Interim Results 2018

Adrian Littlewood
Chief Executive

Philip Neutze
Chief Financial Officer

Auckland Airport

Highlights

FY18 interim results

Adrian Littlewood, chief executive

Results at a glance

Revenue
↑ 6.9% $332.4m

Passenger movements
↑ 6.4% 10.0m

Operating EBITDAFI
↑ 6.0% $250.1m

Aircraft movements
↑ 4.2% 88,113

Underlying profit
↑ 7.8% $133.1m

Interim dividend per share
↑ 7.5% 10.75 cents

Highlights

Milestones

- ✓ 1 new airline and 4 new routes
- ✓ International passengers up 5.8%[1], domestic passengers up 7.7%
- ✓ Doubled international departures border processing and security screening space
- ✓ Opened expanded Duty Free stores and new Destination stores before the Christmas peak
- ✓ Opened Gate 17 on Pier B, increasing the pier's capacity by 50%
- ✓ Increasing mobile self-service check-in kiosk capacity by 33% and international check-in counter capacity up 15%
- ✓ Completed a number of transport infrastructure projects including improved domestic terminal transport access and new arterial high occupancy lanes

Key results

International passengers (excl. transits) in Dec17, a new monthly record

10%

Growth in retail revenue

39%

Increase in investment property rent roll[2]

Car park revenue grew 8.7%

Over 2m Queenstown airport passengers in 2017

A$370m

offer received for our investment in NQA

1) Excluding transits
2) Includes recently announced 65,000m[2] Foodstuffs development

Financial performance

FY18 interim results

Philip Neutze, chief financial officer

Solid growth in underlying profit

For the 6 months to 31 December (NZ$m)	2017	2016	Change
Revenue	332.4	310.9	6.9%
Expenses	82.3	75.0	9.7%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**250.1**	**235.9**	**6.0%**
Share of profit from associates	4.4	2.6	11.0%
Share of profit of associate held for sale	6.7	7.4	
Derivative fair value (decrease)/increase	(3.0)	1.5	-
Investment property revaluation	41.5	17.4	138.5%
Depreciation expense	40.7	37.4	8.8%
Interest expense	38.6	36.8	4.9%
Taxation expense	54.5	48.8	11.7%
Reported profit after tax	**165.9**	**141.8**	**17.0%**
Underlying profit after tax	**133.1**	**123.5**	**7.8%**

A reconciliation between reported profit after tax and underlying profit after tax is included in the Appendix

Revenue growth across the business

For the 6 months to 31 December (NZ$m)	2017	2016	Change
Airfield income	59.9	59.2	1.2%
Passenger services charge	89.1	85.9	3.7%
Retail income	88.9	80.7	10.2%
Car park income	31.4	28.9	8.7%
Investment property rental income	37.8	32.5	16.3%
Other rental income	9.1	8.2	11.0%
Other income	16.2	15.5	4.5%
Total revenue	**332.4**	**310.9**	**6.9%**

- Aeronautical revenue growth driven by passenger growth and growing runway movements, partly offset by international and regional aeronautical price decreases
- Retail income benefitted from continued passenger growth combined with strong Duty Free, Food & Beverage and Strata Lounge performance
- Parking revenue increased as ~1,000 new spaces were built in the first half of FY18
- Investment property rental income growth was driven by the development of new properties, strong rental growth in the existing portfolio and ibis budget hotel performance

Continued passenger growth

For the 6 months to 31 December*	2017	2016	Change
International arrivals	2,592,506	2,462,690	5.3%
International departures	2,477,695	2,328,885	6.4%
International passengers excluding transits	**5,070,201**	**4,791,575**	**5.8%**
Transit passengers	347,844	353,978	(1.7%)
Total international passengers	**5,418,045**	**5,145,553**	**5.3%**
Domestic passengers	4,630,922	4,299,244	7.7%
Total passengers	**10,048,967**	**9,444,797**	**6.4%**

