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2017 Annual Meeting: Chair and Chief Executive's addresses

Sir Henry van der Heyden, Chair

Shareholders, it is again my pleasure to present the Chair's report at this annual meeting.

The 2017 financial year was a busy one for Auckland Airport and delivered strong growth right across our business.

The company retained its focus on three key areas:

- upgrading its airport infrastructure
- growing and supporting tourism; and
- providing the best possible customer experience during, what has been, a time of significant change.

I want to briefly touch on each of those important areas this morning, before updating you on some governance matters.

Ladies and gentlemen, to help accommodate the ongoing increase in passengers and aircraft, we continued to spend more than \$1 million every working day on our core airport infrastructure in FY17.

We also announced a plan to invest around \$2 billion in aeronautical capital expenditure by the 2022 financial year.

An incredible 44 aeronautical projects were underway across the airport during the financial year, each in excess of \$1 million.

Those of you who have flown overseas from Auckland in recent months, will have seen the upgrade of our international departure area - which has just started to be unveiled after many months of behind the scenes construction work.

Or you will have seen the equally impressive extension of Pier B – to provide two more international aircraft gates and expanded departure lounges.

Less obvious on your recent airport journey perhaps, but very significantly for the airport and our airlines, was the expansion of our airfield.

We upgraded existing and built new remote aircraft stands.

Indeed, we increased airfield pavement by a staggering 63,000 square metres – the equivalent of six rugby fields.

Yes - FY17 was a very busy 12 months for those team members focused on new infrastructure delivery.

And I can assure you that FY18 will be no different – to ensure we can accommodate future passenger and aircraft growth.

Shareholders, the 2017 financial year also saw the company continue to focus on growing and supporting tourism.

We worked hard to support the sustainable growth of travel markets to increase our air connectivity – something that is essential for a city and country reliant on tourism and trade for economic prosperity.

It is also essential for the company's long-term performance – new airlines, new services and new capacity provide the growth that underpins Auckland Airport's ongoing success.

Pleasingly, in FY17 we welcomed seven new international airlines and launched eight new international routes.

We also maintained our strong support for the New Zealand tourism industry, especially the operators who provide our international visitors with high-quality experiences.

And we joined with other industry leaders to encourage the Government to develop new and innovative ways to upgrade New Zealand's tourism infrastructure.

Yes – you can all be proud of the role your company plays to grow and support tourism for our country – and I want to thank everyone on the team that invests so much time and effort on this.

Shareholders, as I have mentioned, the 2017 financial year also saw us remain focused on our customers.

We are committed to ensuring their journeys through the airport are fast and efficient – and that they have a range of options when parking, shopping or staying here.

From new mobile self-service check-in kiosks, to expanding our popular concierge service and progressing the development of our new hotel, we made significant

investments in those things that will improve the airport experience for our customers.

Improving travel times and flows around the airport precinct was certainly a top priority for the company in FY17.

And we continued to strongly advocate to government – both local and central – the need for better public transport services, and state highway access, to and from the airport.

I am delighted to say that we fast-tracked a number of planned roading and transport improvements on our own network to improve traffic flows.

And we also announced the details of four new transport projects as part of our longer-term plan to improve travel around the airport over the next three years.

I want to say at this point how proud I was of Auckland Airport – and the way it supported airline customers and passengers during the recent fuel disruption.

The incident was not of our making and nor was it our infrastructure, but the team worked tirelessly to keep people informed and provide support where needed and where they could.

Upgrading infrastructure – growing and supporting tourism – providing the best possible customer experience.

I can assure you that the Board is focused on these important areas of our business, and I can assure you that Management is as well.

I am pleased to say that in FY17 we also retained our focus on improving educational, employment and environmental outcomes in our local communities.

We are 100% committed to contributing to South Auckland and of course the wider Auckland region.

It is the right thing to do and we can all be very proud of the company's ongoing corporate social responsibility activities.

Let me now turn to the FY17 numbers.

Pleasingly, our total passenger numbers were up 10% to 19 million.

International passengers were up 11%.

International transit passengers were up 17%.

And, domestic passengers were up 9%.

The benefit to the company from this increasing number of passengers was seen in our financial results.

In FY17 our revenue was up 10%.

Operating EBITDAFI was up 10%.

Total profit was up 27%.

And underlying profit was up 16.5% to almost \$248 million.

These positive results enabled us to provide you the shareholders with a total dividend of 20.5 cents per share – up 17% on the previous financial year.

Underlying earnings per share increased 16% to 20.8 cents in FY17.

And our five-year average total shareholder return was 26%.

The FY17 financial results speak for themselves.

However, I do want to make a point of thanking everyone on the team who helped deliver them.

Shareholders, I would like to conclude by making a few governance comments.

Throughout FY17 the Board retained its increased oversight of aeronautical pricing.

