

# Auckland International Airport Limited

Craigs Investment Partners  
Company Update  
10 May 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.



# Evolution of our growth strategy

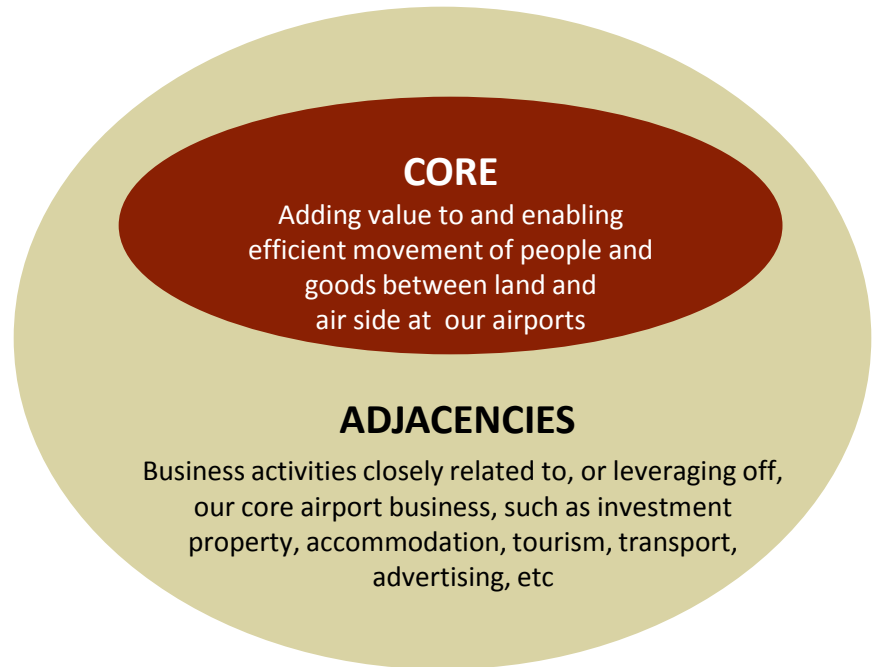
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**Our vision is to build a great New Zealand business recognised as a world leader in creating value from modern airports**

**Vision statement refined to reflect our clear airport focus in line with our core competencies.**

**Reflects today's reality of our interests in four airports.**

**Core competencies enable the business to add value to the movement of people and goods at our airports and to further leverage this through adjacent business activities.**



# Focus of our growth plan

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**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 to grow dividends for shareholders.**



# To deliver strong financial outcomes

	6 months to 31 Dec 2010	Growth over prior corresponding period (%)
Revenue (\$m)	198.2	8.7
Earnings before interest, tax, depreciation, fair value adjustments and investment in associates (EBITDAFI) (\$m)	151.0	9.2
Underlying profit after tax (\$m)	61.5	14.0
Earnings per share (cps)	5.0	13.6
Dividend cents per share (cps)	4.0	6.7
Total dividend paid (\$m)	52.7	7.9

**Our growth strategy, underpinned by a strong balance sheet, aims to deliver growing revenue and profit performance, to increase earnings per share and dividends per share for our shareholders.**

