

Investment in North Queensland Airports

11 January 2010



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Transaction Overview

- Purchase of 24.55% stake in North Queensland Airports (NQA), the operator of Cairns and Mackay Airports, for A\$132.8m (NZ\$166m)
- To settle on 13 January 2010, timing driven by vendor requirements
- Subject to NQA financier consents prior to settlement
- Initially funded from existing debt facilities
- Subsequently, the funding strategy is likely to involve a mixture of equity and debt consistent with Auckland Airport's current capital structure
- No impact on Auckland Airport existing credit rating of A- anticipated
- Good potential to work with Cairns as a strategic stepping stone to strengthen air services connections between New Zealand and Asia
- Rare opportunity to enter higher-growth Australian market and partner with key Australian airport investors
- Auckland Airport moved to secure this opportunity, having initially investigated it when North Queensland Airports was being privatised 12 months ago
- A measured step-out initiative for Auckland Airport in line with Growth Strategy announced earlier last year - modest investment representing ~5% of Auckland Airport total assets
- No material impact from this transaction on Auckland Airport dividends

Attractive Investment Profile

- Expected equity internal rate of return on Auckland Airport's investment in North Queensland Airports in the mid-teen percentages
- Purchase price slightly above price paid to State a year ago in the depths of the global financial crisis, and since then:
 - The A\$200m Cairns domestic terminal upgrade has largely been completed and a new strategic agreement with Jetstar has been announced
- High recent capex positions Cairns well for “capex-lite growth” – meaning cashflow is forecast to exceed accounting earnings
- Superior growth prospects of Cairns/Mackay Airports as tourism and economic conditions rebound and the full benefits of coming out of government ownership emerge
- Purchase price represents an implied prospective EV/EBITDA multiple higher than Auckland Airport's trading multiple, reflecting the turnaround growth outlook
- Likely to have small dilutive effect on Auckland Airport earnings per share which will improve as Cairns Airport recovers from downturn in direct international passenger numbers

Fits with our step-out strategy

- Our highest value growth step-out option is to invest in other airports through which we can drive synergies with and volume for our core business at Auckland
- Our main value driver is growth in international passenger volumes through Auckland Airport
- Asian tourism markets offer the greatest opportunity for long-term volume growth
- One key enabler to growing Asian traffic is improved air services connections
- While our ultimate goal is direct Asian connections with Auckland, an important parallel approach is to strengthen connections with other strategically located airports



North Queensland Airports Overview

- Operator of Cairns and Mackay Airports
- Privatised by Queensland Government approximately 12 months ago
- Shareholders:
 - Auckland Airport 24.55% (acquired from Westpac Bank)
 - JP Morgan Infrastructure Investments Fund (advised by JP Morgan Asset Management) 49.90%
 - The Infrastructure Fund (Hastings-managed) 20.12%
 - Perron Investments 5.43%
- Shareholders holding more than 20% are entitled to appoint a director and have veto rights on major decisions
- Estimated and summarised North Queensland Airports balance sheet as at 31 December 2009:

	A \$m		A \$m
Equity	489	Property, Plant, Equipment	577
Debt	365	Prepaid operating lease	42
Other liabilities	35	Other	59
	-	Goodwill	211
Total Shareholders' Equity and Liabilities	889	Total Assets	889

