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Chairman and Chief Executive's addresses to 2015 annual meeting

Sir Henry van der Heyden, Chair

Shareholders, it is once again my pleasure to report to you.

Over the past 12 months, we have continued to see the New Zealand tourism industry grow.

Indeed, many commentators expect it will soon take over from dairy as our country's top export earner.

This is partly the result of more high value tourists coming here.

And, it's partly due to strong growth in international visitors from China.

Those positive trends are obviously great news for Auckland Airport.

In FY15, total passengers were up 5% to 15.8 million.

International passengers were up 5.7%.

International transit passengers were up 6.7%.

And, domestic passengers were up 4.2%.

Because we directly benefit from a booming tourism industry, we are committed to playing our part.

Be it innovative marketing campaigns, or rewarding industry excellence, or advocating on behalf of smaller players, we will do our bit to ensure New Zealand tourism prospers.

Why? First and foremost, because it is good for New Zealand.

Secondly, because a strong tourism industry has a direct and positive impact on our financial results, as seen in FY15.

Revenue was up 6.9%.

Operating EBITDAFI was up 7%.

As a result, total profit was up 3.5%

And underlying profit was up 3.8% to \$176.4 million.

This strong performance – underpinned by strong tourism growth – enabled us to deliver a total dividend of 14.6 cents per share.

Underlying earnings per share increased 12.9% to 14.8 cents.

And our average shareholder return over five years now stands at 23.9%.

So FY15 delivered an increase in Company value, and it delivered outstanding returns to our shareholders.

This excellent performance was also underpinned by the ongoing implementation of our business strategy – Faster, Higher, Stronger.

The strategy has delivered immediate benefits – including in technology, retail and aeronautical infrastructure.

It has also seen outstanding results in our property development business.

These benefits position us well to take advantage of future opportunities.

FY15 really was a busy year for the airport.

There were new airline routes, services and capacity.

We introduced two new duty free operators and exciting fashion, food and beverage retailers.

We continued to work closely with others at the airport – improving the efficiency of our operations and further improving the passenger experience.

We also started on the task of implementing our 30-year infrastructure vision, to build the airport of the future.

And, we have continued our focus on being a good neighbour - one of the most important investments we can make in our future.

In FY15, we continued to engage openly with Aucklanders, and the Council, on how we operate and what our long-term plans are.

We believe in being up-front, and free and frank, when communicating with stakeholders and communities.

That way they know exactly what we have planned, and can provide us with valuable feedback.

We have also continued to build closer relationships with local iwi, mindful that we operate on land – or whenua - that was once theirs, and on land which they greatly care about.

We also continued to invest in our community, providing financial support where it is most needed.

In FY15 we gave \$327,000 to the Auckland Airport Community Trust for valuable projects in parts of South Auckland.

We also established a scholarship programme to provide local school students with tertiary education support and summer employment.

These and many other community projects are evidence of our commitment to being a good neighbour.

It is - and will remain - at the heart of everything we do at Auckland Airport.

Another important investment we can make is in our people.

FY15 was a big year, and I want to thank Adrian, his Leadership Team, and all staff for their efforts.

Whenever I pop into the airport offices or wander around the terminals, I see how focused our team is.

They are 100% committed to the tasks at hand – they work hard and, on our behalf, I want to publicly thank them.

As Chairman, I am pleased to tell you that the Board is working well.

In FY15 we increased our oversight of infrastructure investment and maintained our strong focus on health and safety.

Next month we will take the opportunity to meet in Singapore.

This will enable us to meet with those who run the amazing Changi Airport.

In March, Changi was voted by air travellers as the best airport in the world, for the third year in a row.

And, it has now won that prestigious SKYTRAX award six times – a remarkable achievement.

This will be our first overseas Board meeting and I hope it shows our commitment to excellence and learning from the very best.

Since we last met, your Board has reviewed the long-term incentive plan for executives, in light of the Company's strong performance and growth in share price.

As a result, we introduced a new plan to provide greater cost certainty and market alignment.

We also capped potential rewards under previous plans.

Adrian and his Leadership Team have agreed to this change - which is an appropriate way to reward them for increasing shareholder returns in the long-term.

During FY15, we once again participated in the Future Director Programme.

The Board valued Shelley Cave's contributions and we know that she will have a leading role in New Zealand's corporate governance in the future.

Our Future Director for FY16 is Nicola Greer, and we look forward to her active participation in our meetings.

I want to take this opportunity to thank my fellow directors for their hard work and commitment to the Company - I enjoy working with each of you.

I have to say that I am heartened by the strength of the skill sets on the Board.

Also, we are a diverse lot – in both knowledge, experience, age, gender and backgrounds.

That is just as it should be for a Board.

I am proud of the rejuvenation the Board has undergone in recent years.

