



Auckland Airport

Price Setting Disclosure

Price setting event 4

Carrie Hurihanganui
Chief Executive

Philip Neutze
Chief Financial Officer

17 August 2023



Important notice

PSE4 Price Setting Disclosure

Disclaimer

This presentation is given on behalf of Auckland International Airport Limited (NZX: AIA; ASX: AIA; ADR: AUKNY).

This document has been prepared for the purpose of complying with the Airport Services Information Disclosure Determination 2010 (the "Determination"). As required by the Determination, the document contains forward looking statements, forecasts and comments about future events, including our expectations about the performance of Auckland Airport's business. Forward looking statements and forecasts involve inherent risks and uncertainties, both general and specific, such that there is a risk that such forward looking statements or forecasts will not be achieved.

In particular, aeronautical demand forecasts are inherently uncertain and should not be relied on or viewed as market guidance.

Factors that could cause Auckland Airport's actual results to differ materially from the forecasts include matters outside of our control, such as the inherent risk that actual aircraft and passenger demand (which is based on third party information) departs from forecast demand due to global economic conditions, changing airline priorities and other material events beyond the control of Auckland Airport. For matters over which we have greater control, such as capital and operational expenditure, the forecast periods in this disclosure are long-dated, running in some instances to ten years. It is very likely that the assumptions informing the forecasts, and therefore the forecast outturn, will change during the forecast period.

As such, the information in this document must be interpreted with care. It must not be relied on for any purpose other than to assess whether Auckland Airport is meeting the purpose of regulation under Part 4 of the Commerce Act. The information in this document and the statutory Price Setting Disclosure it accompanies will be subject to a review by the Commerce Commission, which will publish a summary and analysis report in accordance with the Commerce Act 1986.

Neither Auckland Airport nor any of its directors, employees, advisers nor any other person gives any warranties or representations (express or implied) as to the accuracy or completeness of this information. To the maximum extent permitted by law, none of Auckland Airport, its directors, employees, advisers or any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

All currency amounts are expressed in New Zealand dollars unless otherwise stated and figures, including percentage movements, are subject to rounding.

Overview

Carrie Hurihanganui
Chief Executive



Building a better future for Auckland and New Zealand

A period of transformative change at Auckland Airport

Aeronautical recovery



848,000

of aircraft movements forecast in PSE4

Auckland Airport serves as Aotearoa New Zealand's gateway, supporting thousands of businesses and millions of travellers to connect with each other and the world

As the first and last place travellers touch New Zealand, it is important Auckland Airport is resilient and able to facilitate this demand, today and in future

Focus on the customer



102m

of passenger movements forecast for PSE4

As custodians, our role is to think and act forward, supporting our travelling passengers, customers, partnerships, tenants and the community through building the services and infrastructure they need

Investment that reimagines how we think about and engage with customers. Providing experiences and products and services that travellers and visitors value and that Aucklanders and New Zealanders are proud of

Planning for the future



2044

Auckland Airport Masterplan

We have taken a long-term view on masterplanning to ensure we provide the right infrastructure at the right time for the travelling public

We are investing in New Zealand's future, ensuring our national gateway is efficient and resilient for years to come

Our investment is critical to our connection with the world, unlocking tourism, trade and our country's long-term prosperity

Investment in PSE4



\$3.1bn¹

of commissioned regulated capex

We have carefully prioritised investment in PSE4 to deliver once in a generation changes to aeronautical infrastructure that will unlock our country's economic prosperity and ensure future growth

Our investment is focused on integrating our terminal precinct to enhance capacity and customer experience along with upgrades to existing facilities to safeguard airport resilience

Regulated returns for PSE4



7.79%

Total Aeronautical return for PSE4 (8.73% Target Return)

Auckland Airport will invest \$5.0bn in regulated investment over PSE4, of which \$3.1bn will commission and impact PSE4 prices

Auckland Airport has set aeronautical charges to balance returns whilst also creating the right incentives for investment, innovation and efficiency

1. Comprises both \$2.6bn of priced and \$0.5bn of non-priced investment

Price setting disclosure at a glance

5-year forecast (PSE4 only)

Passenger forecast

23.9m pax

FY27

 FY23: 16.0m

Total regulated commissioned capex

\$3.1bn

Overall regulated return PSE4

7.79%

 On Target
Return of 8.73%

10-year outlook (PSE4 + PSE5)

Passenger forecast

27.7m pax

FY32

 FY23: 16.0m

Total regulated commissioned capex

\$6.7bn

Aircraft runway movements

191k movements

FY27

 FY23: 145k

Total regulated commissioned capex

\$2.6bn priced

\$0.5bn non-priced

Regulated Revenue

\$2.8bn

\$2.5bn priced
\$0.3bn non-priced

Aircraft runway movements

210k movements

FY32

 FY23: 145k

Total regulated commissioned capex

\$5.7bn priced

\$1.0bn non-priced

Building a better future

Auckland Airport's purpose is to revitalise and inspire as we connect people and place. Our 10-year regulated capital expenditure roadmap intends to deliver \$6.7 billion of regulated investment over the next ten years that will add capacity, create more resilience and deliver important infrastructure upgrades



Key projects that will transform Auckland Airport



Ten-year roadmap

Projects are subject to change and may be replaced, deferred or cancelled

Regulated investment

Key programmes of work over PSE4 and PSE5 include:

Terminal Integration - Enabling & airport resilience



Terminal Integration - Domestic Processor



Terminal Integration - Transport Hub



Desc.

