Auckland Airport

From strength to strength

Interim Report 2015

This **interim results presentation** dated 20 February 2015 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.

Summary

Adrian Littlewood

Results at a glance

Passenger movements

Up 3.8%

7.9m

International 4.0m Up 4.0% | International transits 0.3m Up 10.9%
Domestic 3.6m Up 3.1%

Revenue

Up 5.4%

$251.4m

Operating EBITDAFI

Up 6.3%

$189.1m

Total profit

Up 8.1%

$92.8m

Underlying profit

Up 1.3%

$87.8m

Underlying earnings per share

Up 12.5%

7.38c

Interim dividend per share

Up 4.3% (on FY14 final)

7.3c

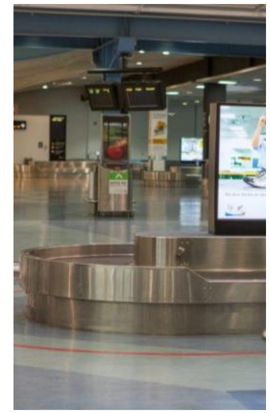
Business is going from strength to strength

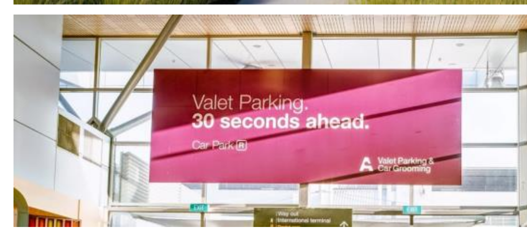
Solid financial results consistent with strong performance across the business in the six months to 31 December 2014:

- Strong international passenger volumes this summer, especially from Asia
- Duty free tender process completed: two new partners aligned to our goals of delivering value and choice for customers and growing multi channel retail
- Excellent momentum in property business and deepening of portfolio highlighted by new deals with blue-chip tenants from manufacturing and technology sector

Business is going from strength to strength

- Progressed vision for the airport-of–the-future with the expansion of the 2,500m^2 international baggage hall. Advanced planning for the first major phase of the integrated terminal – expanding emigration capacity
- Grew retail market and increased customer engagement through upgraded 'click and collect' online retail model and new marketing execution. Further signalled commitment by announcing a new partnership with worlds most popular travel itinerary app provider Tripit – a world first for airports
- Ibis budget hotel expansion completed in December. January occupancy 94% giving us confidence in progressing a third hotel
- Car parking product expanded with the launch of valet parking at the international terminal. Early take up has exceeded our expectations





Financial section

Simon Robertson

Profitability growing even after the capital return

	6 months to 31 Dec 2014 $m	6 months to 31 Dec 2013 $m	Change %
Revenue	251.421	238.506	5.4
Expenses	62.328	60.607	2.8
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**189.093**	**177.899**	**6.3**
Share of profit of associates	5.426	4.869	11.4
Derivative fair value decrease	(1.625)	(1.261)	28.9
Investment property fair value increase	6.253	-	-
Depreciation expense	30.826	31.389	(1.8)
Interest expense	43.707	32.317	(35.2)
Taxation expense	31.800	31.914	0.4
Reported net profit after tax	**92.814**	**85.887**	**8.1**
Underlying profit after tax [1]	**87.783**	**86.682**	**1.3**

1. A reconciliation showing the differences between reported net profit after tax and underlying profit after tax is included on slide 9.

