

Price setting disclosure

July 2017 – June 2027



Adrian Littlewood
Chief Executive

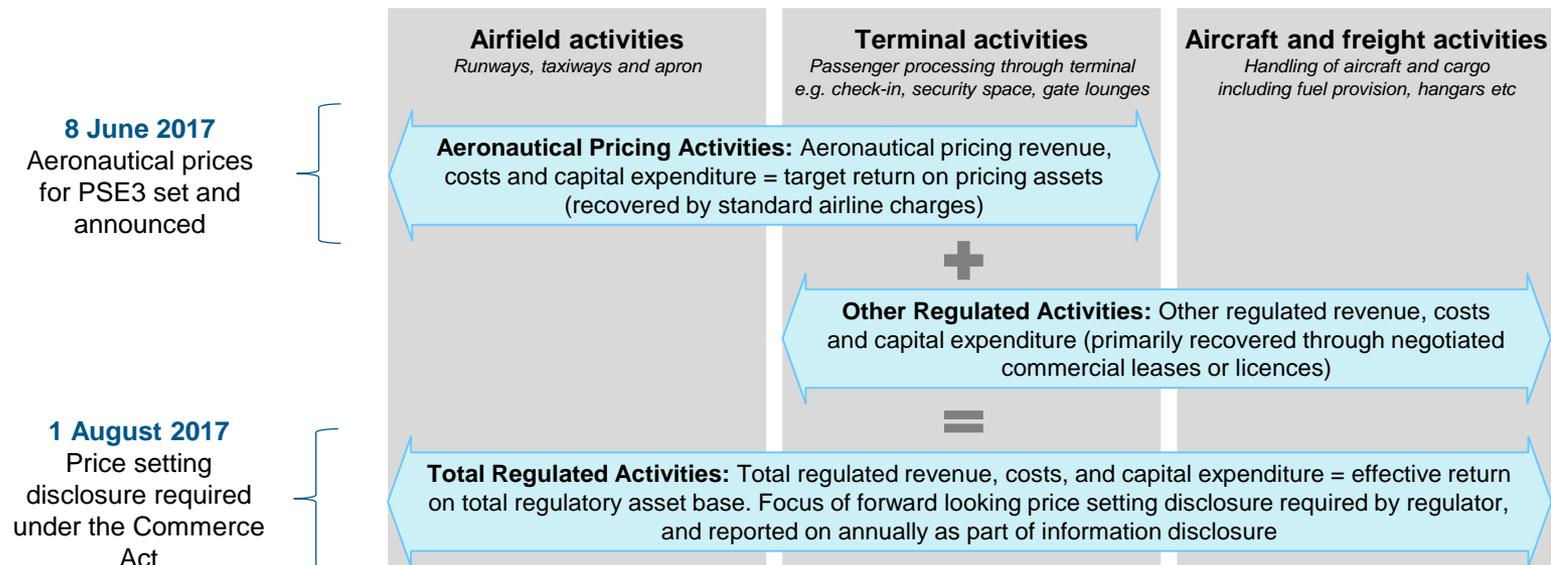
Philip Neutze
Chief Financial Officer

Background

2017

Price setting disclosure

- Under the Airport Services Information Disclosure Determination 2010, Auckland Airport is required to provide information that relates to the setting of prices for PSE3
- Consistent with our approach in 2012, this presentation summarises key financial and operational information for both PSE3 and PSE4 for Auckland Airport's **Total Regulated Activities**



- 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 Price Setting Disclosure also released on 1 August 2017

Our strategy



Executive summary

2017

Price setting disclosure

Total Regulated Activities capex and demand forecasts

- Total Regulated Activities capital expenditure in 2017 dollars of:
 - \$1.9b in PSE3 comprising \$1.8b Aeronautical Priced Activities and \$0.1b Other Regulated Activities
 - \$1.8b in PSE4 if second runway proceeds per base case, \$1.0b if deferred
- Greater certainty regarding PSE3 than PSE4 projects which are in earlier stages of design
- Optimisation of PSE4 projects timing and cost remains a priority
- Regulated asset base of \$1.1b in FY16* is forecast to more than double in the next five years to \$2.3b and increase to \$3.6b in FY27
- Steady growth in passengers forecast over the next 10 years. International (ex. transit) growth of 4.1% in PSE3 and 3.8% p.a. in PSE4. Domestic growth of 2.8% in PSE3 and 2.9% p.a. in PSE4

Long term funding and capital management update

- Committed to dividend policy of paying ~100% of underlying NPAT and committed to retaining an A- credit rating
- Balance sheet support may be required towards the end of PSE3, but this is subject to a number of future uncertainties. Auckland Airport will take action prudently ahead of financial triggers

Total Regulated Activities aeronautical revenue and returns

- Forecast Aeronautical Pricing revenue of \$1.7b and target return of 6.99%. Total Regulated Activities revenue of \$1.8b in PSE3 and target return of 7.06%

