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Auckland Airport annual meeting Chair's address

Chair's Address

In addressing the annual meeting, I would like to cover the following topics:

- The highlights of 2011
- An update since 30 June
- Outlook for the next 12 months

Highlights of 2011

Despite the destructive natural events and the numerous challenges that have buffeted travel and tourism in the last 12 months, Auckland Airport was able to deliver an excellent result for the 2011 financial year. We broke out of a period of relatively flat profitability, delivering a 15.1% increase in underlying profit to \$120.87 million.

This result was well ahead of the guidance we issued at the end of the 2010 financial year. Delivering that strong profit uplift, together with excellent passenger volume growth is of course of benefit of our shareholders, but also ultimately for New Zealand's economy. The board is delighted with the results which reflect not only hard work, but a strong focus on value adding strategies and exemplary execution of those strategies by our CEO and his executive team

The strength of the announced underlying profit was driven predominantly by the increase in total income to \$397.72 million, up 9.5% on last year, with our retail business in particular performing strongly.

Key to the year's performance has also been a belief that Auckland Airport can grow passenger volumes faster than the organic growth of the market. Simon and his team, particularly Glenn Wedlock our GM Aeronautical Commercial, have really shifted the paradigm in relation to route development. Auckland Airport's specific approach in the past couple of years, has been to target airline operators and persuade them to service routes we have researched and determined as providing a sustainable opportunity. Results in this area have been game changing and have benefitted all four airports. There has been particularly strong growth from Asia, and from outbound New Zealand and Australian travellers.

The commencement of a number of new air-services to Asia, including a direct China Southern Airlines service between Auckland and Guangzhou, and a new Jetstar service between Singapore and Auckland were particularly important successes, given that Asia and in particular China is now driving much of the growth in global travel demand. I want to acknowledge the collaboration and co-operation that has assisted our route development initiatives this year. We have received fantastic assistance from the PM, His Worship the Mayor Len Brown, Immigration Minister Jonathon Coleman, Tourism NZ and a number of other key government departments.

Our results this year were also built on a foundation of service excellence. 2011 saw Auckland Airport complete a hat-trick in the global Skytrax awards, being recognised as one of the world's ten best airports for the third year in a row (up to 8th from 9th last year)

The strong financial performance enabled the Board to declare a final dividend of 4.7 cents per share, increasing the total dividend for the year to 8.7 cents per share, up from 8.2 cents per share.

So the results achieved for the 2011 year were no accident. They are the outcome of a concerted emphasis on executing the growth strategy we first outlined publicly in early 2009. Since then, Auckland Airport has outperformed the market significantly, with total shareholder return for the 2010 financial year around 21% and around 24% for the 2011 financial year.

Our results starkly illustrate our resilience as a business. It's not just the 2011 year that has seen external events impacting on tourism and trade. Looking back over the last 15 years, we have weathered many global storms and economic shocks. From the Asian financial crisis of the late 1990's to the tragic events in Christchurch this year, the resilience of Auckland Airport has helped in the broader economic recovery from such events.

Since June 30 2011

For the first three months of this, the new financial year, international passenger movements at Auckland (excluding transits and transfers) were up 6.5 per cent to 1.73 million. Domestic passenger movements at Auckland were flat at 1.54 million. Total aircraft movements were flat for the three-month period.

At Cairns & Mackay Airport where we hold a 24.55% shareholding the growth trends experienced in the 2011 year, while slowing, have continued into 2012, and at Queenstown Airport where we hold a 24.99% interest, some of their busiest weeks ever have been experienced, with international passengers for the first three months up 29.3 per cent.

At this point, Auckland Airport remains broadly on track with all of its main forecasted value drivers for the 2012 financial year.

As for the Rugby World Cup 2011, our primary aim at Auckland Airport was to ensure that the first and last impression of New Zealand for the estimated 85,000 visitors was part of a fantastic tournament experience for each player, official and fan – win, lose or draw. Just as importantly, we viewed the event as an important opportunity to deliver enduring benefit in the global marketing of New Zealand as a destination. I'd like to think we played our part.

Outlook for the next 12 months

Your board will continue to focus on ensuring that best practice standards of corporate governance are met, that management is delivering on performance and value creation targets, and that relationships with key stakeholders are strengthened.

The 2012 financial year is going to be another big twelve months for Auckland Airport. We intend to develop, alongside our airline partners, a clear pathway for uncapping further long-term visitor growth potential. This will involve resolving some of the timing challenges for the delivery of a better domestic terminal and for the northern runway. It will also involve the development of better commercial frameworks to meet individual airline needs, and continuing to support of airline growth ambitions on new or expanded air-services.

The board and management team is focussed on achieving a successful 2012 financial year and at this stage we expect net profit after tax (excluding any fair value changes and other one-off items) to be in the \$130 million's. We make special note of our caution around, any potential long-term implications from the existing volatility in global financial markets.

As always therefore, this guidance is subject to any 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.

Looking even further ahead than next year, in our annual report we have outlined a set of longer-term aspirations for our business. They definitely aren't a guide to the market, but they do give shareholders a glimpse of the scale of the ambitions that we collectively have for this business. Ultimately, our aim is to build a great New Zealand business recognised as a world-leader in creating value from modern airports.

The world is continuing to change rapidly, and we will remain focused as a business on making the most of the opportunities that those changes may offer.

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For further information, please contact:

Richard Llewellyn
Corporate Relations Manager
Auckland Airport
+64 (0) 9 255 9089
+64 (0) 27 477 6120
www.aucklandairport.co.nz