

AUCKLAND INTERNATIONAL AIRPORT LIMITED

# Notice of Special Meeting of Shareholders

# 2014

Notice is hereby given that a special meeting of shareholders of Auckland International Airport Limited ("**Company**") will be held in the Genesis Theatre, Vodafone Events Centre, 770 Great South Road, Manukau, Auckland on Wednesday, 12 February 2014, commencing at 2pm.

The business of the special meeting is to consider and, if thought fit, to pass the following special resolution:

**THAT** the arrangement relating to the return of capital to shareholders, as set out in the Arrangement Document incorporated in the Explanatory Notes, be approved.

By order of the Board:



**C F Spillane**  
Corporate Secretary

24 January 2014



## Important information:

1. The meeting referred to in this Notice of Meeting has been convened by an order of the High Court of New Zealand made at Auckland on 11 December 2013.
2. The arrangement referred to in the special resolution is recorded in the Arrangement Document on the back of this Notice of Meeting. An explanation of that arrangement is contained in the Explanatory Notes. A copy of Auckland Airport's application to the Court for final orders sanctioning the arrangement (dated 29 November 2013) accompanies this Notice of Meeting.
3. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder. A shareholder may appoint as proxy the Chairman of the meeting. The Chairman intends to vote all proxies in favour of the resolution.
4. To be effective, a proxy form must be received by the Company no later than 2.00 pm on Monday, 10 February 2014 (being 48 hours before the start of the meeting). The proxy form may be received at the registered office of the Company or by the share registrar of the Company, Link Market Services Limited, Level 7, Zurich House, 21 Queen Street, Auckland, New Zealand or by mail to PO Box 91976, Auckland 1142, New Zealand. It may also be completed online in accordance with the instructions on the proxy form.
5. A corporation may appoint a person to attend the meeting as its representative in the same manner as it could appoint a proxy.
6. The special resolution must be approved by at least 75% of votes of shareholders who are entitled to vote and exercise their right to vote on the resolution.
7. This Notice of Meeting has been submitted to, and approved by, NZX Limited in accordance with NZSX Listing Rule 6.1.1. However, NZX accepts no responsibility for any statement in this Notice of Meeting.
8. The board of Directors of the Company unanimously recommends that you vote in favour of the resolution to approve the return of capital. The Directors intend to vote their own shares in favour of the return of capital.

## Explanatory Notes

### 1. INTRODUCTION

- 1.1 On 28 November 2013, the board of Directors of the Company ("**Board**") announced that, subject to the approval of shareholders and the High Court of New Zealand, it would undertake a capital repayment to ordinary shareholders of the Company. The Board proposes to return to shareholders, on a pro rata basis, approximately \$454 million (this figure is approximate because it is subject to rounding of fractions of shares).<sup>1</sup>
- 1.2 The proposal to return capital will be put to shareholders for approval by a special resolution at a special meeting scheduled for Wednesday, 12 February 2014. The amount to be paid out under the proposed capital reduction will be funded by a mix of undrawn existing facilities and new debt.
- 1.3 The Board has determined that this return of capital should be effected by way of a Court-approved arrangement under Part XV of the Companies Act 1993 ("**Arrangement**"). Such an arrangement is fair to all shareholders as it achieves a return of capital on a pro rata basis, leaving the relative voting and distribution rights of all shareholders unaffected.
- 1.4 On 29 November 2013, the Company applied to the High Court of New Zealand for an order directing the Company to put the Arrangement to shareholders. The Court made initial orders on 11 December 2013 which require (amongst other things) the Arrangement to be approved by special resolution of shareholders (that is, a resolution passed by a 75% majority of the votes of all shareholders entitled to vote and voting at the meeting). If the resolution is passed, the Company will seek final orders from the High Court sanctioning the return of capital. The final orders that are being sought by the Company sanctioning the Arrangement are set out in the copy of the Company's application to the Court (dated 29 November 2013), which accompanies this Notice of Meeting.

### 2. THE ARRANGEMENT AND ITS EFFECT

- 2.1 Subject to approval by shareholders, and receipt of final orders from the High Court sanctioning the return of capital, the Arrangement will result in:
  - a. the cancellation of one in every ten shares held by each shareholder in the Company (together with all rights attaching to those shares). Fractions of a share will be rounded up to the nearest whole number; and
  - b. the payment to each shareholder of \$3.43 for each share cancelled (approximately equal to the closing share price on the NZX immediately prior to announcement of the capital return on 28 November 2013).

In this way, the Company will return to shareholders, on a pro rata basis, approximately \$454 million of capital. On the Record Date (as defined in paragraph 2.3 below), there are expected to be 1,322,772,589 ordinary shares on issue. Based on this number, 132,277,259 ordinary shares will be cancelled. This will leave the total number of ordinary shares on issue at approximately 1,190,495,330. This includes cancellation of one in ten shares held by employees under the Company's Share Purchase Plan and one in ten shares held by Directors under the Company's Fixed Share Purchase Plan. This is further explained in section 6.