Underlying profit reconciliation

	Six months to December 2014			Six months to December 2013		
	Reported profit	Adjustments	Underlying earnings	Reported profit	Adjustments	Underlying earnings
	$000	$000	$000	$000	$000	$000
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) per income statement	**189,093**	**-**	**189,093**	**177,899**	**-**	**177,899**
Share of profit of associates	5,426	72	5,498	4,869	(157)	4,712
Derivative fair value decreases	(1,625)	1,625	-	(1,261)	1,261	-
Investment property fair value increase	6,253	(6,253)	-	-	-	-
Depreciation	(30,826)	-	(30,826)	(31,389)	-	(31,389)
Interest expense and other finance costs	(43,707)	-	(43,707)	(32,317)	-	(32,317)
Taxation expense	(31,800)	(475)	(32,275)	(31,914)	(309)	(32,223)
Profit after tax	**92,814**	**5,031**	**87,783**	**85,887**	**795**	**86,682**

Note: We have made the following adjustments to show underlying profit after tax for the six months ended 31 December 2014 and 31 December 2013. We have reversed out the impact of revaluations of investment property in December 2014. We have adjusted for Auckland Airport's share of the fair value movement in the derivative financial instruments of associates that do not qualify for hedge accounting. We have also adjusted for the fair value movements of derivative financial instruments in Auckland Airport that either do not qualify for hedge accounting or hedge accounting ineffectiveness that relate to the counterparty risk of the particular derivatives entered into by the Company. These derivative gains/(losses) are unrealised and are expected to reverse out over their life. We also allow for the taxation impacts of the above adjustments for both the six months ended 31 December 2014 and the six months ended 31 December 2013.

Summer strength lifts passenger growth

	6 months to 31 Dec 2014	6 months to 31 Dec 2013	Change %
International arrivals	2,054,639	1,967,636	4.4
International departures	1,937,548	1,870,949	3.6
International passengers excluding transits	**3,992,187**	**3,838,585**	**4.0**
Transit passengers	263,470	237,496	10.9
Total international passenger movements	**4,255,657**	**4,076,081**	**4.4**
Domestic passengers	**3,625,452**	**3,517,795**	**3.1**
Total passenger movements	**7,881,109**	**7,593,876**	**3.8**

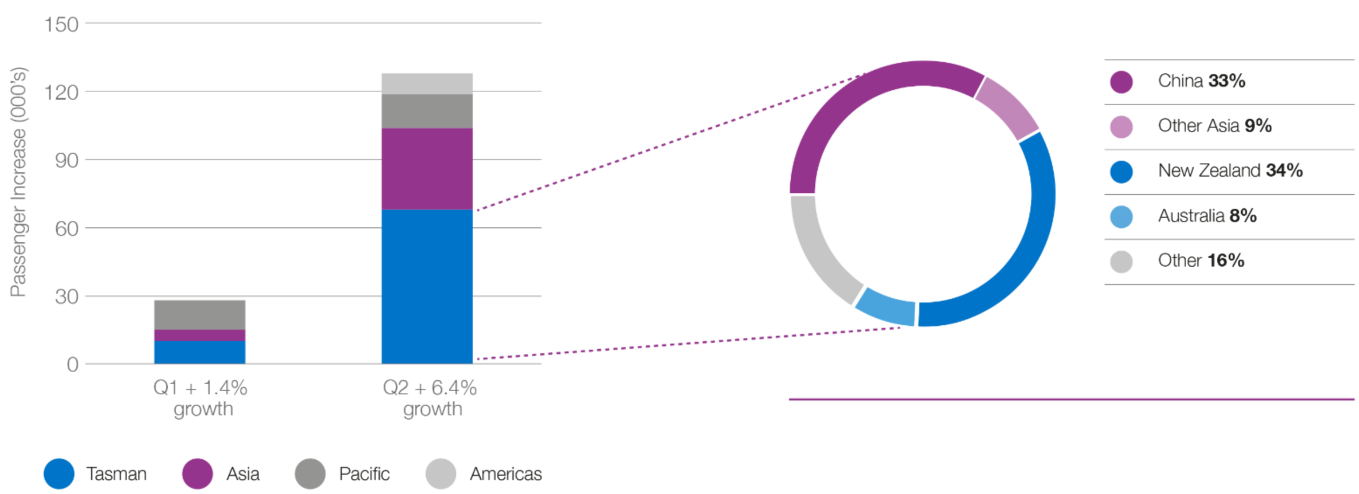
- January 2015 was a new record month with 817,459 international passengers (excluding transits) up 6.2% on January 2014. Domestic grew by 3.9% compared to January 2014.
- Average airline load factors lifted on total international seat capacity growth of 2.6% in the six months to December 2014.