# 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”).

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

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

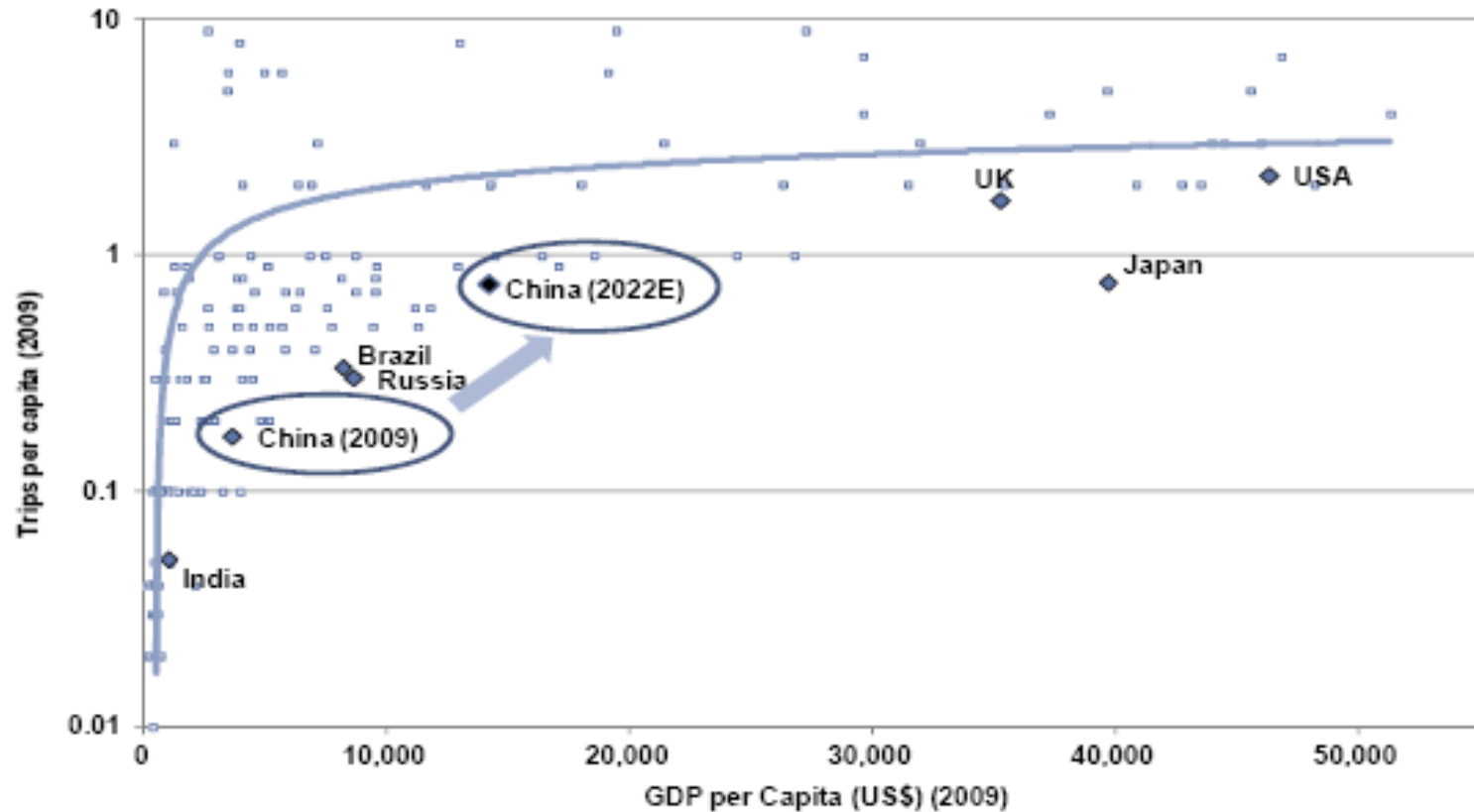
China continues to be the highest growth market with 30.1% growth in arrivals YTD March 2011.

% 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

# Our airports offer a low risk exposure to high growth markets

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



# and we are proactively developing air services

## Significant route development starting in 2011/2012

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
China Southern	Increase frequency	Auckland	Guangzhou	Oct-11	90,000
Air NZ	Increase frequency	Auckland	Beijing, Shanghai	Dec-11	17,000
Continental	New service	Auckland	Houston	2012	138,000
<b>Total new services from Auckland in the next 12 months</b>					<b>846,000</b>
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
<b>Total new services from Cairns in the next 12 months</b>					<b>387,000</b>



# Impact of RWC 2011 on growing international passenger numbers

A total of 85,000 international visitors are specifically expected for RWC 2011

Visitors will generate more than one arrival as some visitors fly in and out multiple times for matches

