

Faster Higher Stronger 2013

Annual Results 2013

Auckland International Airport Limited

21 August 2013





Adrian Littlewood
Chief Executive

Simon Robertson
Chief Financial Officer

This annual results presentation dated 21 August 2013 provides additional comment on the media and financial materials released before the market opened on the same date. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that release.

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Adrian Littlewood
Summary



Positive FY13 outcomes

Reported net profit after tax – up 25.1%

\$177.967m

Underlying profit – up 10.6%

\$153.781m

International passengers* – up 1.7%

7.317m

Total FY13 Dividends – up 14.3%

12.0c per share

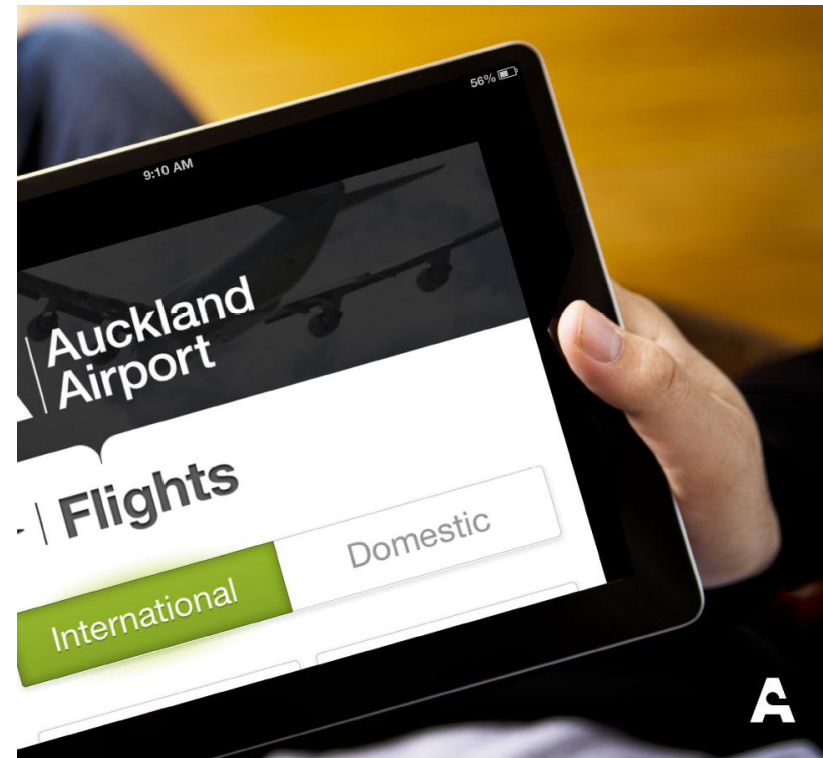
Positive outcomes achieved, notwithstanding some challenges to the growth momentum:

- Lapping the RWC period;
- Loss of Qantas to Los Angeles and Aerolineas Argentinas to Buenos Aires services before the year commenced;
- Australian duty free tobacco reduced;
- CEO transition

* Excluding transits

Delivering on key objectives

- ✓ Deliver positive FY13 financial results
- ✓ Maintain growth momentum in the business
- ✓ Build strong relationships with tourism industry and customers
- ✓ Ensure the regulatory review of our aeronautical pricing decision reflected our balanced and fair pricing approach
- ✓ Prepare, protect and lock-in our long-term future through a disciplined masterplan process
- ✓ Reset strategy and leadership team to continue the growth path for FY14 to FY18.



Strategy for our future



Faster, Higher, Stronger

A large blue circle containing the text 'GROW TRAVEL MARKETS' in white, uppercase letters.

GROW
TRAVEL
MARKETS

Adopt an ambitious and innovative approach to help New Zealand to sustainably unlock the growth opportunities in travel, trade and tourism

A large blue circle containing the text 'STRENGTHEN OUR CONSUMER BUSINESS' in white, uppercase letters.