Price setting disclosure approach

Disclosure process and approach

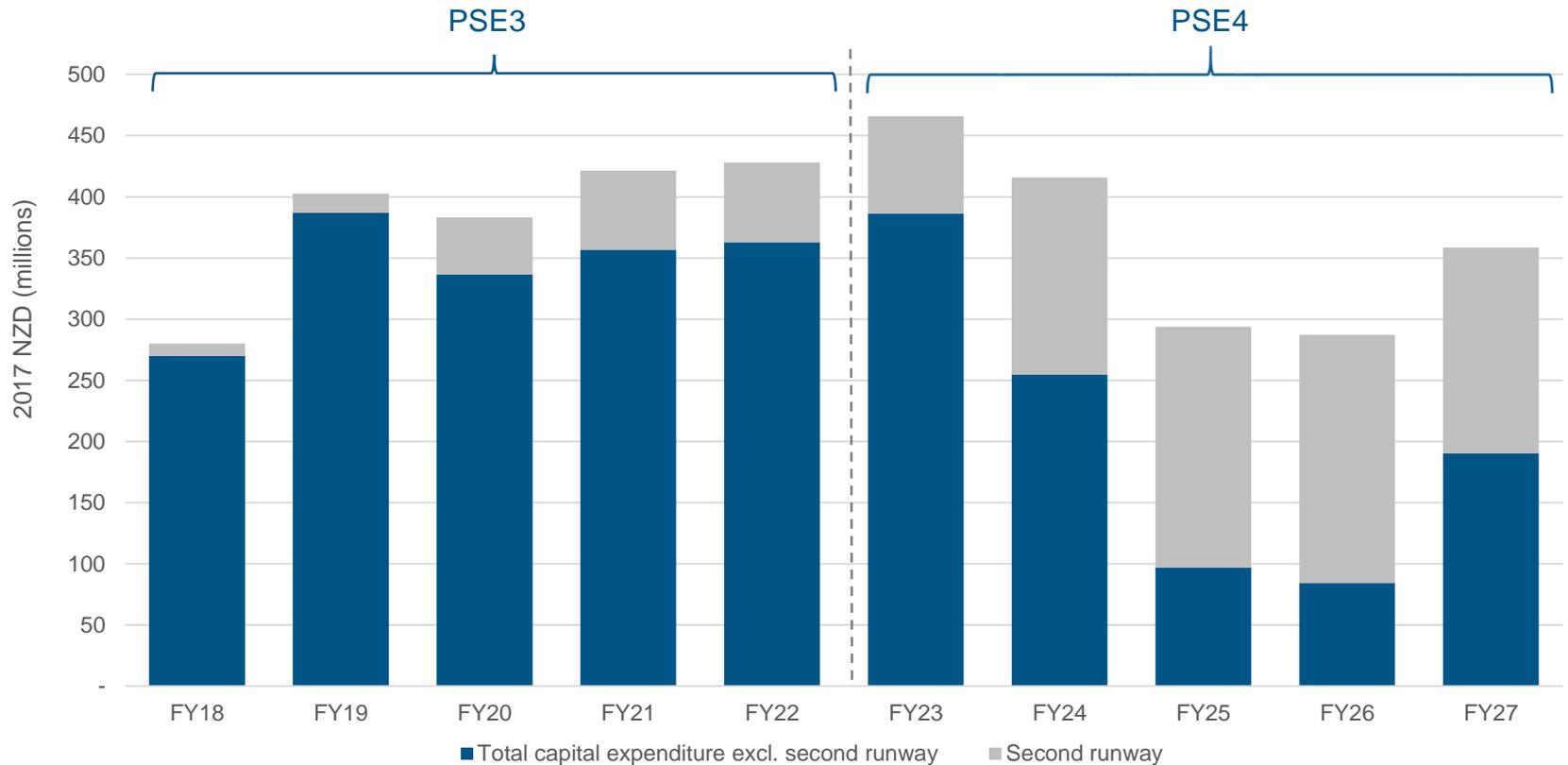
- As in PSE2, our first presentation (8 June) focused on Aeronautical Pricing Activities. This Price Setting Disclosure provides additional details for Total Regulated Activities

Forward looking statements and forecasts

- Inherent risk that actual aircraft and passenger demand will depart from forecast demand over this long forecast period
- Capital expenditure forecasts are long-dated. Assumptions informing the forecasts will likely change during the forecast period
- Based on past experience, we expect the FY23-27 capital plan will require ongoing review ahead of PSE4 to reflect the material capacity being delivered over the next five years and changes in industry conditions, fleet mix, business models and technologies
- The FY23-27 capital plan will be consulted on in detail with our substantial customers in five years' time during the PSE4 pricing consultation

Overview of PSE3 and PSE4 capex (real\$)