Maximum of 43,000 visitors in NZ at any one time

Auckland peak demand is likely to occur on the weekends of 16 – 17 October (semi finals) and 22 – 23 October (final)

Segment	Visitor Arrivals
Supporters	74,800
Visitors hosted by sponsors and suppliers	6,000
Media	2,500
Players, officials & VIP's	1,700
	85,000

*Source: Preliminary Forecasts of International Visitor Activity in New Zealand during Rugby World Cup 2011 by Ministry of Economic Development dated March 2010*

Auckland Airport natural market share (two way movements)	120,000
Rolling 12 month international passengers to Feb 2011	7,680,630
Growth attributable to RWC 2011	1.6%

# Passenger update – March 2011

Total international passenger volumes held firm post the Christchurch and Japan earthquakes, increasing by 1.4% in the month of March contributing to 4.8% growth year to date. Significant growth continued in China and India, and Jetstar Asia also commenced flights to Singapore in March 2011.

Domestic passengers were up 0.9% year to date to March 2011 with decreased seat capacity over March 2010 due to the withdrawal of Pacific Blue. The current domestic carriers (Air NZ and Jetstar) both experienced passenger volume growth.

Queenstown Airport and Cairns Airport both maintained strong growth in March 2011 with year to date international passenger growth of 49.1% in Queenstown and 25.5% in Cairns.

	March 2011 Financial Year to Date	Growth over prior corresponding period (%)
<b>Auckland Airport</b>		
International passengers	5,982,087	↑ 4.8%
Domestic passengers	4,621,047	↑ 0.9%
China arrivals	102,447	↑ 30.1%
Japan arrivals	54,462	↑ 13.8%
India arrivals	23,105	↑ 22.7%
<b>Queenstown Airport</b>		
International passengers	135,740	↑ 49.1%
Domestic passengers	598,618	↑ 9.4%
<b>North Queensland Airports</b>		
Cairns international passengers	569,329	↑ 25.5%
Cairns domestic passengers	2,419,388	↑ 6.2%
Mackay domestic passengers	781,870	↑ 14.8%

# Outstanding retail performance

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

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

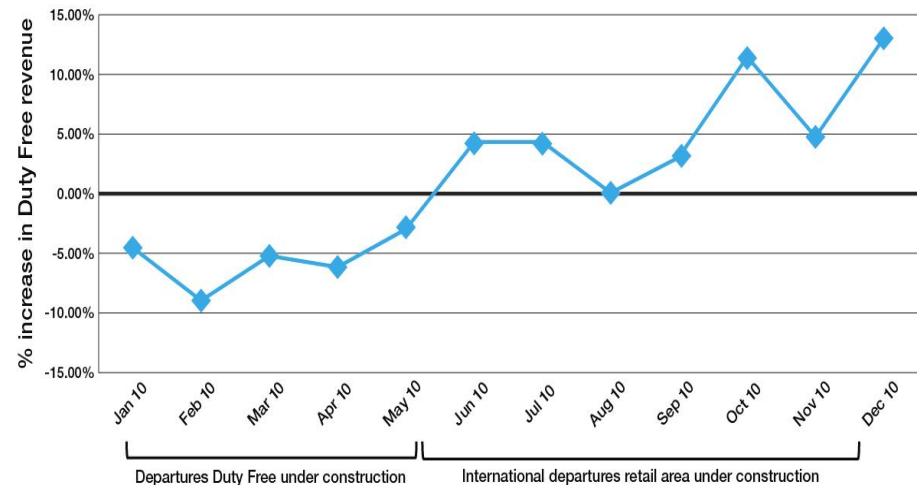
New tenants opened since January include Zarbo, KFC and Silk Road.

Significant uplift in spend in the six months to Dec 2010, with retail income up 12.9% on prior year.

Growth has continued in Q3 to March 2011. Highly confident of surpassing target retail revenue of \$105m for FY11 (FY10: \$95m).



