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FY18 Interim Results:

Delivering infrastructure

Auckland Airport has today announced its financial results for the six months ended 31 December 2017.

Sir Henry van der Heyden, Auckland Airport's chair, says, "In the first half of the 2018 financial year Auckland and New Zealand's air connectivity has continued to grow, providing new services and new capacity. In the six months to 31 December 2017 the total number of passengers increased by 6.4% to 10 million. Domestic passenger numbers were up 7.7% to 4.6 million, international passengers (excluding transit passengers) were up 5.8% to 5.1 million and the number of international transit passengers decreased 1.7% to 348,000."

"The first half of the 2018 financial year also saw the company maintain its strong focus on upgrading its airport infrastructure and providing the best-possible customer experience during a time of significant change."

"We continued to invest more than \$1 million every working day on our core airport infrastructure and there are now 53 aeronautical projects underway across the airport each in excess of \$1 million. In the six months to 31 December 2017 we delivered important infrastructure for departing international passengers, including a new border processing and security screening space, new stores for our duty free operators and the first half of

our new international passenger lounge and retail hub. We also progressed the extension of Pier B of the international terminal, opening Gate 17 and an upgraded bus lounge. The extension of Pier B will double its capacity and is due to be completed in March 2018. We also further developed our airfield infrastructure, with the construction of a new fully-serviced remote airfield stand to help accommodate the ongoing growth in international aircraft.”

“We have continued to work extensively with stakeholders at the airport, including airlines and joint border agencies, to ensure passengers’ journeys through the airport are fast and efficient. In the first six months of the 2018 financial year we reconfigured the international check-in area to provide more service counters and we invested in additional mobile self-service counters. In addition, we took delivery of two new mobile airbridges to deliver a safer and better boarding and disembarking experience for passengers. In preparation for the busy 2017/18 summer travel season, we also recruited 70 Passenger Experience Assistants to help travellers at the airport.”

“Improving travel times and flows around the airport precinct remained a top priority for Auckland Airport. We completed a number of transport infrastructure projects including improving access to the domestic forecourt for passengers, commercial transport operators and buses, together with adding a new outbound bus and T2 lane on Tom Pearce Drive. We also progressed the major upgrade of the State Highway 20A/Verissimo Drive intersection, in partnership with the New Zealand Transport Agency and Auckland Transport.”

“Our airport jobs and skills hub – Ara – continued to help connect local people with new training and job prospects, with more than 600 training opportunities leading to 148 people being placed into jobs, with 88% coming from South Auckland.”

“Our property business has continued to grow too, and in the past six months we have completed a new 6,000m² building to accommodate the Ministry for Primary Industries and a new 7,000m² warehouse and office facility for

international freight-forwarding specialist Röhlig Logistics. We also progressed the construction of the new 20,000m² Bunnings distribution centre.”

“In August 2017, we announced the completion of a strategic review of our 24.55% stake in North Queensland Airports (NQA). Following that review we discussed the potential purchase of our interest in NQA with both existing investors and third parties and, after an extensive process, decided to sell our entire interest for AU\$370 million. The sale will ensure that we can focus on growing our New Zealand travel, trade and tourism businesses and can recycle the proceeds of the sale into supporting the significant investment in aeronautical infrastructure at Auckland Airport over the next five years. The sale is subject only to securing the necessary regulatory and counter-party approvals and will be completed in accordance with the requirements of the NQA security holders’ agreement.”

“Queenstown Airport experienced strong passenger growth in the first six months of the 2018 financial year with the number of domestic passengers increasing 14% to 751,056 and international passenger numbers up 11% to 333,439. Like Auckland Airport, Queenstown Airport has continued to focus on upgrading its airport infrastructure and providing a high-quality customer experience during the airport’s development. In December 2017, Queenstown Airport opened its first dedicated operations centre and installed new sensor technology to provide customers with real-time car-parking information. Queenstown Airport also successfully completed a three-month public and stakeholder engagement process on its 30-year masterplan.”

“Our total profit after tax for the six months to 31 December 2017 was up 17% to \$165.9 million, while underlying profit after tax increased 7.8% to \$133.1 million.”

“Revenue increased 6.9% to \$332.4 million. A 2.7% increase in aeronautical revenue was driven by passenger growth and increasing runway movements, partly offset by international and regional aeronautical price decreases. Our

10.2% increase in retail income benefited from continued passenger growth also, combined with strong duty free, food and beverage and Strata Lounge performance, while our investment property rental income increased due to the development of new properties, strong growth in the existing portfolio and the performance of the ibis Budget hotel.”

“Operating expenses increased 9.7% to \$82.3 million, in part due to greater asset management, maintenance and airport operations investment. Staff costs increased by 9.6% as a result of the ongoing expansion of our business, with additional headcount largely driven by additional employees in our customer services, emergency and engineering services teams.”

“Our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 6% to \$250.1 million.”

“Our total share of the underlying profit from associates was \$11.2 million for the first six months of the 2018 financial year, up 47.4%. The underlying profit share from Queenstown Airport increased 46.7% to \$2.2 million and the share from the Novotel hotel was up 120% to \$2.2 million. Our underlying profit share from North Queensland Airports grew by 33.3% to \$6.8 million.”

“The interim dividend for the 2018 financial year is up 7.5% to 10.75 cents per share. It will be imputed at the company tax rate of 28% and paid on 5 April 2018 to shareholders who are on the register at the close of business on 20 March 2018. Our performance in the six months to 31 December 2017 means that underlying earnings per share have continued to increase, up 7.3% to 11.1 cents per share.”

“As a result of our strong financial performance during the past six months, we have tightened our underlying profit after tax (excluding any fair value changes and other one-off items) guidance for the full 2018 financial year slightly to between \$250 million and \$257 million. This guidance would deliver

underlying earnings per share growth of between 0.6% and 3.5% compared with the 2017 financial year.”

“As always, this guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property, and deterioration as a result of global market conditions or other unforeseeable circumstances.”

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