STRENGTHEN
OUR
CONSUMER
BUSINESS

Strengthen and extend our retail, transport and accommodation businesses to ensure we can respond to evolving customer needs

A large blue circle containing the text 'BE FAST, EFFICIENT & EFFECTIVE' in white, uppercase letters.

BE FAST,
EFFICIENT
& EFFECTIVE

Continue to improve our performance by increasing the productivity of our assets, processes and operations

A large blue circle containing the text 'INVEST FOR FUTURE GROWTH' in white, uppercase letters.

INVEST
FOR FUTURE
GROWTH

Build on our strong foundations for long-term sustainable growth

Faster Higher Stronger _____ 2013

Simon Robertson

Financial outcomes



Delivering profit growth momentum

	2013 \$m	2012 \$m	% change
Revenue	448.458	426.813	5.1
Expenses	117.624	107.524	9.4
EBITDAFI	330.834	319.289	3.6
Share of profit of associates	9.921	9.240	7.4
Investment property fair value gain	23.091	1.350	1,610.4
Derivative fair value gain/(loss)	1.473	(2.148)	(168.6)
Depreciation	62.053	64.483	(3.8)
Interest	66.689	68.958	(3.3)
Reported net profit after tax	177.967	142.284	25.1
Underlying Profit	153.781	139.025	10.6

Underlying profit: \$150m aspiration achieved

GROUP	2013			2012		
	Reported earnings \$000	Adjustment \$000	Underlying earnings \$000	Reported earnings \$000	Adjustment \$000	Underlying earnings \$000
EBITDAFI per Income Statement	330,834	-	330,834	319,289	-	319,289
Investment property fair value increases	23,091	(23,091)	-	1,350	(1,350)	-
Derivative fair value increases/(decreases)	1,473	(1,473)	-	(2,148)	2,148	-
Share of profit of associates	9,921	(1,899)	8,022	9,240	(3,075)	6,165
Depreciation	(62,053)	-	(62,053)	(64,483)	-	(64,483)
Interest expense and other finance costs	(66,689)	-	(66,689)	(68,958)	-	(68,958)
Other taxation expense	(58,610)	2,276	(56,334)	(52,006)	(982)	(52,988)
Profit after tax	177,967	(24,186)	153,781	142,284	(3,259)	139,025

Notes:

Adjustments between reported earnings and underlying earnings in the 2013 and 2012 financial years include:

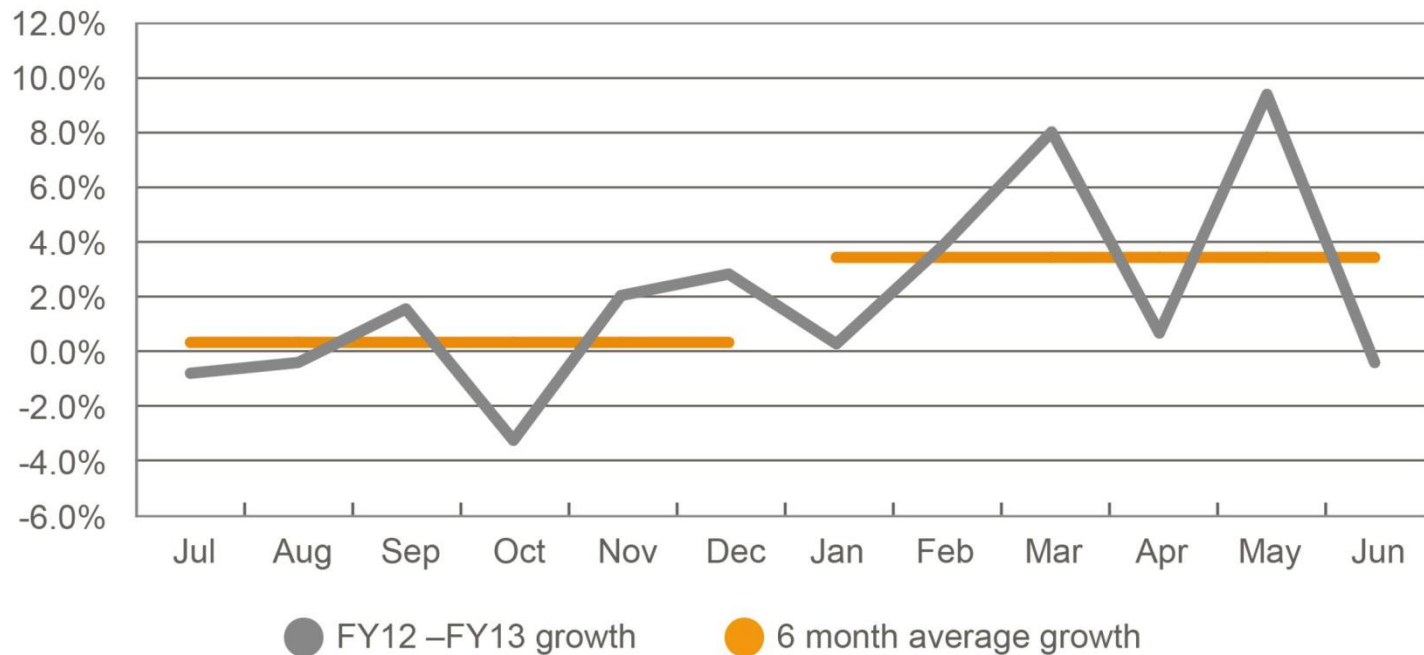
- We have reversed out the impact of revaluations of investment property in 2013 and 2012. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring success. Changes between years can be volatile and will consequently impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.
- The group recognises gains/(losses) in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted. These gains/(losses), like investment property, are unrealised and will reverse out over the lives of the derivatives.
- To be consistent we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2013 and 2012.
- We also allow for the taxation impacts of the above adjustments in both the 2013 and 2012 financial years.