Multi-year programme of enabling works to relocate infrastructure and prepare the site for the construction of a new domestic jet pier and headhouse integrated into the existing international terminal building (refer Domestic Processor 2nd column)

Domestic jet operations integrated into existing international terminal, with a new domestic jet pier and terminal headhouse – due to open in 2028/29

This development will transform how travellers arrive and depart from the main airport terminal, while paving the way for any future mass rapid transit to deliver passengers direct to terminal

Details

- Airfield capacity including stands and stormwater upgrades
- New baggage system with greater speed, accuracy and capacity, providing more convenience to travellers
- Expansion of international check in area to accommodate domestic passengers
- International arrivals upgrades, and terminal roading and forecourts
- Installation and upgrades of services and utilities to enable the new terminal

- Domestic headhouse providing dwell, amenities, food and beverage, and retail
- Full-service pier including gates and airbridges for 12 jet aircraft stands, gate lounges and bus lounge capable of servicing two jet aircraft
- Domestic baggage arrivals hall comprising space for two reclaim carousels
- Capacity to process 44% more departing passengers per hour on current domestic terminal, with a 20% increase in serviced aircraft stands

- Pick-up and drop off facilities for passengers
- Dedicated Airport Operations Centre, and offices for airline staff and other airport users
- Non-aeronautical facilities include four-level multi-story car park
- Future-proofed for mass rapid transit

Value

\$1.9 billion¹ – completion in 2028/29

- \$1.7 billion investment in priced assets
- \$0.2 billion investment in non-priced assets

\$2.1 billion¹ – completion in 2028/29

- \$2.0 billion investment in priced assets
- \$0.1 billion investment in non-priced assets

\$163 million¹ – completed by FY27

- \$133 million investment in priced assets
- \$30 million investment in non-priced assets

Regulated investment

Key programmes of work over PSE4 and PSE5 include:

Existing domestic terminal building upgrades



Desc.

Provides the upgrades necessary to accommodate domestic jet operations through to the opening of the integrated domestic terminal in 2028/29

Details

- Building upgrades to utilities, refresh of bathrooms and wayfinding
- Forecourt and roading upgrades that provide increased capacity to existing terminal and will also provide access to the future integrated Domestic Processor
- Additional regional aircraft stand capacity to meet forecast long-term regional demand

Value

\$154 million¹ – completed by FY27

- \$117 million investment in priced assets
- \$38 million investment in non-priced assets

Aeronautical programme



The aeronautical capacity programme includes upgrades to the international terminal and airfield facilities and airport emergency services

- Upgraded international transfer security screening
- Improved amenity and facilities in the airside of the International Terminal (i.e., Pier A)
- Upgrades to existing Airport Emergency Services Station
- International arrivals healthcare facility
- Investment in Airfield Fuel Infrastructure

\$631 million¹ – completed by FY30

- \$446 million investment in priced assets
- \$185 million investment in non-priced assets

Contingent runway



This will re-establish a contingent runway on Taxiway Alpha that is safe, reliable, meets future demand and complies with the latest regulatory requirements

- Required to continue runways operations while critical main runway renewal works are undertaken in 2028
- Essential for airport resilience and to ensure long-run safety through renewals of the main runway
- Improved airfield resilience through the ability to activate the contingent runway in the event of an incident or emergency at shorter notice than is currently possible

\$140 million¹ – completed by FY29

- \$140 million investment in priced assets
- Nil investment in non-priced assets

Regulated investment

Key programmes of work over PSE4 and PSE5 include:

Roading programme



Utilities programme



Renewals – airfield pavement & ground lighting



Desc:

This programme delivers elements of the long-term transport masterplan, the purpose of which is to increase the capacity and efficiency of the roading network

Details

- Te Ara Korako Drive, a new four-lane road connecting George Bolt Memorial Drive to Nixon Road in the east
- Widening sections of Puhinui Road and Lawrence Stevens Drive including a high occupancy vehicle lane in the westbound direction

Value

\$169 million¹ over 10 years

- \$134 million investment in priced assets
- \$35 million investment in non-priced assets

Increased capacity of existing utility networks plus new functionality and systems

- Upgrades to the stormwater network to reduce the risk of terminal flooding in extreme weather events
- Upgrades to precinct fibre networks to increase the overall resilience of the network
- Decarbonisation activity in the international terminal by replacing gas boilers with electric

\$84 million¹ over 10 years

- \$74 million investment in priced assets
- \$10 million investment in non-priced assets

Airfield renewals programme will maintain and renew airfield pavements and ground lighting assets

- Pavement renewals are ongoing and part of business-as-usual practice
- Airfield and ground lighting assets have recently been acquired from Airways and require substantial maintenance capex and upgrades

\$601 million¹ over 10 years

- \$601 million investment in priced assets
- Nil investment in non-priced assets

Regulated investment

Key programmes of work over PSE4 and PSE5 include:

	Renewals - Other	Cargo precinct
		
Description	Renewals to ensure existing assets are fit for purpose, safe to operate and enable the efficient day to day operation of the airport	The new cargo terminal project proposes a dedicated and consolidated cargo handling facility on the northern side of the airfield
Details	<p>The specific types of activity undertaken within the programme include:</p> <ul style="list-style-type: none"> terminal renewals such as bathrooms, airbridges, lifts and escalators technology and systems such as check-in kiosks, airport operating systems and CCTV renewal of existing utility and roading networks 	<ul style="list-style-type: none"> New Cargo Terminal Operations building shell and services increases cargo capacity given constraints of existing facilities Airside road connecting cargo buildings to existing airfield Unlocks land currently used by the existing cargo facility to enable future airfield expansion and upgrades
Value	<p>\$578¹ million over 10 years</p> <ul style="list-style-type: none"> \$486 million investment in priced assets \$94 million investment in non-priced assets 	<p>\$285 million¹ – completed by FY28</p> <ul style="list-style-type: none"> \$nil million investment in priced assets \$285 million investment in non-priced assets

