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PRESENTATION

Operator

Thank you for standing by, and welcome to the Auckland Airport interim results announcement conference call. At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session. (Operator instructions). I must advise you that this conference is being recorded today, Friday, February 20, 2015. I would now like to hand the conference over to your speaker today, Mr Adrian Littlewood, CEO of Auckland Airport. Please go ahead, Mr Littlewood.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Thank you, operator, and welcome, everyone, to the interim results for 2015. I'm also joined by Simon Robertson, our CFO. Firstly I'd just like to apologise for the delay. We had some technical hitches here, but great that we can get into it.

Listen I just wanted to start by saying we've had a very strong start to this financial year and, broad based, it's been an excellent result. Looking at the ten net, key numbers, I think revenue's up just almost 5.5%. The cost control has seen our operating earnings up over 6%, and underlying profit, which we focus on, up 1.3%, remembering that is net of increased financing costs associated with our capital return last year. That leaves underlying earnings per share up 12.5% to NZD0.738 for the half.

Overall, a very strong result, and that's really a story about -- a story across the business, in fact. It's been consistent story across all parts. And not only has it been a good out-turn in terms of results, but also delivery on strategy.

So, obviously, for us, international passenger growth is what underpins our business, and that has been very positive in this summer period particularly. The first half started a little weaker, but came back strongly in the second quarter of this half. And that's been underpinned by continued growth in our growth markets of North Asia; but still growth in our traditional markets like the US and Japan.

We've also completed in this half -- announced today a very important outcome on our duty free tender. Two new partners announced this morning. A very robust process, and we're very pleased with that outcome today. We can talk a bit more about that later, but they're very focussed on -- and share our vision for the future of the travel retail channel.

In property we've seen very strong momentum and a continuing deepening and broadening of our portfolio in commercial developments. That's been very pleasing, and we look forward to that continuing for the future.

We've also, importantly, progressed our continued work on infrastructure development and capacity at the airport, with some ongoing delivery of capacity in the international terminal, and continued in depth planning around our departures processing, plus additional gate stands for the longer term.

Our retail market, as I said before, has evolved and developed. Particularly, we've been focussing on our click and collect model and trying to drive that new channel for us to a greater degree. And that's been a success so far, but it's just still emerging. But we've deepened our mobile capability with some new partnerships we've announced in the last few days with some world class travel partners, which is exciting.

And, lastly, our consumer products focus -- both our hotels and our car parking business continues to grow, and we've been very pleasantly surprised at how that's continued to grow into the future. We'll touch on that in a bit more. So, overall, a very pleasing start to the half, and the fundamentals look good for the balance of the year. And we'll come back to that later.

I'd now like to turn to Simon Robertson, who'll take us through a bit more detail on the financials. Over to you, Simon.

Simon Robertson - *Auckland International Airport Limited - CFO*

Thank you, Adrian, and a warm welcome from me to all participants on the conference call and webcast here this morning. My role here is to give, hopefully, a little bit of colour on the financial results for the six month period ending December 31, 2014.

And if you're anything like me, and you turn to something that looks or resembles an income statement your eyes automatically drop down to the bottom line to try and see what has occurred, and then maybe drift up to understand how that might have occurred. And, simply, if I follow that particular approach here, see the underlying profit after tax up 1.3% to NZD87.8 million.

But remembering the capital return undertaken in April 2014, which saw NZD450 million of capital returned to shareholders and, of course, a corresponding increase in our debt levels. Interest expense rose 35% to NZD43.7 million. The other aspect to the capital return was, of course, a reduction in the number of shares on issue, so that underlined the earnings per share that did grow quite strongly in this period.

And that strength was driven by a good revenue growth to NZD251 million. Modest expense growth driving it to EBITDAFI of NZD189 million, up 6.3%. You also saw very good contributions -- profit contributions -- from all three of the associates. Flat depreciation, flat taxation, and some adjustments to the fair value of both derivatives and investment property.

Noting investment property, a bit unique, there was no revaluation at all in the last period, and then a NZD6 million adjustment this period, and that went to reported net profit after tax being stronger, up 8.1% to NZD92.8 million.