2010 Duty Free sales - % variance to 2009



# Car parking yield management

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

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

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

**Car park revenue growth of 7.6% in the six months to Dec 2010, and we have seen this growth continue in Q3 FY2011.**

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.		



# Property development opportunities

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**Over 1,500 hectares of freehold land with over 440 hectares potentially available for commercial development.**

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

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

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

**Novotel 4+ star hotel, outside the international terminal, open for business on 27 May 2011 – bookings already taken with sold out periods over RWC.**

**New \$12.4 million, 4,965sqm warehouse and 1,780sqm office facility signed with Toll Global Forwarding to be completed by April 2012.**

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



# Accelerating property success

Project	Construction Value \$m	Auckland Airport Construction Cost \$m	Expected Completion
Aviation Security Office	5.9	5.9	Completed - July 2010
Mercedes Parts Warehouse	3.0	3.0	Completed – Feb 2011
Novotel Hotel	65.0	6.5	May 2011
DSV Air and Sea	3.8	3.8	May 2011
Aviation Travel and Training	3.5	3.5	Jun 2011
Formule 1 Hotel	15.5	15.5	Aug 2011
NZ Food Innovation Centre	7.9	7.9	Aug 2011
Quad 5: 4-level Office Building	14.3	14.3	Jan 2012
Toll warehouse and office	10.0	10.0	April 2012
<b>Total</b>	<b>128.9</b>	<b>70.4</b>	



# Changing capital allocation

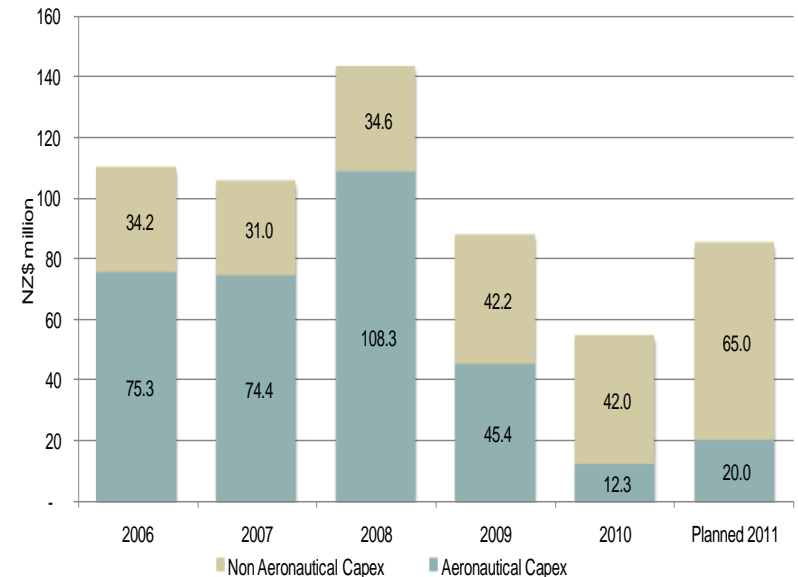
Existing international aeronautical infrastructure can accommodate significant growth in aircraft and passenger movements without further major improvements.

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 is currently strategically focussing on investments in high value property and retail development, with less investment in aeronautical activities.