That process continues today, with John Brabazon retiring after eight years as a director, in line with the Board's policy on tenure.

I will have much more to say about John and his outstanding contribution later this meeting.

Directors have unanimously endorsed the nomination of Dr Patrick Strange for election to the Board - to fill the vacancy created by John's departure.

Patrick's significant experience in New Zealand governance and infrastructure – including his involvement in workplace health and safety – would greatly assist us.

This is especially true as we continue to focus on the implementation of the 30-year vision.

Ladies and gentlemen – before I conclude my remarks, can I just thank you for your support.

There are many companies you could choose to invest in – thank you for choosing Auckland Airport.

The Board and Management believe FY16 will be another great year.

As previously signalled, capital expenditure this financial year is lifting – as a result of our aeronautical development plans firming up, especially the international departure area expansion project.

FY16 capital expenditure is now expected to increase to between \$230 million and \$260 million – and Adrian will provide some more information about this during his address this morning.

That said, we still expect an underlying net profit after tax of between \$183 million and \$191 million.

We are confident that the Company will continue to deliver for New Zealand, for Auckland, for our customers and passengers, and for our investors.

Thank you.

Adrian Littlewood, Chief Executive

Thank you Sir Henry.

It is once again my pleasure to stand before you and report on the Company's performance.

Firstly, I want to re-affirm what Sir Henry has said about Auckland Airport's achievements during the 2015 financial year.

It again was an incredibly busy 12 months, and we were delighted that we managed to both grow the business and continue to invest for the future.

Also very pleasing this past year was the fact that performance was strong across the business with very few soft spots.

Powering our performance was the excellent growth in both domestic and international passenger numbers.

All but one of our top-20 international markets was up last year and our four core arrivals markets – New Zealand, Australia, the United States and China – all delivered excellent growth.

China continued to be the absolute stand out with a 29% increase in the year – but even more positive was the shift in passenger mix to more higher-value independent travellers.

Indeed, these independent travellers comprised almost 50% of our Chinese market in FY15, up from only 28% four years ago – a good sign for our country.

For Auckland, the past year has probably been one of the most significant in terms of the range of new carriers, routes and services launched or announced.

I would like to acknowledge the hard work of each of our airline customers and their commitment to growing Auckland's air connectivity.

To name but a few:

- Air New Zealand announced new services to Houston and Buenos Aires from December this year, commenced a new daily Singapore service in January, and added 20% more capacity for Los Angeles;
- China Eastern started a seasonal service from Shanghai, which has since become a permanent year-round service;
- Air China announced a new daily service from Beijing in December;
- Philippine Airlines announced a new Manila service, commencing in December;
- China Southern decided to go double daily to Guangzhou from next week; and
- Singapore Airlines introduced an A380 on its daily summer peak service.

This momentum has carried into this financial year with the recent confirmation that United Airlines will return to Auckland in July 2016 after an absence of 13 years, and Jetstar's important announcement that it is expanding its low-cost airline model in New Zealand by entering the regional market with its primary base in Auckland.

Each of these new services will further strengthen Auckland Airport's position as New Zealand's national hub airport, and our team has played an important role in almost all of these new announcements – whether it be through detailed route analysis, trade partnerships, new infrastructure, operations or marketing support.

But we have also gone well beyond the ordinary.

Our Four Seasons, Five Senses marketing programme – a partnership with the Government to grow tourism throughout the whole year rather than just the peak – has seen us develop seasonal itineraries targeting high-value passengers from China, anchored around New Zealand's fantastic food and wine regions.

Similarly, our great partnership with chef Al Brown and China Southern is both improving the airline's on-board food service and helping to promote New Zealand's excellent food and wine products at the same time.

This is a job we see as core to our role in the New Zealand tourism industry and we will continue to look for new and innovative ways to open and grow markets.

In March last year we announced our 30-year vision to build the airport of the future.

Since then it has been full-steam ahead with more detailed planning and the implementation of a wide range of capacity additions to improve airport performance and the customer experience.

By last Christmas we had extended the international baggage hall and opened the first of two new baggage belts. The second one will open before this Christmas. That will deliver a 40% increase in capacity for international baggage reclaim.

We have also been working on the development of an additional 1.7 hectares of hard stand for international aircraft to use for lay-overs – capable of parking two A380s.

And, we are constructing a new bus lounge under Pier B of the international terminal to help us accommodate this summer peak demand and, as you may have read in the latest annual report, we are looking to add more gates to that pier – effectively doubling the airport's A380 capacity.

All that said, our infrastructure priority these past 12 months has very much been on the detailed planning to expand the international departure area, to significantly increase our ability to accommodate new passenger growth and new border processes and deliver a fantastic international passenger experience.