On slide 9 there is a reconciliation there of those adjustments. We've been entirely consistent for many, many years here. Reported profits are important, and investors should look at that. But, equally, sometimes fair value adjustments can be quite volatile and can make comparisons difficult. So the underlying earnings there, at NZD87.8 million, are with all adjustments and highly consistent period-to-period.

In terms of passenger movements, we've simply already released the data to the market and the media by way of our monthly traffic update, which we released in January for the December period. So I want to really focus not so much directly on the numbers but, really, three aspects to the passenger volumes that we've seen.

First of all, our view is that this has been demand lead growth in this period. So, simply, we have some seat capacity growth in the six month period, up 2.6%. The international passenger movement's up 4.4%, indicating a stronger demand and that increase the supply, which I think bodes well for our future.

The second aspect is that summer strength. So that's continued into January. International passenger movements in January was up 6.2% on the same month last year, and domestic up 3.9%. So that's certainly good and, perhaps, why, internally, we've talked about it as a half of two halves.

International passenger movements, excluding transit, it's up a modest 1.4% in the first quarter, and up a much stronger 6.4% in the second quarter. And, partly, that's the third story I think, then the passenger movements which is the Asian story, what was driving that stronger passenger movement. And, certainly, Asian passenger movements were strong in the half.

North Asia -- China, Hong Kong, Japan, Korea and Taiwan -- they were up 14% in the six month period. India up a very strong 30%. And, really, we think supports the view of both Tourism New Zealand and Auckland Airport, that we need to focus on India as a potential and emerging high value long haul leisure market.

And, certainly, if you look at the route performance as well, while the Tasman had a good nominal increase in passenger movements, when you look behind that, almost half of that increase in the passenger movements across the Tasman was Asian passenger growth. So that very strong Asian story continues, and I think will be a big part in New Zealand's future tourism growth.

In terms of runway and movements and performance there, again, are included in our monthly traffic updates, so just a couple of comments there. One is we are seeing a reduction in domestic aircraft movements, reflecting the change and rationalisation of Air New Zealand's regional fleet, less movements in the smaller regional aircraft, some increases in larger regional aircraft, but not at the same rate, leading to the weight of domestic aircraft, which is our billing mechanism, or the driver of our earnings on landing charges being flat on domestic.

International though, a different story. So increases in international movements with, on average, an increase in the weight of that aircraft. In fact, in the six month period we saw a 35% increase in A380 landings.

They -- both the weight of the aircraft and also the passenger movements -- underpin a strong aeronautical performance in this six month period, but also the car parking business grew, supported by increased capacity with proximity to the terminal, as we created some spaces up at park and ride, moved some staff to create some extra capacity for passengers, rental income on the back of further property development, and some increases in some rental yield rates.

And retail income there, the headline number in this particular period up 1.6%. But, I think, underpinning that is some of the lead indicators of how retail is performing. We're simply seeing now five months to the end of the January there, passenger spend rates, excluding tobacco, have been positive and lifting.

Including tobacco, five months where that has been a very slight increase as well. So those lead indicators, we think, are supportive actually of how retail is starting to perform more solidly, and will be supported, we think, into the future, by two new duty free operators that are very aligned strategically to how we see the future of the retail business.

Expenses, as we said earlier, a modest increase in operating expenses. The largest nominal increase in this period related to extra transportation services between park and ride and the terminal to improve the passenger and staff movements from that facility, so linked then to the increased income associated with the car parking business.

Interest costs, as we indicated earlier, on the back of the capital return, but I think, overall, I'm pretty pleased with the outcome there, at the time of that capital return, we indicated that we would aim to turn out those facilities and aim for a 6% interest rate outcome. So in this half the average interest rate at just under 5.9%, is certainly a pleasing outcome to the costs.

Associates all performed very well from a profit perspective in this half. So certainly adjusting for fair value movements on derivatives in the hotel, all three contributed double digit profit growth, and this (inaudible) Queenstown, on the back of very strong passenger growth saw profit growth up 22%.