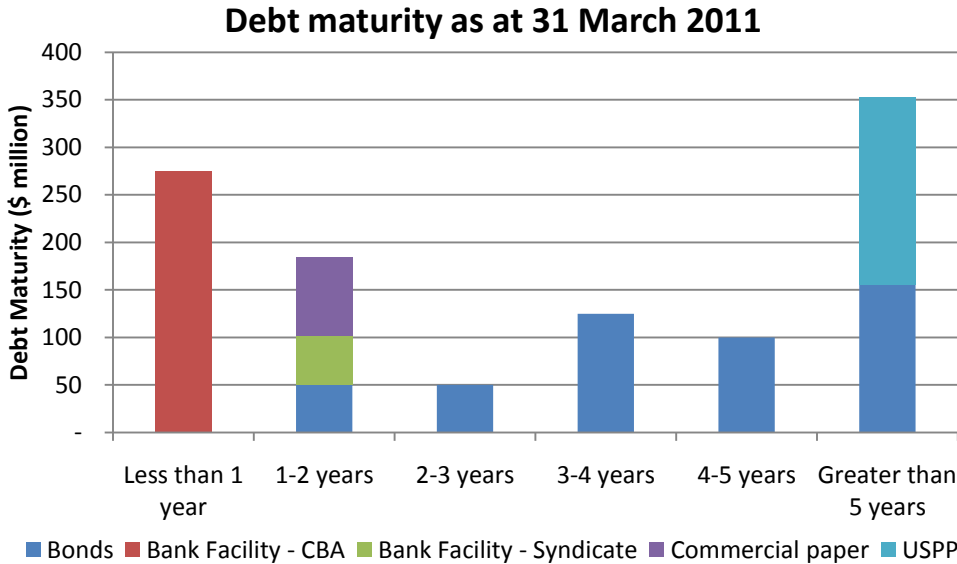
75% of the \$85 million capital investments planned for FY2011 are profit-oriented with minimal maintenance capex required.

Capital Expenditure





# Strong Balance Sheet



- Debt is based on contractual maturities at par excluding mark to market 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 after the repayment of \$125 million Bank Facility 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).

**US Private Placement (USPP) US\$150 million issuance confirmed in December 2010 – first funding occurred in February 2011 and next will occur in July 2011 to repay maturing fixed bonds.**

**Long tenors of 10 and 12 years under the USPP has extended Auckland Airport's average debt maturity to 4.34 years (as at 31 March 2011).**

**Interest expense reduced due to higher exposure to low floating interest rates while managing interest rate risk (Average interest rate 6.66% in March 2011 compared to 6.89% in March 2010).**

**Strong S&P credit rating maintained (long term A-, short term A-2).**

# Earthquake impacts manageable

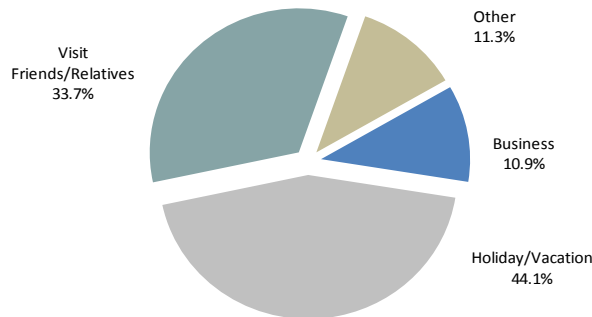
Significant impact on Christchurch and Japan, but impact on Auckland Airport, Queenstown Airport and Cairns Airport is likely to be short and relatively modest.

Impact of Japan on Cairns likely to slow the very strong growth momentum experienced this financial year.

Any adverse impact on New Zealand tourism market will be mitigated by a market response to shift travel itineraries and 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.

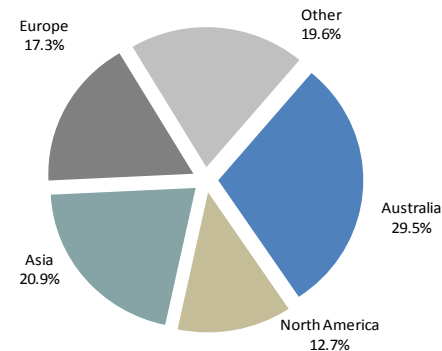
In the month of March 2011, New Zealand inbound tourist arrivals were down 11.4%, Christchurch Airport's international passenger numbers were down 22.5% but Auckland Airport's international passengers were up 1.4%, versus prior calendar period.

International Visitors by Reason 2010



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

International Visitors by Region 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.