- Total passenger growth of 6.4% ahead of aircraft movements up 4.2% as upgauging continued load factors improved
- Domestic growth of 7.7% driven by increases in capacity on both main trunk routes and regional, combined with strengthening load factors
- International growth of 5.8% (excluding transits) due to increased airline capacity, largely related to Asia and Middle East routes
- Transit passengers down 1.7% following the introduction of Santiago direct services to Australia, but this was entirely offset by international passenger growth on direct flights from Santiago to Auckland

*Auckland Airport refined its passenger and movements data from August 2016, resulting in a very minor restatement of prior year comparatives. The numbers above are consistent with published monthly traffic data.

Steady growth in movements and MCTOW

For the 6 months to 31 December*	2017	2016	Change
Aircraft movements			
International aircraft movements	27,984	27,476	1.8%
Domestic aircraft movements	60,129	57,117	5.3%
Total aircraft movements	**88,113**	**84,593**	**4.2%**
MCTOW (tonnes)			
International MCTOW	2,907,794	2,756,353	5.5%
Domestic MCTOW	1,184,429	1,121,401	5.6%
Total MCTOW	**4,092,223**	**3,877,755**	**5.5%**

- International MCTOW increased 5.5% in the first half of FY18, ahead of aircraft movements as upgauging continued
- Domestic growth continued with Air New Zealand and Jetstar increasing frequency and Air New Zealand continuing to add new aircraft

*Auckland Airport refined its passenger and movements data from August 2016, resulting in a very minor restatement of prior year comparatives. The numbers above are consistent with published monthly traffic data.

Expenses driven by business growth

For the 6 months to 31 December (NZ$m)	2017	2016	Change
Staff	27.3	24.9	9.6%
Asset management, maintenance and airport operations	31.7	26.1	21.5%
Rates and insurance	6.7	6.1	9.8%
Marketing and promotions	5.2	7.9	(34.2%)
Professional services and levies	5.7	4.9	16.3%
Other	5.7	5.1	11.8%
Total operating expenses	**82.3**	**75.0**	**9.7%**
Depreciation	40.7	37.4	8.8%
Interest expense	38.6	36.8	4.9%

- EBITDAFI margin of 75% achieved in the first six months of FY18 whilst investing in staff and airport operations to cater for growth in the business
- Staff costs increase driven by 7.4% higher headcount, particularly aeronautical customer services, fire and engineering services as required to maintain category standards
- Increased asset management, maintenance and operations in line with our FY18 PSE3 forecasts reflecting investment in technology, variable costs to drive revenue growth (Strata Lounge, Park & Ride), increased airside bussing and baggage services
- Marketing and promotions reduction due to phasing with spend weighted towards the second half of FY18 to support shoulder/low season services and fewer new airlines starting operations in the first half of FY18 compared to the prior year

Associates' performance

For the 6 months to 31 December (NZ$m)	2017	2016	Change
Queenstown Airport (24.99% ownership)			
Total Revenue	23.2	19.6	18.4%
EBITDAFI	17.0	13.1	29.8%
Domestic Passengers	751,056	660,231	13.8%
International Passengers	333,439	299,088	11.5%
Underlying Earnings (Auckland Airport share)	2.2	1.5	46.7%
North Queensland Airports (24.55% ownership)	**AU$m**	**AU$m**	
Total Revenue (AU$)	79.2	72.8	8.8%
EBITDAFI (AU$)	52.7	47.1	11.9%
Domestic Passengers (Cairns + Mackay)	2,809,637	2,742,480	2.4%
International Passengers (Including transits) (Cairns)	436,787	431,581	1.2%
Underlying Earnings (Auckland Airport share) (NZ$)	NZ$6.8	NZ$5.1	33.3%
Novotel Tainui Holdings (40.00% ownership)[1]			
Total Revenue	15.1	13.9	8.6%
EBITDAFI	5.9	5.2	13.5%
Average occupancy	92.3%	91.7%	
Average room rate increase	10.1%	10.9%	
Underlying Earnings (Auckland Airport share)	2.2	1.0	120.0%

