

# Auckland International Airport Limited

 Citi London Conference  
March 2011



# Presentation Team

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## Simon Moutter

### Chief Executive

Simon is responsible for the overall leadership, strategic direction and executive management of the Company. Prior to joining us in 2008, Simon was chief operating officer at Telecom New Zealand, managing most parts of the business at one time or another. This was preceded by 13 years in the electricity and gas industries.



## Simon Robertson

### Chief Financial Officer

Simon commenced as chief financial officer in August 2009. He is responsible for managing our corporate strategy and financial affairs. Simon joined us in early 2005 and has held a number of senior financial and aeronautical roles in his time with the Company. Simon is a Chartered Accountant experienced in senior financial roles in the manufacturing, entertainment and marine sectors, with strong financial, treasury and strategic expertise.



# Company overview

Auckland Airport is the largest and busiest airport in New Zealand with few natural competitors

- Over 13 million passengers annually
  - 6.0 million domestic (45%)
  - 7.4 million international (55%)
- 155,000 aircraft movements
- 200,000 tonnes of high value freight
- 23 airlines (19 passenger and 4 freight) providing connections with 36 international destinations
- No curfew, operating 24 hours a day, 7 days a week, 365 days a year
- ~25% stakes in Cairns and Mackay (NQA) and Queenstown Airports

## Auckland Airport Catchment Area

- Within 2 hours drive time: **2.033m people**
- Within 4 hours drive time: **2.322m people**



Auckland Airport is the only commercial airport in the Auckland region and the key hub for domestic and international travelers

- Approximately 50% of New Zealand's total population lives within a 2 hour drive from Auckland Airport
- 21km (13 miles) south of Auckland CBD



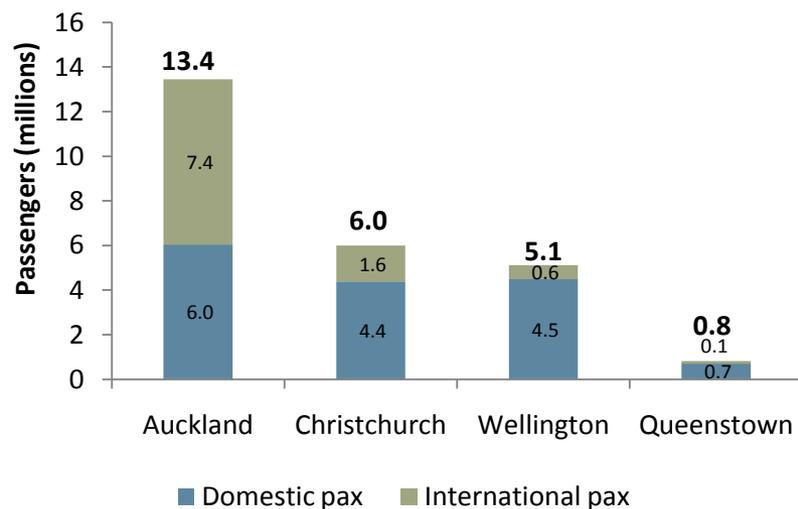
**A** | Auckland  
Airport  
Top 10 Airport 2009, 2010

# NZ's busiest airport

**Auckland Airport is the busiest of NZ's seven international airports.**

**Over 70% of all international visitors to NZ arrive or depart from Auckland Airport.**

**Few natural competitors.**



Note: All passenger figures are for Year Ended 30 June 2010 except for Wellington, which are for Year Ended 31 March 2010

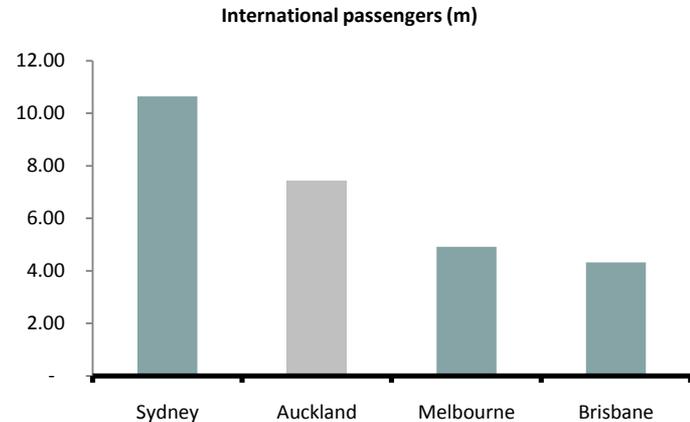
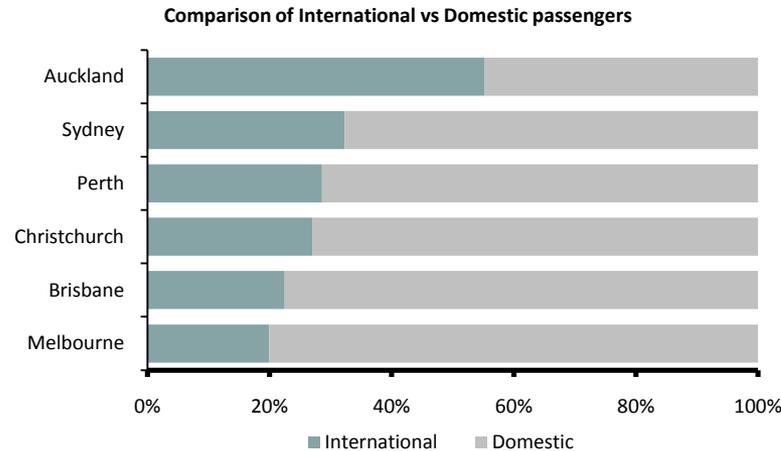
# High proportion of high value international passengers

Auckland Airport has a balanced distribution of domestic and international passengers.

Over 88% of international passengers originate or are destined for NZ.