1. Relates to capital expenditure commissioned in the period covering PSE4 and PSE5

PSE4 Price Setting Disclosure

Philip Neutze
Chief Financial Officer



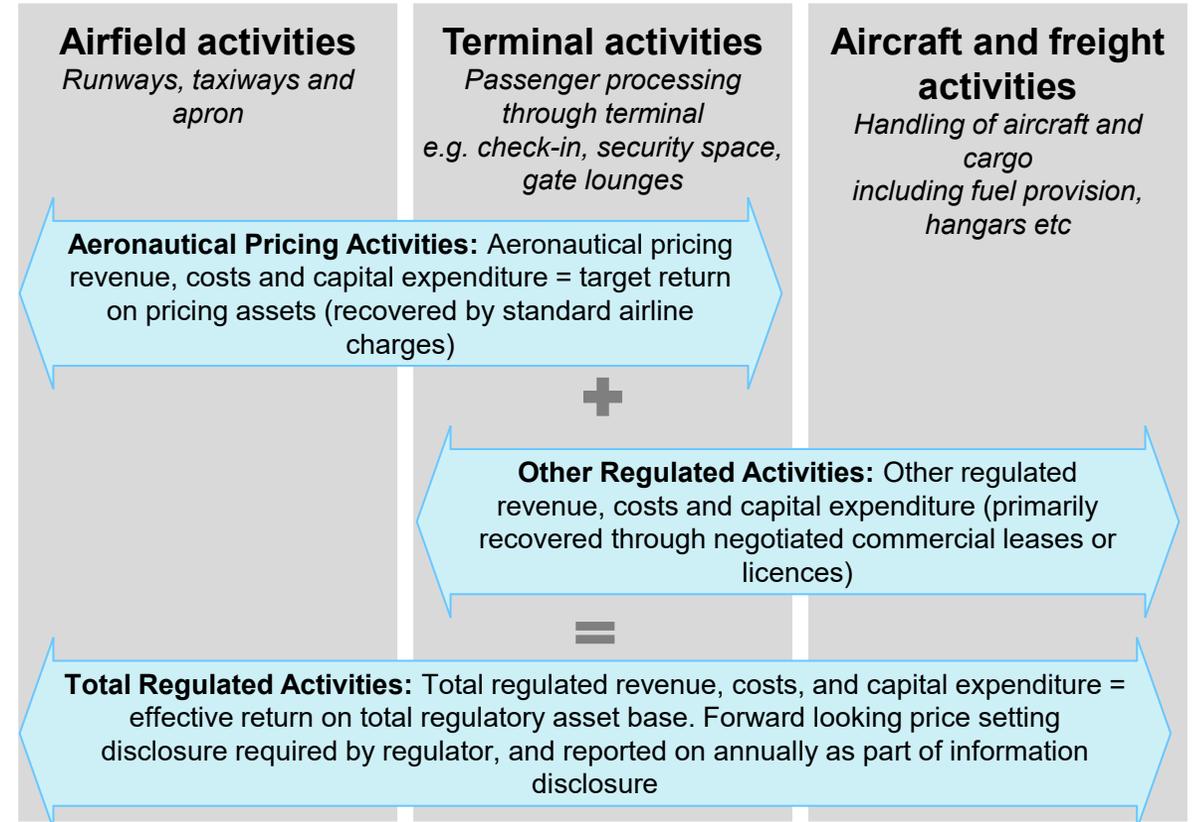
Background

Our price setting disclosure follows the aeronautical pricing decision announced on 8 June 2023 as required under Part 4 of the Commerce Act

- Under Part 4 of the Commerce Act, Auckland Airport is subject to Information Disclosure Regulation
- This includes a requirement for Auckland Airport to provide information following a change in aeronautical prices
- This presentation summarises key financial and operational information for the current pricing period (PSE4) out to June 2027
- This is supplemented with longer-term forecasts for demand and capital investment out to June 2032
- We also provide an update on Auckland Airport's approach to long term funding and capital management
- This presentation should be read in conjunction with the accompanying Price Setting Disclosure

8 June 2023
Aeronautical prices for PSE4 set and announced

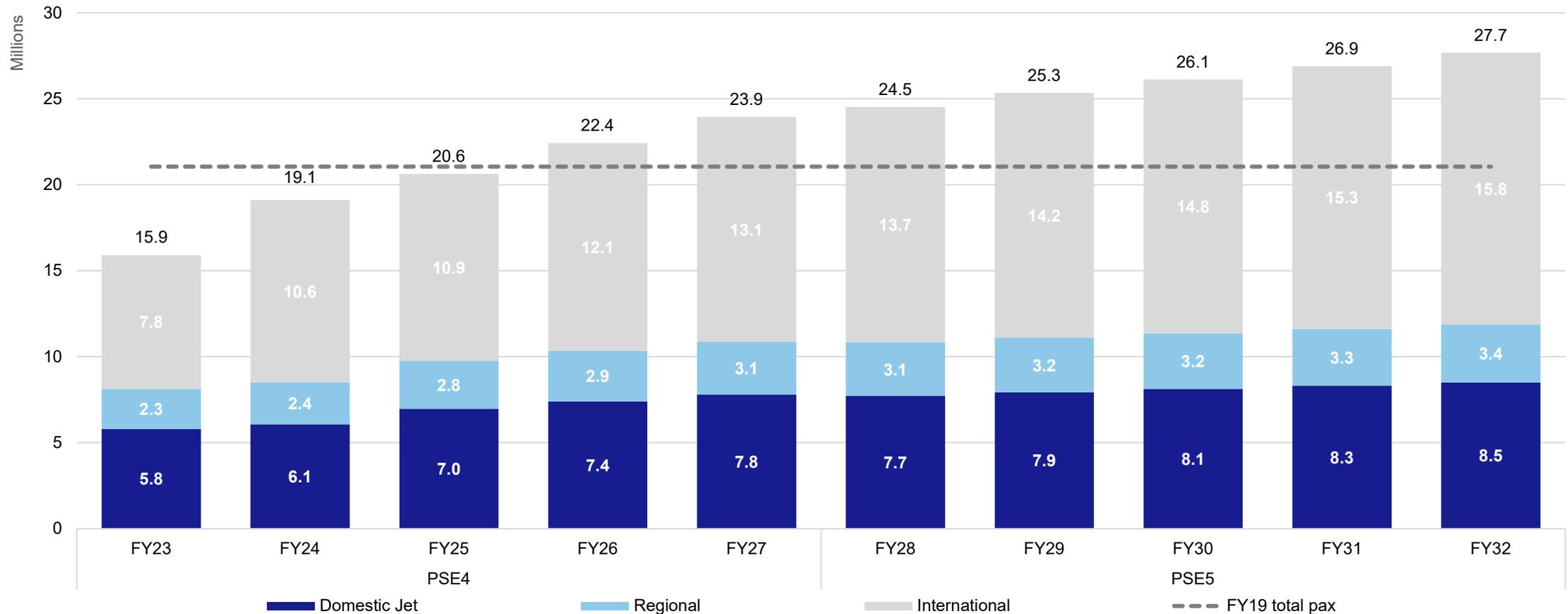
17 August 2023
Price setting disclosure released as required under the Commerce Act



Traffic assumptions

Passenger traffic forecast to return to pre-COVID levels in FY25 for domestic and FY26 for international