Auckland's international passenger growth building

	2013	2012	% change
Auckland passenger movements			
International arrivals	3,664,376	3,577,874	2.4
International departures	3,652,948	3,616,101	1.0
International passengers excluding transits	7,317,324	7,193,975	1.7
Transit passengers	438,354	575,232	(23.8)
Total international passengers	7,755,678	7,769,207	(0.2)
Domestic passengers	6,760,537	6,236,915	8.4
Total passenger movements	14,516,215	14,006,122	3.6

- Exceptional growth in Asian visitor arrivals, with China and Malaysia both recording 26.5% growth compared to 2012.
- China is now the second largest source of visitor arrivals after Australia.
- Domestic passenger growth of 8.4% fuelled by additional capacity from both Air New Zealand and Jetstar and a range of competitive airfares.

Auckland's international passenger growth building



- After a flat first half with the comparative period including the 2011 Rugby World Cup, passenger growth rebounded in the second half (3.3% growth) to record positive annual growth of 1.7%.

Aircraft movements and MCTOW

	2013	2012	% change
Aircraft movements			
International aircraft movements	44,314	45,094	(1.7)
Domestic aircraft movements	110,832	110,421	0.4
Total aircraft movements	155,146	155,515	(0.2)
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,104,679	4,167,792	(1.5)
Domestic MCTOW	1,824,689	1,733,819	5.2
Total MCTOW	5,929,368	5,901,611	0.5

- International aircraft movements and MCTOW affected by the withdrawal of Qantas on Los Angeles and Aerolineas Argentinas on Buenos Aires.
- Declines were slightly offset by additional services by China Southern to Guangzhou and Hawaiian Airlines to Honolulu, and an aircraft mix change away from B747s and B767s towards B777s and A380s.
- Domestic aircraft movements were flat as Jetstar A320 increases were offset by Air New Zealand regional decreases.