Source: unaudited management information provided by NQA

Cairns Airport Overview

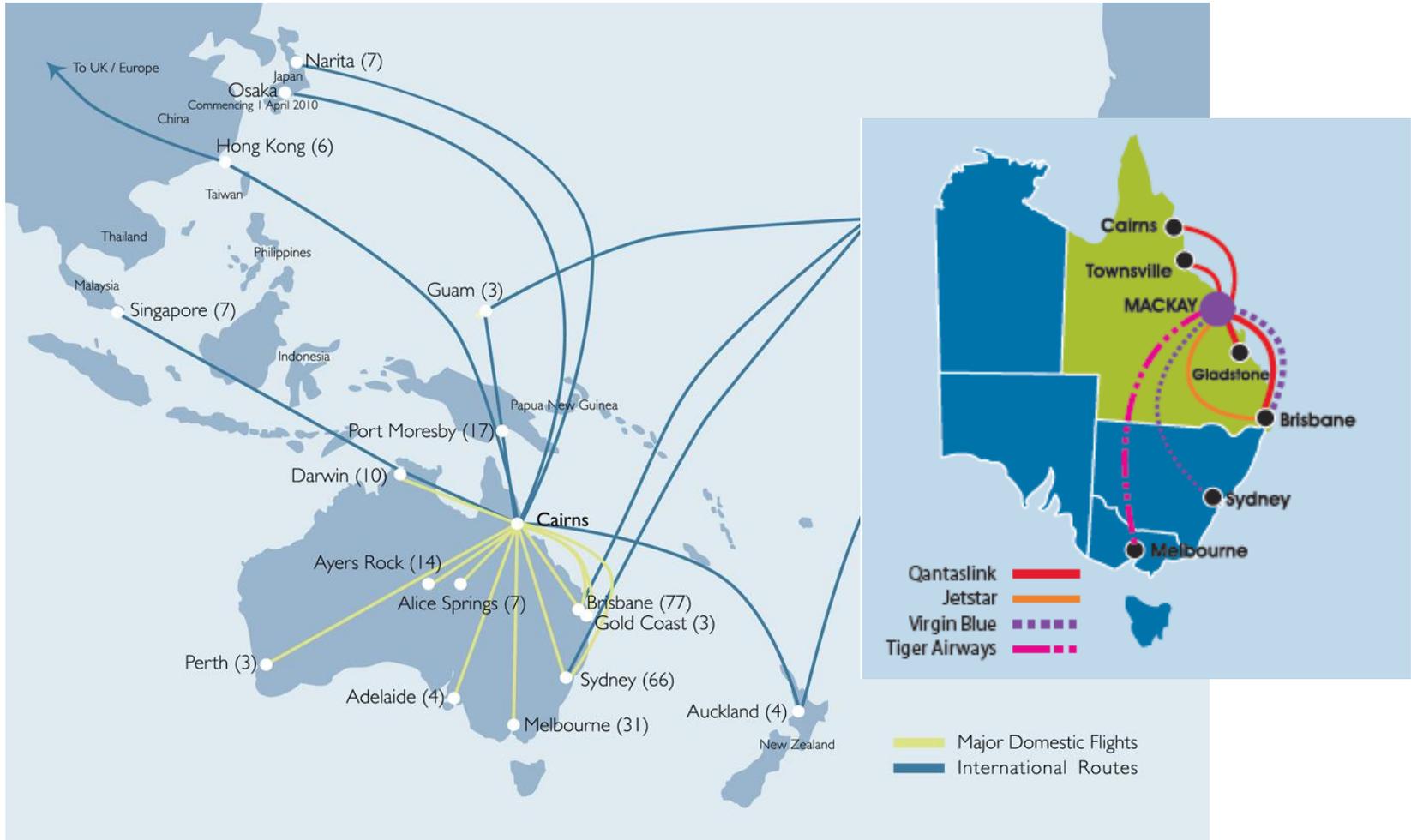
- Represents around $\frac{3}{4}$ of the purchase price
- Australia's seventh busiest airport with 680,000 international pax, 3.0m domestic pax in FY09
- Gateway to Tropical North Queensland, a major Australian leisure destination:
 - Two World Heritage listed attractions (Great Barrier Reef and Wet Tropics Rainforests)
 - Serviced by Qantas, Jetstar, Virgin Blue, Cathay Pacific, Air New Zealand, Continental Airlines, Air Niugini and Airlines PNG (and soon to be Pacific Blue)
- International pax volumes down from over 1m pa in 2007 to ~0.5m in FY10; partly due to decline in Japanese visitors (withdrawal of Qantas services, a general reduction in Japanese outbound leisure travel and a significant Australian dollar appreciation against the Yen)
- Well positioned to rebound and benefit from increasing Asian inbound tourism:
 - Australia's closest east coast airport to rapidly growing Asian markets
 - New long term strategic agreement with Jetstar with sights on Asia
 - Recently-announced Australian Federal Government tourism and airline support packages and Queensland State Government tourism promotional initiatives
- Domestic passenger volumes grown strongly over the last decade and expected to maintain that growth trend
- Ample terminal capacity for international growth and close to completing a A\$200m redevelopment of domestic terminal