North Queensland airports, which saw solid domestic passenger growth at Cairns, which is by far the largest passenger movements. Mackay saw some weakness as the mining related passenger movements still shows signs of the troubles, or the challenges, inherent in the mining industry in Australia.

International at Cairns a little bit softer as well, but quite positive signs there; so some new announcements out of Cairns being a new airline on a new route with SilkAir to Singapore commencing three times weekly services, beginning, I think, about the end of May right at the end of May. Jetstar, on new services to Bali, starting March 31, again three times a week services adding just over 50,000 new seats into the market. And increased activity from China Eastern and also with -- around other charters around Chinese New Year positively supporting, we think, growth in international numbers for calendar 2015.

So, overall, the result positive. Underlying earnings up 1.3%, but with that capital return and the reduced number of shares on issue underlying earnings per share up 12.5%. Reported earnings per share up 20%. That resulted in a dividend declared of NZD0.730 per share, payable on April 2 to shareholders on the register on March 19.

With that, I'd like to hand you back to Adrian.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Thank you, Simon. And just picking up on some of the themes -- again, just covering off what's happened, but also looking ahead -- on page 18. The focus here for us is this continuing focus on sustainable air connectivity as the real driver of tourism growth for the country. And we've been a big participant in the industry's tourism 2025 growth framework, which seeks to lift value by 6% a year.

I think what we've seen is some great signs of that rising in this part of the year. In fact, we published a report called Ambition 2025 a couple of years ago which fed into tourism 2025 report, and we set out an ambitious growth scenario in there of -- try to achieve about, 2.82 million inbound international passengers by the end of 2014. And we actually just beat that ambitious growth scenario in this year.

So it gives us some confidence that, as an industry and as a country, we're on the right track. Lots of hard work to go to make sure we attract those higher value passengers, but we are very excited by that possibility. And if you look below that, I guess, what some of the highlights are, as Simon mentioned, obviously, Asia. We had some real standouts in terms of growth out of China, the China Eastern seasonal service, which went very well.

China Southern not only increased its services over the summer peak and upgraded to a 777, but also has just announced that it's going to go double daily year round now. And I think it's just a -- a bit of colour on that is China Southern -- the arrival of their 777 -- it was their latest 777 with the latest class configuration. And in the first place it came on their entire network around the world, was straight on to Auckland.

So it gives a sign of their confidence in this market and also their sense that this is a premium market, which we agree with. But also we've seen others like Singapore introducing the A380, as Simon mentioned earlier, through the alliance at Air New Zealand; an important one to target, that Indian market that Simon mentioned earlier. So some really good signs out of Asia.

Obviously, also, North America and South America -- some good signs there with both peak capacity from Air New Zealand and also prospective services into South America; another market that the tourism industry has been focussing on growing, so some very positive signs out of that market. So, generally, we're still comfortable that the momentum is there and carrying in the business, and we're certainly looking ahead to that.

Just on page 19 -- I touched on this before -- in our retail business a very big and detailed process around our duty free channel, which are obviously our anchors in retail. Look, I think the story here is really one about just completely being in line with strategy. Simon touched on this before, but we've been very focussed on the future, not just currently where we are today.

And we've been quite clear about the challenges that face travel retail as a channel globally and face traditional retail channels generally across the multi-channel retail world. So we, in our tender process, have been very clear on looking for partners that shared that ambition and that aspiration, and were willing to shift the model along. And that's what we were really looking for through this process, and we're really, really pleased with the outcome with Aer Rianta and LS travel.

And that's about bringing new brands that aren't here today, new options, and those are possible with the new spaces that we are creating through our redevelopments to expand capacity for outbound processing in the coming years.

They're also sharing our ambition around online, which is great. And I think also the fact that we've got five really strong bids for duty free here is a real positive endorsement of the potential of New Zealand as a tourism market. I think that's a reflection on tourism generally. So they share that confidence, and I think that is fantastic.

So what we've just noted here is we're expecting, obviously, an additional NZD5 million in earnings in the 2016 financial year. Obviously, that's subject to how things unfold over the coming years, but that's broadly where we think it will land in the next financial year.

I mentioned this before, this click and collect, and I just want to highlight some of the gains we've made in the past six months. We talked a lot about our belief in this click and collect model, and this is not a new or unique idea, obviously.