FY23 – FY32 passenger forecast¹

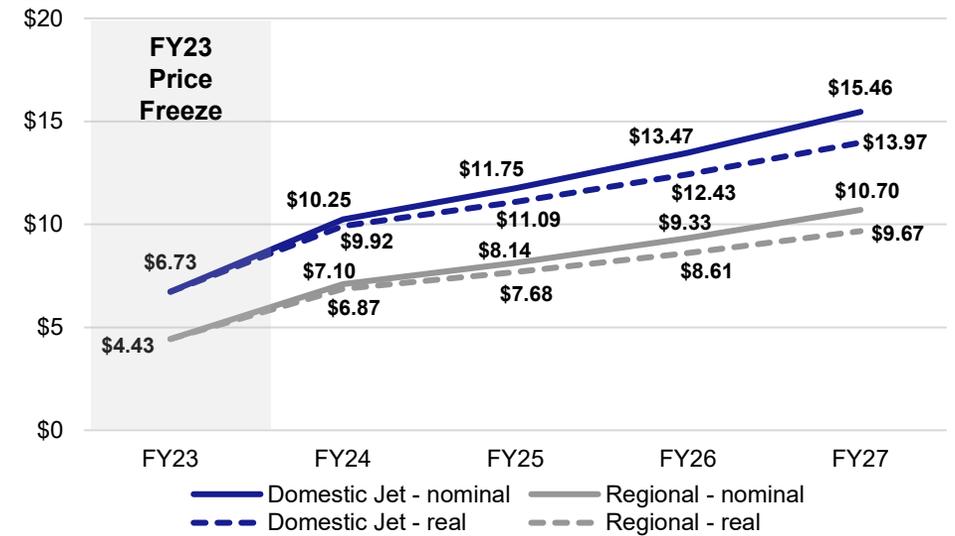


PSE4 Price setting decision

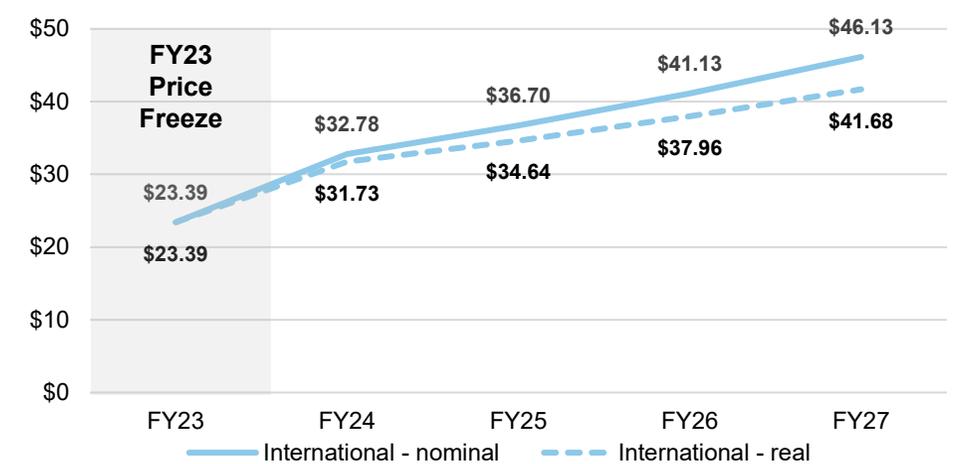
With significant capital investment right across the airport precinct over PSE4, aeronautical charges will increase but will remain competitive with comparable airports

- In setting PSE4 aeronautical charges, we have considered what capital investment is needed, forecast operating expenditure and a fair return on investment
- Following the end of the FY23 price freeze, charges will rise from a low base in PSE3 during which our aeronautical prices were substantially lower than other comparable airports. The increases are driven by a combination of:
 - \$2.6 billion of priced commissioned assets to be delivered during PSE4;
 - catch-up of the more than \$100 million revenue shortfall in FY23 (year one of PSE4) owing to the price freeze in place during the early stages of the COVID recovery; and
 - a higher target return of 8.73% due to higher interest rates, higher systematic risk and the Commission’s updated market risk premium – as evidenced by the updated comparable airport company data, the COVID pandemic has unfortunately demonstrated that airports operate in a higher risk environment than previously thought

PSE4 domestic aeronautical charges per passenger



PSE4 International aeronautical charges per passenger



Note: Real prices based on FY23 dollars

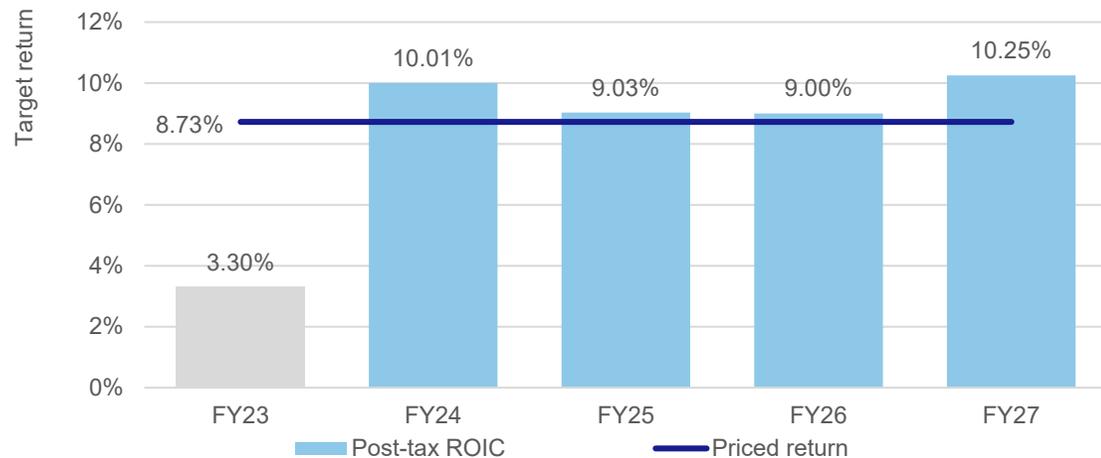
Forecast returns

Non-priced IRR below target due to the high value of shared regulated capex allocated to non-priced activities

PSE4 priced activity returns incl price freeze & post-pricing decision adjustments

- To support airlines through the post-pandemic recovery, prices were frozen in FY23 and revenue was over \$100 million lower than required to achieve our PSE4 target return
- The agreed price freeze for FY23 with airlines stipulated that a full return over the PSE4 pricing period would be targeted. This requires higher revenues in subsequent years to make-up for the FY23 shortfall
- Post pricing decision adjustments were required to correct the Price Setting Disclosure to include forecast land transfers, asset disposals and exclude some forecast operational expenditure (that should have been allocated to land held for the future use). To correct for these minor omissions and errors, the price setting forecasts includes a carry-forward adjustment that increases both the closing PSE4 investment value and forecast priced IRR back up to the targeted 8.73%