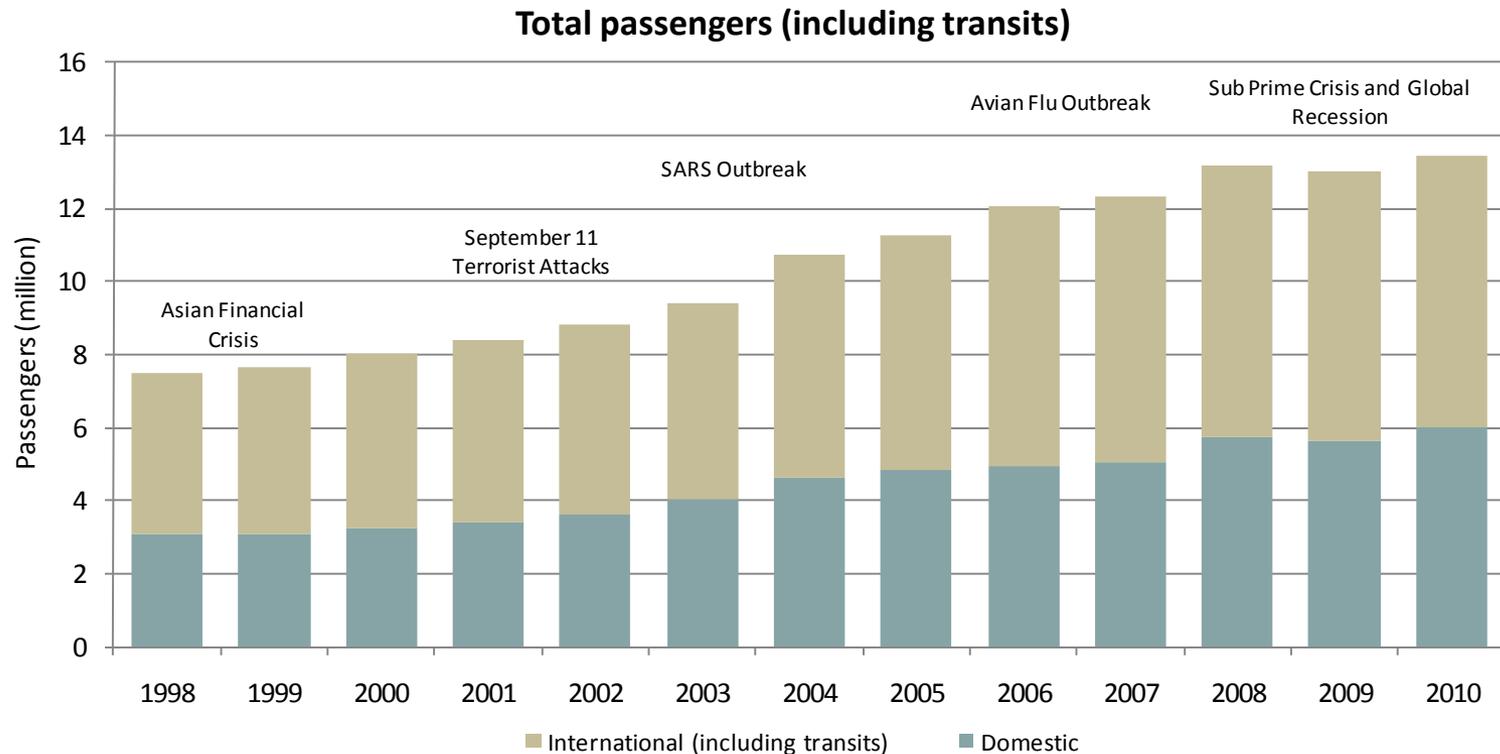
International passengers represent 55% of total passengers, the highest proportion for Australasian airports.

Second highest number of international passengers in Australasia, second only to Sydney .



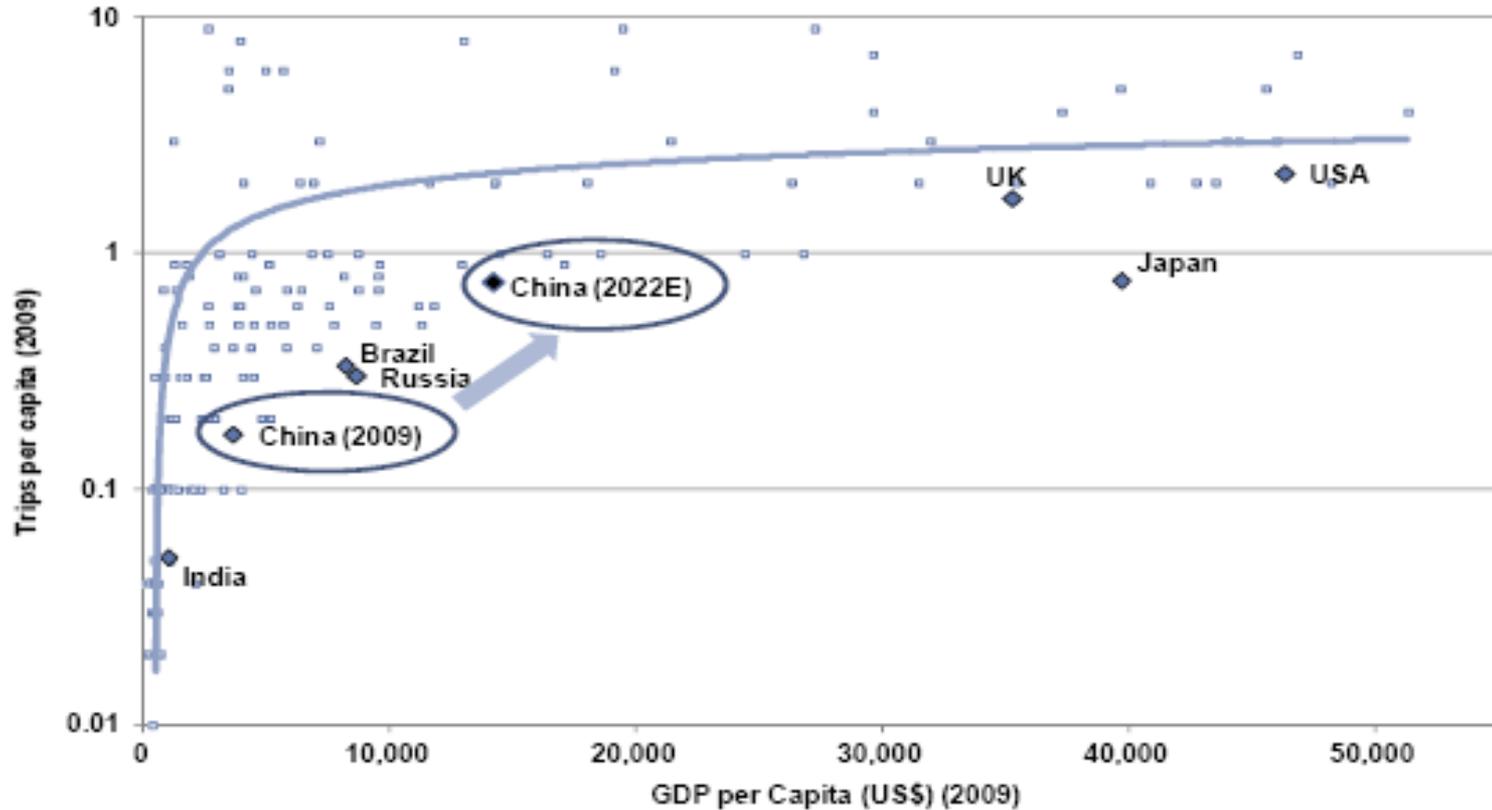
# Robust business to shocks...

