the terminal building.
- The airport was registered as a Covid Safe business through the NSW Government safe business scheme.



Key Projects



Security screening upgrade

Newcastle Airport was one of the first airports in Australia to become fully compliant with the Australian Government's new mandatory aviation security screening requirements. Rapiscan Systems were contracted to supply and install the new security screening equipment for the airport which included two checked baggage screening x-rays, two cabin baggage and goods screening x-rays and two body scanners.

We commenced the upgrade works in August 2019 and had a 31 December 2020 deadline for full completion. The project was delivered ahead of time, with operations commencing on 4 November 2019.



Astra Aerolab stage 1

Uniquely co-located with RAAF Base Williamtown and Newcastle Airport, Astra Aerolab is Australia's newest defence and aerospace precinct. A one-of-a-kind place, enhancing Australia's ability to deliver world-class sustainment and manufacturing capability to the Defence sector.

We announced the appointment of the Daracon Group as lead contractor for Stage 1 civil works in February 2020. These works were completed December 2020 and included the construction of road pavements, sewer and water, lighting, landscaping and signage.



Terminal refresh

We're passionate about creating an experience for our passengers that's as stress-free as possible. Key to delivering this for our passengers is investing to improve our in-terminal experience. We have undertaken a \$1.5million terminal refresh during Covid-19 restrictions and subsequent period of low air traffic. The new layout uses thoughtful design to create a range of seating options for passengers to relax, including dedicated spaces for our business, solo and family travellers.



Key Projects Continued...



Airport Website

In January 2020, we undertook the design and build of a new airport website which officially went live in July. Our site has been designed to make each of our passenger's experience as stress-free as possible, delivering an improved user journey, better navigation and outstanding content.



Flight information display system (FIDS)

In October 2019, our ageing FIDS was replaced with a new Infologic solution resulting in greatly improved readability and presentation of flight information on screens throughout the terminal and on our website. Valued at \$315,000 the new system offers enhanced functionality and flexibility.



Eastern Apron extension

In April 2020, we completed civil works valued at \$3.5million that included a 20m x 60m expansion of the aircraft apron to support passenger growth and provide additional capacity initially for smaller Code B aircraft and ultimately for larger Code C aircraft. Line marking was then carried out in November 2020.



Ground Transport Masterplan

In August 2020, we engaged ARUP specialist aviation engineers to begin design development for the Ground Transport Masterplan. This plan aims to direct and guide transport infrastructure upgrades which will be delivered in a staged manner to meet the predicted passenger growth to 4.88 million passengers per annum forecasted for 2036. The plan will inform future transport infrastructure works across terminal landside areas including Astra Aerolab.



Office reconfiguration

Following more than 10 years in our existing administration offices, in September 2019 work to redevelop the administration office space was completed – providing an efficient modern open plan space, sit and stand desks, collaboration zones, and breakout areas.



Onsite Solar PV

In August 2020, we engaged consulting engineers Northrop to investigate the feasibility of a photovoltaic (PV) system on key terminal buildings including the roof of the existing airport hangar.



CCTV upgrades

In May 2020, major updates were performed on our CCTV systems. All networked video recorders were replaced, and a new storage system implemented. This has resulted in an increased storage capacity and improved supportability. Total project value \$250,000.



Sustainability Masterplan

In May 2020, our Board endorsed a new Sustainability Roadmap, including a Sustainability Framework, and approved a revised Environment and Sustainability Policy. The Masterplan includes sustainable targets and accountabilities.

Passenger Experience

We are proud to have been ranked #1 across 9 categories and in the top 3 Airports across 24 categories surveyed in the industry benchmark Australia and New Zealand Airport Service Quality (ASQ) survey.

Our passengers rated us as the top achiever across a range of indicators including car parking facilities and affordability, ease of connection to other flights and short security wait times.

Wayfinding	4.50 / 5	★ ★ ★ ★ ★
Cleanliness	4.40 / 5	★ ★ ★ ★ ★
Security	4.46 / 5	★ ★ ★ ★ ★
Check in	4.50 / 5	★ ★ ★ ★ ★

*Source – Airport Services Quality Survey FY19/20

2,208 Total car parking spaces

6 Rental car operators
(Avis, Budget, Enterprise, Europcar, Hertz and Thrifty)

7 Retail outlets
(Cibo Cafe, Valley & Vine, Broughton & Bay, Hunter & King Coffee Co, Red Rooster, Gian Carlo and News Travels)



Sustainability and Diversity

We're committed to safety

- We're proud to have partnered with the Office of Environmental and Heritage Sustainability Advantage program.
- We have developed a Sustainability Roadmap specific for our business, including current and future operations.
- We established a formal Sustainability Committee to ensure our roadmap is on track.
- Our carbon reduction and energy emissions project (solar) was endorsed by our Board and in August 2020 we engaged Presync Energy to prepare a precinct energy strategy to inform how we reduce our energy emissions with opportunities to generate renewable energy on site.