1) Novotel ownership increased from 20% to 40% in February 2017, second phase increase to 50% forecast in 2019

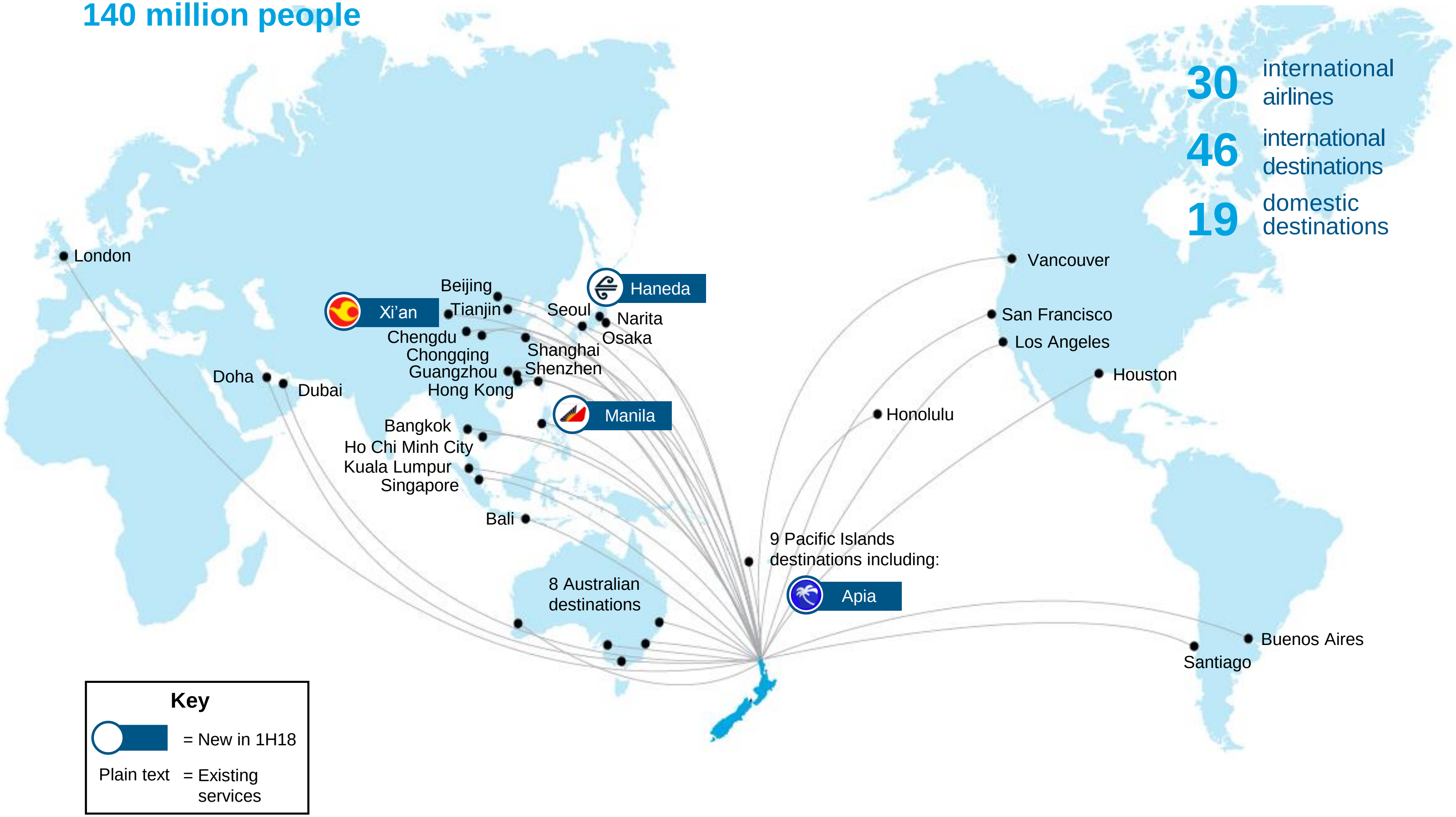
Our continuing journey

FY18 interim results

Adrian Littlewood, chief executive

Connecting New Zealand to the world

Routes added since 2015 have connected Auckland with new cities of nearly 140 million people