Mackay Airport Overview

- Represents around ¼ of the purchase price
- An important regional airport, benefiting from the strong resources industry and location close to the Whitsunday Islands
- Access point to Bowen Basin, one of largest coal-mining regions in the world containing over 70% of known coal reserves in Queensland
- 946,000 domestic pax in FY09 (passenger volumes have more than trebled since 2002)
- Serviced by Qantas, Jetstar, Virgin Blue, Tiger Airways and Regional Express
- Refer to Appendix B for further information



Routes



Investment Attractions

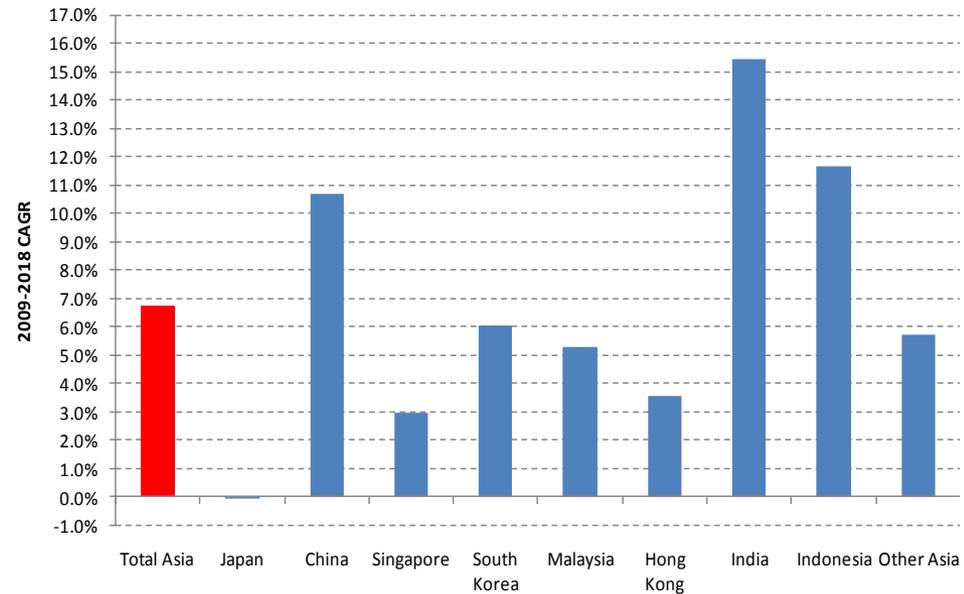
- Shared tourism goals
- Good upside potential for investment
- Opportunity to add value
- Low future capex requirements
- Synergies with Auckland
- Risk diversification
- Influential and compatible co-investors



Shared tourism goals

- Shared objective to drive passenger volume growth from high growth Asian markets
- Air services development is a major focus
- Australia has higher growth targets for Asian market: forecast 7.0% p.a. growth for Asian visitors to Australia 2009-2014, versus New Zealand 3.8% p.a.
 - Australia is forecast to continue to grow strongly until at least 2018 – see chart opposite)
- Cairns particularly well placed to benefit as tourism and economic conditions improve
 - Well located within 5-7 hours flying distance of China and a number of rapidly growing Asian tourism markets

Forecast Asian Visitor Arrivals to Australia



Source: Tourism Australia

Good Upside Potential for Investment

- Opportunity to re-generate leisure traffic by targeting Australian and Asian low cost carriers
- The Australian Government announced in December 2009 a package of air services development initiatives
 - Tourism marketing commitments (in excess of A\$45m over 3 years) have been made
 - Foreign airlines that make stopovers at regional international airports will be offered greater access to the four major gateway airports of Sydney, Melbourne, Brisbane and Perth
- Significant retail enhancement and longer term property development opportunities at both Cairns and Mackay Airports