Growth in total passengers has proven its resilience during times of upheaval in the air transport industry (CAGR of approx 5% since 1998).



# but with exposure to high growth

BRIC nations are still in the very early stages of the air travel penetration curve



Source: Goldman Sachs Global Aviation Trends Report, 15 November 2010

# Changing shape of travel markets

Our Flight-path for Growth strategy launched in March 2009 had a significant emphasis on Asia passenger growth.

“Rapidly developing markets are shifting the industry’s centre of gravity to the East” - Giovanni Bisignani, Director General of the International Air Transport Association (“IATA”).

Asian passenger growth to NZ was 20% in the six months to December 2010.

Exposure to high growth markets is essential and the link between air services development and economic growth is clear.

% of international arrivals by region	6 months Dec 2010	6 months Dec 2009	Growth on pcp
New Zealand	48.4%	47.8%	5.07%
Australia	18.9%	19.6%	-0.09%
Asia	11.2%	9.7%	20.01%
Europe	8.6%	9.9%	-9.10%
North America	5.3%	5.7%	-2.84%
Other	7.5%	7.4%	5.76%

Source: Auckland Airport Monthly Traffic Update Report – December 2010, compiled from information from Statistics New Zealand

# Delivering on our growth plan

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**Our vision is to build a great New Zealand business recognised as a world leader in creating value from modern airports.**

**To grow value in our airports for investors we will:**

- Further increase investment in air services and market development to grow passenger volumes faster than the market organic rate.
- Expand and actively market the range of products and services that benefit passengers.
- Strive for even more efficient passenger processes.
- Provide stimulus for property development opportunities that create value in our land holdings.
- Leverage off revenue growth to deliver increasing earnings per share.



# Growing air services at our airports

**Significant route development commencing in the six months to 31 December 2010:**

<b>Airline</b>	<b>Service</b>	<b>Airport</b>	<b>Route</b>	<b>Start Date</b>	<b>Annual Capacity</b>
Emirates	Up-gauge	Auckland	Melbourne	Aug-10	72,000
Jetstar	New service	Auckland	Melbourne	Dec-10	130,000
Jetstar	Increase frequency	Auckland	Queenstown	Dec-10	74,000
Jetstar	New service	Queenstown	Melbourne	Dec-10	37,000
Jetstar	New service	Queenstown	Gold Coast	Dec-10	37,000
Qantas	New service	Cairns	Port Moresby	Jul-10	92,000
Tiger	New service	Cairns	Melbourne	Sep-10	131,000
Cathay Pacific	Increase frequency	Cairns	Hong Kong	Nov-10	27,000

**Pacific Blue announced their departure from New Zealand domestic services from mid-October 2010. Pacific Blue flew direct flights from Auckland to Christchurch, Wellington, Queenstown and Dunedin with a total annual capacity of 748,000.**

# Growing air services at our airports

Significant route development announced to start from January 2011:

Airline	Service	Airport	Route	Start Date	Annual Capacity
China Airlines	New service	Auckland	Brisbane - Taipei	Jan-11	96,000
Emirates	Up-gauge	Auckland	Brisbane	Jan-11	72,000
Malaysia Airlines	Increase frequency	Auckland	Kuala Lumpur	Mar-11	29,000
Jetstar	New service	Auckland	Singapore	Mar-11	220,000
China Southern	New service	Auckland	Guangzhou	Apr-11	68,000
Jetstar	New service	Auckland	Cairns	Apr-11	56,000
Thai Airways	Increase frequency	Auckland	Bangkok	July-11	60,000
Air NZ	Increase frequency	Auckland	Beijing, Shanghai	Dec-11	17,000
Continental	New service	Auckland	Houston	2012	138,000
Jetstar	Increase frequency	Cairns	Brisbane	Jan-11	55,000
Jetstar	Increase frequency	Cairns	Gold Coast	Jan-11	74,000
Jetstar	Increase frequency	Cairns	Sydney	Apr-11	129,000
Jetstar	Increase frequency	Cairns	Melbourne	Apr-11	129,000

# Outstanding retail performance

Over 100 shopping outlets across domestic and international terminals.

Major programme of retail expansion, refurbishment and re-tenders combined with new data driven retail capability just completed.

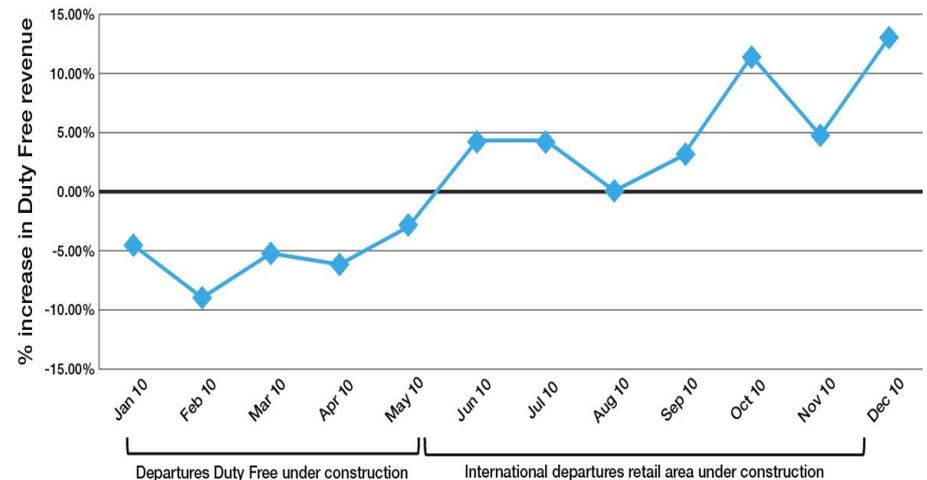
New tenants opened in the six months to December 2010 include Icebreaker, Moet, Apple, Swatch, MAC cosmetics, and a Rugby World Cup store.

Significant uplift in spend in the six months to December 2010 evident as stores are established in new locations.

Highly confident of surpassing target retail revenue of \$105m for FY11 (FY10: \$95m).