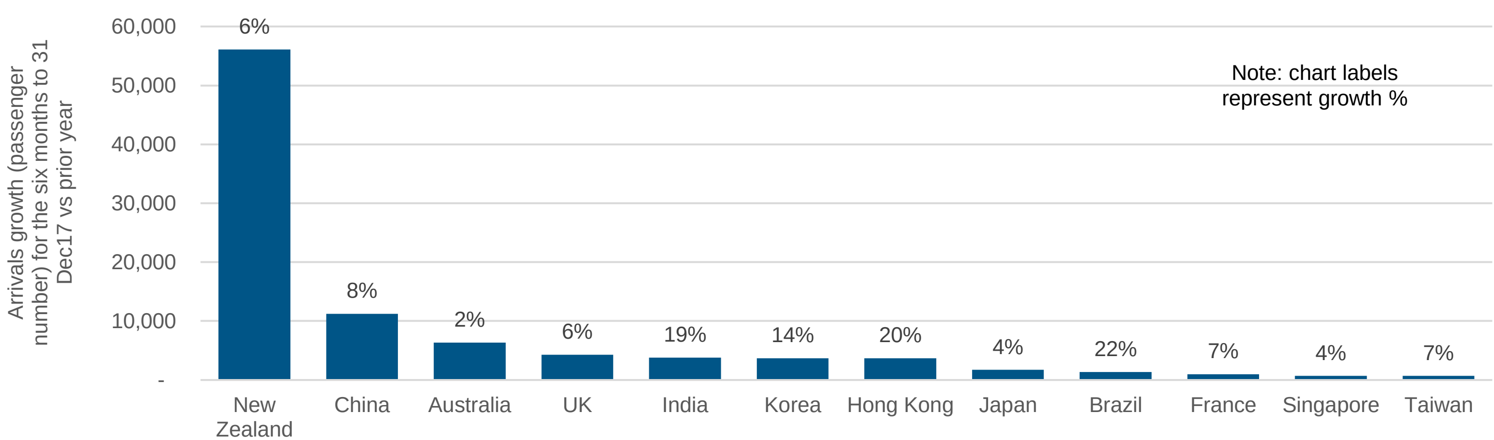
Note: Routes launched or announced based on single ticketed fares as at 31 December 2017, excluding the Norfolk Island service which ceased in mid-January 2018. One stop single ticket destinations include London, Taipei and Tianjin

Strategic priority:
Growing Travel Markets

Increased capacity and strengthening load factors

- Domestic airline capacity grew 5% in the six months to 31 December with increased frequency to Queenstown, Christchurch and regional destinations. Load factors also improved, largely due to main trunk services
- International airline capacity up 5% in the six months to 31 December benefitting from:
  - Full period impact of FY17 frequency increases and 4 new airlines (Qatar, HK, Hainan, Tianjin)
  - New services to Haneda, Xi'an, Manila (from Dec17) and Apia (Samoa replacing Virgin)
  - Increased frequency e.g. Thai Airways to Bangkok
- Outlook for continued growth including increased capacity to Pacific Islands, Honolulu and South Asia routes during the second half, partly offset by Tasman reductions

International arrivals growth by country (ranked by number of passengers)