Opportunity to Add Value

- Auckland Airport will be the only shareholder of Cairns/Mackay which is an airport operator
- Auckland Airport's support will be required for major decisions including changes to the business plan
- North Queensland Airports management welcome Auckland Airport's involvement and look forward to developing opportunities together
- Potential to contribute world-class expertise in route development, retail and property development
- Opportunities to leverage relationships with suppliers, contractors and corporate service providers on a multi-airport basis



Low Future Capex Requirements

- A\$200m domestic terminal redevelopment at Cairns is close to completion with no substantial capital expenditure expected for a number of years thereafter
- Direct international passenger volumes are currently ~50% of what they were at their peak, so substantial capacity in existing international terminal
- Overall capital expenditure required to support projected growth in passengers is low



Synergies with Auckland

- While North Queensland Airports has been valued as a stand-alone investment we believe there is significant synergy potential
- **Air services development:** encourage airlines to use Cairns as a 'stepping stone' to strengthen connections between Auckland and Asia
 - Currently 16 international airlines flying to airports on Australian eastern seaboard do not fly to NZ
- **Tourism marketing:** leverage the dual-destination attraction of Tropical North Queensland and New Zealand
 - Of the 700,000 overseas visitors annually to Tropical North Queensland, only a small proportion fly onto NZ
- **NZ outbound travel:** only 9% of New Zealanders travelling to Queensland currently visit Tropical North Queensland
- Within five years the potential benefits to Auckland Airport are estimated to be at least ~100,000 additional pax pa – delivering incremental EBITDA of ~NZ\$2.0-2.3m pa – which will deliver over \$100m annual benefit to the NZ economy.



Risk Diversification

- Whilst the investment represents only 5% of Auckland Airport's total assets it does provide an element of risk diversification by:
 - exposure to the higher growth Australian tourist and Queensland resources economies
 - North Queensland Airport's revenue is 100% unregulated (c.f. Auckland Airport ~53% regulated)



Influential and Compatible Co-investors

- We are investing alongside two experienced long-term investors:
 - Hastings is the leading Australian multi airports investor. Hastings-managed funds have significant investments in other Australian airports – Perth, Gold Coast, Darwin and Melbourne - which have combined pax of ~47.3m pa
 - JP Morgan Asset Management's Infrastructure Investments Group is a major infrastructure/airport investor with a global footprint and funds under management in excess of US\$3bn



J.P.Morgan
Asset Management

Appendix A Background to Cairns Airport



Additional Information on Cairns Airport

- Cairns Airport is located approximately 7 km from the Cairns CBD
- The key driver of passengers is tourism, with a smaller secondary driver of mining/business
- Cairns Airport is the closest airport on Australia's east coast to a number of rapidly growing Asian markets. For example, flying time to Hong Kong is approximately 7 hours, to Singapore is approximately 6 hours
- The airport has direct flights to all Australian capital cities with the exception of Hobart and a high number of regional destinations are also serviced from Cairns
- Aeronautical and other charges are determined by negotiation with airlines and are not currently regulated (the ACCC will only intervene in cases of abuse of market power)
- No curfew, operating 24 hours, 7 days a week
- Was owned by Cairns Port Authority until January 2009, when it was sold by the Queensland State Government to the IIF/TIF/Westpac/Perron consortium.