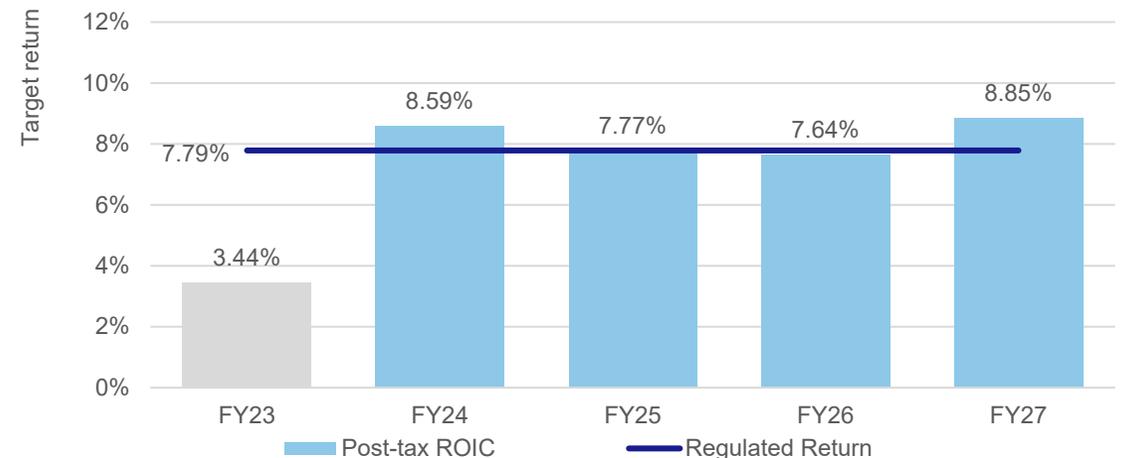
Forecast return on invested capital for Priced Activities during PSE4¹



Total regulated returns below Target Return due to allocation of shared infrastructure capex

- Total regulated commissioned capex over PSE4 includes \$0.5bn of shared infrastructure (such as roading, utilities and shared terminal structures) allocated to non-priced Other Regulated Activities such as the Aircraft & Freight segment, airline & border agency offices and VIP lounges
- Unlike priced activities, where revenues are determined by the building blocks model, non-priced revenues from Other Regulated Activities are determined on an arm's length basis and the extra RAB value indirectly allocated to these segments does not directly alter the floor area or the market value of the spaces that they lease. Therefore market rents are not forecast to deliver a full economic return over PSE4 for Other Regulated Activities
- Hence the Total Regulated Activities IRR for PSE4 is 7.79%