- 2.2 Subject to the approval of shareholders, the final orders from the High Court sanctioning the Arrangement are expected to be made in March 2014.

<sup>1</sup> The amount to be distributed will be no less than \$452.1 million, being 10% of the Company's value as at the date of the announcement of the capital reduction, in order to satisfy tax requirements to ensure that some of the distribution can be excluded from being treated as a dividend.



- 2.3 The share register will close at 5.00 pm on 7 April 2014, or the 10th business day after the date on which the final orders from the High Court sanctioning the Arrangement are made, whichever is the latest ("**Record Date**"). This will be for the purpose of determining the number of shares to be cancelled and the amount to be returned to those shareholders whose names appear in the share register at that time.
- 2.4 Payment to shareholders will be made by cheque or, in the case of those shareholders who have previously provided bank account details to the Company, by direct credit. Cheques will be posted, or direct credits made, within 10 business days of the Record Date. At the same time, each shareholder will be issued with a new shareholding statement showing the new number of shares held following the cancellation of shares. Both the payment to shareholders and the provision of a new shareholding statement will be undertaken by Link Market Services Limited.
- 2.5 Shareholders with an address on the register in Australia will be paid in Australian dollars at the conversion rate applicable on the Record Date.
- 2.6 The timetable for the proposed Arrangement is set out in the table below.

Event	Date
Special meeting of shareholders	12 February 2014
Final orders made by High Court *	12 March 2014
Record Date *	7 April 2014
Payment to shareholders *	14 April 2014

\* The dates above are indicative only. If the final court orders have not been made by 25 March 2014, the Record Date will be the 10th business day after the date on which the final orders from the High Court sanctioning the Arrangement are made. The Company will announce the final dates for the Arrangement on the NZX and ASX as soon as possible after those dates are finalised. Payment will be made to shareholders within 10 business days after the Record Date.

### 3. TAXATION

- 3.1 The Company has obtained from the Commissioner of Inland Revenue confirmation under section CD 22(8) of the Income Tax Act 2007 that the Commissioner is satisfied that the amount that will be paid (approximately \$454 million) to shareholders on the share cancellation is not in lieu of the payment of a dividend.
- 3.2 To the extent that the amount to be returned to shareholders is equal to the Company's available subscribed capital, it will be treated as a return of capital and not as a dividend for New Zealand income tax purposes. The Company's available subscribed capital is approximately \$180 million.
- 3.3 The amount in excess of the Company's available subscribed capital of approximately \$274 million will be treated as a dividend for New Zealand income tax purposes, which will have imputation credits attached at the maximum allowable ratio. Where applicable, tax will be withheld.
- 3.4 Notwithstanding this, amounts distributed to shareholders in accordance with the Arrangement which are excluded from being a dividend (ie, the amount equal to the Company's available subscribed capital) may still be taxable in the following circumstances:
- where gains arise to a shareholder and the shareholder is a share dealer;
  - where gains arise to a shareholder and the shares were acquired for the purpose of resale; or
  - where gains arise to a shareholder and the gains are derived from a profit-making undertaking or scheme.

- 3.5 Shareholders, including in particular those resident outside New Zealand, should obtain independent taxation advice in respect of the effect on their individual tax position.

### 4. RATIONALE FOR THE RETURN OF CAPITAL

- 4.1 The Company's "Faster, Higher, Stronger" business strategy includes a focus on being fast, efficient and effective. To be efficient, the Company needs to effectively manage its operating costs, its capital expenditure programme and have an efficient mixture of equity and debt. In order to achieve this, the Board has proposed to return capital to shareholders.
- 4.2 The Company's strong performance over the last five years, including its successful property development and retail businesses and investments in other airports, means the Company's mix of equity and debt is less efficient than it has been in the past. The capital return will improve the Company's balance of equity and debt, returning it to levels achieved in 2011.
- 4.3 The Company is committed to providing critical airport infrastructure for New Zealand and is currently investing in an important upgrade to the domestic terminal as well as planning to deliver its 30-year vision of the 'airport of the future'. The Company remains well placed to deliver on these developments even with the return of capital.
- 4.4 The Company values the funding flexibility provided by a stable A- credit rating and it is anticipated that the capital return should help retain such flexibility. This is important if the Company is to continue to invest in future growth opportunities for the benefit of its customers, Auckland and New Zealand.