We've actually made some good strides on that front. We've now got thousands of SKU's available online for retail products for purchase in advance, so that we've got that broad based retail with the core duty free products online. We've got really popular products we call the best price for getting products that you can't get discounts on easily anywhere else; for example, with Apple.

We talked a lot about the ability for online to virtually extend the range of products for sale at the Airport, sort of decoupling from the physical limitations of the constrained airport environment. And M.A.C Cosmetics has launched a full range -- a full, full range -- of products online for pre-purchase.

And, pleasingly, we've also worked really hard and put a lot of effort into supporting New Zealand brands in coming to the airport, both online and physically, and Saben handbags is a good example of that. And that's gone very well, and they're very pleased with their performance.

But I think we've acknowledged that we're still taking some first steps. It was about proving the capability, proving the model, proving that it can work, and now it's about gearing up and going really fast.

A similar story in car parking. I think we've been continuing on our strategy of adding capacity where we can, evolving our products and broadening that, and we've done that with the launch of valeted car parks. And that's gone very, very well. And we also continue to step up our marketing efforts. And, in fact, almost half of, I think, of all our transactions now for car parks are now online, and we had really great feedback on the valet product.

So we'll continue to drive that pretty hard and start to join those two things through retail and online and parking online together into the future. So that continues to be a good prospect.

Connected with that theme on page 22 is the new partnership we announced with travel app itinerary provider Tripit.com. They are the world leader in providing travel itinerary services for customers. So we announced this new partnership with them, and we've often thought a lot about how do we continue to add value for customers, focus on making journeys better, which is what we try to do. And we've been investing in our online and mobile and social tools to try and do that.

But what we saw was people are increasingly self-selecting their airlines, their packages, their holidays from different sources online. And it's very hard to get a single view on your trip, and it can be very complex and time consuming to try and manage all that. And these services like Tripit bring it all together and make that really easy to work with.

Now, so rather than casting out on our own, partnerships are the right way for us to try and do this. So we are the first airport in the world that Tripit has partnered with. They are the largest travel app itinerary provider, and this is a new thing for them. And, really, what we're trying to do is to try and make travel easier for people, regardless of which airline they're flying with. And we think this is a great idea, and it's a sign of our commitment to investing in mobile and online tools to try and make journeys better for people.

So we'll look to extend that idea and connect that more closely with our business over the coming years. And that partnership will also help us to get better insights into how people travel, particularly from and to New Zealand. So Tripit has a great customer base, particularly in North America and beyond, and through the partnership we expect to extend that relationship into New Zealand.

So we'll look to bundle services together, bring retail and parking together into this over time. So we think this is a really exciting development for the longer term.

Just turning to page 23, a really good story in property, in commercial property. Some really serious momentum evolving there and a real sense that the market is starting to appreciate what we have been building up as a Company over the last five or six years.

We now have broadly about NZD100 million market value of industrial properties. It's just industrial under way, either in design or under construction and 70% of those are already pre-leased. Broadly that compares to the equivalent developments for industrial over the last three or four years, so we've really got a lot going on. On top of that we're also unlocking a whole lot of additional serviced land through our landing zone Business Park. That will give us about 27 hectares of real prime commercial land for development. We think that's really, really exciting and very, very interesting for the future.

Part of the story though, and property has been a broadening and deepening of the portfolio. So while we've got existing clients like Ceva Logistics who are doubling their sites after only two years, we've also managed to attract some new class of tenants. While we can't share the names we've got some new technology companies coming -- or a technology company and showroom and warehousing service coming in, which is a fantastic win. We've also got a high profile household name who is going to do some light manufacturing and warehousing in a significant size, 10,500 square metres.

It's a change in our portfolio mix which we're really interested in and looking forward to continuing in the future. But even in office -- we're now out of vacancy in office so we've pushed harder on the office development for Quad 7, which is our next development of 8000 square metres, is underway and expected to be completed in Q2 2017. So really strong momentum there and one we've got great confidence in the future.