Total Regulated Activities capex by year (2017 \$)*

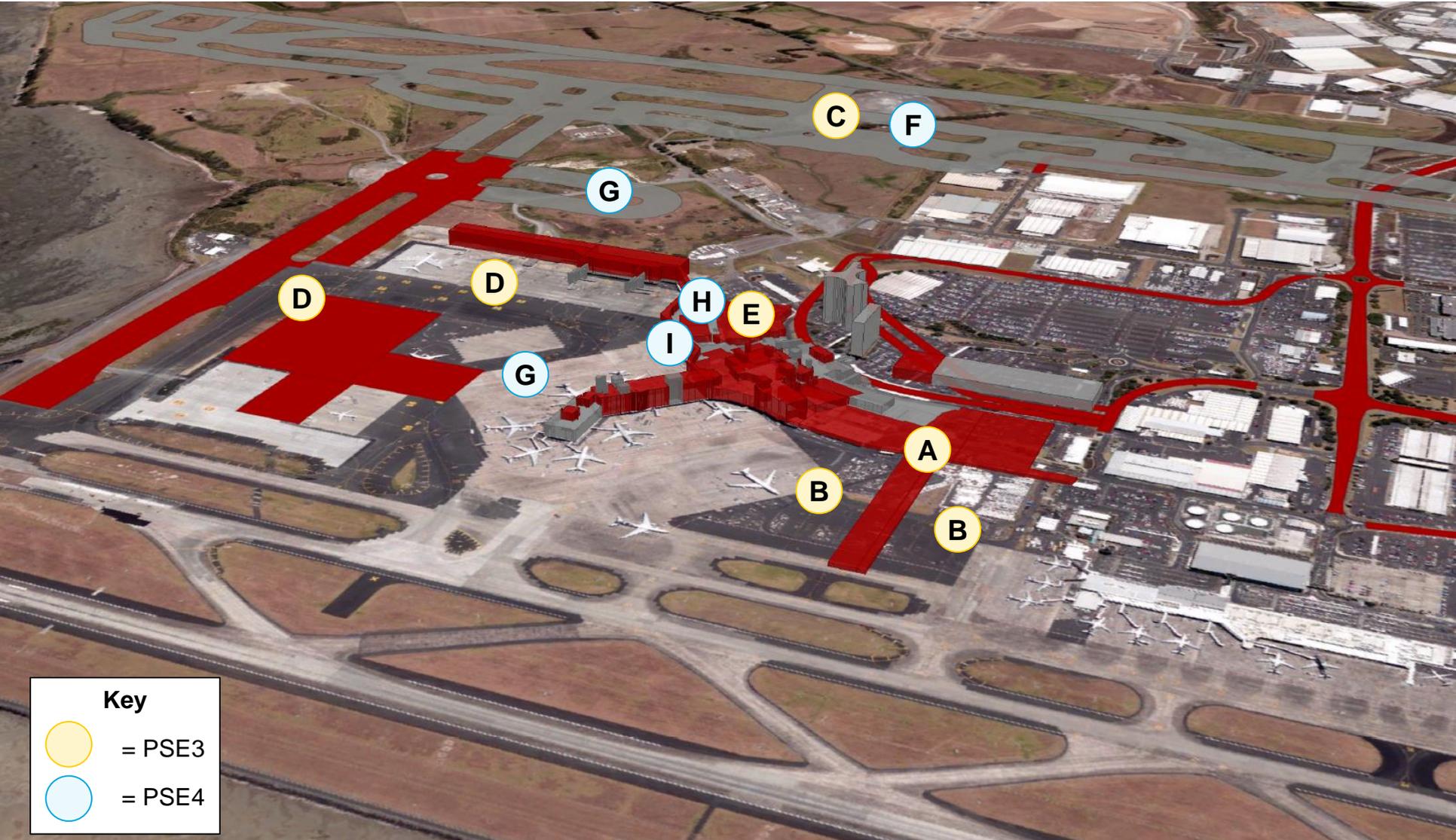


- PSE4 capex of \$1.8b if second runway proceeds per base case, \$1.0b if second runway is deferred

Significant projects

2017

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Reflects Auckland Airport's 2014 Master Plan and indicative location of significant upcoming projects for illustration purposes only

PSE3 key projects (real\$)*

2017

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A) Domestic jet terminal (\$477m)

- New facility for domestic jet services co-joined to the existing international terminal. First phase commissioned at the end of PSE3, but only reflected in aeronautical prices from PSE4

B) Codes B/C/E aircraft taxiway, stands and aprons (\$215m)

- Existing facilities will be relocated and Codes B/C/E aircraft** capable apron, taxiways and stands (20) built by the new domestic jet terminal

C) Second runway (\$202m)

- Earthworks are estimated to start between FY20 and FY21, as soon as practical after the Notice of Requirement and additional council consents are confirmed

D) Code F aircraft taxiway, stands and aprons (\$163m, \$151m)

- Construction of one new Code F aircraft** taxiway, stands and aprons, pier buildings and connections, including three new Code F contact stands in late 2017, early 2018 and 2020 respectively

E) Check-in, outbound baggage, landside dwell; Stage 1 Arrivals (\$136m, \$102m)

- Expansion of international check-in, public dwell, border processing (MPI) area to improve processing and reduce passenger queuing time. Staged delivery through to 2022