This is certainly one of the largest and most complex projects we have undertaken for some time, and we are materially expanding the public areas into parts of our international terminal which have not been touched since its initial development.

We are also taking this opportunity to reform and expand our international departures retail zone – and we will need that new space.

In February we selected two innovative and world leading duty free operators for Auckland Airport, known as The Loop and Aelia. They are now operating and in the

process of expanding and enhancing their product-ranges in the current stores, and have big plans when the new space is opened up.

When combined with our new and ever increasing specialty stores, such as Victoria's Secret, Casio G-Factory and Ruby, Auckland Airport is now able to provide passengers with a great shopping experience that offers fantastic global and New Zealand brands.

Like our retail business, our investment property business also went from strength to strength last year.

Through a range of new deals and re-leasing, our property team grew our rent roll 20% in the year.

We also saw an exciting range of businesses decide to relocate to the airport, including Coca-Cola Amatil and Fuji Xerox.

The ongoing development of The Landing business park means that we now have another 9.5 hectares of high-quality serviced land ready for commercial property development.

But interest in our property portfolio continues to be strong and we are committed to meet the demand arising from this latest Auckland growth cycle.

Finally, from an investment perspective, our profit share from Queenstown Airport was up 25.8% to \$2.1 million, on the back of very strong passenger growth, although the profit share from North Queensland Airports was down 9.8% to \$7.2 million, reflecting a softening Australian economy.

As a direct result of the strong growth across the business – but in particular what we are seeing from tourism and property – the Company is increasing its capital expenditure guidance for FY16 to be between \$230 million and \$260 million.

The updated guidance is an increase of between 12% and 27% on the top end of our initial capex guidance, which we announced earlier this year.

This updated guidance includes approximately \$135 million of aeronautical expenditure, focused on upgrading and expanding our terminal and aviation capacity

for passengers and airlines. This will deliver real benefits and make us an even more appealing hub for global aviation.

I am confident that our investment programme means we are catering for both our short-term capacity needs, and for our longer-term requirements for the next 30-years and beyond.

I have now had the privilege to work at Auckland Airport for six years – three years as the general manager of retail and commercial, and now three years as Chief Executive.

I thought I would conclude today's address by briefly reflecting on what we have achieved in the past three years.

Back in 2012 my view was that we had a fantastic business, built on a strong legacy of quality infrastructure and long term planning.

We had also shifted our view on the role the airport played – we were not simply a developer and operator of infrastructure, but an active leader in driving economic wealth for our country.

Three years ago we set aspirational targets for growth over a five-year period as part of our Faster, Higher, Stronger business strategy.

The strategy focused on:

- Reigniting growth in New Zealand tourism markets after almost 10 years of modest performance;
- Resetting the 30-year development path for Auckland Airport;
- Becoming a major player in New Zealand commercial property;
- Boosting our consumer businesses in retail, hotels and parking; and
- Being innovative in how we run Auckland Airport.

In each of those areas we have made great strides forward and we can point to major progress – be it the exceptional performance of tourism in the past few years with strong prospects for the future, the expansion of our property portfolio to become one of the biggest in New Zealand, or the growth of retail.

But I can see much change still ahead of us.

Some of it will continue the path we are on - whether it is building new airport capacity, like a new domestic terminal or new property deals.

But much of the change will come in how we engage with our customers, how we run the airport and how those elements come together.

We are in the process of shifting from what I call our traditional or 'current mode' of operation to a 'future mode', enabling us to take advantage of the advances in technology to build stronger and more direct relationships with customers through mobile and online channels, through managing our operations using much more granular and real-time data, and by sharing that with partners at the airport, through a highly collaborative work model.

Some of this was not possible in the past, because the technology was not there, or simply because the relationships between organisations were not strong enough to support the change required.

I am happy to report that we are already well underway in our shift to this future mode of operation.

Our investment in systems and technology, like our new Airport Operating System, our new mobile apps, our online channels and our new partnership with Silicon Valley, travel-technology company, Triplt, are already paying dividends for the airport, our partners and customers.

As a result our airport is more productive as a whole and increasingly responsive and more personalised, whether you are a Kiwi travelling abroad or a first time visitor from China.

Based on what we have seen around the world, our approach is up there with the best, but we may be able to take it further because of that uniquely New Zealand willingness to work together.

We remain committed to developing and operating a world leading airport that justifies your ongoing support and earns the title of being your favourite airport.

Ladies and gentlemen, I would like to conclude my address this morning by acknowledging and thanking the Leadership Team and the airport staff for their efforts over the past year.

Everyone at Auckland Airport is very committed to the Company and works hard to make sure we play our part for Auckland and New Zealand.

I want to again publicly acknowledge the support Sir Henry and the Board provide our team.

Finally, I wanted to thank you, our shareholders, for your support.

Thank you.

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