

# Annual results

12 months ended 30 June 2008

**Don Huse, CEO**  
**Robert Sinclair, CFO**



# Summary of 2008 results

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- International pax (exc. transits / transfers) +2.5%
- Domestic pax +13.2%
- Revenue \$351.0m +9.0%
- Operating EBITDA<sup>1</sup> \$275.8m +13.7%
- Cost of ownership proposals (\$9.6m) expensed
- Profit after tax \$113.0m -51.1%
- Excluding one-off items and IPP, profit after tax \$103.7m +3.3%
- Final dividend of 2.45 cps \$29.9m (total 8.20 cps)
- First full result under NZ IFRS

<sup>1</sup> Operating earnings before interest, tax and depreciation and before investment property fair value increases and ownership costs

# 2008 highlights

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- Strong growth in domestic pax volumes
- International pax volumes positive, but below trend
- Significant new capacity and facilities in place
- Recent growth capex cycle now ending
- New aeronautical and commercial pricing resets in place
- \$550m refinancing completed, strong balance sheet retained
- Significant cost and disruption from takeover activity
- Progressing key regulatory issues
- Smooth transition to new Board, CEO and senior management
- Well positioned for next stage of growth

# Ordinary dividends

	FY08	FY07
Interim – cents per share (cps)	5.75	3.75
Final cps <sup>1</sup>	2.45	4.45
Total cps	8.20	8.20
<b>TOTAL AMOUNT</b>	<b>\$100.213m</b>	<b>\$100.136m</b>
Basic earnings per share (cps)	9.24	18.91
Adjusted earnings per share (cps) <sup>2</sup>	8.49	8.23
Payout ratio <sup>3</sup>	96.6%	99.7%
Shares on issue at 30 June	1,222,295,239	1,221,690,439

<sup>1</sup> Fully imputed, books close 17 October, paid 24 October

<sup>2</sup> Earnings per share adjusted for ownership costs, fair value changes and changes in the LTI provision

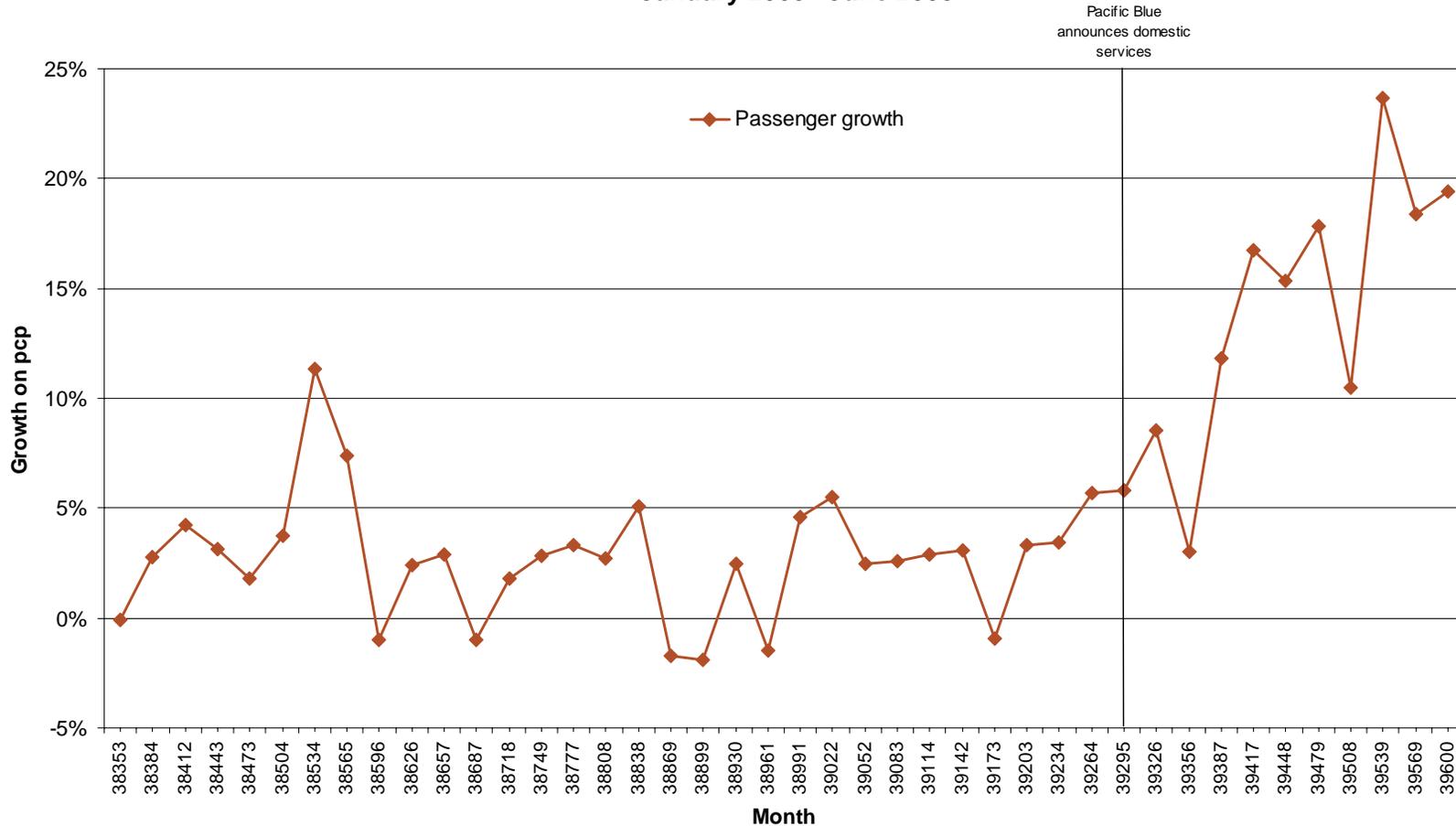
<sup>3</sup> Based on the adjusted earnings per share