Forecast return on invested capital for Total Regulated Activities during PSE4

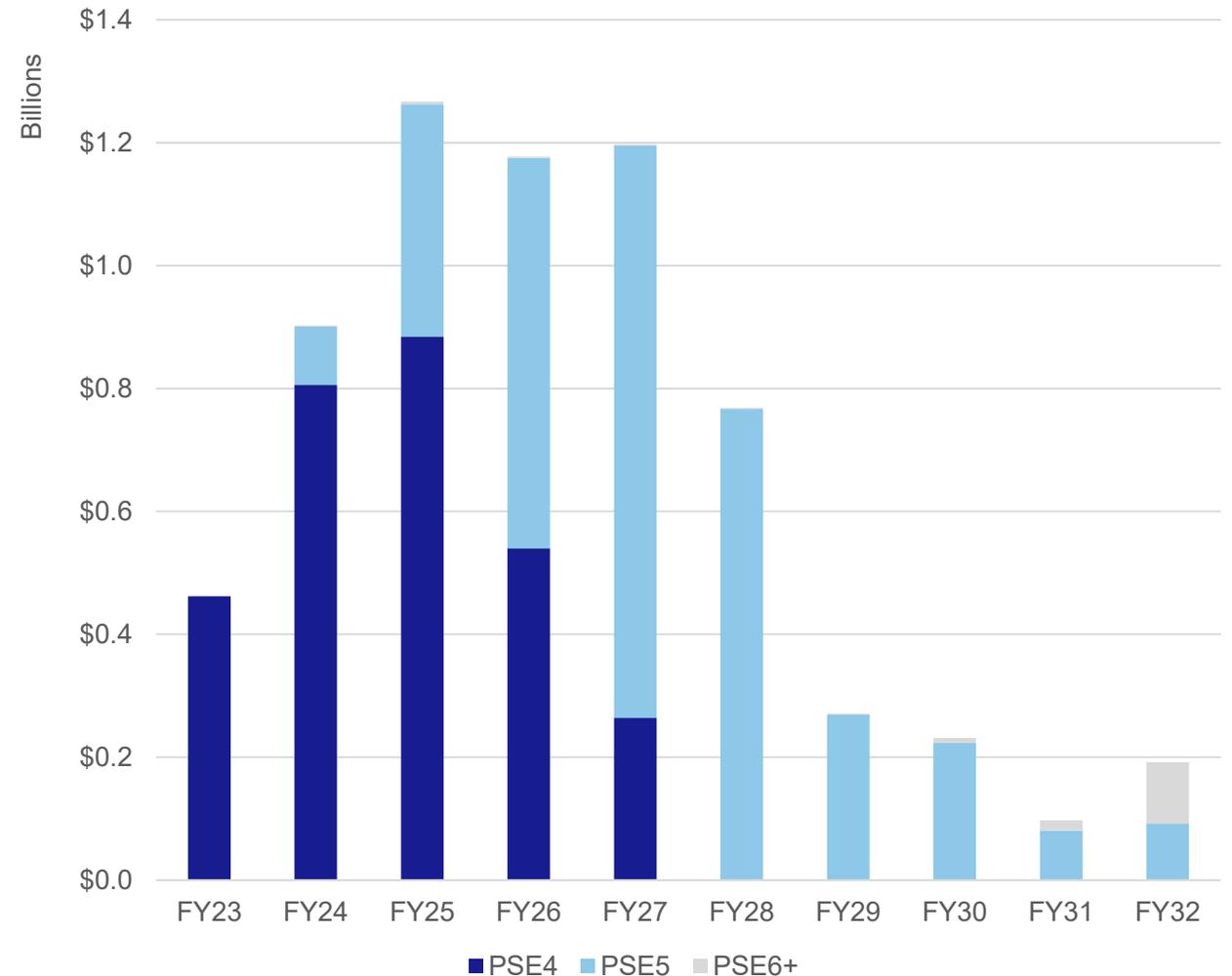


Total regulated capex cashflow over PSE4 & PSE5

Total regulated capital expenditure of \$6.6 billion over PSE4 and PSE5

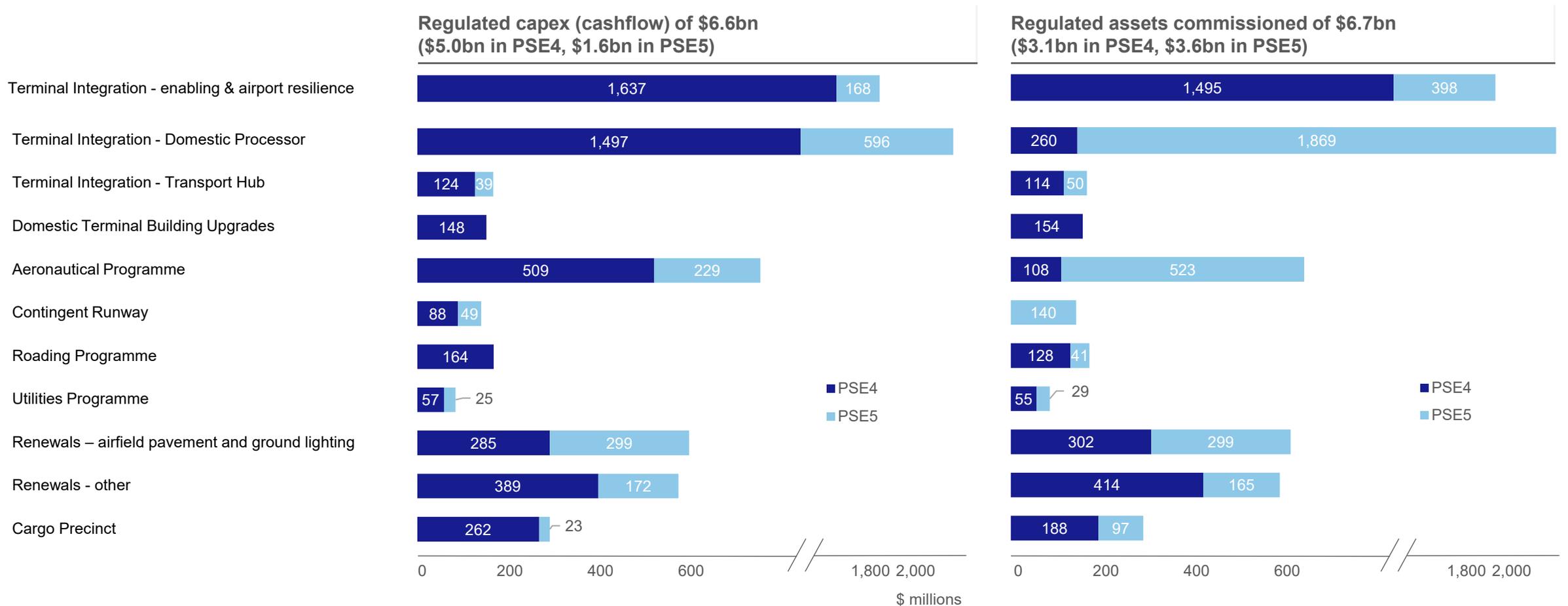
- Total regulated capital expenditure cashflow is forecast to peak in FY25 at \$1.3 billion, and remain elevated at \$1.2 billion in FY26 and FY27
- The total regulated capital expenditure forecast includes \$3.0 billion forecast to commission during PSE4, \$3.5 billion forecast to commission in PSE5, and \$140 million that won't commission until beyond PSE5

Forecast regulated investment cash-flow – by commissioning period (\$ billion)



10-year capital investment plan

\$6.6bn total regulated capex cashflow during PSE4 and PSE5 and \$6.7bn forecast to be commissioned



Regulatory timeline

Final Input Methodology determination due in December 2023

- Commerce Commission’s draft WACC Input Methodology (“IM”) determination has been released, to be finalised in December 2023
- The draft decision includes material changes to the long-standing WACC IM Methodology that it has actively encouraged regulated airports to apply since 2010. Auckland Airport continues to engage on the IM review, ahead of the final decisions on the IMs to be released in December 2023
- The Commerce Commission staff have confirmed that the PSE4 pricing decision will be assessed against the current 2016 Input Methodology including considering the evidence presented by Auckland Airport that the comparable company data is well out of date and must be updated as at the start of Auckland Airport’s PSE4
- We expect the Commission’s review of our PSE4 aeronautical pricing decision to be published in late H1 calendar 2024. Auckland Airport will consider the Commission’s view at that time



United Airlines flight departing Auckland Airport

Long term funding and capital management

Auckland Airport will continue to prudently manage the balance sheet to fund the infrastructure programme

- Auckland Airport continues to target an A- credit rating from Standard & Poor's
- Retaining A- optimises Auckland Airport's capital structure and is expected to maximise shareholder returns over the next 10 years relative to any lower credit rating. It also provides access to the widest range of local and international debt markets at attractive margins
- The scale of the planned capital investment, both regulated and continued investment in Till 2 and commercial property, may require Auckland Airport to raise new equity in the second half of PSE4
- The timing and scale of any equity raise is uncertain at this stage and will depend, amongst other things, on any adjustment to our PSE4 target return, our performance against the PSE4 aeronautical capital expenditure roadmap, the scale of our Till 2 and commercial property investments and Standard & Poor's views on the deliverability of our forward capital plans