* Including Aeronautical Pricing Activities and Other Regulated Activities

** Code B/C/E wingspan >15m but <65m e.g. B737, A320), Code F aircraft wingspan >65m but <80m e.g. A380, A350 XWB & B787-900)



PSE4 key projects (real\$)*

2017

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F) Stage 1 of the second runway (\$808m**)

- Earthworks and construction of first 2,265m stage of the second runway, operational by FY28

G) Code F aircraft taxiway, stands and aprons (\$300m**)

- Construction of fully serviced MARS Code F aircraft stands (8) and associated apron and taxiway infrastructure. Five on the north side of Pier B in FY23 & FY24, plus three further north in FY24
- Realignment and reconfiguration of Taxiway Kilo, stands 78 and 79 in FY23 to provide space to the east of Taxiway Kilo to enable the build of Wedge Stage 1

H) Stage 2 Arrivals (\$119m**)

- Following completion of Stage 1 arrivals work in PSE3, expansion of the international terminal baggage reclaim hall including three new Code F baggage reclaim conveyors, delivery in FY24

I) Airside emigration & dwell (\$117m**)

- Staged delivery of a wedge shaped extension airside between Pier A and Pier B, which will increase baggage and dwell
- Stage 1 delivery in FY23, stage 2 in FY27

PSE3 Total Regulated Activities revenue (nominal\$)

2017

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NZ\$ 000's	FY18	FY19	FY20	FY21	FY22
Forecast Total Regulated Activities disclosure revenue:					
Forecast revenue (\$/pax x number of pax) incl. check-in, landing & passenger charges	302,912	316,910	329,482	370,898	389,697
Landing charges for freighters (no passengers)	3,742	3,656	3,645	3,635	3,632
Less Runway Land Charge revenue (treated separately to other revenue)	-	-	-	(25,254)	(26,057)
Forecast revenue from airport activity charges	306,654	320,566	333,127	349,279	367,273
Forecast lease, rental, concession and other income (applicable to the price setting event)	3,446	3,633	3,830	4,038	4,259
Forecast pricing revenue	310,100	324,198	336,957	353,318	371,531
Lease, rental and concession income (not applicable to the price setting event)	24,257	26,338	28,320	29,375	30,254
Forecast Total Regulated Activities disclosure revenue	334,356	350,537	365,277	382,692	401,786
Forecast annual disclosure revenue split (as per schedule 2a)*:					
Airfield (incl. landing and parking charges)	123,341	128,595	132,403	136,301	140,687
Passenger Service Charges (excl. check-in)	180,125	187,645	197,416	209,835	222,996
Lease, rental and concession income (incl. check-in)	30,891	34,297	35,458	36,556	38,102
Net operating revenue (excluding Runway Land Charge)	334,356	350,537	365,277	382,692	401,786

Total Regulated Activities capex by year (real\$)*

2017

Price setting disclosure

2017 \$millions	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	PSE3	PSE4
Airfield												
Code B/C/E taxiway, stands and aprons (Phase 5)	5	58	73	79	-	27	-	-	-	-	215	27
Code F taxiway, stands and aprons	10	5	2	50	95	175	126	-	-	-	163	300
Airfield Utilities	8	17	4	1	1	1	1	2	2	6	31	12
Terminal												
Airside emigration & dwell (Incl. Phase 3)	47	19	1	-	-	22	-	-	0	95	66	117
Arrivals (Incl. Phase 6)	19	35	35	0	12	34	49	36	-	-	102	119
Check in, outbound baggage & landside dwell (Phase 6)	11	1	5	30	88	25	-	-	-	-	136	25
Domestic jet terminal (Phase 5)	33	119	110	129	86	36	28	0	1	1	477	65
Domestic terminal extension of life	-	10	10	-	-	4	-	-	-	-	21	4
Pier buildings / connections (Inc. Phase 4)	69	45	37	-	-	-	-	21	41	41	151	103
Ground transport centre / plaza												
Ground transport centre / plaza	1	0	0	13	22	6	3	-	-	-	36	9
Transport												
Terminal roads	7	7	8	6	2	4	3	-	-	-	29	6
Arterial roads	10	16	9	10	20	17	9	3	6	15	66	51
Other												
Utilities	3	9	8	5	2	2	3	3	2	1	27	11
BAU Aero	14	10	11	10	9	10	10	10	10	10	54	49

Total Regulated Activities capex by year (real\$)*

2017

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2017 \$millions	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	PSE3	PSE4
Other cont'd												
Runway slab replacement & airbridge works	10	10	10	10	10	9	9	9	9	9	48	43
Other	23	25	13	14	17	15	15	14	14	12	91	70
Total Regulated Activities capital expenditure excl. second runway	270	387	337	357	363	386	255	97	84	190	1,713	1,013
Second runway	10	15	47	65	65	79	161	197	203	168	202	808
Total Regulated Activities capital expenditure (Real 2017 \$m)	280	402	383	421	428	466	416	294	287	358	1,915	1,821