A half of two halves

- Passenger growth in the six months was significantly stronger in the second quarter
  - Quarter 1: Passengers up 26k (+1.4%)
  - Quarter 2: Passengers up 128k (+6.4%)
- North Asia (China, Hong Kong, Japan, Korea and Taiwan) passenger growth was up 14% with direct capacity up 12%
- India passenger growth was up 30% reinforcing the importance of our partnership with Tourism New Zealand focusing on India as an emerging high value long haul leisure market

Regional growth across the half

Breaking down the Tasman increase by passenger mix



Lifting runway productivity

	6 months to 31 Dec 2014	6 months to 31 Dec 2013	Change %
Aircraft Movements			
International movements	23,678	23,080	2.6
Domestic aircraft movements	53,203	55,879	(4.8)
Total aircraft movements	**76,881**	**78,959**	**(2.6)**
MCTOW (tonnes)			
International MCTOW	2,281,692	2,170,260	5.1
Domestic MCTOW	955,556	961,272	(0.6)
Total MCTOW	**3,237,247**	**3,131,532**	**3.4**

- Domestic up gauge continues on Air NZ main trunk and regional routes with rationalisation of Eagle Air services from April 15
- International airlines continue to move to larger capacity aircraft to serve demand as deliveries of new aircraft come into effect

Revenue performance solid across the business

	6 months to 31 Dec 2014 $m	6 months to 31 Dec 2013 $m	Change %
Airfield income	46.854	44.162	6.1
Passenger services charge	69.523	65.826	5.6
Retail income	64.785	63.779	1.6
Car park income	23.426	21.880	7.1
Rental income	31.076	29.038	7.0
Rates recoveries	2.536	2.176	16.5
Interest income	1.503	1.164	29.1
Other income	11.718	10.481	11.8
Total revenue	251.421	238.506	**5.4**

Expenses linked to business growth

	6 months to 31 Dec 2014	6 months to 31 Dec 2013	Change %
Staff	22.060	21.299	3.6
Asset management, maintenance and airport operations	21.586	20.322	6.2
Rates and insurance	5.401	5.033	7.3
Marketing and promotions	6.022	6.822	(11.7)
Professional services and levies	3.768	3.135	20.2
Other	3.491	3.996	(12.6)
Total operating expenses	**62.328**	**60.607**	**2.8**
Depreciation	30.826	31.389	(1.8)
Interest expense	43.707	32.317	35.2

- Asset management, maintenance and airport operations contain additional costs associated with increased Park and Ride bus operations and valet services (corresponding car park income)
- Interest has increased due to the April 2014 capital return which saw an additional $430m of debt raised

Associates contribute double digit growth

	Reported profit			Underlying earnings		
	6 months to 31 Dec 2014 $m	6 months to 31 Dec 2013 $m	Change %	6 months to 31 Dec 2014 $m	6 months to 31 Dec 2013 $m	Change %
Queenstown Airport	1.173	0.955	22.8	1.173	0.955	22.8
North Queensland Airports	3.660	3.186	14.9	3.660	3.186	14.9
Tainui Auckland Airport Hotel Limited Partnership	0.593	0.728	(18.5)	0.665	0.571	16.5
Total associates	**5.426**	**4.869**	**11.4**	**5.498**	**4.712**	**16.7**

- Queenstown destination remains highly attractive with passenger growth for international up 23.5% and domestic up 6.3%
- NQA result supported by solid domestic passenger growth at Cairns. New international services in early calendar 2015:
    - Silk Air to Singapore
    - Jetstar to Bali
    - Increase in Chinese carriers around Chinese new year