Just picking up on hotels before, another one that is -- and I'll be honest -- has surprised us a little bit with how strong this has been. So close followers of our business will know that we have been expanding our Ibis budget hotel. We grew it by 50% that was completed at the end of December. Almost instantly we leapt straight back up to 94% occupancy. If you look at the charts there you can see on half as many rooms almost, we had the same level of occupancy last year.

So that's given us again, real confidence to continue to go fast at expanding our hotel portfolio, and that we can broaden again and deepen that portfolio for hotel capacity at the airport. Some of them are very interested, and for the longer term. Again something we'll look to connect into with the rest of our consumer business.

On page 26 -- in parallel with all of this we are working very hard on continuing to develop our 30 year vision of the airport of the future for Auckland here. So we've done a lot of work on design and development design or concept design on the international departures processing expansion which will include a lot of processing capacity as well as common area seating and in the retail around the edges. We've done a lot of work in the last six months on that. Obviously that was connected to the duty free tender in many ways, so that had to be worked through as part of that. But we're looking to now move that into consultation with our key stakeholders and complete that middle of the year for detailed design. Then we can get into construction.

So that's a big project for us but we've also been delivering on the incremental capacity requirements. So an international baggage claim -- we've completed half of that 40% increase in capacity. That's made a big difference to capacity on arrivals and international with all these new services. The second phase of that we'll complete during this year. We'll continue to look at feasibility for expanding our gated stands at international terminal as a Tier B and also commence the work obviously on the integrated terminal with the new domestic facility in the longer term.

So we've got a bunch of projects in line, all lining up over time. Obviously with those projects under way we're also carefully thinking through the sequencing of those projects. That's got to be carefully managed to manage the operational impact of those and that's just a by-product of the growth we've got focusing on. But just to give listeners some comfort we're looking at our capital investment in aeronautical to be in line with our estimates during the aeronautical price setting in 2012.

So there's a lot of work going on there. So stepping back and looking at the balance of this financial year, we've had a strong first half result as you know. That momentum and passion and growth has come through strongly at the back part of the half. As Simon said, it has continued in the next part of this half. So we've got some confidence there that we've been able to lift guidance from originally NZD160 million to NZD170 million for underlying net profit, to NZD167 million to NZD174 million. That obviously excludes any one-off and any fair value changes and is subject to any material adverse events.

Bearing in mind the NZD0.10 reduction of shares through the capital return, that will equate to about 7% to 11% less than underlying earnings per share. So there's confidence there growing and the future of the business, obviously some things we've got to monitor throughout the year but we're going into the second part of this year with some confidence.

With that I'll pause there and open up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions). Your first question comes from the line of Marcus Curley from UBS. Your line is open, please go ahead.

Marcus Curley - *UBS - Analyst*

Good afternoon guys. Could I just start with a couple of questions? On duty free, could you give us a little bit more detail around the assumptions behind the NZD5 million uplift, specifically does that include any passenger volume growth within that number or is it simply an uplift in rental levels or turnover levels? Is it backed by minimum rental guarantees and does it incorporate any specialty stores outside of, let's say, the standard duty free offering?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Marc it's Adrian here. So thanks for that. It's all of those things actually. So look, naturally as part of a duty free bid like this you go through a very detailed process. You receive the bids and often [mags] play a big part in that obviously. But obviously we're looking at both -- all the elements, whether it's passengers, whether it's new concessions and downstream impacts.

So it's all those things, and just to pick up your point on specialty yes, there are some other impacts and other specialty elements that play into that net impact. So we've accounted for some other changes and specialties that have come through and accounted for that in the guide on the NZD5 million net.

Marcus Curley - *UBS - Analyst*

So just to be clear, you're guiding for a collective increase in duty free revenue including passenger growth and higher spend rates and additional space of NZD5 million.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Yes.

Marcus Curley - *UBS - Analyst*

I suppose, just an extension of that -- they probably tendered on the basis of the broader plan to expand the footprint which you've sort of alluded to as part of the longer term plan with the airport and the international terminal. When do you think you're going to be in a position to give us a bit more colour in terms of what you are thinking there?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Absolutely that's right. They did tender based on that. If you're talking about colour in terms of what it looks like and the shape and the form, obviously we need to go through the process of working through with the other stakeholders, and there's a lot of work to do there around the other parts of the expansion. So that's the first priority. That has to happen first and we'll, as soon as we're able, be able to share some of that.