We're passionate about local communities

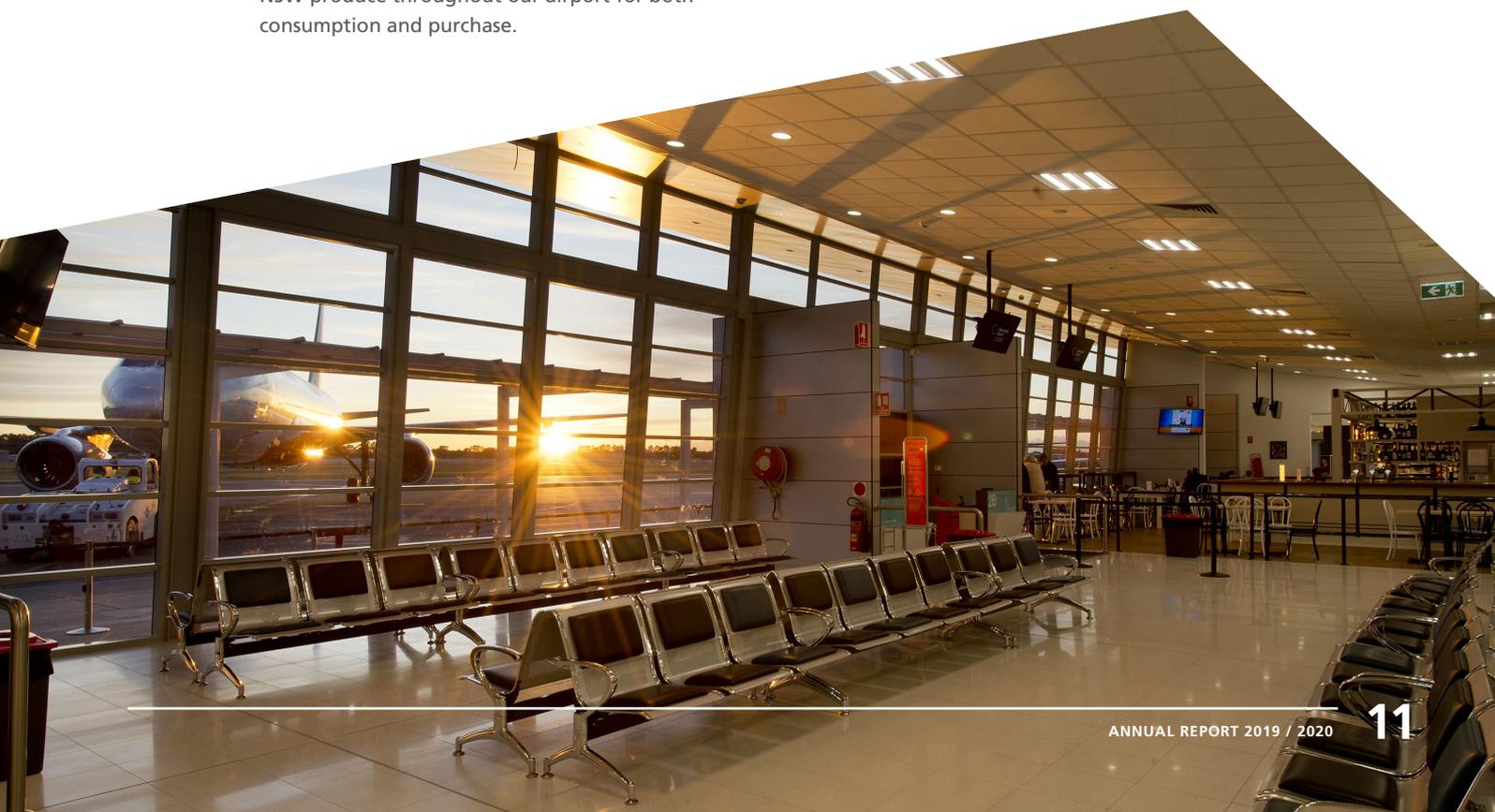
- In FY20, we committed \$89,000 to support local community events and activities.
- We actively promote local business, working to provide a range of Hunter Region and Northern NSW produce throughout our airport for both consumption and purchase.

We believe in our core values to drive success

- **Trust**
- **Engaged**
- **Committed**
- **Accountable**
- **Results driven**

We're a diverse multi-skilled workforce

- This year we're proud to have 25% of our workforce celebrate more than five years' service with us.
- We're an official Ambassador for SafeWork NSW's Mentally Healthy Workplaces.
- During Covid-19 we implemented a staff buddy program & welfare checks to care for staff while most of them worked remotely.



About Newcastle Airport

- Newcastle Airport is the second international gateway into New South Wales and the second busiest airport in the state.
- In 2019, a record 1.284 million passengers passed through Newcastle Airport.
- Newcastle Airport contributes more than \$1.16 billion to the state's economy each year, including \$300 million direct to the visitor economy which supports over 5,600 full-time employees across tourism and the airport cluster.
- Newcastle Airport was a recipient of the President's Award and, CEO Dr Peter Cock received the 'Business Leader of the Year' award at the 2019 Hunter Business Awards.
- Serviced by Jetstar, Virgin Australia, QantasLink, Regional Express, FlyPelican, Easter Air Services and Link Airways, passengers can fly to eight direct destinations and onward to more than 65 worldwide destinations from Newcastle Airport.
- The airport is the gateway to Australia's largest regional economy, with more than \$43 billion annual output and 48,500 businesses.
- The airport is jointly owned by City of Newcastle and Port Stephens Council and is governed by an independent, skills-based board of directors.



newcastleairport.com.au

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