Underlying EPS up 12.5%

- The capital return to shareholders in April 2014 reduced the number of shares on issue
- Underlying earnings grew 1.3% while underlying earnings per share increased by 12.5%
- Dividend declared of 7.3 cents per share payable 2 April 2015 to shareholders on the register on 19 March 2015

	Six months to Dec 2014	**Six months to Dec 2013**	**Change %**
Underlying Earnings ($000’s)	87,783	86,682	1.3%
Outstanding shares (000’s)	1,190,127	1,322,373	(10.0%)
Underlying earnings per share (cps)	7.376	6.555	12.5%

From strength to strength

Adrian Littlewood

Building air connectivity key to driving tourism growth

- Industry's Tourism 2025 growth framework seeks to grow sustainable air connectivity to lift tourism revenue by 6% CAGR, to $41 billion by 2025
- Have just surpassed our own 'ambitious' growth scenario for 2014 as set in our Ambition 2025 report
- Auckland Airport has contributed significantly alongside airlines to achieve that goal. For example:

Asia

- Air New Zealand increased capacity on Japan services by 30% between November 2014 and March 2015
- China Eastern launched a major seasonal Shanghai to Auckland service.
- China Southern Airlines increased the number of flights on its Guangzhou-to-Auckland route
- Singapore Airlines started flying an A380 on its daily service between Auckland and Singapore

North America

- Air New Zealand increased San Francisco service from 7 to 10 flights per week during the summer peak season

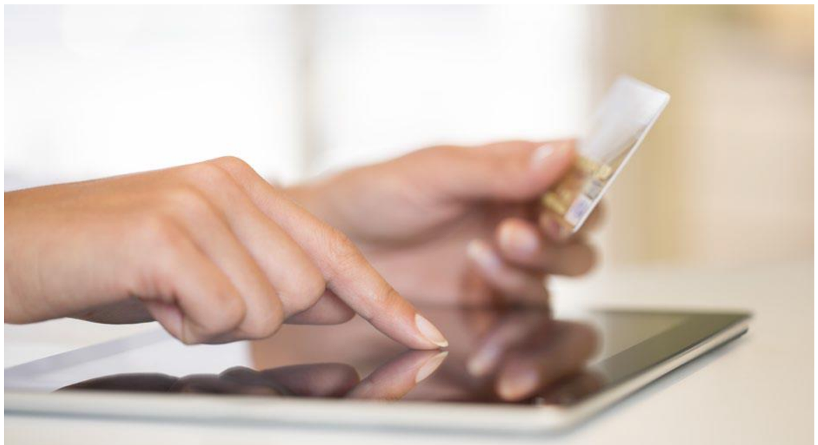
South America

- Air New Zealand announced that it intends to launch a new B777 service between Auckland and Buenos Aires
- LAN Airlines increased its Santiago-Auckland-Sydney services

Strong duty free tender outcome

- LS travel Retail Pacific and Aer Rianta International selected as duty free partners for seven years from 1 July 2015
- Selection criteria aligned with our strategy. Key considerations included:
  - Providing choice and value to customers
  - Experience in multi-channel sales
  - International scale operators with access to brands not previously seen in New Zealand
- New partners share our confidence in the potential of high growth markets and have willingness to jointly take a more proactive approach to growing sales
- As a result of the duty free tender, and other changes in specialty stores, we are expecting an additional $5 million in earnings before interest, tax and depreciation in the 2016 financial year

Expanding ‘click and collect’



- Our trial of a click and collect model for online duty free purchases is showing the potential for lifting sales and competing with other channels
- Our online product range now covers thousands of SKU’s and includes:
    - Broad category retailing e.g. core duty free
    - Popular products at best price e.g. Apple
    - Significantly expanding product range availability in-store via online e.g. MAC cosmetics
    - Best of NZ brands e.g. Saben
- Proving the model was the first step. Improving accessibility, increasing the number of partners and consumer awareness are the next steps in development
- Online capability and experience was a key criteria in the duty free tender