# Passenger movements – FY08

	FY08	FY07	% change
International pax	6,533,285	6,373,427	+2.5
Transits and transfers	929,398	912,970	+1.8
Total international pax	7,462,683	7,286,397	+2.4
Domestic pax	5,740,089	5,068,794	+13.2
<b>TOTAL PAX MOVEMENTS</b>	<b>13,202,772</b>	<b>12,355,191</b>	<b>+6.9</b>

# Domestic passenger volumes

Monthly Domestic Passenger Growth  
January 2005 - June 2008



- Domestic airline competition has stimulated demand with domestic pax increasing by 4.7% above Pacific Blue pax

# Arriving pax at Auckland by country

Country of last permanent residence	FY08	% of total	FY07	% of total	Movement	% change
New Zealand	1,500,932	46.1	1,415,325	44.7	85,607	+6.0
Australia	536,864	16.5	514,446	16.3	22,418	+4.4
UK (incl. Ireland)	249,744	7.7	255,116	8.1	-5,372	-2.1
USA	172,225	5.3	181,700	5.7	-9,475	-5.2
China	117,528	3.6	109,285	3.5	8,243	+7.5
Japan	75,236	2.3	84,023	2.7	-8,787	-10.5
South Korea	67,743	2.1	82,300	2.6	-14,557	-17.7
Germany	45,797	1.4	43,693	1.4	2,104	+4.8
Canada	44,323	1.3	40,165	1.3	4,158	+10.4
Taiwan	18,305	0.6	24,500	0.8	-6,195	-25.3
India	22,448	0.7	20,281	0.6	2,167	+10.7
Singapore	16,563	0.5	17,645	0.5	-1,082	-6.1
Malaysia	17,409	0.5	17,895	0.5	-486	-2.7
Other	372,798	11.4	358,366	11.3	14,432	+4.0
<b>TOTAL</b>	<b>3,257,915</b>	<b>100.0</b>	<b>3,164,740</b>	<b>100.0</b>	<b>93,175</b>	<b>+2.9</b>

Source: Statistics NZ

# Northern winter schedule update

Northern winter schedule – landings per week<sup>1</sup>

Carriers	2008	2007 <sup>2</sup>	% change
NZ/Australian	294	283	+3.9
Asian	75	76	-1.3
South American	22	20	+10.0
Pacific	21	21	0.0
Others	7	7	0.0
<b>Total</b>	<b>419</b>	<b>407</b>	<b>+2.9</b>

Source: Auckland International Airport Limited. Includes schedule changes announced and declared as at 1 August 2008. Subject to change.