Solid revenue growth

	2013 \$m	2012 \$m	% change
Operating revenue			
Airfield income	81.573	77.299	5.5
Passenger services charge	120.242	83.081	44.7
Terminal services charge	-	28.604	(100.0)
Retail income	124.308	120.863	2.9
Rental income – Property	41.099	36.542	12.5
Rental income – Aeronautical	13.885	18.215	(23.8)
Rental income – Retail	0.423	0.217	94.6
Total rental income	55.407	54.974	0.8
Car park income	40.370	36.620	10.2
Rates recoveries	4.180	4.390	(4.8)
Interest income	2.823	1.570	79.8
Other income	19.555	19.412	0.7
Total revenue	448.458	426.813	5.1

- New aeronautical pricing from 1 July 2013 reshapes aeronautical revenue.
- Completed property developments contribute to the 12.5% lift in property rental income.
- Additional car park capacity and continued improvements in yield management drive 10.2% growth in car park revenue.

Investing for long term growth

	2013 \$m	2012 \$m	% change
Operating expenses			
Staff	39.953	34.326	16.4
Asset management, maintenance and airport operations	39.607	36.717	7.9
Rates and insurance	9.707	9.082	6.9
Marketing and promotions	14.138	12.207	15.8
Professional services and levies	7.491	7.517	(0.3)
Other	6.728	7.675	(12.3)
Total operating expenses	117.624	107.524	9.4
Depreciation expense	62.053	64.483	(3.8)
Interest expense	66.689	68.958	(3.3)

- Staff costs increased in the year due to long-term incentive bonus accruals based on strong share performance and costs associated with CEO recruitment.
- Increase in utility pricing, marine rescue maintenance, technology investments, car parking volumes and Emperor Lounge activity are the main drivers of airport operation expense growth.
- Tactical marketing promotions in aeronautical, car parking, retail, property and corporate contribute to 15.8% increase. Benefits are evident in recent aeronautical route announcements, leasing of speculative buildings, increased car park revenue and the impact of tobacco changes minimised.
- Extended useful life of the domestic terminal lowered depreciation and lower market interest rates reduced interest costs.

Share of profit in NQA climbing

Extract from 100 percent of North Queensland Airport's company results

	2013 AU\$m	2012 AU\$m	% change
Financial performance			
Total revenue	119.202	111.700	6.7
EBITDAFI	75.068	70.087	7.1
Total net profit after tax	22.532	18.438	22.2
Passenger performance			
Domestic passengers – Mackay	1,109,073	1,120,419	(1.0)
Domestic passengers – Cairns	3,600,999	3,388,975	6.3
International passengers (excluding transits) – Cairns	554,700	541,700	2.4
International passengers (including transits) – Cairns	666,707	672,110	(0.8)

- Cairns international passengers were stable with increases on routes to China, Japan and Papua New Guinea, offset by some decreases in services to New Zealand and Singapore.
- Revenue was boosted by strong retail performance with 14.1% growth in 2013 due to PSR growth and improved retail offering at Cairns terminals.
- NPAT growth primarily due to lower depreciation and interest costs.
- Auckland Airport received a total of AU\$10.801 million in dividends from its investment in NQA in 2013 (AU\$10.311 million in 2012).

NQA milestones: EBITDA AU\$75m achieved

	2013 Target	2013 Actual
North Queensland Airport's Milestone		
Domestic passengers (millions)	4.700	4.710
International passengers (millions)	0.830	0.667
EBITDAFI (AU\$ million)	75.000	75.068

- Pleasing to achieve the key EBITDAFI target of AU\$75 million, an increase of 66.8% over the 2010 financial year result of AU\$45 million.
- The proposed Aquis resort development at Cairns highlights the potential of the destination for Asian growth and others' belief in this potential.



Queenstown passenger growth continues

<i>Extract from 100 percent of Queenstown Airport's company results</i>	2013 \$m	2012 \$m	% change
Financial performance			
Total Revenue	19,567	18,193	7.6
EBITDAFI	12,923	11,529	12.1
Total net profit after tax	5,280	5,172	2.1
Passenger performance			
Domestic passenger volume	957,204	851,795	12.4
International passenger volume	241,714	195,249	23.8
Total Passengers	1,198,918	1,047,044	14.5

- Additional services on domestic and international routes by Air New Zealand and Jetstar have increased capacity and fuelled growth.
- Financial performance was strong across aeronautical, property and retail sectors.
- Net profit after tax was impacted by higher depreciation and interest costs due to increased capital expenditure on the domestic terminal.
- Auckland Airport received a dividend from its investment in Queenstown Airport of \$0.896 million in 2013, compared to \$1.072 million in 2012.