But just to give you a sense in terms of duty free, they're anticipating an uplift, and certainly in terms of the space allocated to duty free, so that's an important part of the overall bid that the tenders put forward.

Marcus Curley - *UBS - Analyst*

But by the sounds of your CapEx comments, you wouldn't be expecting to see any of this, let's say expanded space available, in the next few years. It's certainly a medium term plan here.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Yes, look, high level at this stage and obviously subject to the project being refined down to detailed design. Broadly we think on-stream in terms of the new space around the end of 2016, early 2017 calendar year.

Marcus Curley - *UBS - Analyst*

Okay. Then just -- my other question just on project related -- could you also provide any sort of update on the domestic terminal in terms of again when you're likely to provide some more specific colour on what that project is likely to look like, and when is it likely to commence and finish?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Yes look Marcus, there's a lot of work to go on that front yet. Again, we've got to do a lot of work both internally and with all the stakeholders involved at the airport before we can release some of that.

I think broadly we're still saying around five years' time, that 2020 mark for the domestic processor to come on board. But again, how that will unfold is still to be worked through. There's an awful lot of moving parts for that. So as soon as we're ready to share that, we will. But it's got to be done on a proper process.

Marcus Curley - *UBS - Analyst*

Sure, understand. Okay thank you.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Thanks Marcus.

Operator

Your next question comes from the line of Grant Swanepoel from Craig Investment Partners. Your line is open please go ahead.

Grant Swanepoel - *Craig Investment Partners - Analyst*

Thank you and good morning. The first question is just a follow on from Marcus'. The last time we had a discussion it looked like the duty free space would grow by about 50% on this new expansion. Is that still on track and if that is so, does the new duty free contract you say it's NZD5 million in FY16 with those changes occurring FY17. Would you get some new tenancy income immediately in FY17, FY18 or does that NZD5 million take that into account on a normal run rate type basis?

My second question is on the tobacco impact on the retail growth. You normally give us a bit of an idea of what the spend per passenger was ex-tobacco and including tobacco? Can you give some commentary on that?

In terms of car parks, can you give some sort of idea what's happening to yields, how far they dropped down before the extra capacity you've put on line. To give us a feel where that is.

My last question is on the Commerce Commission. The last comments we got from them was that something would be said in the first quarter of this new calendar year. Have you heard anything from the Comm Comm on the review of WAC? Thank you.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Alright, well we'll try and tackle all those. We might tag team off some of those Grant, Adrian here. So look on the sake of the duty free, it is a significant uplift in duty free. You know 30% -- it's probably a bit north of that in terms of total space. That does affect the shape of the commercials as well. Obviously we don't talk about that publicly because that's confidential.

The additional space we'll see -- post-redevelopment -- we'll see a significant expansion in the duty free which means new services, new brands and new spend that will follow with that. In terms of PSR I think Simon mentioned before, we've seen an actually pleasing result in PSR, and this is across the airport I would say. That's partly down to still some stellar performance from other categories outside of duty free.

So obviously duty free was impacted by tobacco, but I think the duty free operators did a pretty good job of dealing with that and driving sales hard in the other categories in duty free just to offset a lot of the impact of tobacco. We'll still have to wait to see how that unfolds in the full year.

But for example in specialty, we saw strong double digit growth continued in specialty categories, F&B again strong performance in growth there which I think has been fantastic, well ahead of passenger growth. So I think those things have helped overall PSR performance in the period. In fact, in December we had our record month ever for sales at the international terminal across categories. So I think it's a very strong sign for the future.

For car parks yields, Simon do you want to touch on that?

Simon Robertson - *Auckland International Airport Limited - CFO*

Okay. Car park yields have grown. So average transaction values up just over 2%, so the increase in the space hasn't impacted average transaction values in this six month period. We certainly can do better in terms of full utilisation of the space that has just been created. So we will continue to develop that part of the product alongside the valet product, which also enables us to utilise space better. On the Commerce Commission, no, we haven't heard anything further at this stage.