<sup>1</sup> From 26 October 2008 to 28 March 2009 (referred to as Northern hemisphere winter schedule 2008).

<sup>2</sup> Based on typical week, actual schedule.

# Aircraft statistics – FY08

	FY08	FY07	% change
<b>Aircraft</b>			
International movements	39,053	38,406	+1.7
Domestic movements	120,574	117,469	+2.6
<b>TOTAL AIRCRAFT MOVEMENTS</b>	<b>159,627</b>	<b>155,875</b>	<b>+2.4</b>
<b>Cargo</b>			
Cargo handled (tonnes)	220,999	224,515	-1.6
<b>MCTOW (maximum certificated take-off weight)</b>			
International (tonnes)	4,120,430	4,085,290	+0.9
Domestic (tonnes)	1,816,370	1,661,844	+9.3
<b>TOTAL MCTOW (tonnes)</b>	<b>5,936,800</b>	<b>5,747,134</b>	<b>+3.3</b>

# Financial overview

	FY08 \$m	FY07 \$m	% change
Total revenue	351.0	321.9	+9.0
Operating expenses	75.2	79.2	-5.1
Operating EBITDA	275.8	242.7	+13.7
Investment property FV	13.7	140.2	-90.2
Ownership costs	-9.6	0.0	-100.0
Total EBITDA	279.9	382.9	-26.9
Depreciation	47.0	43.2	+8.8
Interest expense	72.5	62.7	+15.6
Profit before taxation	160.4	277.0	-42.1
Taxation	47.5	46.1	+3.0
Profit after taxation	113.0	230.9	-51.1
Earnings per share (cps)	9.24	18.91	-51.1

# Operating performance

	FY08 Reported \$m	Adjustments \$m	FY08 Normalised \$m	FY08 TCS <sup>1</sup> \$m	FY07 Normalised \$m	% change FY08 vs FY07 Normalised
Revenue	351.0		351.0	341.4	321.9	+9.0
Operating expenses	75.2	4.7	79.9	73.5	69.3	+15.3
Operating EBITDA	275.8		271.1	267.9	252.6	+7.3
Investment property FV	13.7	-13.7	0.0	0.0	0.0	-
Ownership costs	-9.6	9.6	0.0	0.0	0.0	-
EBITDA	279.9		271.1	267.9	252.6	+7.3
Depreciation	47.0		47.0	47.8	43.2	+8.8
EBIT	232.9		224.1	220.1	209.4	+7.0
Interest expense	72.5		72.5	71.1	62.7	+15.6
Profit before tax	160.4		151.6	149.0	146.7	+3.3
Taxation expense	47.5	0.4	47.9	48.9	46.3	+3.5
Profit after taxation	113.0		103.7	100.1	100.4	+3.3

<sup>1</sup> Target Company Statement dated 17 December 2007, see pages 35 – 36 of the Independent Adviser's Report

# Revenue analysis

	FY08 \$m	%	FY07 \$m	% change
<b>Aeronautical</b>				
Airfield	70.1	20.0	66.3	+5.8
Passenger services charge	67.0	19.1	64.4	+4.0
Terminal services charge	22.9	6.5	21.9	+4.6
<b>Total aeronautical revenue</b>	<b>160.0</b>	<b>45.6</b>	<b>152.6</b>	<b>+4.9</b>
<b>Non-aeronautical</b>				
Retail	103.4	29.5	93.7	+10.3
Rental	40.2	11.5	33.3	+20.9
Car parks	29.3	8.3	25.9	+13.0
Utilities and general	16.6	4.7	14.5	+14.1
Interest	0.5	0.1	1.0	-47.7
Associated companies	1.0	0.3	0.9	+16.3
<b>Total non-aeronautical revenue</b>	<b>191.0</b>	<b>54.4</b>	<b>169.3</b>	<b>+12.8</b>
<b>TOTAL REVENUE</b>	<b>351.0</b>	<b>100.0</b>	<b>321.9</b>	<b>+9.0</b>