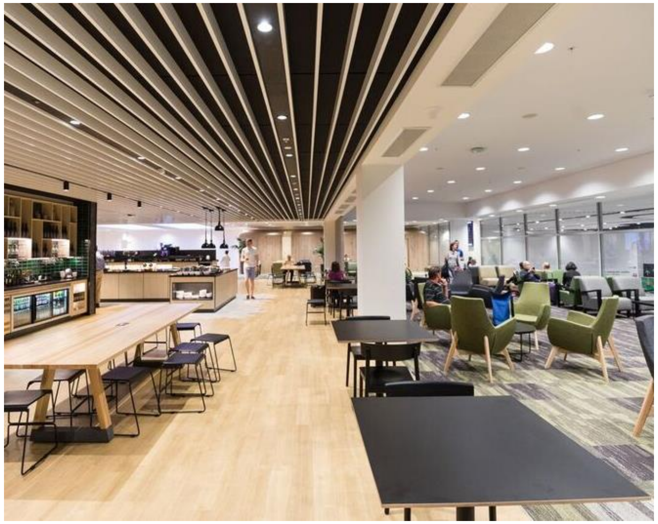


Source: Statistics New Zealand arrivals by country of residence, company analysis

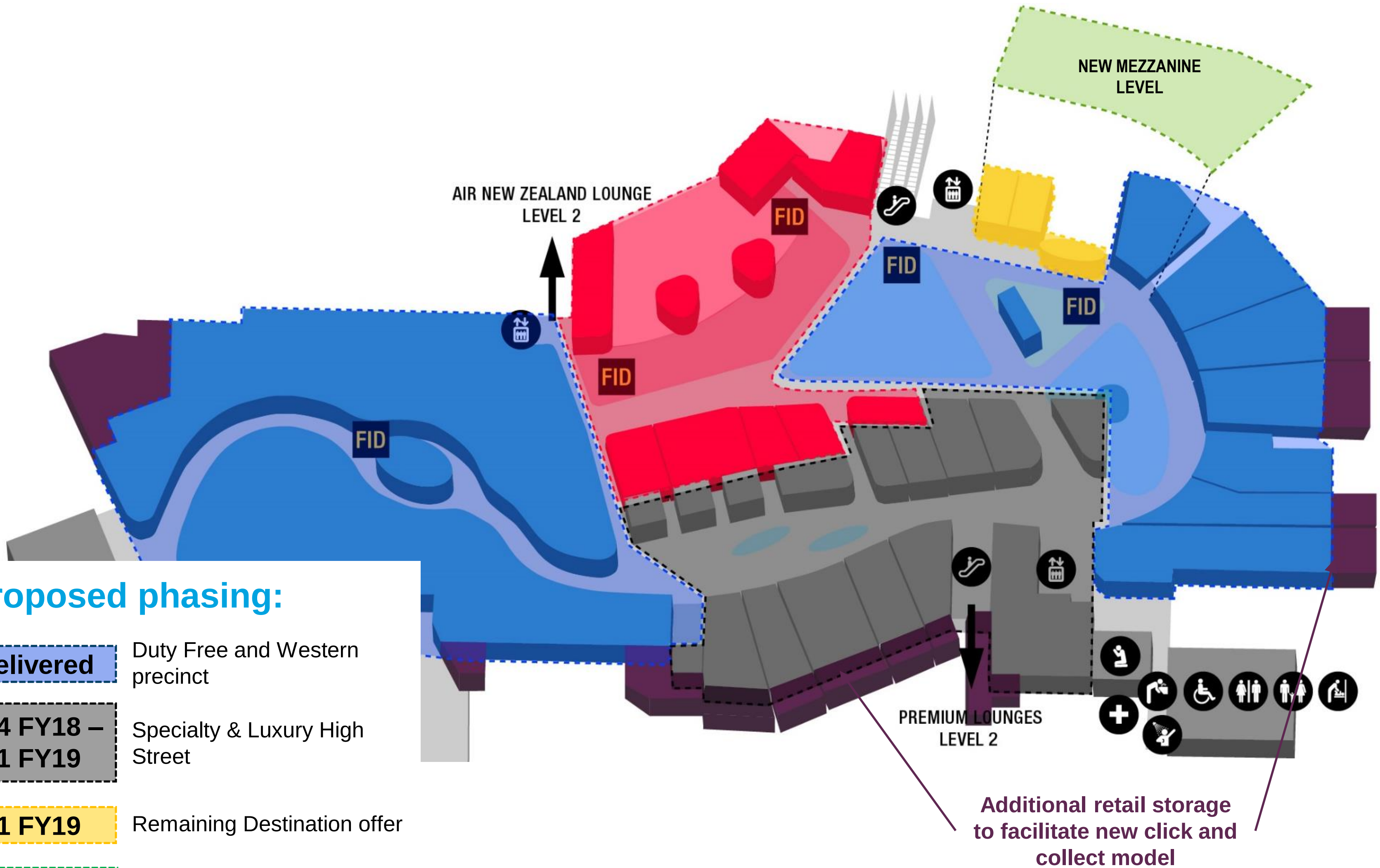
Strategic priority:
Strengthen our consumer business