# 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.

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

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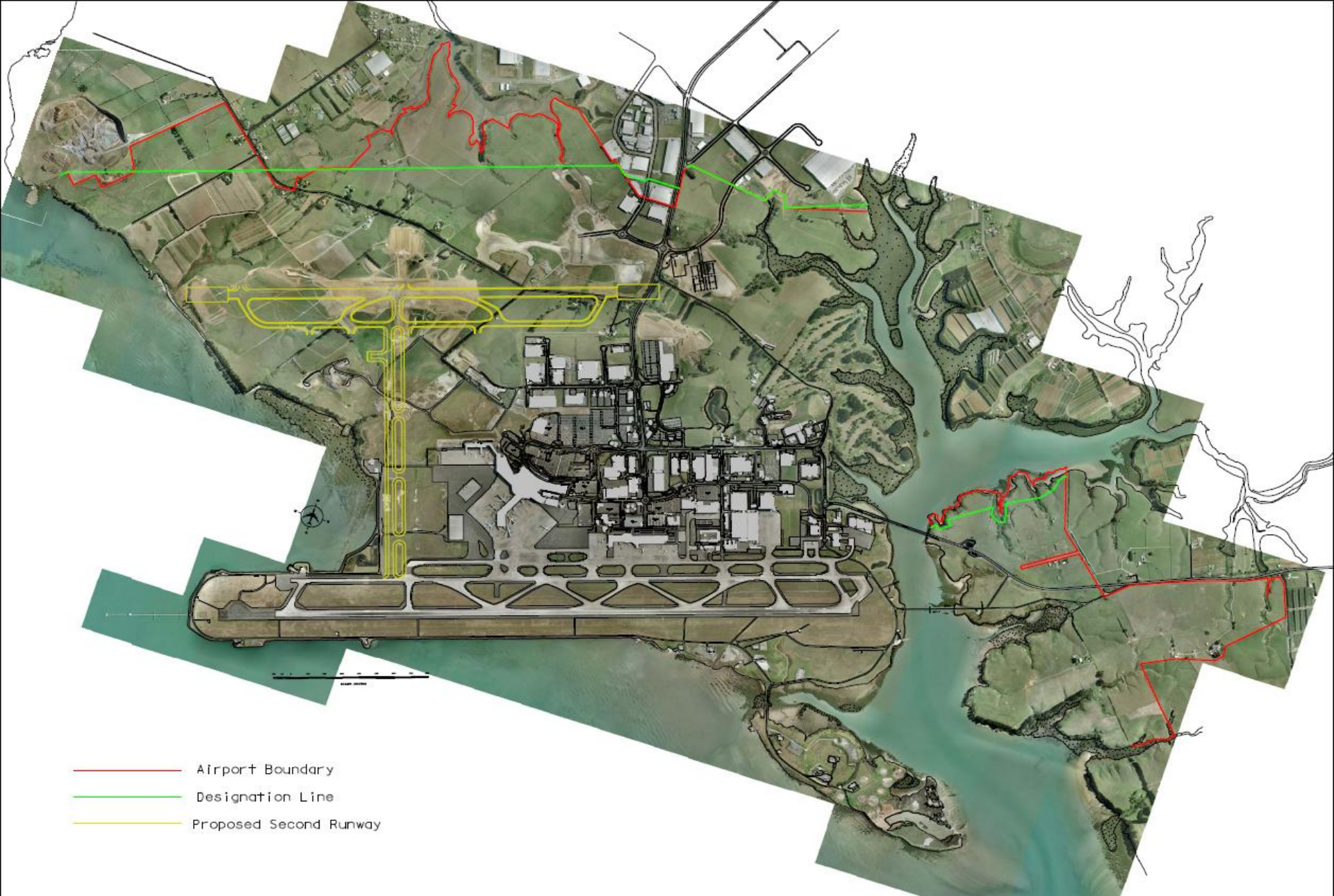
**Auckland Airport strives to balance supply with demand to optimise the efficiency of existing infrastructure and deliver additional capacity when needed.**

**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**





- Airport Boundary
- Designation Line
- Proposed Second Runway



# 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.**