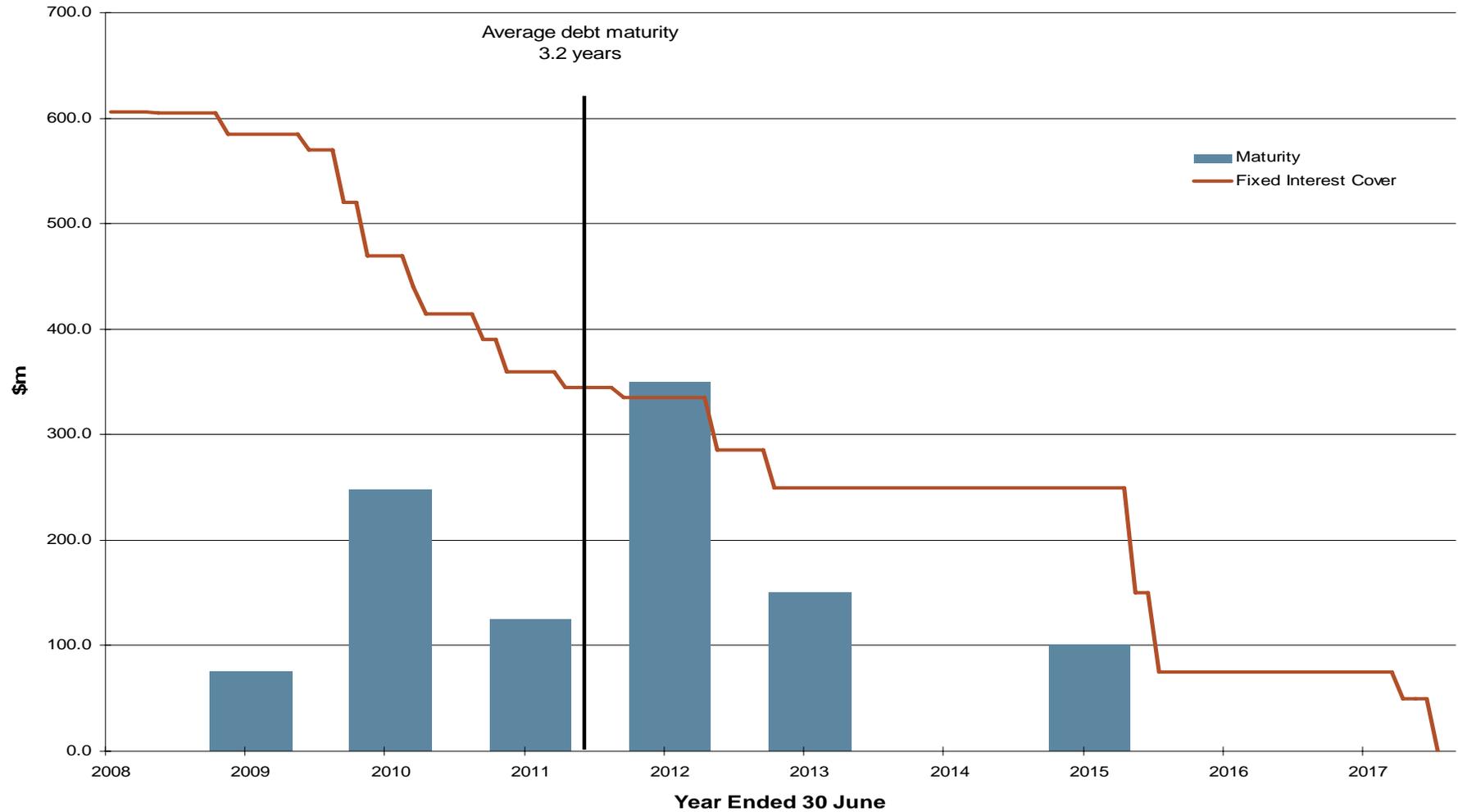
# Expense analysis

	FY08 \$m	%	FY07 \$m	% change
Staff	24.9	12.8	36.0	-30.9
Repairs and maintenance	25.7	13.2	23.0	+11.9
Rates and insurance	7.4	3.8	6.3	+17.8
Other	17.2	8.8	13.9	+23.5
<b>Total operating expenses</b>	<b>75.2</b>	<b>38.6</b>	<b>79.2</b>	<b>-5.1</b>
Depreciation	47.0	24.1	43.2	+8.8
Interest	72.5	37.3	62.7	+15.6
<b>TOTAL EXPENSES</b>	<b>194.7</b>	<b>100.0</b>	<b>185.2</b>	<b>+5.2</b>