2010 Duty Free sales - % variance to 2009



# Yield management delivers results

**Parking facilities for over 8,000 cars.**

**Active competition from off-airport operators helping hone our pricing and marketing skills.**

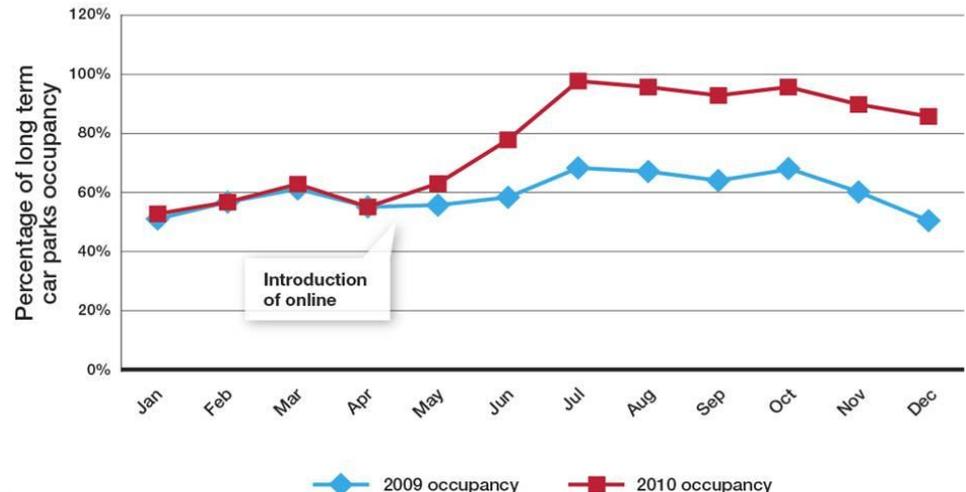
**New online parking tool, launched in May 2010, enables dynamic management of parking product and price offers.**

**Yield and revenue in long term car parks outstripping passenger growth.**

**Long term car parking volume increased by 24.8% for the period July 10 to Dec 10 compared to passenger growth (excluding transits) of 4.5%.**

Car park product offering at Auckland Airport		
International Terminal	Domestic Terminal	Park & Ride
Proximate short-term and long-term parking options	Multi-level car park with direct connectivity into terminal	Opened December 2008
2,928 public parking bays,	2,345 public bays	650 parking bays
Covered and uncovered parking	Covered and uncovered parking	Prominent location, 24/7 shuttle with GPS, high security
In addition, there are 2,330 staff car parks across domestic and international terminals which can be leveraged for customer parking at peak times.		

International long term car parks occupancy



# Stimulate property development

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**Over 1,500 hectares (approx 3,700 acres) of freehold land with over 440 hectares (1,095 acres) potentially available for commercial development.**

**Comprehensive land use plan published with broader appeal to non-traditional airport tenants.**

**Property kick-start strategy succeeded and well now positioned to gain premium tenants as market improves.**

**Aspirational target is to grow property segment revenues from \$30m FY09 base to rent roll of \$50-60m in FY14.**

**All current property development projects are on time, budget and scope.**



# Accelerating property success

Project	Construction Value \$m	Auckland Airport Construction Cost \$m	Expected Completion
Aviation Security Office	5.9	5.9	Completed
Mercedes Parts Warehouse	3.0	3.0	Completed
DSV Air and Sea	3.8	3.8	May 2011
Aviation Travel and Training	3.5	3.5	Jun 2011
Novotel Hotel	65.0	6.5	Jun 2011
Formule 1 Hotel	15.5	15.5	Aug 2011
NZ Food Innovation Centre	7.9	7.9	Aug 2011
4-level Office Building	14.3	14.3	Jan 2012
<b>Total</b>	<b>118.9</b>	<b>60.4</b>	

# Changing capital allocation

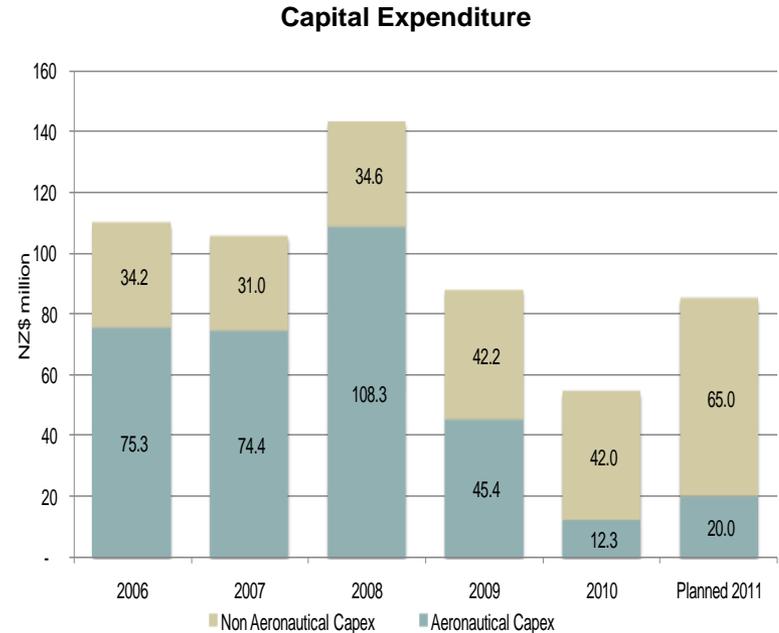
**Invested approximately \$500 million over 5 years (2005-2009) in core infrastructure.**

**Existing aeronautical infrastructure can accommodate significant growth in aircraft and passenger movements without further major improvements.**

**2010 decision to further defer construction of Northern Runway eases cost pressures on customers and provides for a more optimal delivery of future infrastructure needs.**

**Auckland Airport continues to strategically shift capex away from aeronautical activities to high value property and retail development.**

**75% of the \$85 million capital investments planned for FY2011 are profit-oriented with minimal maintenance capex required.**



# Auckland Airport Master Plan – Moving to a highly efficient future

Auckland Airport strives to balance supply with demand to optimise the efficiency of existing infrastructure and deliver additional capacity when needed.

Master plan moves to a dual-runway, integrated terminal design combining domestic and international terminal facilities for high efficiency.

Master plan direction creates:

- Ability for lower airline cost structures
- Greater aircraft utilisation with swing gate facilities between domestic and international
- Improved passenger experience in a new domestic terminal
- Improved use of technology and optimisation of processes and facilities through Lean Six Sigma
- Greater retail, property and car parking opportunities with more intensive passenger use in one location