Grant Swanepoel - *Craig Investment Partners - Analyst*

Adrian can I just push you a bit harder on -- you have in the past so you do track the information, given us an actual percentage change in packs, price per packs on tobacco included and excluded. Are you no longer going to be giving that information out?

Simon Robertson - *Auckland International Airport Limited - CFO*

I suppose ultimately we -- Simon here, Grant -- so we have graphed that in the past but this wasn't trying to not show anything. It's just what was most relevant we thought for this particular period, is certainly around focussed on the duty free tender. But as I said we've had five months now of PSR growth excluding tobacco and five months where it's just a very modest lift in passenger spend rate for the last five months including tobacco.

Grant Swanepoel - *Craig Investment Partners - Analyst*

Thanks very much.

Operator

Your next question comes from the line of Paul Turnbull from First NZ Capital. Your line is open, please go ahead.

Paul Turnbull - *First NZ Capital - Analyst*

Hi guys, just another question I guess on retail. Just to clarify your original expectations were for an annualised revenue impact from the tobacco concessions of between NZD7 million and NZD8 million. Is that in line with what you're seeing?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Paul, Adrian here. That was the original estimate. I guess what we didn't know was how other categories would perform on that. So that original estimate still remains pretty accurate I think overall. But what we've obviously been focusing on is how do we drive harder the other categories.

Paul Turnbull - *First NZ Capital - Analyst*

Right, the second, when you were talking through about, I guess the weaker retail performance at the last result you mentioned a negative impact was the weak AUD against the Kiwi. Is that something that's continued to impact your underlying performance in retail or are there other trends in play?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Look it probably has still had a bit of an impact. I think tobacco has probably been the bigger driver in terms of this performance. I think overall the underlying theme is still the pivot towards the Asian markets and the spend rates that go on there.

Australia has continued to be a bit flat. But we've worked really hard with them on making sure the retailers were competing appropriately against the Aussie market, dealing with that change in currency. So we don't really have anything additional to add on that right now, but it's something that we'll be watching closely.

Paul Turnbull - *First NZ Capital - Analyst*

Sure -- a final question. You mentioned about improving load factors across your international capacity. At the same time you've got lower fuel costs -- materially so -- and you are exposed to ultra long haul routes quite heavily. How are discussions going? Obviously you talk about your capacity growth with Asian routes, but how are things looking perhaps in some of the other regions in terms of potential for new capacity and new airlines coming on board?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Look Paul, it's one of the things we constantly do. What I would say just on fuel is, we always think of fuel multiplied or combined with new fleet. So 787s, A350s are all rolling out and rolling off the assembly line into the airlines that service our markets. The combination of lower fuel plus those more efficient planes can only be a good thing for New Zealand. As you say it's a long haul destination.

So it will be interesting to see how the airlines go. Early signs are they are interested in returns to shareholders initially, but our sense is that they will also quickly look for growth in other markets. So again I think that's a good thing for New Zealand, full stop.

Paul Turnbull - *First NZ Capital - Analyst*

Thanks guys.

Operator

Your next question comes from the line of Andy Bowley from Forsyth Barr. Your line is open, please go ahead.

Andy Bowley - *Forsyth Barr - Analyst*

Thanks. Good morning Adrian and Simon. A couple of questions, and the first when you're searching back to something you talked about already around retail and just to absolutely clarify in terms of the NZD5 million uplift. Are you effectively saying that whatever we make in FY15 in terms of a guidance for FY16, just add NZD5 million, or is there other things that we should be concerned about or put into our modelling from the point of view of specialty growth outside of these specific duty free and specialty related contracts?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Yes, that a good point Andy, Adrian here. Just to clarify, so the guide we gave on that NZD5 million net impact, it's almost a duty free plus some other changes. There can be and there will be other changes in retail that could change that result for positive or negative. Again, one of the things we said is it will be interesting how the tobacco continues to impact our numbers. We've thought about that. But there are also other specialty change outs that we'll continue to make, F&B changes that we're always looking at. So there is potentially some other opportunities there I think as well.