Cairns Airport Facilities

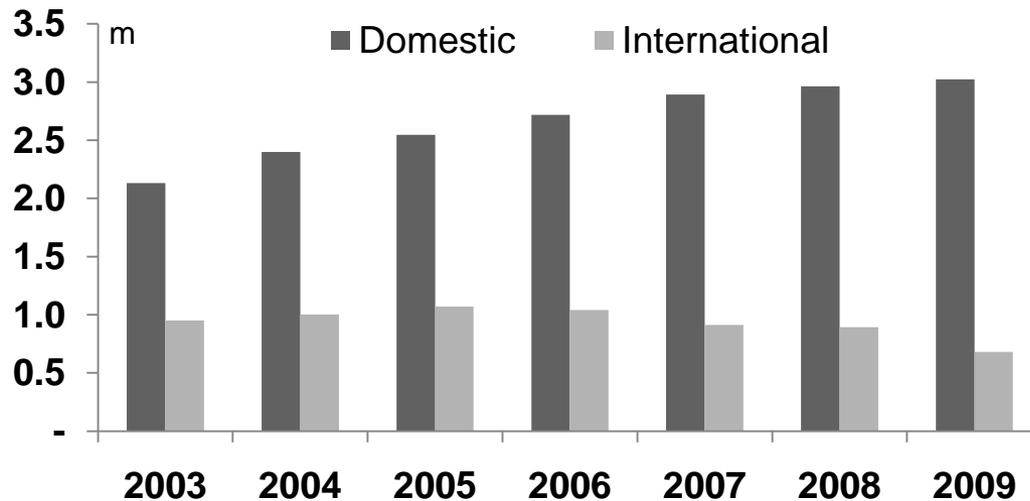
- Cairns Airport has a main north-south runway (3,196m) and a smaller cross runway (925m) for general aviation
- The international terminal is a 3 level building with a total floor area of 25,419m²
- A major A\$200 million redevelopment of the domestic terminal (which will bring the total floor area of the terminal to 37,545m²) is due for completion in the second half of 2010 and will accommodate significant future growth
- The international apron has 9 stands, 5 of which are served by aerobridges. The domestic apron has 14 stands, and will have 5 aerobridges following completion of the domestic terminal redevelopment
- The international terminal has 225 parking spaces. Following completion of the domestic terminal redevelopment there will be approximately 1,000 domestic parking spaces
- The international terminal provides approximately 3000m² of retail space with significant opportunities for enhancement. Following completion of the domestic terminal development, the domestic terminal will have an improved retail offering with 21 tenancies
- There will be 328 rental car bays following completion of the domestic terminal redevelopment

Recent Developments for Cairns Airport

- Jetstar increased services;
 - Reintroduction of 4 flights a week between Cairns and Osaka, commencing in April 2010
 - Addition of 18 additional flights a week between Cairns and Sydney, Melbourne, Perth and Adelaide
- Pacific Blue have announced they will be flying twice a week direct between Cairns and Auckland commencing in March 2010
- In November, Cairns Airport announced a long-term strategic agreement with Jetstar, which is structured to incentivise international passenger growth prospects for the Tropical North Queensland region
 - Includes a working group with Tourism Tropical North Queensland, Tourism Queensland, Tourism Australia, the Queensland Government and Jetstar to ensure marketing efforts are maximised and to develop a forward plan for route development opportunities
- In December, the Australian Federal Government announced important new initiatives to help make regional international airports, such as Cairns Airport, even more attractive ports of call for international airlines and tourists
 - Foreign airlines that make stopovers at regional international airports will be offered greater access to the four major gateway airports of Sydney, Melbourne, Brisbane and Perth
 - In future bilateral negotiations, foreign airlines will be offered greater “beyond rights” from regional international airports to New Zealand and/or the Pacific Islands (subject to agreement by those countries).

Cairns Airport Passenger Numbers

- Overall passenger numbers declined 4.0% in 2009 to 3.7 million due to a decline in international passengers, particularly from Japan
- Overall CAGR between 2003 and 2009 of 3.0%, driven by strong growth in domestic passengers offsetting a decline in international passengers
- It has been estimated that 40% of passengers who travel on the Cairns Airport domestic network are international passengers who, due to the limited direct international services into Cairns Airport, transit or stopover at other Australian capital city airports