Delivered stage two of international departures upgrade

- Opened full new Duty Free offering and first tranche of Destination stores on schedule in December. Duty Free departure sales were up ~30% in the month compared to last year
- International PSR was down 3.6% on prior year as disruption continued to affect Specialty and Destination with PSRs down 16% and 10% respectively
- Duty Free PSR was flat. Food & Beverage continued to grow with PSR up 3.4% following customer experience improvements and strong trading
- New Strata lounge sales up 30% as airline usage continues to grow, now serving 14 airlines. Recognised by Priority Pass at its Lounge of the Year Awards
- Off airport sales returned to growth driven by new retailers and return of Chinese passenger growth
- Retail income grew 10.2% driven by passenger growth, minimum annual guarantees and strong performances in Food & Beverage and Strata Lounge



International departures upgrade phasing



Proposed phasing:

Delivered	Duty Free and Western precinct
Q4 FY18 – Q1 FY19	Specialty & Luxury High Street
Q1 FY19	Remaining Destination offer
Q1 FY19	Mezzanine Food & Beverage
H1 FY19	Food & Beverage area

Strategic priority:

Strengthen our consumer business

Parking revenue increase following capacity additions

- Parking revenue up 8.7% with ARPS flat as parking income growth matched capacity increases
- ~1,000 new spaces built at Park & Ride and ~600 were filled with staff relocated from the international terminal, freeing premium capacity
- Continued growth in Valet with revenue up 34% on prior period
- Commencing construction of a new 1,000 bay multi-storey car park, providing net 500 new spaces in FY19

Ground transport improvements

- Reconfigured domestic forecourt to improve traffic flows and public transport access
- Implemented new transit lane system for buses and high occupancy vehicles
- Upgraded Nixon Road to provide a new route to Park & Ride, reducing traffic on the main intersection
- Re-purposing 30,000m² Cargo Central asset (occupied by freight and logistics tenants) to improve domestic terminal access and convert to parking

Strategic priority:

Be fast, efficient and effective

Investing in our customer experience

- New international departures processing and security screening area, including space for passengers to repack and relax
- 12 new international check-in service counters, up 15% on the first half of FY17
- 15 additional mobile international self-service check-in kiosks purchased, increasing total number to 60
- 2 new mobile jet airbridges providing a safer and better experience for passengers on remote stands
- Took delivery of 10 new specialist airside buses
- Continued investing in new technology:
  - Parking paywave system implemented, reducing transaction times and enhancing ease of use
  - Launched new artificial intelligence virtual assistant to help answer common customer queries
  - Completed major CCTV upgrade of over 1,000 cameras and systems
- Successful Strata Club launch with positive customer feedback and additional 40,000 sign-ups in 1H18