# Statement of financial position

	June 08 \$m	June 07 \$m
Non-current assets	3,060	2,955
Current assets	33	28
<b>TOTAL ASSETS</b>	<b>3,093</b>	<b>2,983</b>
Non-current liabilities	846	689
Current liabilities	350	378
Equity	1,897	1,915
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,093</b>	<b>2,983</b>
Equity ratio	61.3%	64.2%
Debt to enterprise value	30.4%	18.4%
Credit rating – long-term	A Negative Outlook	A Negative Outlook
– short-term	A-1	A-1

# Debt maturity, liquidity and hedging



# Key financial ratios

	FY08	FY07
Operating margin <sup>1</sup>	77.2%	78.5%
Debt / debt + equity	35.5%	32.1%
Capex / depreciation (times)	3.0	2.4
Interest cover (times) <sup>2</sup>	3.1	3.3
Operating staff numbers	301	281

<sup>1</sup> Operating EBITDA / Total revenue, excluding the change in the LTI provision

<sup>2</sup> EBIT / Interest expense, excluding the change in the LTI provision, investment property fair value increases and costs relating to ownership proposals

# Operating efficiencies

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	FY08	FY07
Passengers per operating staff	43,917	43,908
Operating revenue per operating staff	\$1,167,648	\$1,144,126
Operating revenue per pax	\$26.59	\$26.06
Retail revenue per international pax	\$13.85	\$12.87
Car park revenue per pax	\$2.38	\$2.26
Operating staff costs / operating revenue <sup>1</sup>	8.4%	8.1%

<sup>1</sup> Operating staff costs have excluded the LTI provision

# Aeronautical update

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- Aeronautical revenue +4.9%
- ITB expanded arrivals opened
- DTB renovation completed
- Pier B opens 21 October
- Northern runway commenced
- ADC replaced by PSC
- Fuel price impact clear concern
- Emirates A380 arrive in February
- New Pacific Blue services
- Route development activities



# Review of regulatory regime

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- Currently regulatory environment is working well
- Auckland Airport investing in timely and efficient infrastructure
- Recent price increases modest at CPI or less
- Auckland Airport prices similar to peer airports
- Commerce Amendment Bill has far reaching implications
- No rationale to include airports in Bill
- Existing legislation can accommodate enhanced disclosure
- Certain environment to encourage investment is critical
- Current review process creates significant uncertainty

# Retail update

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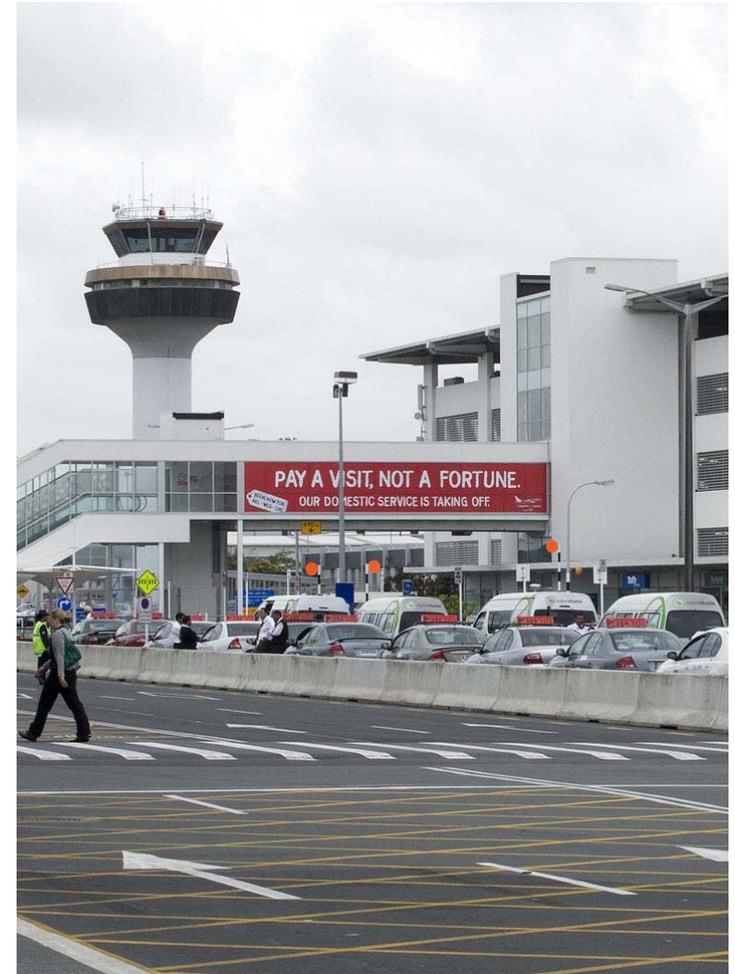
- Retail income +10.3%
- Income per intl. pax \$13.85 (+7.6%)
- New leases and strong performances
- Car Rental, FX and F&B in particular
- Domestic retail performing strongly
- Travelex no longer collecting ADC
- Arrivals duty-free store open
- Duty-free spend softening
- Domestic retail performing strongly
- Maintaining two duty-free operators
- ITB first floor retail progressing