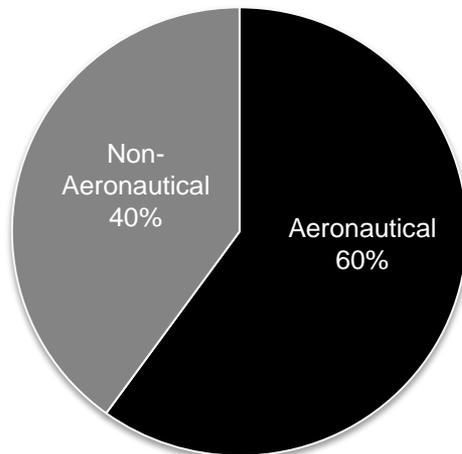
Source: Cairns Port Authority

2003-09 CAGR	%
Domestic	6.0%
International	(5.4%)
Total	3.1%

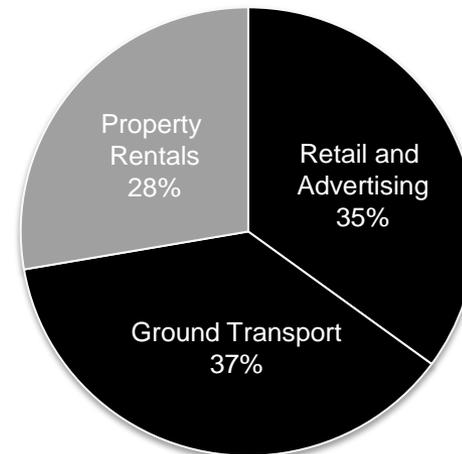
Cairns Historical Financials

A\$m, financial year to June	FY06	FY07	FY08	FY09	CAGR FY06-09
Revenue	61.3	63.0	66.4	57.6	(2.1%)
Expenses*	(14.2)	(15.7)	(18.2)	(20.5)	13.0%
EBITDA*	47.1	47.3	48.2	37.0	(7.7%)

FY09 Revenue Breakdown



Total Revenue A\$57.6m



Total Non-Aeronautical Revenue A\$23.1m

Appendix B Background to Mackay Airport



Additional Information on Mackay Airport

- Mackay is an important regional centre in North Queensland and has a population of around 90,000
- Mackay Airport is located approximately 5 km from the Mackay CBD and served approximately 946,000 passengers in FY09
- The key driver of passengers is coal mining/business, with a smaller secondary driver of tourism (given proximity to over 74 Whitsunday Islands and Central Queensland)
- The major mines in the Bowen Basin coalfields are typically within 2 to 2.5 hrs driving time from Mackay.
- Strong economic growth in the region since coal prices began to rise rapidly in 2002, has seen passenger numbers more than treble in the last 8 years
- Mackay Airport has direct flights to Brisbane, Sydney, Melbourne and a number of regional destinations in Queensland
- Aeronautical and other charges are determined by negotiation with airlines and are not currently regulated (the ACCC will only intervene in cases of abuse of market power)
- No curfew, operating from 5:15am to 9:00pm, 7 days a week