60 Mobile international self-service check-in kiosks

15% Increase in international check-in service counters

70 Passenger Experience Assistants for summer peak

Strategic priority:
Invest for future growth

		Completed 1H FY18	2H FY18	FY19 and beyond
Phase 3	 Departures expansion	• New emigration hall • Recompose space • Expanded Duty Free and new Destination stores (Dec17)	• Phased opening of first new Speciality & Luxury High Street stores	• Remaining Speciality & Luxury High Street • New Food & Beverage offering • Completion forecast 1H FY19
Phase 4	 Pier B expansion	• Opened Gate 17 on Pier B • Pier B capacity up 50%	• Gate 18 on Pier B opening in Feb18, one month early • Pier B capacity up 100% vs FY17	• Project complete
Phase 5	 Domestic jet terminal	• Progressed new domestic jet terminal design • Shortlisted contractors for the main build	• Continue progressing design and planning • Commence enabling works	• Construction forecast to begin in FY19 • Completion forecast FY22
	 Second Runway	• Continued design work and planning approvals • Appointed international design consultants	• Continue progressing design and planning	• Construction forecast to begin in FY21 • Completion forecast FY28

Invest for future growth

Core infrastructure project delivery statistics in the six months to 31 December 2017

102%

Investment spend against plan

112%

Number of projects completed against plan

100%

Number of projects commenced against plan

53

Projects over $1m underway

to maintain, enhance and expand our airfield and terminals, and to increase the resilience of our utilities and transport networks

< 1/2

Construction accident frequency rate

of the New Zealand average, based on LTI rate for employees and contractors

15,540

sqm of new and refurbished terminal space opened

Strategic priority:
Invest for future growth

16.3% growth in property revenue

- Completed developments:
  - 6,000m^2 Ministry for Primary Industries building
  - 7,000m^2 Rohlig Logistics warehouse and office
  - Civil and roading works on phase 3 of The Landing delivering an additional 12 hectares of development ready land
- Continuing development in response to market demand with $165m of projects completed or under construction in the first half of FY18
- Projects underway:
  - 20,000m^2 Bunnings distribution centre
  - 7,000m^2 DSV Logistics warehouse and office
- Rent roll up 39% on the prior year including the recently announced Foodstuffs office and 65,000m^2 distribution centre, scheduled completion in FY21[1]
- Investment property fair value increase of $41.5m, up $24.1m on 1H17 with strong development margins on recently completed projects

$90 million Investment property rent roll

250 hectares Land available for development

96% Occupancy in the portfolio

1) See further details in Media Release issued on 8 February 2018

Strategic priority:
Invest for future growth

Investing in safety

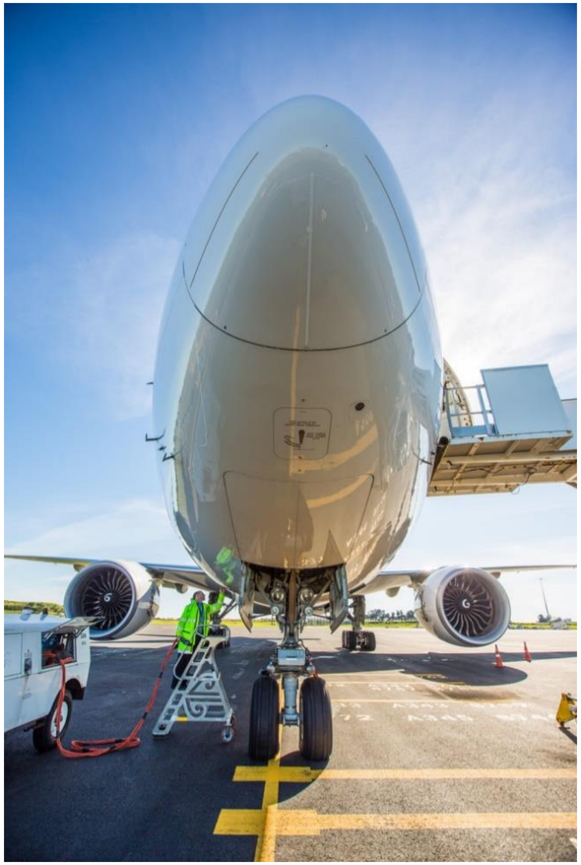
- Pro-active safety observations increased 84% reflecting our continuing investment in safety
- Passenger injury rate down 26% following the introduction of new safety measures including an escalator safety programme
- First New Zealand airport to have its safety management system certified by the Civil Aviation Authority under its new rules