Figures are rounded for presentation purposes

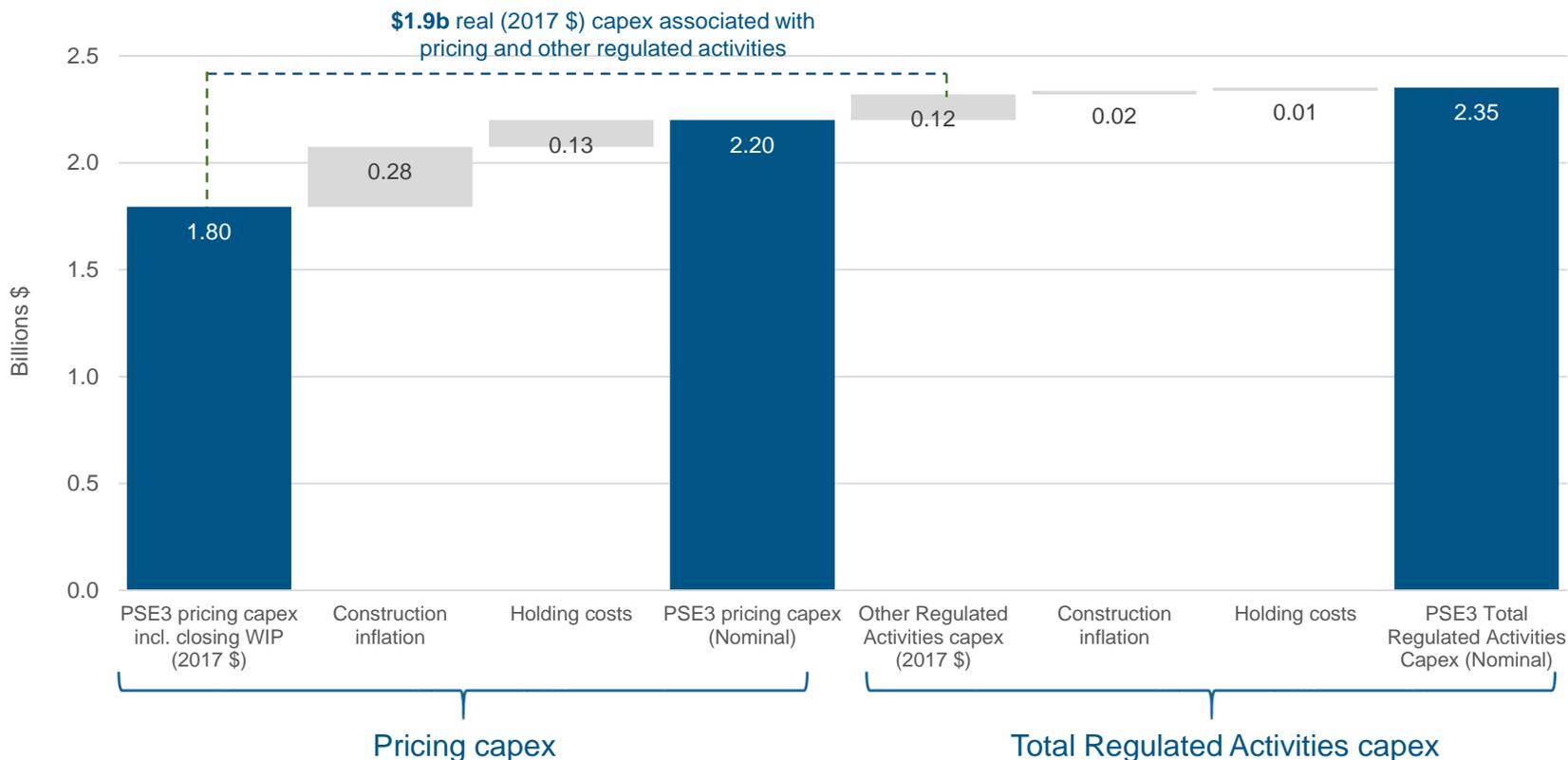
- 8 June presentation focused on PSE3 capex for Aeronautical Priced Activities, the subset of regulated investment that is funded by airline charges. The table above relates to Total Regulated Activities for both PSE3 and PSE4 including Other Regulated Activities

PSE3 Total Regulated capex bridge (nominal\$)