Car parking business continues its growth

- Online channel now represents about half of all car park transactions
- Average transaction value for online is increasing, narrowing the gap with drive up
- Increased at grade car park capacity put in place in September/October 2014. ITB has increased by 660 public spaces and Park and Ride by 240

	International	Domestic	Park and Ride
Public	3,635	2,622	1,119
Staff	1,214	131	1,326

- Valet commenced from the international terminal in December 2014. Early take up of the new product has been very strong

Deepening our relevance and value to customers

- Constantly looking for ways to make journeys better for our customers. Have invested in improving quality of customer interactions, particularly in mobile, social and online transactions
- Currently difficult for customers to manage complex travel itineraries in an increasingly self service travel market with multi-carrier airline partnerships
- Announced a new partnership with Tripit, the world's leading travel itinerary app provider to make travel easier for customers and deepen our mobile capability
- Tripit has +10m customers worldwide. This airport partnership is a world-first for Tripit
- Partnership will enable us to integrate Auckland Airport travel components into Tripit itinerary manager, gain deeper insights on travel patterns to and from New Zealand and also provide special deals on Tripit for our premium customers.

Tripit® from Concur

New deals driving property growth

- Significant increase in number of industrial property development wins in the last six months
- Shaping up to have our largest year for development with $100m+ market value of industrial projects in either design or construction stages. 70% of projects are pre-leased
- Well positioned to capitalise on a growing market appetite for Auckland Airport's business district location with stage 3 of The Landing Business Park scheduled for completion Q2 FY2016
- On completion Auckland Airport will have approximately 27 hectares of prime construction ready development land

New deals driving property growth

A range of activities driving growth in the rent roll. Examples include:

Existing tenant expanding business

- Ceva Logistics doubling existing warehouse from 7,700m^2 to 14,600 m^2 only two years after relocating to Auckland Airport. Operational from Q2 FY2016

Technology showpiece joins the business park

- Major technology company signed up to 2,200 m^2 office/showroom and a circa 4,900 m^2 warehouse facility in The Landing with construction to commence Q4 FY2015

A new manufacturer and major household name is welcomed

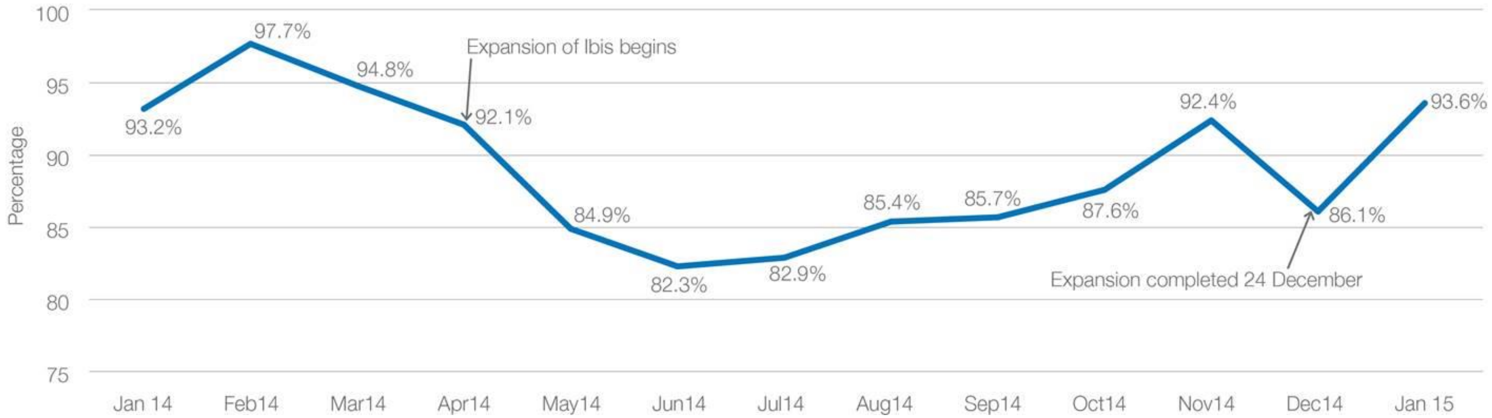
- Construction to commence for a new manufacturing and warehouse facility for a major household brand adding a net lettable area of 10,550 m^2