Emirates' Airbus A380 parked at Auckland Airport

Appendix



Appendix: Background

Regulatory environment

- Airport charges are designed to achieve a fair return on our investments in essential long-term national infrastructure
- All international and domestic airport charges are collected from airlines and form part of their cost of operations and ticket prices
- Pricing considerations include the Commerce Commission's input methodologies, Auckland Airport's weighted average cost of capital, the forecast regulatory asset base and operating costs, and benchmarking of comparable airport charges
- Aeronautical prices are set for up to five years and typically have annual increments. PSE4 applies to the period from 1 July 2022 to 30 June 2027. Prices from 1 July 2022 to 30 June 2023 were held at FY22 levels during the Price Freeze to assist airlines during the early COVID recovery phase and while we awaited more certainty re the shape of the recovery to inform the building blocks pricing forecasts. Capital expenditure and PSE4 aeronautical pricing consultation continued during the price freeze
- Pricing consultation covers airfield and passenger terminal related services. It excludes other regulated revenues for aircraft and freight, VIP lounges, airline offices and other airline leased areas in the terminals. These other regulated revenues are also included in this price setting disclosure per the disclosure regulations. But the Price Setting Disclosure excludes non-aeronautical areas of the business such as retail, car parking and investment property
- Consultation with airlines on a new domestic terminal has been underway for over a decade. This consultation informed the Auckland Airport Masterplan in 2014, and subsequent stages of design and refinement of options for a new domestic terminal facility.
- Following the earlier consultation, in February 2020, Auckland Airport announced a multi-billion dollar 10-year aeronautical capital roadmap. In March 2020, after COVID-19 took hold globally, New Zealand's border was closed and Auckland Airport's revenues were devastated, so almost all the infrastructure development programme was suspended to protect Auckland Airport's financial viability
- This most recent phase of capital expenditure consultation with airlines to support the PSE4 pricing decision is the outcome of a robust and constructive consultation process over the past two years. Auckland Airport has actively engaged with the airlines and final prices have been informed by their feedback
- With the COVID-recovery now advancing strongly, Auckland Airport is progressing a once in a generation airport infrastructure upgrade

Appendix: Background

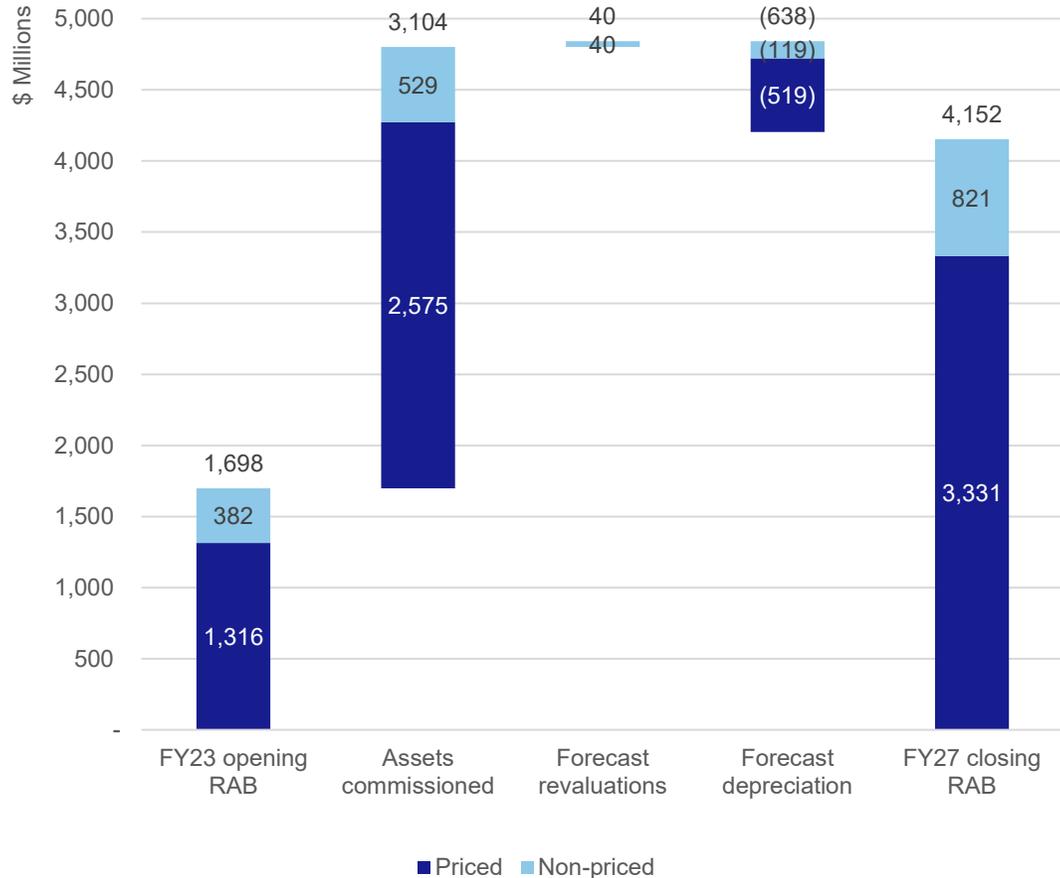
Information disclosure

- New Zealand's three largest airports including Auckland Airport are subject to Information Disclosure requirements under Part 4 of the Commerce Act
- Airports disclose certain performance related information (financial, non-financial, historical and forward-looking)
- The Commerce Commission has determined a set of Input Methodologies to ensure information is disclosed in a consistent manner, e.g., asset valuation, cost allocation, cost of capital benchmarking
- Information Disclosure and Input Methodologies do not prescribe how prices are to be set
- The aim of the regulation is to enable the Commerce Commission and other interested parties to assess whether the purpose of Part 4 is being met
- Auckland Airport has increasingly aligned its business with the objectives of Part 4 of the Commerce Act, namely:
 - having an appropriate incentive to invest and innovate;
 - providing services of the quality and range required by consumers;
 - generating efficiencies and sharing the benefits of those efficiency gains with consumers; and
 - earning a fair and reasonable return on the investments made

Total regulated commissioned capex in PSE4

Auckland Airport plans to commission \$3.1 billion of regulated infrastructure during PSE4

Forecast regulated asset base (nominal \$)