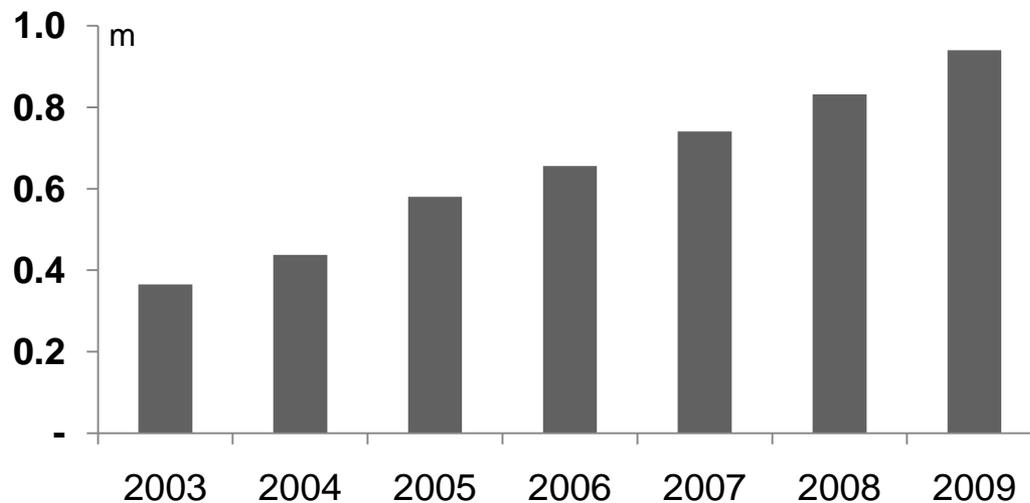
Mackay Airport Facilities

- Mackay Airport has a main runway (1,981m) and a smaller cross runway (1,344m) for general aviation
- The terminal is generally single storey and contains a 500m² concourse area, a 815m² departure level and a 450m² outdoor seating area
- 13 check-in desks and 6 car rental desks
- 2 baggage carousels (45m each)
- The aircraft parking aprons have been designed to accommodate up to A320, E190 or B737-800 on Bays 1 to 4, Dash 8-300 / 400 on Bays 1 and 5 and a B767 on bay 1a
- The airport has approximately 1,030 car parks for the public, staff and car rental companies
- There are currently 2 retail outlets at the airport, with significant opportunities to expand the offering



Mackay Airport Passenger Numbers

- Passenger numbers at Mackay increased 13.0% in 2009 to 940,000 passengers
- Overall CAGR between 2003 and 2009 of 17.1%, driven by the development of the Bowen Basin coal fields and the associated impact of the “fly in – fly out” workforce



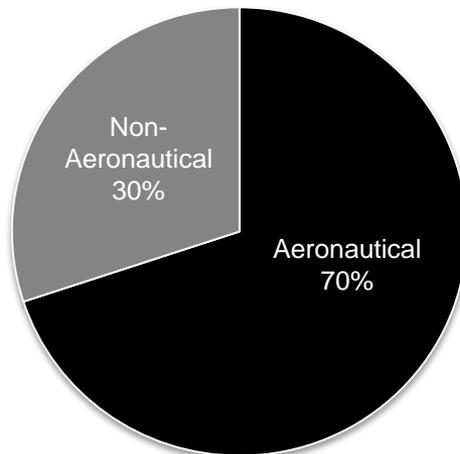
Source: Mackay Ports

2003-09 CAGR	%
Domestic	17.1%

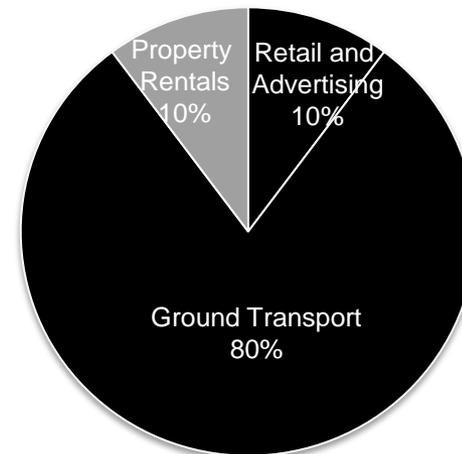
Mackay Historical Financials

A\$m, financial year to June	FY06	FY07	FY08	FY09	CAGR FY06-09
Revenue	9.9	12.0	14.1	16.2	17.8%
Expenses	(4.1)	(4.7)	(4.8)	(5.0)	6.8%
EBITDA	5.8	7.3	9.3	11.2	24.5%