2017

Price setting disclosure

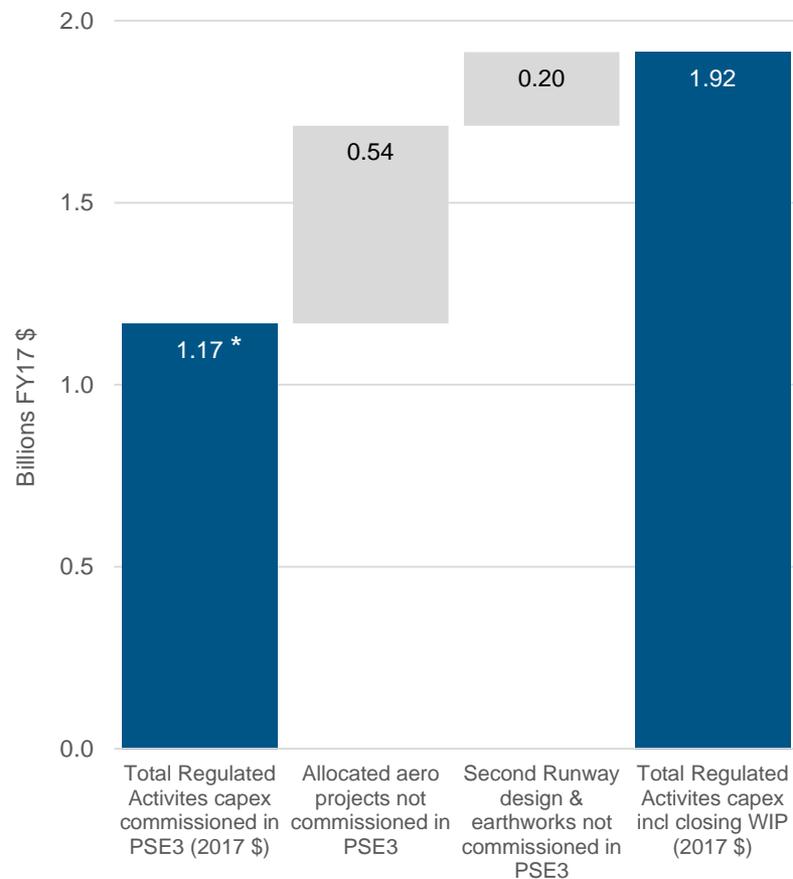
\$1.9b Total Regulated Activities capex in PSE3 (nominal \$)



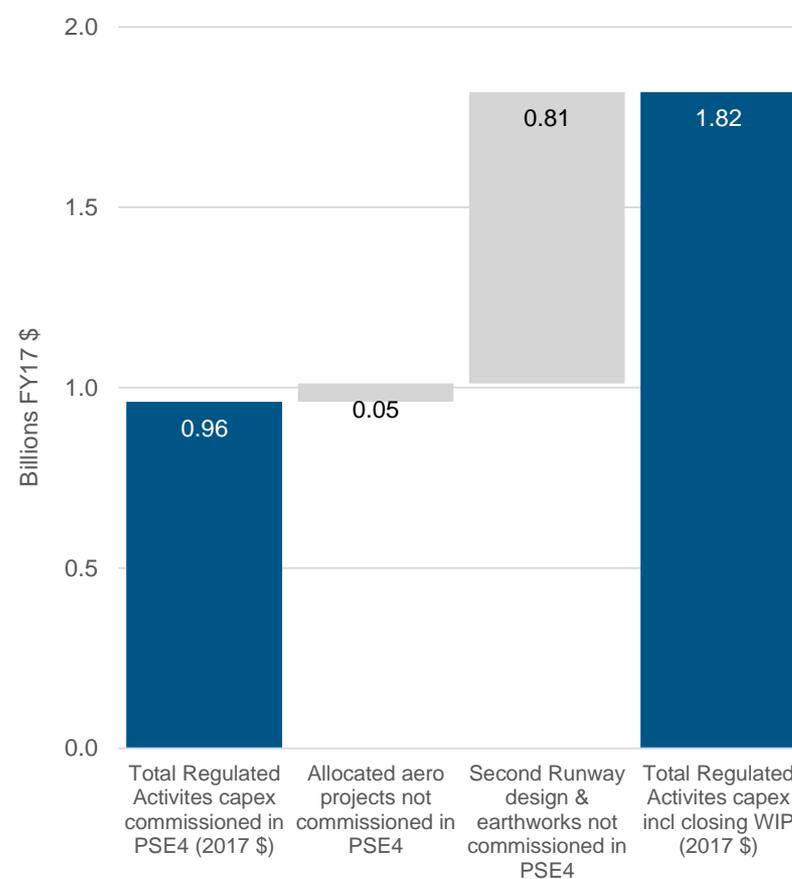
- **Total Regulated Activities Capex (nominal)** includes: construction inflation, holding costs and **Other Regulated Activities Capex** (e.g. airfield fuel utilities, VIP lounges, hangars, cargo handling equipment, leased office space etc)
- Refer to appendix to this presentation for reconciliation of Aeronautical Priced Activities to Total Regulated Activities capital expenditure

Total Regulated capex commissioned (real\$)

PSE3 Total Regulated Activities capex (2017 \$)