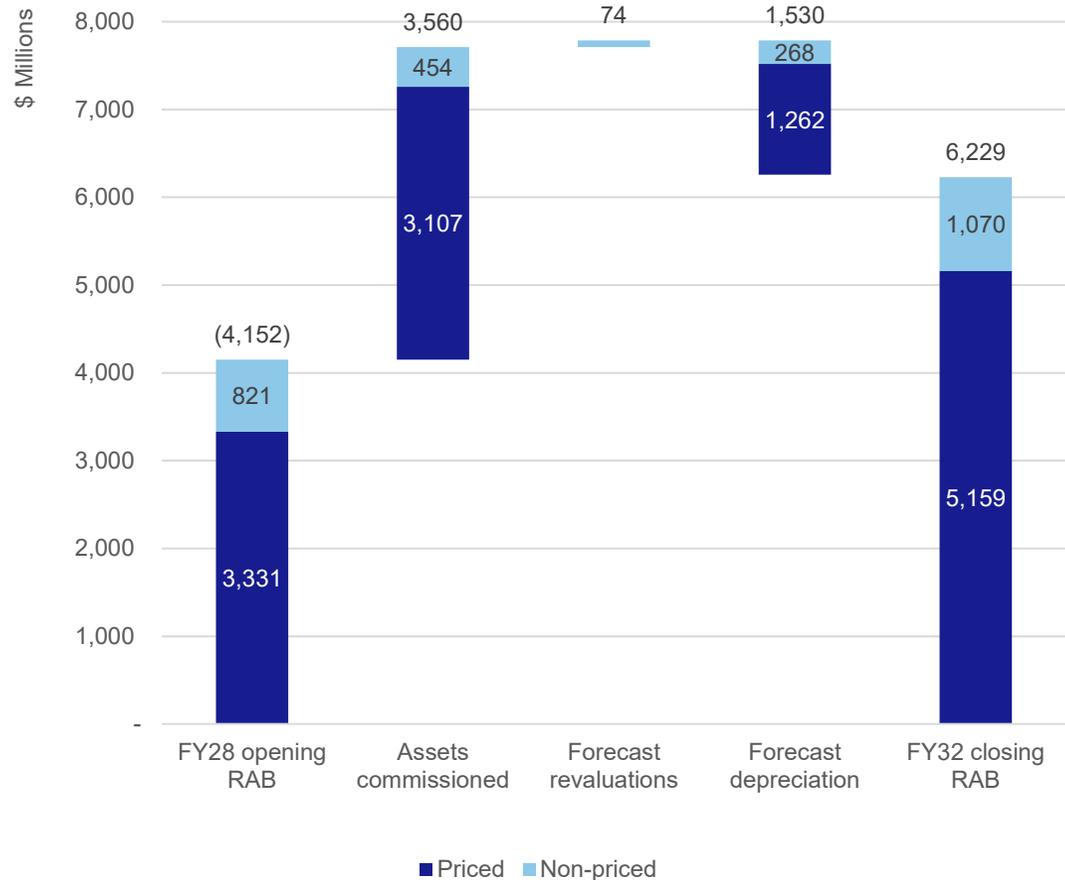
- \$2.6 billion of priced regulated investment completed and commissioned during PSE4 pricing period including:
 - \$1.5 billion Terminal Integration Programme
 - \$1.1 billion in upgrades of the existing domestic terminal building, new transport hub, airfield expansion & renewals and new baggage system
- \$0.5 billion of non-priced regulated investment completed and commissioned during PSE4 pricing period including:
 - \$0.1 billion Terminal Integration Programme
 - \$0.2 billion relating to the new cargo precinct
 - \$0.2 billion other upgrades and renewals
- Closing allocated RAB for PSE4 of \$4.2 billion in FY27

Note:
Nominal figures include escalation and holding costs

Total regulated commissioned capex in PSE5

Auckland Airport plans to commission \$3.6 billion of regulated infrastructure during PSE5

Forecast regulated asset base (nominal \$)



- \$3.1 billion of priced regulated investment completed and commissioned during PSE5 pricing period including:
 - \$1.7 billion Domestic Processor
 - \$0.3 billion Terminal Integration Programme
 - \$1.1 billion in airfield expansion & renewals, contingent runway and regional solution
- \$0.5 billion of non-priced regulated investment completed and commissioned during PSE5 pricing period including:
 - \$0.1 billion non-priced elements of the new Domestic Processor
 - \$0.1 billion relating to the new cargo precinct
 - \$0.3 billion relating to fuel upgrades, the new cargo precinct and other renewals
- Closing allocated RAB for PSE5 of \$6.2 billion in FY32

Note:
Nominal figures include escalation and holding costs

Appendix: Total Commissioned Regulated investment

\$m For the year to 30 June	PSE4					Total	PSE5 Total	PSE4+PSE5 Total
	2023	2024	2025	2026	2027			
Terminal Integration - enabling & airport resilience	54	91	709	251	277	1,381	348	1,729
Terminal Integration - Domestic Processor					260	260	1,869	2,129
Terminal Integration - Transport Hub		88	26			114	50	163
Domestic Terminal Building Upgrades	6	15	52	52	29	154		154
Aeronautical Programme	4	40	59	5		108	523	631
Contingent Runway							140	140
Roading Programme	9	59	60			128	41	169
Utilities Programme	15	7	12	8	14	55	29	84
Renewals – airfield pavement and ground lighting	51	60	72	69	51	302	299	601
Renewals - other	106	93	83	64	67	414	165	578
Cargo Precinct					188	188	97	285
Total	245	452	1,072	449	885	3,104	3,560	6,664

Nominal priced commissioned values – includes escalation and holding costs

Appendix: Regulated Asset Base

\$m	PSE4					PSE5				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
For the year to 30 June										
Opening RAB	1,698	1,859	2,215	3,174	3,450	4,152	6,631	6,774	6,682	6,450
Assets commissioned	245	452	1,072	449	885	2,693	450	240	84	94
Revaluations	9	7	7	7	11	15	15	15	15	14
Depreciation	72	88	113	170	195	229	321	320	330	330
Closing RAB	1,880	2,229	3,181	3,459	4,152	6,631	6,774	6,709	6,450	6,229

Nominal priced commissioned values – includes escalation and holding costs

Glossary

PSE4 Price Setting Disclosure

AKL or Auckland Airport	Auckland International Airport Limited
CPI	Consumers price index
IM	Input methodology
IRR	Internal rate of return
MCTOW	Maximum certified take-off weight
PAX	Passenger movement
PSE3	Regulatory price setting event 3 from 1 July 2017 to 30 June 2022
PSE4	Regulatory price setting event 4 from 1 July 2022 to 30 June 2027
PSE5	Regulatory price setting event 5 from 1 July 2027 to 30 June 2032
RAB	Regulated asset base
WACC	Weighted average cost of capital