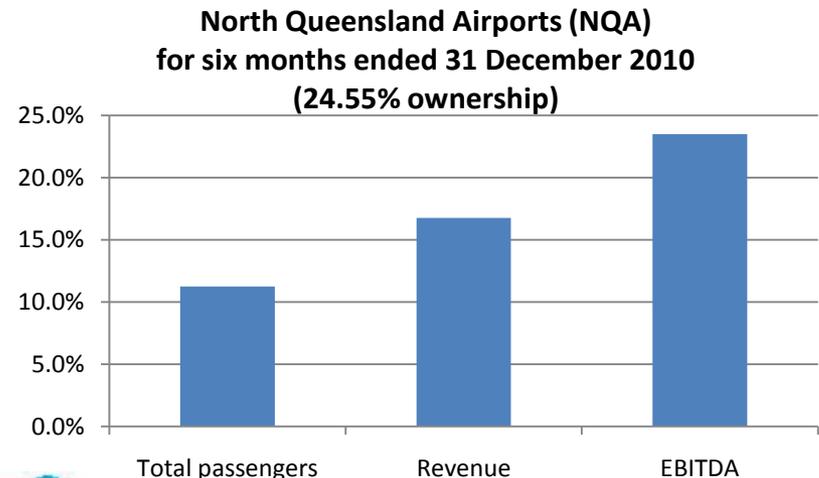
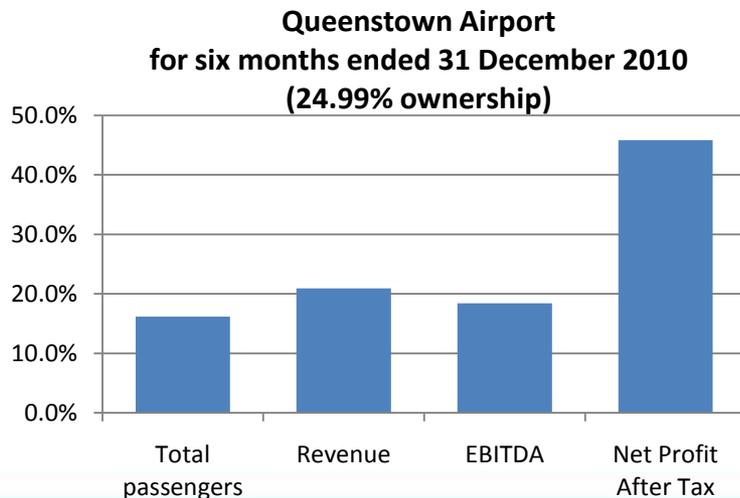
Long term view of Airport Business District



# Delivering operating leverage benefits



**Volume growth can be achieved without incurring significant operating costs or capital expenditure to deliver strong cash flow and profit growth.**

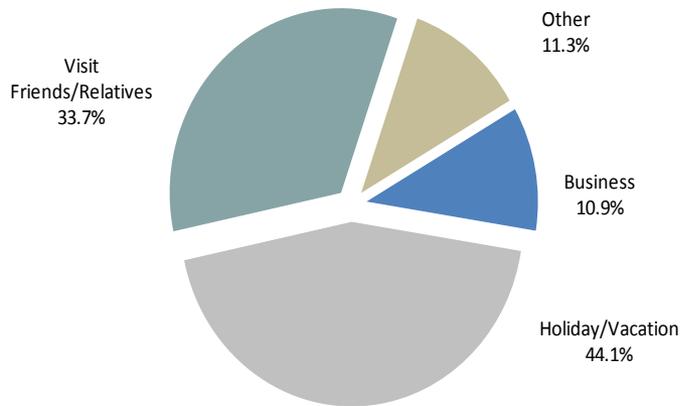


# Christchurch earthquake impact uncertain

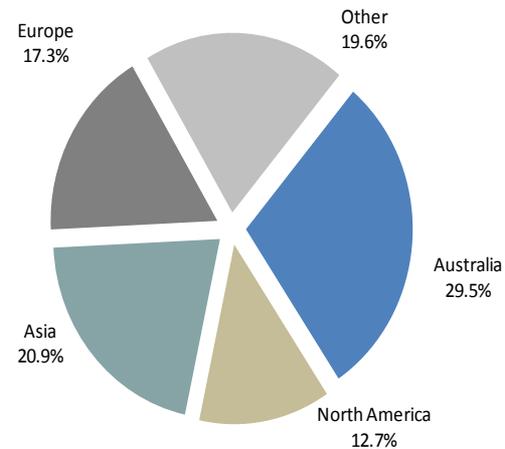
Significant impact on Christchurch, but uncertain impact on Auckland and NZ tourism  
Adverse impact on New Zealand tourism market will be mitigated by Auckland Airport's diverse passenger base and multiple connectivity options for travel itineraries.

Business and Visit Friends & Relatives ("VFR") travel unlikely to be significantly impacted.

International Visitors by Reason 2010



International Visitors by Region 2010



Source: Statistics New Zealand. Data relates to international visitors arriving at Auckland Airport for the year ended 30 June 2010.

Source: Statistics New Zealand data supplied by Auckland Airport. Data relates to international visitors arriving at Auckland Airport for the year ended 30 June 2010.

# Diverse tourism offering

**Diversified tourism locations in New Zealand.**

**Auckland and Queenstown's locations are geographically not affected by the Christchurch earthquake.**

**Domestic connections from Auckland provide access to all tourism hubs in New Zealand – capacity can shift easily to meet increased demand to/from other destinations.**

**Queenstown is a centrepiece of tourism activity in New Zealand's South Island.**

**Industry and Government will promote strong messaging that New Zealand is still “open for business”.**



# Supportive airport regulation in NZ

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Dual-till regime with information disclosure requirements

- Aeronautical till: subject to limited competition and therefore regulated
- Non-aeronautical till: subject to open market competitive forces

New Zealand Commerce Commission monitors regulatory regime:

- Dual-till pricing environment
- Consultation on aeronautical charges at least every five years
- Consultation on capex decisions exceeding 20% of aeronautical asset base
- Annual information disclosure relative to the aeronautical asset base

Commerce Commission final determinations on disclosure and input methodologies issued on 23 December 2010.

Majority of decisions in line with original draft determinations:

- Non-land assets as included in 2009 disclosures plus annual increase at CPI
- Land assets in the initial RAB established using Market Value Alternative Use ("MVAU")
- Future development land, assets under construction and land conversion costs excluded from RAB
- Still information disclosure regime, dual till, and pricing not regulated

Auckland Airport is appealing the Commerce Commission's final determination on input methodologies for airport information disclosure regulation.

# The case for investment

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**Low risk exposure to Asia–Pacific growth story.**

**Ownership position in four airports all with considerable upside potential.**

**Growth strategies succeeding in growing passenger volumes, aero revenues, retail yields and property rents and plenty more to come**

**Strong Balance Sheet with diversified sources of funding.**

**First half results stronger than expected and long-term prospects for our airports and the markets they serve are strengthening.**



A young girl with long brown hair, wearing a yellow floral shirt and a pink skirt, is running barefoot on a grassy hill. She is holding a white paper airplane in her right hand, looking towards it with a smile. The background shows a cityscape at dusk or dawn, with the Sky Tower prominently visible. The sky is a mix of orange and blue, and the city lights are beginning to glow.

