

## Media Release | 28.10.10

# Auckland Airport's annual meeting Chairman's address

In allowing myself a very brief opportunity to reflect on the evolution of Auckland Airport over the last decade and a half, I believe I can fairly say that the transformation has been extraordinary.

In that period; passengers numbers have doubled, we changed from what was effectively a Council department to a publicly company listed on both the NZX and the ASX, construction of a second runway has begun and is ready to recommence when needed, world-class terminal infrastructure has increased our capacity significantly, we have created the Airport Business District, strategic partnerships with ownership interests have been formed with two other airports, our new 4 ½ star, 263 bedroom, on-airport, hotel is within eight months of completion, and our assets have grown from \$0.4billion to \$3.3billion, with profits growing from \$34.8m to \$105.1m. I am very proud to have played a part in this ongoing transformation.

### *Where we are today*

Today we are consistently rated by travellers as one of the best airports in the world, with a strong focus on the traveller experience and an enormous improvement in the range of service choices available to them.

More importantly, we are now widely recognised as a dynamic and commercially driven engine of growth that is having a demonstrably positive effect on New Zealand trade, travel and tourism. As Auckland moves into a brave new world, we intend to play our part in ensuring that the new Auckland is just that – a world-class place to live.

### *Board future*

In recent years we have worked very hard to ensure that strong succession planning is in place for directors. Today, I am absolutely certain that the future direction and governance of Auckland Airport is in good hands. The board today is a cohesive and complementary group of skilled and experienced directors, who have guided the Company through the recent global turbulence and are committed to driving New Zealand tourism, trade and economic growth.

There has been a strong focus on board renewal. Two new directors were appointed to the board in September 2009 and confirmed by shareholders at the 2009 Annual Meeting. Sir Henry Van der Heyden and James Miller have brought a wealth of experience and skills that complement their fellow directors.

We had also determined that the appointment of a director with significant international airline experience would be the greatest value-add to our board. Today, Brett Godfrey, with almost unequalled international airline experience, and valuable associations in tourism, offers himself for election as a director. Brett's nomination has the unanimous support of the board.

In May 2010, Lloyd Morrison returned to the board following a leave of absence due to health reasons. The board was delighted to welcome Lloyd back and we are once again enjoying the benefits of his wisdom, commercial acumen and vision.

Joan Withers has been chosen to succeed me as Chair. Joan has been Chair of the Audit and Risk Committee for the last two years and has the full support of the board. On a personal note, I consider Joan has outstanding credentials to Chair Auckland Airport and will guide the Company with great integrity and purpose. I wish her well.

Your board will continue to apply responsible and responsive governance to the evolving business conditions in which we operate. We will continue to oversee and guide the work of the management team and the growth strategy to take Auckland Airport into the future, in turn benefiting you the shareholders, and the New Zealand economy.

### *Highlights of 2010*

In reflecting on a better than expected year for Auckland Airport in 2010, two things stand out. First, the aviation sector is in a healthier position today than it was 12 months ago, with improvement in the global economic environment and a consequent increase in demand for travel. Second, our transformation from a builder of infrastructure to a sales-led engine of economic growth has enabled genuine traction on key elements of the enterprise-wide growth strategy that has been underway since March 2009. We have now positioned the company to turn travel demand growth into profit growth.

These two factors helped Auckland Airport deliver, in tough operating conditions, a financial and operational result that is better than we initially expected and provides a firm foundation for an uplift in 2011.

Financially, our underlying net profit after tax (excluding fair value changes and other one-off items) was \$105.05 million - substantially ahead of our original guidance of \$93-\$100 million.

Progress on the implementation of our growth strategy has been excellent. We have completely refocused the business, we are driving operational efficiencies, we have secured airline announcements for a large number of new or up-scaled air services, and we have embarked on one of New Zealand's most active property development initiatives.

We have also invested into two strategically located airport companies to help drive more passenger volumes and increase our footprint in the Australasian market, giving us greater influence with the airlines and agencies.

In January 2010 we successfully raised \$126 million in equity through a renounceable entitlement offer. It is noteworthy to compare the share price for that offer at \$1.65 with the share price yesterday of \$2.11.

Meanwhile, we've kept customer service at the heart of our business. For the second year in a row we have been voted by travellers worldwide as one of the world's top 10 airports in the annual Skytrax awards.

Our successes are shared by New Zealand trade and tourism. International passenger numbers benefit us and exponentially benefit the country, with each international visitor generating around \$2,500 for New Zealand tourism. So the economic benefits to the country are enormous.

*Since June 30 2010*

For the first three months of this, the new financial year, international passenger movements (excluding transits) were up 4.6 per cent to 1.6 million. Domestic passenger movements were up 4.1 per cent to 1.55 million. Total aircraft movements were up 1.3 per cent for the three-month period.

At this point, Auckland Airport remains broadly on track with all of its main forecasted value drivers for the 2011 financial year.

In relation to dividends, the Board has reviewed our dividend policy and confirmed we will continue with the policy pay-out ratio of 90%, and have clarified that the calculation of the pay-out is based on underlying profits and therefore reported profits are adjusted for non-cash valuation adjustments and other one-off items.

The Board also intends to continue with the Dividend Reinvestment Plan, as it provides a useful way for retail shareholders to reinvest without incurring brokerage. Subject to any unexpected funding requirements, the discount applicable to the Dividend Reinvestment Plan will reduce to zero.

*Outlook for the next 12 months*

The flight path ahead has fewer signs of turbulence than this time last year. However there are still many challenges to fly through.

Growth in trade and tourism is critical to New Zealand. It will drive our future global economic competitiveness as a nation and our high-value innovation and export sectors. And growth in aviation links has a catalytic impact on economies, enabling trade, tourism and productivity improvements and delivering \$billions in direct economic benefit from international visitors.

Auckland Airport, and its work in growing and optimising air-links with the growth markets that will drive the future global economy, has an important part to play in maximising New Zealand's future economic growth.

Stakeholder and shareholder alignment with our strategy will also be important in the year ahead. On Monday, the new Auckland 'Super-City' will be formally established, effectively consolidating our two largest shareholdings into one.

We have already begun relationship building with the incoming Auckland City executive team to ensure that our strategy is well understood and supported. Mayor Len Brown has been a strong supporter of Auckland Airport and we know he will continue to be so.

The Commerce Commission is expected to deliver its final determination on a regulatory framework for major airports in New Zealand by the end of the calendar year. We look forward to the completion of this process, and to having clear understanding between airports and airlines on regulation and on investment incentives. It is essential for New Zealand that airports continue to have appropriate incentives to provide the capacity necessary to support our country's ambitions to grow trade and tourism.

Next year will also see final preparations for Rugby World Cup 2011. As the point where the majority of fans and players will arrive or depart, Auckland Airport is already well into its preparations, including the construction of our two new hotels, and is committed to being ready to play its part in this global event and ensuring we all do what we can to make each journey better.

With our growth strategy beginning to deliver results, our underlying profit for 2010 (while still relatively flat at \$105.05m), ahead of where we expected to be, and with the business fundamentally restructured, Auckland Airport is well positioned to benefit in 2011 and beyond from the operating leverage we have been able to set up.

It's all about having a determination to make a difference for New Zealand, and a determination to make journeys better for our passengers.

Assuming international passenger growth in the order of 5%, and capital expenditure to be around \$85 million, excluding yet to be committed property development, the board is

optimistic about the 2011 financial year. We expect net profit after tax (excluding any fair value changes and other one-off items) to be in the range of \$112 million to \$118 million.

As always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property, and further deterioration due to the global market conditions, or other unforeseeable circumstances.

**Ends**

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