Tracking our aspirational goals

How we are tracking on the achievement of our previous longer-term aspirational goals:



ACHIEVED



ON-TRACK



NOT ACHIEVED



Grow earnings above \$150m by FY13

Achieved, FY13 underlying earnings \$153.781m



Remain #1 in Skytrax World Airports Awards for Australia/Pacific Region

Achieved, #1 Airport in the Australia/Pacific Region for five years in a row



Double Chinese arrivals by FY16 (to 200,000 arrivals)

Achieved in FY13, 3 years early



Increase Indian arrivals by 50% by FY14 (to 40,000 arrivals)

Likely to be off target, currently 30,215 arrivals



Increase of 2 million international passengers by FY14 (to 8.4m passengers)

Will miss target, FY13 actual 7.3m



Increase non-aeronautical revenue to greater than 56% of total revenue by FY14

55% in FY13, FY14 is a possibility



Grow our property business to greater than \$50m by FY14

Likely to just miss target with the current rent roll of \$43.998m



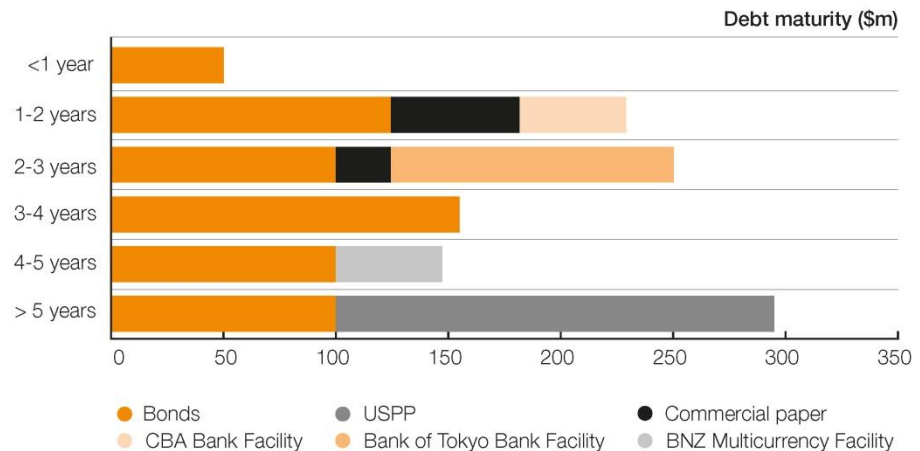
Grow our retail and transport business revenues to greater than \$170m by FY13

Achieved, FY13 retail and transport revenue \$173.749m

Balance Sheet remains in great shape

	2013	2012	%
Debt/Debt + equity (as at 30 June)	31.4%	30.9%	0.5
Debt/EBITDAFI (as at 30 June)	3.45	3.47	(0.6)
Funds From Operations interest cover (as at 30 June)	4.16	3.89	7.0
Weighted average interest cost (year average)	6.2%	6.5%	(0.3)
Average debt maturity profile (as at 30 June, years)	4.21	4.46	(5.7)
Percentage of fixed borrowing (as at 30 June)	66.3%	66.3%	0.0

- Interest expense in the year was \$66.689 million, down \$2.269 million (3.3%), driven by lower interest cost and higher capitalised interest.
- Auckland Airport issued a 7 year New Zealand bond in December 2012 at 4.73%.
- Credit rating is A- positive outlook.



Note: As the commercial paper is supported by the bank facilities the debt maturity profile graph as at 30 June 2013 includes the commercial paper in the one to two year and two to three year brackets, matching the maturities of the supporting bank facilities.