# Appendix

# Auckland Airport Interim Results December 2010

24 February 2011

# Results overview

	6 months ended 31 Dec 2010 \$m	6 months ended 31 Dec 2009 \$m	% Change
Income	198.3	182.4	8.7%
Expenses	47.3	44.1	7.3%
EBITDAFI (Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates)	151.0	138.3	9.2%
Share of profit of associates	0.8	0.5	69.3%
Gain on sale of associates	1.2	-	-
Investment property fair value increases	2.3	-	-
Derivative fair value change	1.4	-	-
Depreciation	28.7	27.2	5.5%
Interest	35.8	35.0	2.1%
Taxation	26.8	22.6	18.5%
<b>Reported net profit after tax</b>	<b>65.5</b>	<b>54.0</b>	<b>21.4%</b>

# Passenger volume growth

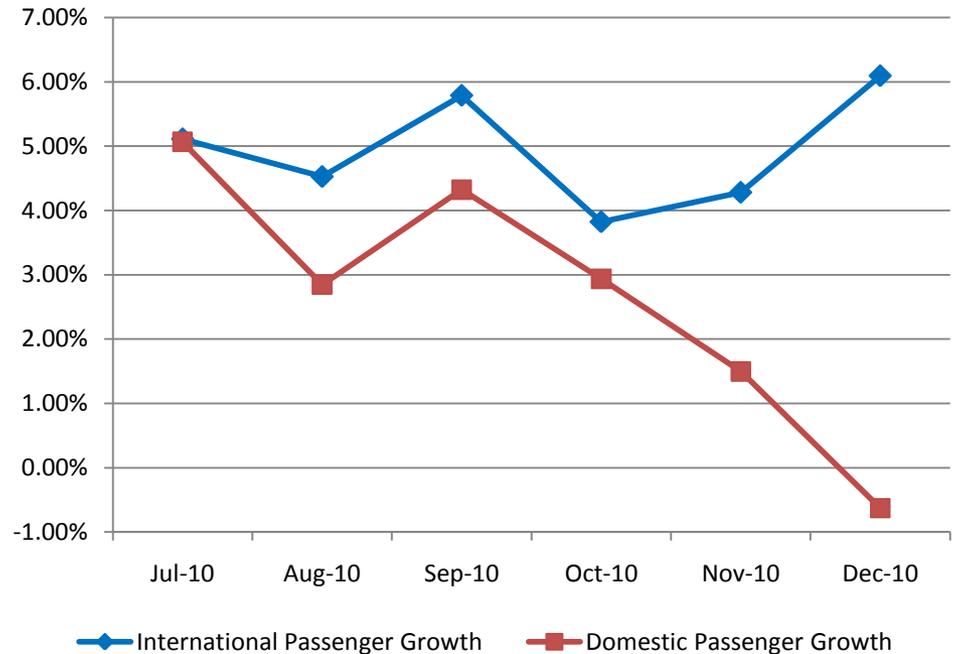
International passenger numbers grew 5.0% in the six months to December 2010 compared with prior year.

Still strong domestic passenger growth of 2.6% in the six months to December 2010, despite the withdrawal of Pacific Blue from this market.

International passengers growth remains strong with January 2011 up 6.2%.

The decline in domestic passenger numbers continued with January 2011 down 7.8%.

Passenger growth rates July - Dec 2010



# Growth strategy evident in revenue

Airfield income increased 11.7% due to the pricing schedule now back in place after discounted prices were applied in FY2010, and increased volume in the six months to December 2010.

Retail revenue grew significantly compared to prior year after the completion of new international retail development.

Property development set for future growth from developments currently underway.

Car park revenue boosted by new online booking system.

	6 months ended 31 Dec 2010 \$m	6 months ended 31 Dec 2009 \$m	% change
Airfield income	36.7	32.8	11.7%
Passenger service charge	39.4	36.5	8.2%
Terminal services charge	13.9	13.9	-0.3%
Retail income	54.8	48.5	12.9%
Rental income	25.6	24.5	4.5%
Car park income	17.1	15.9	7.6%
Interest income	0.6	0.9	-40.6%
Other revenue	10.2	9.3	10.1%
<b>Total revenue</b>	<b>198.3</b>	<b>182.4</b>	<b>8.7%</b>

# Market shift in international arrivals

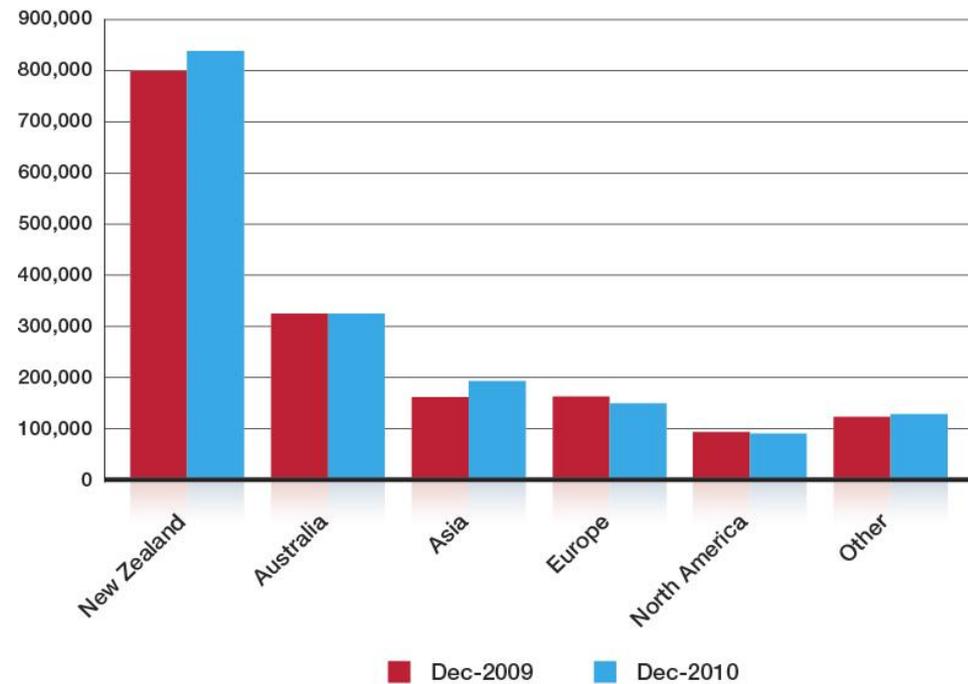
Arrivals from Asia increased 20.0% in the six months to December 2010 over pcp, with significant growth from China (39.3%), Japan (24.1%) and India (26.1%).

New Zealand passengers still a key market at 48.4% of total arrivals and also showing growth.

Australia remained stable, making up 18.9% of total arrivals.