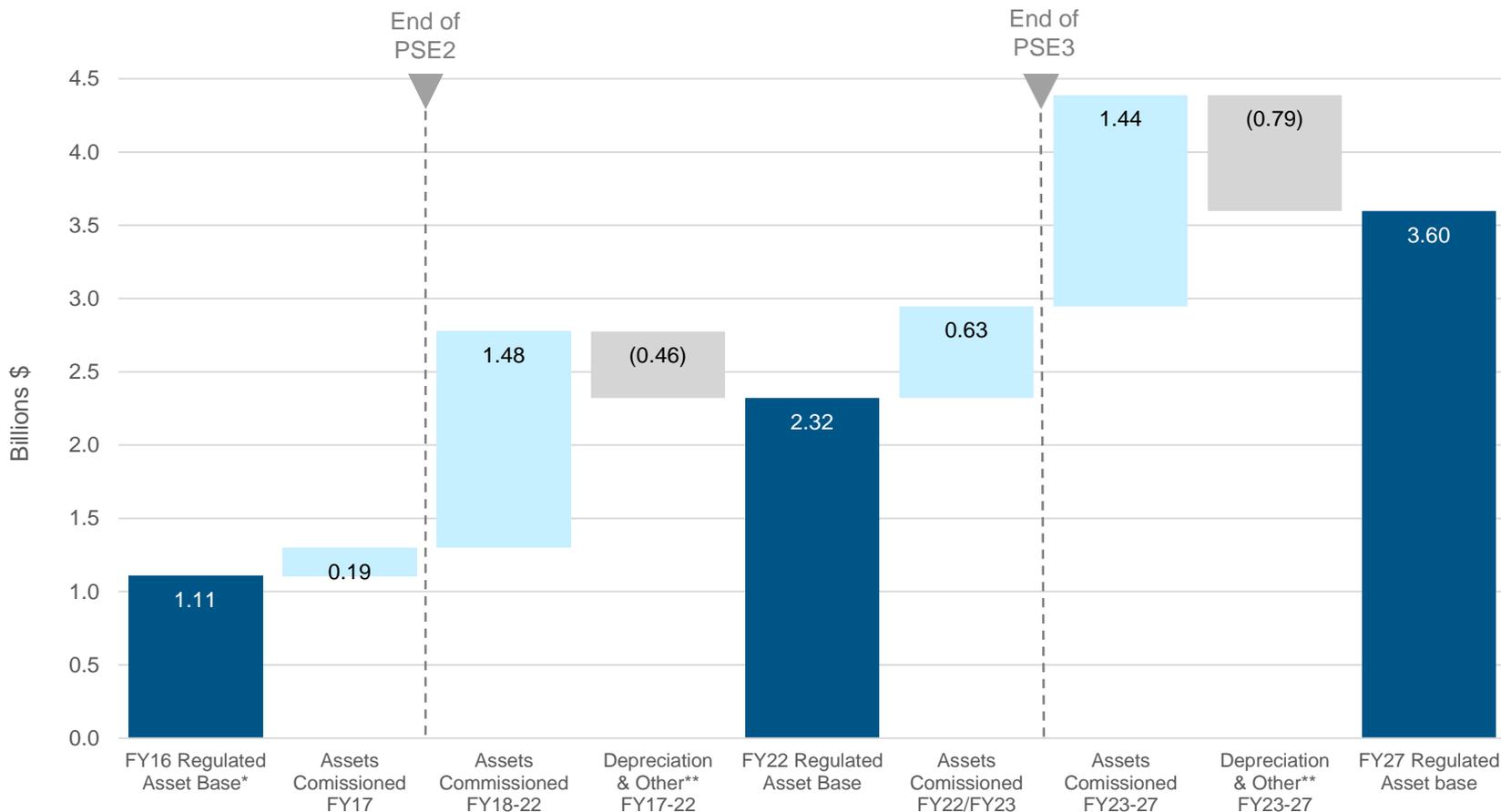
PSE4 Total Regulated Activities capex (2017 \$)



*Additional \$50m versus left column of page 9 of 8 June aeronautical pricing presentation reflects commissioned capex on Other Regulated Activities.

Forecast Total Regulated aero asset base (nominal\$)

Forecast total regulated PSE3 and PSE4 aero asset base (nominal \$)



- Regulated asset base is forecast to more than double in the next five years and treble by FY27 relative to today. Key sensitivity is the second runway development timing and cost

*FY16 Regulated asset base restated to reflect moratorium on revaluations

**Other includes disposals, revaluations and changes in asset allocations



Long term funding and capital management

Credit rating and dividend policy

- Auckland Airport is committed to its long term A- corporate credit rating from Standard & Poor's
- There is no intention to change dividend policy of paying ~100% of underlying NPAT

Capital management

- Auckland Airport will continue to efficiently raise debt funding from a mix of both domestic and offshore markets to fund the majority of the capital expenditure programme
- Balance sheet support may be required towards the end of PSE3, subject to a range of uncertainties
- Auckland Airport will take action prudently ahead of financial triggers
- The company has a number of capital management levers available including the DRP, equity raising, subordinated debt, asset sales and joint asset ownership

Investor calendar

2017

Price setting disclosure

23 August 2017	<ul style="list-style-type: none">• 2017 annual results announcement
26 October 2017	<ul style="list-style-type: none">• Annual meeting
Mid November 2017	<ul style="list-style-type: none">• Investor day
Late November 2017	<ul style="list-style-type: none">• 2017 annual disclosures
Late 2017 / Early 2018	<ul style="list-style-type: none">• Commerce Commission review of pricing decision

Questions



Important Notice and Glossary

Disclaimer

This document has been prepared for the sole 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.