Investors rewarded for business performance

	Share Price Opening \$	Share Price Closing \$	Dividend cps	Total return \$	Total shareholder return %
1 July 2009 to 30 June 2010	1.61	1.87	8.20	0.342	21.2%
1 July 2010 to 30 June 2011	1.87	2.23	8.70	0.447	23.9%
1 July 2011 to 30 June 2012	2.23	2.44	10.50	0.315	14.1%
1 July 2012 to 30 June 2013	2.44	2.97	12.00	0.650	26.6%

- Strong share price growth has rewarded shareholders with outstanding returns for the past four years.
- Following last year's change in dividend policy to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items), the company has declared a full year dividend of 12.00 cps for 2013.
- The final dividend of 6.25 cps will be paid on 17 October 2013 to shareholders on the register at the close of business on 3 October 2013.

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Adrian Littlewood

Business performance and outlook



Grow Travel Markets: Aviation outlook strengthening

Recent announcements of growth at Auckland support the view that the aviation market is strengthening:

- **Emirates** upgrade to A380 on Brisbane/Auckland from 2 Oct 2013;
- **Malaysian Airlines** increase from 6 services per week to 7 services from 24 November 2013 to 27 January 2014;
- **China Southern Airlines** increase services to Guangzhou from 7 to 10 weekly flights 4 December 2013 to 28 February 2014 and the use of the Boeing 787 aircraft from October 2013 - the first route to Auckland to use this aircraft;
- **China Airlines** increase capacity by 30% on its Taipei-Brisbane-Auckland route from 28 November 2013 to 28 February 2014;
- **Qantas** new seasonal service between Auckland and Perth from 6 December 2013 to 1 February 2014; and
- **Air Tahiti Nui** increase of one service per week from December 2013.

Early international passenger numbers in FY14 have been very strong with international passenger growth (excluding transits) to 18 August 2013 up 8.8%.

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Grow Travel Markets: Lifting industry ambition

- New Zealand has a unique opportunity to capture a larger share of the fast growing Asia-Pacific aviation market.
- New Zealand could be more effective by working collaboratively to target markets.
- Aligning industry on opportunities is a key part of our “Ambition 2020: High Opportunity Target” programme.
- We are working with Tourism Industry Association, Government and other industry stakeholders to reset New Zealand’s tourism ambitions and guide how the country can grow tourism faster.



GROW
TRAVEL
MARKETS

TOP FIVE COUNTRIES IN ASIA BY GROWTH 2010-2020



Grow Travel Markets: China Plan

Our strategic review identified that while the China market was growing significantly there are issues with the value proposition for industry participants (airlines, hotels, tourism operators).

However, at Auckland Airport, Chinese retail spend on departures is up to 2 – 2.5 times the average passenger spend.

To create opportunities for further growth we have implemented a number of initiatives:

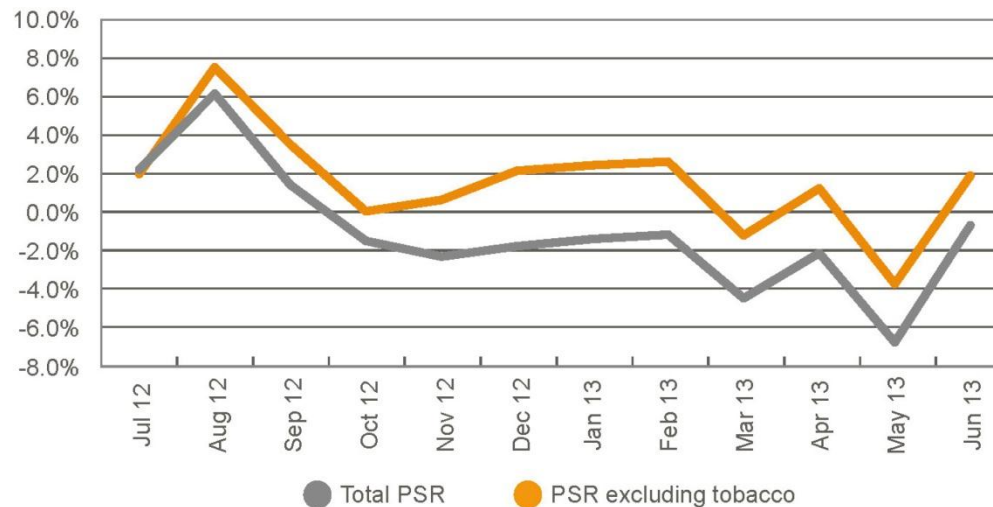
- Worked with Immigration NZ to remove barriers for free independent traveller visas from China;
- Influenced industry change for products suitable for free independent travel to New Zealand;
- Invested alongside Sina Weibo on social media platforms to promote travel to New Zealand.