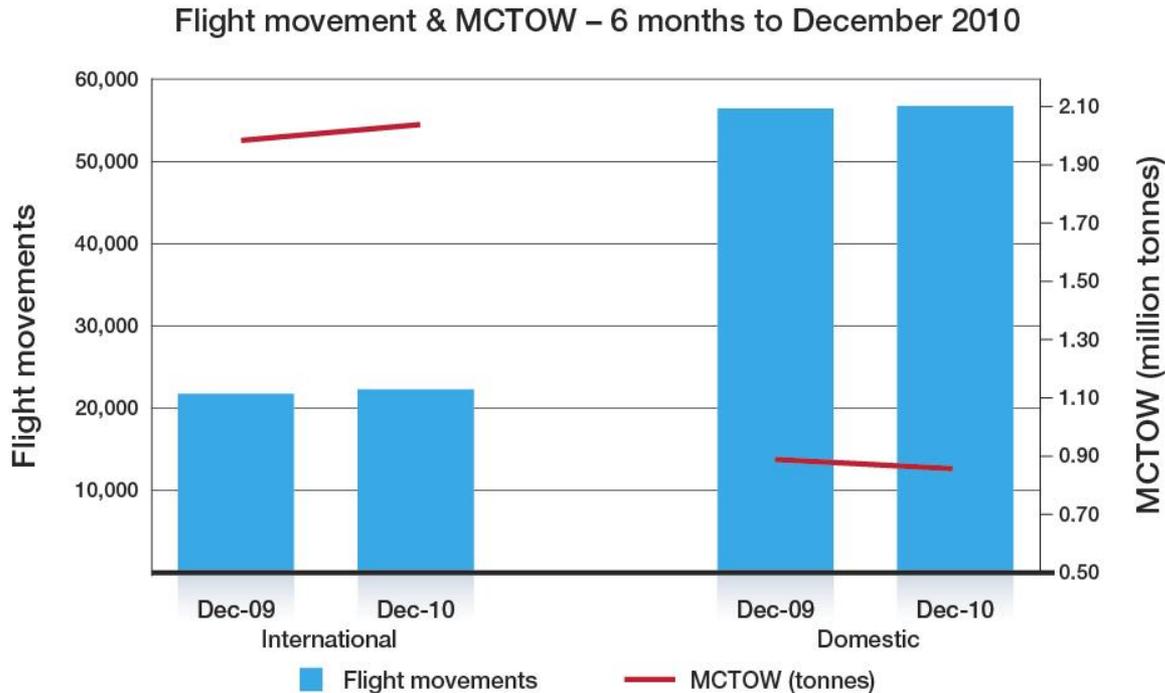
Arrivals from Europe and North America both decreased 9.1% and 2.8% respectively.

International arrival by region – 6 months 2010 vs 2009



Source: Statistics New Zealand

# Aircraft movement trends



International flight movements increased 2.3% in the 6 months to December 2010. The use of A330 and B767 aircraft decreased, however an increase in the use of heavier B777 led to an overall increase in international MCTOW of 3.3%.

Domestic flight movements increased 0.3% in the 6 months to Dec 2010. The departure of Pacific Blue was the main contributor to an overall decrease in domestic MCTOW of 4.1%.

# Growth strategy evident in revenue

Airfield income increased 11.7% on the back of increased volumes and reversion to the pricing schedule post the GFC discounted landing charge period.

Retail revenue grew significantly through both volume and yield from successful initiatives across a range of retail activities.

Property development set for future growth from developments currently underway and soon to be earning rents.

Car park revenue boosted by new online booking system and marketing approach.

	6 months 31 Dec 2010 \$m	6 months 31 Dec 2009 \$m	% change
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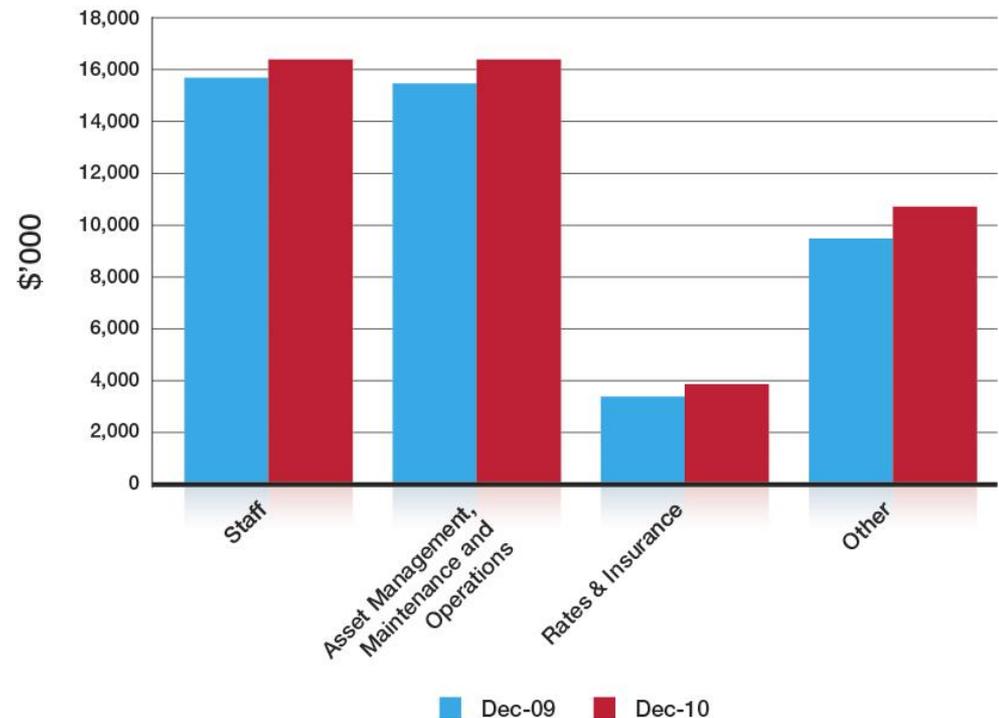
# Expenses controlled

Expenses grew by only \$3.2m relative to income increase of \$15.9m

Major component of expenditure increase is \$1.5m increase in marketing and promotional activities associated with aeronautical route development.

Aeronautical marketing and promotions is an essential part of the sales process to assist with the success of new or expanded routes.