Andy Bowley - *Forsyth Barr - Analyst*

But does the NZD5 million include effectively your expectations around the passenger growth impact on the whole of retail or just these specific contracts?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

No, it's more connected to duty free and the other down term impacts associated with the tenders.

Andy Bowley - *Forsyth Barr - Analyst*

So if we've got specialty concessions outside of these specific contracts assuming that we get further passenger growth we're still going to see an uplift in terms of retail income from those other areas as well.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Well that's possible, and also passenger mix and the consequence spend that comes with that.

Andy Bowley - *Forsyth Barr - Analyst*

Okay, so I guess in a sense from a retail income point of view you'd be disappointed if retail income only went up NZD5 million next year?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Andy, our aspirations are always high, and we'll continue--

Andy Bowley - *Forsyth Barr - Analyst*

Assuming you've got passenger growth, that is.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Of course, yes that's right. I guess what we've seen is in this part of the year that that growth has continued. Obviously we'll have to watch as it unfolds through this year but signs like China Southern extending year round the double daily service is a good sign for us. Again, we can't predict what it's going to actually turn out like but those are signs for the future.

Andy Bowley - *Forsyth Barr - Analyst*

Then, searching back again in terms of the timing of retail expansion and the immigration hall, previously you talked about doing it in a couple of stages with the first stage being ready for the next peak season. Is that still the case in terms of the duty free expansion before you move on?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Two parts of the duty free -- so obviously July 1, is the initial change out and the duty free tender is -- the successful bidders have some plans already in place around how they would adjust the space that's already there and brands they would have. That's an important part of their overall bid and plan for us. And we've looked at that very closely.

That's stage one, then stage two is then ultimately moving into the new space, the significantly expanded space. As I said earlier, that's probably around that end of calendar 2016, early 2017.

Andy Bowley - *Forsyth Barr - Analyst*

Okay so it kind of sounds like there's been a bit of a delay on that from what you've talked about before.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

No, look no, I don't think so. I think it's -- these things are big and complicated. I think we, we sit around that 2016, yes 2016 period -- early 2017 period for the new space and July 1 is obviously the change out date. So that's the -- fairly firm date.

Andy Bowley - *Forsyth Barr - Analyst*

But do you anticipate doing all of the retail expansion at the same time, so that, early 2017, or is there going to be another stage in addition to that?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Duty free will come first, and then the others will follow. Just like last time we did the retail expansion and change, it unfolds in stages. That's purely for construction and operational management.

Andy Bowley - *Forsyth Barr - Analyst*

So final completed changes, due what, early calendar 2018?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

No, probably more like 2017 calendar, sort of middle later that year.

Andy Bowley - *Forsyth Barr - Analyst*

Okay.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

With that obviously there is currently planned, a good uplift in additional specialty space as well. So that's something that we're working hard on.

Andy Bowley - *Forsyth Barr - Analyst*

Great. You made a comment before about aero CapEx being pretty similar to what was in the pricing disclosures. What about other CapEx over the next few years and recognize that you've got discussions with stakeholders around the combined terminal with regards to what goes into RAB and what doesn't.

But can you give us some flavour as to what we can expect over the next few years from other CapEx?

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Yes look, it very much depends on the sequencing of the projects, the scale of the projects, and those all are subject to discussions with stakeholders and plans. So it's very hard to predict what that looks like. Obviously we've got a view on how we'd like to see it unfold. We've got to see how that plays out with the projects themselves.

We've guided clearly on the current period on the aero to 2017, but I'll just step back from that and just look ahead for this year. We would probably see a slight lift in CapEx for this year but that's very -- almost directly connected to the property story I talked about before. So that's driving a lift in CapEx for this year.

Andy Bowley - *Forsyth Barr - Analyst*

Great, thanks guys.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Thank you.

Operator

(Operator instructions). There appears to be no questions at this time. Mr Littlewood, please continue.

Adrian Littlewood - *Auckland International Airport Limited - CEO*

Look, I just wanted to thank everyone for joining today and again apologies for this late start. Thank you for your time and we look forward to speaking to some of you later today. Thank you.