# Car parking update

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- Car park income \$29.3m +13.0%
- Strong growth from domestic
- Increased usage +19%
- International growth slower
- Increased competition
- Impact of fuel prices
- Broadening product mix
- Differentiated product offering
- Customer choice, service standards



# Property update

- Rental income +20.9%
- \$6.7m invested during the year
- Developments include:
  - Cargo 1 and 4 extension (\$0.3m)
  - Hangar 5 Air National (\$1.7m)
  - Barber Logistics (\$2.2m)
  - NZ Post (\$0.8m) and Spazio Casa (\$0.4m) completing soon
- North Airport re-zoning process
- Planning for retail expansion and hotel
- IPP valued at \$524.3m, up \$14.4m
- Revaluation of existing IPP \$13.7m



# Capex FY08

	\$m	Key projects
Airfield	11.7	Northern runway development and taxiway reconstruction
International terminal	95.4	Arrivals expansion, Pier B, western forecourt and ground power units
Domestic terminal	9.6	Air NZ terminal renovation, new retail precinct and regional upgrade
Car parking	4.0	Domestic car park improvements and north-east vehicle platform
Infrastructure and other	15.5	Infrastructure for property development
Property development	6.7	Hangars, cargo buildings and investment property
<b>TOTAL</b>	<b>142.9</b>	

# Capex estimates FY09

	FY09 \$m
Airfield	18
International terminal:	21
Pier B	9
First floor retail	8
Other	4
Domestic terminal	5
Car parking	3
Infrastructure and other	18
Property development	18
<b>TOTAL CAPEX</b>	<b>83</b>

- Stage 3B of the international terminal expansion has been deferred

# A resilient business...

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- Long-term passenger growth remains positive:
  - Real airfares and GDP growth
  - New capacity and fuel efficient aircraft
  - Emergence of low cost carriers
  - Increased airline competition
  - NZ remains leading tourism destination
- Core Australasian passenger base
- Carriers in strong financial position
- Key revenue streams have downside protection
- Significant new capacity in place, capex reducing
- Strong balance sheet

# ... with exciting long-term prospects

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- Northern winter schedule up on last year
- LCC model just starting at AKL
- Trans-Tasman – the next big growth story
- Strong growth from Asia – Pacific region
- Seeing early signs from China and India
- Lower NZ\$ stimulating inbound tourism
- Further retail and car parking opportunities
- RWC 2011
- Second runway late 2010 / early 2011
- Significant land bank opportunity
- 450 ha of land for commercial property development

# Conclusion and outlook

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- Solid financial result in line with expectations
- Competition driving demand, particularly domestic
- Significant new facilities, capacity and pricing in place
- Key regulatory risks continue to be major focus
- Growth capex cycle now coming to an end
- Smooth transition to new management team
- Focussed on tightly managing core business
- Business very resilient, with strong defensive characteristics
- Significant growth opportunities over long-term



**Thank you**