Operating Expenditure for six months ending December 2010



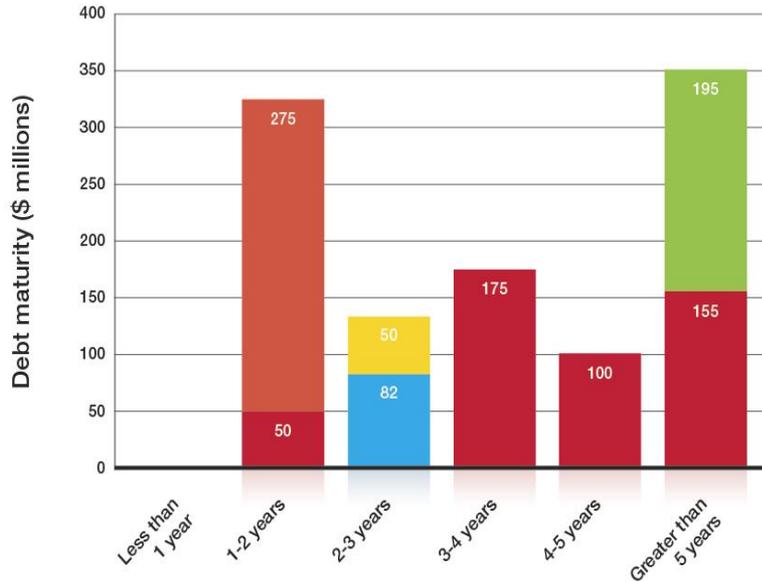
# Underlying profit increased

	6 months 31 Dec 2010 \$m	6 months 31 Dec 2009 \$m	% change
Reported net profit after tax	65.5	54.0	21.4
Gain on investment property revaluation	(2.3)	-	-
Gain on derivative fair value changes	(1.4)	-	-
Gain on sale of associates	(1.2)	-	-
Tax effect	0.9	-	-
<b>Underlying Profit</b>	<b>61.5</b>	<b>54.0</b>	<b>14.0</b>

Included in the net profit after tax for the six months ended 31 December 2010 is a gain on investment property revaluations, a gain on derivative financial instruments and a gain on the sale of Auckland Airport's share in the joint venture HMSC-AIAL. There were no fair value changes or other one-off items in the net profit after tax for the six months ended 31 December 2009.

# Extended debt maturity profile

Debt maturity profile - after USPP issuance



■ Bonds (Fixed and Floating) ■ Commercial Paper ■ Bank Facility - Syndicate ■ Bank Facility - CBA ■ USPP

Debt is based on contractual maturities at par excluding interest rate swap valuations.

Commercial Paper maturities are less than three months but are supported by committed bank facilities that mature in March 2013.

The above graph shows debt maturities assuming the repayment of \$125 million of the Bank Facility - Syndicate in February 2011 and \$75 million Bonds in July 2011 which have been refinanced with USPP debt issuance which has maturities of February 2021 (\$64.8m), July 2021 (\$65.6m) and February 2023 (\$64.8m).

Finalised agreement on refinancing for US\$150 million in the US Private Placement (USPP) market in December 2010 to replace debt maturing in March and July 2011.

This issuance into a new international debt market achieved:

- attractive pricing;
- delayed draw downs to match the debt repayments; and
- tenors of 10 and 12 years to extend Auckland Airport's average debt maturity to 4.56 years.

# Debt ratios improved

	31 Dec 2010	31 Dec 2009
Average Interest Rate	6.63%	6.92%
EBITDAFI interest cover ratio	4.06	3.78
Average debt maturity (years)	4.56	3.50
Debt to Debt + Equity	35.8%	36.3%
Percentage Fixed	67.8%	86.0%

Reduced percentage of fixed rate debt enables benefits from lower floating interest rates, reducing the average interest rate whilst managing interest rate risk.

Increased EBITDAFI and stable interest costs lead to improved interest cover.

The issuance of longer tenor USPP in December 2010 has extended Auckland Airport's average debt maturity.

# NQA financial results

Key outcomes in Auckland Airport's business case for the first 12 months in the acquired stake:

- ✓ Completed the domestic terminal on time, scope and budget
- ✓ Turnaround international passenger volumes underway
- ✓ Achieved aeronautical pricing uplift on domestic operations to recover investment
- ✓ On track to establish a plan for the refinancing of NQA debt
- ✓ Received strong cash returns in first year by way of dividends (NZD 8.6m received for first year)
- ✓ Published milestones on track

	6 months 31 Dec 2010	6 months 31 Dec 2009	% change
<b>Passenger movements</b>			
International – Cairns (excluding transits)	360,428	277,507	29.9
Domestic – Cairns	1,727,937	1,613,343	7.1
Domestic – Mackay	535,459	471,082	13.7

	6 months 31 Dec 2010 \$m	6 months 31 Dec 2009 \$m	% change
<b>Financial Performance<sup>1</sup></b>			
Revenue	A\$ 53.4	A\$ 45.7	16.8
Expenses	A\$ 21.1	A\$ 19.6	7.8
EBITDA	A\$ 32.3	A\$ 26.1	23.5
<b>Net profit after tax<sup>2</sup></b>	<b>A\$ 0.2</b>	<b>A\$ 2.4</b>	<b>-89.7</b>

1. Sourced from non-audited interim financial statements of North Queensland Airports for the six months ended 31 December 2010. The financial results have not been apportioned for the 24.55% ownership interest. The results disclosed for the previous corresponding period are for information purposes as they do not relate to a period of ownership by Auckland International Airport Limited

2. Depreciation and higher interest costs relating to the recently completed domestic terminal at Cairns are the major drivers of the decrease in net profit after tax

# Queenstown financial results

Exceptional passenger growth in the six month period.

Local and global campaigns launched to promote services to the region.

New Jetstar services to Melbourne and Gold Coast commenced in December 2010.

Legal case by Air New Zealand and QSAG a distraction from growing tourism in the region.

Passenger movements	6 months 31 Dec 2010	6 months 31 Dec 2009	% change
International	91,371	66,719	36.9
Domestic	384,213	342,707	12.1

Financial Performance <sup>1</sup>	6 months 31 Dec 2010 \$m	6 months 31 Dec 2009 \$m	% change
Revenue	7.7	6.4	20.9
Expenses	1.9	1.4	29.6
EBITDA	5.9	5.0	18.4
<b>Net profit after tax</b>	<b>3.0</b>	<b>2.0</b>	<b>45.8</b>

1. Sourced from non-audited interim financial statements of Queenstown Airport for the six months ended 31 December 2010. The financial results have not been apportioned for the 24.99% ownership interest. The results disclosed for the previous corresponding period are for information purposes as they do not relate to a period of ownership by Auckland International Airport Limited

# Interim dividends



Interim dividend of 4.00 cps, a 6.7% increase from 3.75 cps in FY10, and the first increase in interim dividends since 2005.

Total interim dividend of \$52.7m an 7.9% increase on the \$48.8m interim dividend in FY10.

Record date for dividend is 18 March 2011 to be paid on 1 April 2011.

DRP is in place with the price set at the 5 day VWAP following the record date.