### 5. FINANCIAL IMPACT OF THE RETURN OF CAPITAL

- 5.1 The impact of the return of capital on the Company's balance sheet (using 30 June 2013 figures) can be illustrated as follows:<sup>2</sup>

As at 30 June 2013	Actual (\$millions)	Adjusted to show effect of return of capital (\$millions)
Total assets	3,938.552	3,938.552
<i>Financed by:</i>		
Shareholders' equity	2,499.507	2,039.507
Term liabilities	1,232.873	1,692.873
Current liabilities	206.172	206.172
Total equity and liabilities	3,938.552	3,938.552

- 5.2 The financial information in paragraph 5.1 is intended only to illustrate how the return on capital may affect the financial structure of the Company and the return on funds employed. It is not intended to reflect the actual financial structure of the Company following the return of capital.

<sup>2</sup> The financial information set out in the table above is extrapolated from the Company's audited financial statements for the year ending 30 June 2013 and is presented in accordance with generally accepted accounting practice.

## 6. EFFECT ON SHAREHOLDERS

### Shareholder value

- 6.1 The Arrangement involves the Company's shareholders having one share cancelled for every ten shares held, and receiving a cash sum of \$3.43 for each share cancelled (approximately equal to the closing share price on the NZX immediately prior to announcement of the capital return on 28 November 2013). Fractions of a share will be rounded up to the nearest whole number.
- 6.2 An example of its effect for a shareholder holding 10,000 shares is set out below.

*Note: references to share prices are for illustrative purposes only.*

	Before	After
Shares held	10,000	9,000
Share price on close of business before announcement	\$3.43	-
Assumed share price after the capital return	-	\$3.43
Value of shares	\$34,300	\$30,870
Capital return cash payment to shareholders <sup>3</sup>	-	\$3,430
Value of shares and capital return	\$34,300 <sup>4</sup>	\$34,300 <sup>5</sup>
Percentage ownership	0.000756%	0.000756%

### Directors' holdings

- 6.3 Directors of the Company and associated persons of Directors who legally and/or beneficially own shares in the Company will participate in the return of capital in exactly the same way as all other ordinary shareholders of the Company. The number of shares in which Directors and/or their associated persons have relevant interests as at 31 December 2013 (including pursuant to the Company's Fixed Share Purchase Plan for Directors described below), and the dollar amounts they will receive if their holdings do not change prior to the Record Date, are noted below.

#### Shares held by Directors and/or their associated persons

	Nature of holding	Number of shares held	\$ received through capital repayment <sup>6</sup>
John Brabazon	Held personally	9,288	\$3,186.47
Richard Didsbury	Held personally	9,288	\$3,186.47
	Held legally (as trustee of Brick Bay Investment Trust)	4,384	\$1,505.77
Brett Godfrey	Held personally	8,525	\$2,925.79
Michelle Guthrie	-	-	-
James Miller	Held personally	23,098	\$7,923.30
	Beneficially owned	8,500	\$2,915.50
	Held by associated person (Sophie Miller)	531	\$185.22
Justine Smyth	Held personally	107,794	\$36,975.40
Keith Turner	Held personally	10,721	\$3,680.39
Henry van der Heyden	Held personally	9,266	\$3,179.61

- 6.4 Directors and/or their associated persons are entitled to vote on the special resolution to approve the return of capital. The Directors intend to vote their own shares in favour of the return of capital.

#### Shares under the Share Purchase Plan

- 6.5 Under the Company's Share Purchase Plan ("Share Purchase Plan"), shares in the Company are issued to, or acquired on market by, the trustees of the Share Purchase Plan ("Trustees") and are allocated to participating employees using funds lent to them by the Company. Employees repay these interest free loans over three years by way of regular deductions from their salaries. Apart from in exceptional circumstances, the length of the restrictive period during which the Trustees hold employees' shares on trust is three years. If the employee is still employed by the Company at the end of the restrictive period and has paid off the loan received, the shares are then transferred to the employee.
- 6.6 Shares held by the Trustees under the Share Purchase Plan will be subject to the Arrangement. Accordingly, one out of every ten shares held by the Trustees for each participating employee will be cancelled and participating employees will receive \$3.43 for each share cancelled. The Trustees are entitled to vote on the special resolution to approve the Arrangement.

#### Shares purchased under the Fixed Share Purchase Plan for Directors

- 6.7 Pursuant to the Company's Fixed Share Purchase Plan for Directors ("FSPP"), each Director uses 15% of fees actually payable to them to acquire shares in the Company. In order to do this, the Directors have entered into a share purchase plan agreement and appointed First NZ Capital to be the manager of the FSPP. The manager of the FSPP acquires the shares required for the purposes of the FSPP on behalf of Directors over the 20 business days commencing two days after the Company's half year and full year results announcements. Directors remain in the FSPP until one year after retirement from the Board, at which time they may dispose of shares acquired under the FSPP.
- 6.8 Shares acquired under the FSPP will be subject to the Arrangement. One out of every ten shares held by each director under the FSPP will be cancelled under the Arrangement and the directors will receive \$3.43 for each share cancelled.