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Strengthening our consumer business: Retail



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OUR
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BUSINESS

- Our international retail passenger spend rate growth stalled in FY13 as tobacco related sales fell.
- Passenger spend rate excluding tobacco, grew 1.6% in FY13.
- We see strong signs of continued growth in many underlying segments and categories.
- Looking forward, we are seeking to lift penetration rates, build incremental retail space, extend product ranges and utilise online channels.

Strengthening our consumer business: Hotels

- Occupancy growing in FY13:
 - Novotel 83.2%, up from 82.0% in FY12
 - Ibis Budget 83.6%, up from 60.2% in FY12
- Growing profitability at Novotel – Auckland Airport’s share of underlying profit was \$1.014 million in FY13, an increase of 20.7% on FY12.
- In planning stages to expand the Ibis Budget hotel – from 125 rooms to 198 rooms, an investment of \$8 million.

STRENGTHEN
OUR
CONSUMER
BUSINESS



Strengthening our consumer business: Transport



- Car park revenue increased 10.2% to \$40.370m in FY13.
- Domestic car parking utilisation increased due to passenger growth and occupancy levels.
- In May 2013, we added 350 car parks for the travelling public in the domestic terminal.
- In FY14, we will look to build on these opportunities:
 - Continue yield management, pricing, product refinement and improved customer way finding to lift productivity;
 - Make 500 current car parks available to the travelling public at the international terminal; and
 - Incrementally add new space.

Car park product offering at Auckland Airport		
International Terminal	Domestic Terminal	Park & Ride
2,974 public parking bays	2,705 public bays	650 parking bays
In addition, there are 2,513 staff car parks across domestic and international terminals which can be leveraged for customer parking at peak times.		

Be fast, efficient & effective: Collaboration

- Successfully managing airport operations requires pro-active collaboration, data sharing and real-time information.
- We are investing in systems to leverage more from collaboration with Airport Operating Systems (AOS) upgrades and passenger tracking tools.
- We are carefully managing our capital programme to make the most of our existing infrastructure.
- We are monitoring cost drivers throughout the business to improve our EBITDA margin.

BE FAST,
EFFICIENT
& EFFECTIVE



Invest for future growth: Building more rent roll

- The Auckland property market is recovering after a subdued 5 years and we are starting to see more active enquiry and demand.
- We are striving to change the perception of Auckland Airport as a location to strengthen the workforce and build non-travel footfall:
 - Marketing 'The District' at Auckland Airport to create property development momentum.
 - Moving from a collection of projects and investments to a place and community.
 - Creating a 'place-based' strategy to create New Zealand's greatest business location.



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GROWTH



Invest for future growth: Masterplanning

- Refurbishment of the current domestic terminal is underway to provide improved gate access, baggage collection, faster security screening, a new regional lounge and two new air bridges.
- Our long term future requires planning across the whole airport system. We are nearing completion of a major masterplan review with international experts.
- A strong airport masterplan is essential for our long-term future, so we are investing appropriate time and resources to have a robust and clear development pathway.



Faster, Higher, Stronger: The outlook for 2014

- Despite challenges in some source markets from slowing growth, we see the aviation market solidifying recent gains and we are therefore optimistic about the 2014 financial year.
- We expect 2014 net profit after tax (excluding any fair value changes and other one-off items) to be between \$160 million and \$170 million.
- As always, this guidance is subject to any adverse events, one-off items, non-cash fair value adjustments, deterioration in global market conditions or other unforeseeable circumstances.
- We expect 2014 capital expenditure to be between \$120 million and \$130 million (excluding any new terminal development design and development and yet-to-be completed property development).

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Questions?