The next step for office

- No vacancy remaining in Quad 5 office development - design completed for the Quad 7 (8,000m^2). Expected completion Q2 FY2017

Hotel room demand remains high

- Major addition of 73 rooms (~50% growth) at Ibis budget hotel completed in December 2014
- Minimal impact on occupancy during build coinciding with the typically weaker winter season
- January 2015 occupancy at Ibis budget lifted to 94%
- Revenue per available room for the current Novotel and the Ibis Budget hotel outperforms their competitors
- Confidence is high that more hotel beds at Auckland Airport will be met by demand. Further investigation into how this will evolve over time is well underway

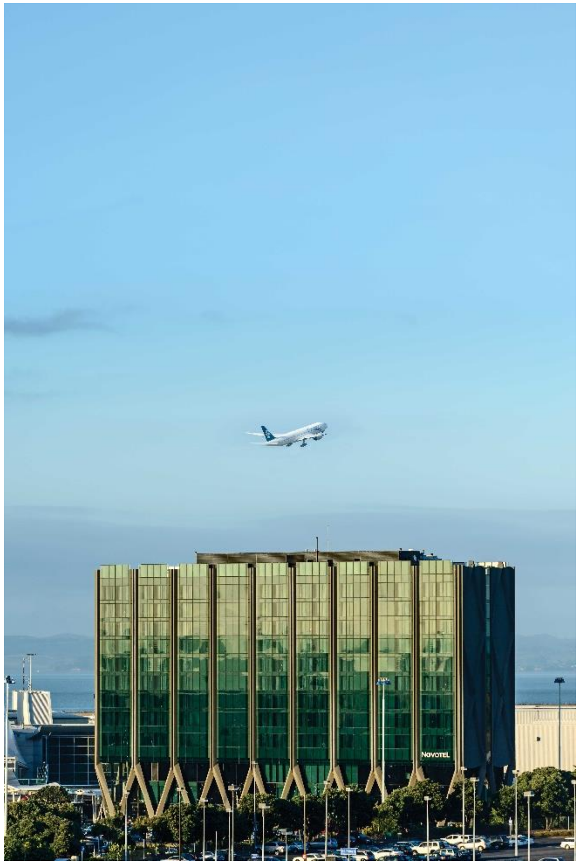


Progressing the 30 year vision of the airport of the future

- Concept design work on expanding international departure processing, passenger seating and expanded retail is nearing completion. Consultation with key stakeholders and further refinement of concept is expected to be completed by mid-year with detailed design following
- Stage 1 baggage expansion completed prior to Christmas. Stage 2 with additional seventh belt commences shortly. Total increase of 40% capacity
- Feasibility work underway on International terminal Pier B extension and new domestic terminal facility as part of a future integrated terminal
- Capital project sequencing being carefully planned over coming years
- Aeronautical capital investment over 5 year pricing period to 30 June 2017 expected to be consistent with estimates included in aeronautical charges

Lifting guidance for the financial year

- Strong first half result and stronger than expected summer season passenger volumes has raised our expectation for FY2015
- We now expect underlying net profit after tax (excluding any fair value changes and other one off items) to be between $167m and $174m
- Due to 10% reduction in shares on issue following April 2014 capital return this guidance would be a lift in underlying earnings per share of 7% to 11%
- Guidance is subject to any material adverse events, significant one off expenses, non cash fair value changes to property and or derivatives and other unforeseeable circumstances



Questions