#### Executive incentives under the Executive Long-Term Incentive Plan

- 6.9 The Company has issued "options" to executives under the Executive Long-Term Incentive Plan (2009) ("LTIP"). These options are not securities issued by the Company, but rather are a mechanism for calculating an element of the executive's incentive based remuneration. It is not expected that the Arrangement will materially affect options issued under the LTIP (as these options are cash-based) and therefore no alterations to the LTIP will be made.

## 7. FURTHER INFORMATION

- 7.1 Shareholders who have any questions about the effect of the Arrangement on their investment should consult their financial advisers.
- 7.2 Copies of the Court documents filed in relation to the Arrangement and the initial Court orders are available on the website [www.aucklandairport.co.nz/en/Corporate/Investors.aspx](http://www.aucklandairport.co.nz/en/Corporate/Investors.aspx). Printed copies of the Court documents will also be made available to shareholders on request to [investors@aucklandairport.co.nz](mailto:investors@aucklandairport.co.nz).

## 8. BOARD RECOMMENDATION

- 8.1 The Board unanimously recommends that shareholders vote in favour of the Arrangement.

<sup>3</sup> Subject to applicable withholding taxes.

<sup>4</sup> Shares only.

<sup>5</sup> Cash (before tax) and shares.

<sup>6</sup> Taxes may be withheld from these amounts.

## Meeting Location

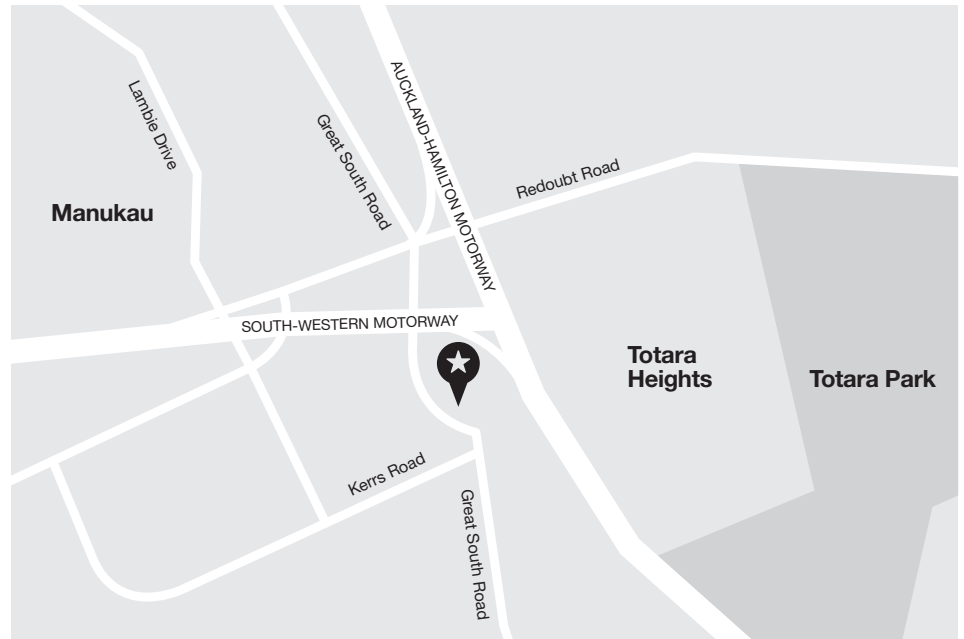
---



Genesis Theatre  
Vodafone Events Centre  
770 Great South Road, Manukau,  
Auckland



Wednesday, 12 February 2014  
commencing at 2pm.



# Arrangement Document

---

## Arrangement pursuant to Part XV of the Companies Act 1993

**BETWEEN:** Auckland International Airport Limited and the holders of ordinary shares in Auckland International Airport Limited

### 1. INTERPRETATION

1.1 In this document, unless the context otherwise requires:

**“Auckland Airport”** means Auckland International Airport Limited.

**“Business Day”** means a day on which the stock exchange operated by NZX is open for trading.

**“Record Date”** means 7 April 2014, or the 10th Business Day after the date on which the final order from the High Court of New Zealand is made pursuant to section 236(1) of the Companies Act 1993 sanctioning the arrangement, whichever is the latest.

**“Share”** means an ordinary share in Auckland Airport.

**“Shareholder”** means each person who is registered in the share register of Auckland Airport as the holder of a Share at 5.00 pm on the Record Date.

### 2. ARRANGEMENT

2.1 One Share for every ten Shares registered in the name of each Shareholder at 5.00 pm on the Record Date shall be cancelled (together with all the rights attaching to those shares). For this purpose, fractions of a Share shall be rounded up to the nearest whole Share.

2.2 Within 10 Business Days after the Record Date, Auckland Airport shall pay to each Shareholder \$3.43 for each Share registered in the name of the Shareholder which has been cancelled in accordance with clause 2.1.