FY09 Revenue Breakdown



Total Revenue A\$16.2m



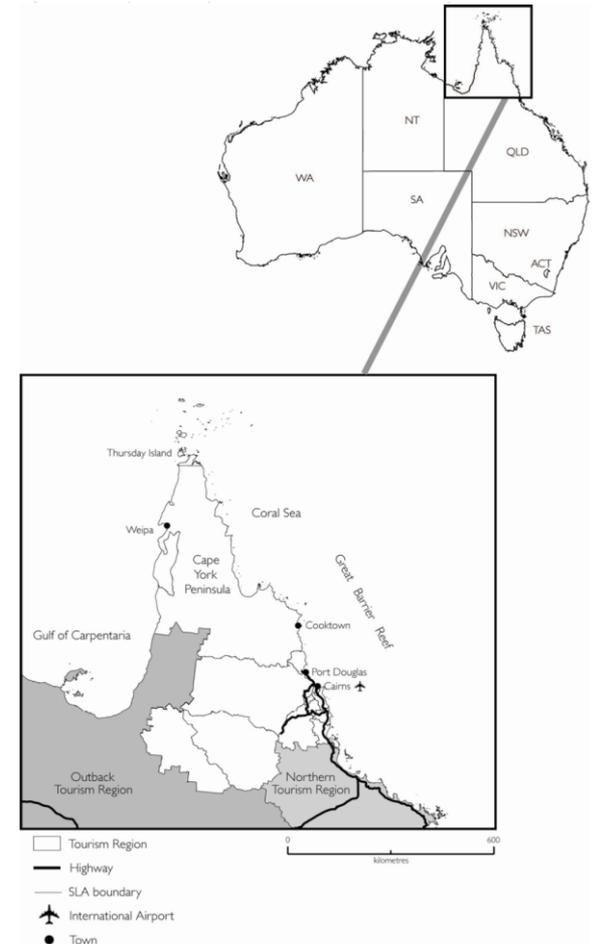
Total Non-Aeronautical Revenue A\$4.9m

Appendix C Background to Tropical North Queensland



Overview of Tropical North Queensland

- The Tropical North Queensland region (covering approximately 270,000 km²) is internationally recognised as a premier tourist destination
- Tropical North Queensland has an estimated population of approximately 262,000 and attracted more than 2.2 million overnight visitors in FY09. According to Tourism Queensland, visitors spent over \$2.4 billion in the Tropical North Queensland region during 2009
- Key Tropical North Queensland attractions include the Great Barrier Reef; Wet Tropics rainforests, and tropical island retreats
- More than 11,000 guest rooms, representing 5.1% of all guest rooms in Australia

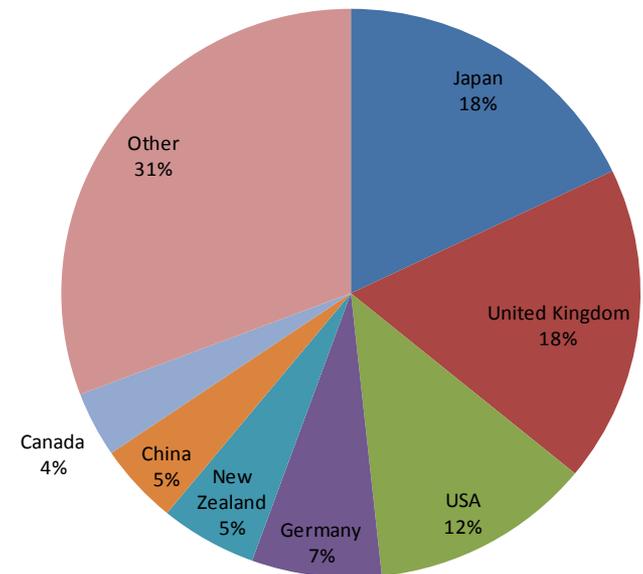


Source: ABS Cat. No. 1353.0 (Integrated Regional Database).

TNQ tourism market

- In 2008/09, around 24% of holiday visitors to Australia had a stopover at Tropical North Queensland during their time in Australia, ranking third behind Sydney and Melbourne
- The region is also a highly popular destination for Australians, receiving over 1.5 million domestic overnight visitors and over 2 million day trip visitors during 2009
- Tourism Australia is predicting strong tourism growth for Australia from India (14.8% 2008-2018 CAGR), China (10.3%) and a number of other Asian countries
- Tropical North Queensland has an opportunity to benefit from this predicted growth and decrease its historical reliance on Japan.

Approximate FY09 Breakdown of Visitors to Tropical North Queensland by Country of Residence



Source: Tourism Australia, International Visitor Survey

Australia has higher ambitions than NZ for Asian tourism growth

—◆— Asia NZ —■— Asia Aus

Sources:
Tourism New Zealand and
Tourism Australia figures
and forecasts