Sustainability focus

- One of the top 10 New Zealand businesses recognised for corporate social commitment in the BACS Social Index 2017
- First company in Oceania to adopt an internationally-approved 'science-based target' for reducing carbon emissions
- Set ambitious goal of reducing our airport emissions by 45% per square metre by 2025
- Ara, the Auckland Airport jobs and skills hub, placed 148 into employment in the last six months (61 in 1H17)

Regulatory update

- Auckland Airport's FY18-22 aeronautical pricing decision was announced in June 2017, following a comprehensive consultation process with our airline partners over 12 months
- The Commerce Commission is reviewing the information disclosed by Auckland Airport about the pricing decision, as part of the regulatory review process
- The Commission is focusing on three areas for Auckland Airport – profitability, pricing efficiency (including the Runway Land Charge) and investment
- Interested parties have provided input on the process and key issues for the Commission's review – submissions and cross-submissions in November/December 2017
- The Commerce Commission now expects to publish its draft decision on FY18-22 pricing in April 2018 and the final decision in September 2018
- Auckland Airport will continue to engage in the review process to ensure that our pricing approach and rationale is well understood



Outlook

NQA investment

- We have agreed to sell our 24.6% investment in NQA to existing investors for A$370m
- The sale is subject only to securing the necessary regulatory and counter-party approvals and will be completed in accordance with the requirements of the NQA security holders' agreement

Guidance

- We are now slightly tightening FY18 underlying profit after tax (excluding any fair value changes and other one-off items) guidance from $248m-$257m to $250m-$257m
- Our capital expenditure guidance for FY18 of between $410m and $460m is unchanged
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances

Questions


All Gates
Premium lounges
Smoking Deck
Shops
Food
Currency Exchange

Appendix


All Gates 所有登机口
Premium lounges
Smoking Deck
Shops
Food
Currency Exchange

Underlying profit reconciliation

For the 6 months to 31 December	2017 Reported profit $m	2017 Adjustments $m	2017 Underlying profit $m	2016 Reported profit $m	2016 Adjustments $m	2016 Underlying profit $m
EBITDAFI	**250.1**	**-**	**250.1**	**235.9**	**-**	**235.9**
Share of profits of associates	4.4	-	4.4	2.6	(0.1)	2.5
Share of profit of associate held for sale	6.7	0.1	6.8	7.4	(2.3)	5.1
Derivative fair value movement	(3.0)	3.0	-	1.5	(1.5)	-
Investment property revaluation	41.5	(41.5)	-	17.4	(17.4)	-
Depreciation	(40.7)	-	(40.7)	(37.4)	-	(37.4)
Interest expense and other finance costs	(38.6)	-	(38.6)	(36.8)	-	(36.8)
Taxation expense	(54.5)	5.6	(48.9)	(48.8)	3.0	(45.8)
Profit after tax	**165.9**	**(32.8)**	**133.1**	**141.8**	**(18.3)**	**123.5**

- We have made the following adjustments to show underlying profit after tax for the six months ended 31 December 2017 and 31 December 2016:
  - reversed out the impact of revaluations of investment property. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.
  - the group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted and where the counterparty credit risk on derivatives impacts accounting hedging relationships. These gains or losses, like investment property, are unrealised and interest rate derivative valuation movements are expected to reverse out over their lives.
  - in addition, to be consistent, we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2017 and 2016.
  - we have also reversed the taxation impacts of the above valuation movements in both 2017 and 2016.

Important notice and glossary

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All currency amounts are in New Zealand dollars unless otherwise stated.

Glossary

ARPS	Average revenue per parking space
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
MCTOW	Maximum certified take off weight
NQA	North Queensland Airports
PAX	Passenger
PSR	Passenger Spend Rate