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 forecast aircraft and passenger demand (which is based on third party information) departs from actual 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 forecasts themselves, 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 the document will be subject to a review by the Commerce Commission, who will publish a summary and analysis report in accordance with the Commerce Act 1986.

To the maximum extent permitted by law, Auckland Airport will not be liable (within tort (including negligence) or otherwise) to any person in relation to this presentation, including any error in it.

Glossary

AIAL	Auckland International Airport Limited
Capex	Capital expenditure
Code B/C/E	Aircraft with wingspan >15m but <65m e.g. B737, A320
Code F	Aircraft with wingspan >65m but <80m e.g. A380, A350 XWB & B787-900
DRP	Dividend reinvestment plan
MARS	Multiple Access Ramp System contact stand
MCTOW	Maximum Certified Take-Off Weight
NPAT	Net Profit after tax
RAB	Regulated Asset Base
PAX	Passenger
PSE2	FY13-FY17
PSE3	FY18-FY22
PSE4	FY23-FY27
RLC	Runway Land Charge

Appendix



PSE4 Pricing volume assumptions*

2017

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Financial year ending 30 June	Metric	FY23	FY24	FY25	FY26	FY27
Aircraft Volumes						
Aircraft less than 6 tonnes	Landings	4,255	4,288	4,319	4,349	4,402
Aircraft greater than 6 tonnes but less than 40 tonnes	Tonnes (000's)	688	706	725	744	764
Aircraft 40 tonnes and higher	Tonnes (000's)	8,619	8,875	9,143	9,422	9,699
Passenger Volumes						
International excl. transits	Pax (000's)	12,385	12,852	13,343	13,857	14,389
Transits	Pax (000's)	807	833	860	889	918
Domestic Trunk	Pax (000's)	7,222	7,415	7,616	7,825	8,039
Domestic Regional	Pax (000's)	2,930	3,023	3,120	3,221	3,325
Total passengers	Pax (000's)	23,344	24,123	24,939	25,792	26,671

- Econometric-based volume forecasts sourced from independent experts (DKMA and informed by airline feedback)
- DKMA forecast used for capital planning and to inform estimated second runway timing

PSE3 Priced to Total Regulated Activities capex

2017

Price setting disclosure

2017 \$millions	PSE3 Priced (8 June investor presentation)	Reclassifications*	PSE3 Other Regulated Activities	PSE3 Total Regulated Activities
Airfield				
Code B/C/E taxiway, stands and aprons (Phase 5)	215.2		-	215.2
Code F taxiway, stands and aprons	161.1		1.5	162.5
Airfield Utilities	-		31.1	31.1
Terminal				
Airside emigration & dwell (Incl. Phase 3)	59.9		5.8	65.7
Arrivals baggage reclaim & dwell	7.2	(7.2)	-	-
Check in, outbound baggage & landside dwell (Phase 6)	136.0		-	136.0
Domestic jet terminal (Phase 5)	401.5		76.0	477.4
Domestic terminal extension of life	20.6		-	20.6
Arrivals (Incl. Phase 6)	89.6	12.2	-	101.8
Pier buildings / connections (Inc. Phase 4)	153.1	(5.1)	2.9	150.9
Ground transport centre / plaza				
Ground transport centre / plaza	36.2		-	36.2
Transport				
Terminal roads	28.9		-	28.9
Arterial roads	66.2		-	66.2
Other				
Utilities	28.9	(2.3)	0.7	27.3
BAU Aero	53.5		0.3	53.8
Runway slab replacement & airbridge works	48.5		-	48.5
Other	86.6	2.3	1.8	90.7
Total capital expenditure excl. second runway	1,592.8	-	119.9	1,712.7
Second runway	202.4		0.0	202.4
Total capital expenditure (Real 2017 \$m)	1,795.2	-	119.9	1,915.1

Assets commissioned to the RAB

2017

Price setting disclosure

\$millions	PSE3 Aeronautical Pricing	PSE3 Other Regulated	PSE3 Total	PSE4 Aeronautical Pricing	PSE4 Other Regulated	PSE4 Total	PSE3 + PSE4 Total
Capex (2017 \$)	1,795	120	1,915	1,778	43	1,821	3,736
Construction Inflation	281	17	298	697	17	714	1,012
Holding Costs (WACC Capitalisation)	125	14	140	362	2	363	503
Opening WIP	129	10	139	389	2	391	139
Closing WIP	(389)	(2)	(391)	(1,842)	(7)	(1,849)	(1,849)
Commissioned end of FY22 / beginning of FY23	(523)	(102)	(625)	523	102	625	-
Assets Commissioned	1,418	57	1,475	1,907	158	2,065	3,541