The ad-hoc Board sub-committee met regularly to provide governance oversight of this important task – which assisted the company in the development of its aeronautical charges for the financial years 2018 to 2022.

Our modest price changes for that period and our \$2 billion infrastructure investment plan will deliver significant benefits for passengers.

The new pricing and capital expenditure programme balances the needs of passengers, the airport community, the tourism industry, our investors and the airlines.

And it ensures Auckland Airport has the infrastructure it needs to continue connecting Auckland with New Zealand and New Zealand with the world.

My sincere thanks to James Miller who chaired the sub-committee, supported in his role by directors: Justine Smyth; Christine Spring and Patrick Strange.

In April this year the Board met in Sydney.

This was part of our ongoing commitment to excellence, learning from other successful companies and being engaged in regional aeronautical developments.

We visited Sydney Airport, which welcomes more than 40 million passengers every year, and discussed infrastructure development, trans-Tasman tourism and health and safety.

We received a briefing from Facebook and discussed its travel and tourism activities.

We met with Qantas to discuss airline infrastructure requirements and alliances.

And we met with Boeing to discuss its view on the future of travel.

We also met with the New South Wales Government to discuss the development of Sydney's new airport at Badgerys Creek.

The intelligence we gathered from this visit was invaluable and is helping us to fulfil our governance mandate.

Shareholders, you may have seen that we amended the FY17 annual report to ensure it incorporated the NZX's new corporate governance reporting principles.

The key amendments made are outlined in the annual report and I draw your attention to them.

Lastly on governance - during FY17 the Board elected to reinstate our dividend reinvestment plan.

It enables shareholders to elect to purchase shares at a 2.5% discount to market price, instead of receiving the dividend as cash.

The plan provides funding flexibility to support our investment in new infrastructure and growth opportunities.

Can I conclude this address with a few thank yous.

I want to firstly acknowledge the hard work and dedication of everyone who works for the company, led by Adrian and his leadership team.

I thank you all today, on behalf of shareholders, for the contribution you make to Auckland Airport.

Secondly, I want to thank my fellow directors – you all make an outstanding contribution to the company and our shareholders are well served by your diligence and focus.

I especially want to thank our Future Director – Kiriwaitangi Rei. Our Board is better for having you around the table and we hope you too are benefiting from this important programme which develops new Kiwi governance talent.

I also want to thank two directors in particular.

Michelle Guthrie and Richard Didsbury – for whom this is their last annual meeting as directors of the company.

We all thank them for their contributions over many years.

Shareholders, as usual I finish my Chair's address by confirming that we expect FY18 underlying profit after tax to be between \$248 million and \$257 million.

This guidance would deliver underlying earnings per share growth of up to 3.7% compared with FY17 – and reflects the impact of our new aeronautical prices commencing in FY18.

This guidance is also, of course, subject to the usual caveats as noted in the annual report.

Ladies and gentlemen – my final words are to you – thank for your ongoing support for Auckland Airport.

There are many companies in which you can choose to invest – thank you for selecting our company.

Ends

Adrian Littlewood, Chief Executive

Kia ora koutou katoa

Good morning everyone and it is my pleasure to once again deliver the chief executive's address at the company's annual meeting.

First of all can I say thank you Sir Henry for those kind words about the team. FY17 was another year of significant growth and development for Auckland Airport across every portfolio and our team has been very busy.

If there is a mark of the recent growth, it is that it took us 48 years from 1966 to reach 15 million passengers, however it only took us three years – to 2017 – to increase that by a further 27% to 19 million passengers. Moreover, we now have 30 international airlines operating at the airport, up almost 70% since just 2014.

Included in that number are United, Hong Kong, Tianjin, Hainan, Norfolk and Sichuan Airlines, as well as Qatar Airways – all of which we welcomed last year. We also welcomed new international and domestic growth from our long-established partners, Air New Zealand, Jetstar and Emirates.

Our friends at Queenstown Airport also experienced strong growth last year, with international passengers up 12% and domestic passengers up 16%.

While only a few years ago the New Zealand tourism industry was hopeful of materially lifting tourism growth rates, the reality has well exceeded expectations.

Both Auckland Airport and the rest of the wider tourism industry have been working hard to accommodate and maintain this new growth in a sustainable way. At Auckland Airport it has driven us to accelerate many of the company's longer term developments as set out in our 30 year masterplan.

Indeed, during the most recent five-year period to June 2017 Auckland Airport invested 80%, or \$232 million, more in aeronautical infrastructure than we had originally forecast as part of our aeronautical pricing commitments to airlines. That investment allowed us to deliver critical new terminal, airfield and customer facilities to support the growth in both international and domestic services.

Our need for ongoing infrastructure investment was obviously top of mind as we consulted on, and then ultimately announced in June 2017 our aeronautical charges for the coming five financial years.

For those of you not aware, that announcement was the result of a 17-month consultation with airlines and the airport community on the form and function of our future aeronautical infrastructure. It was also the result of a parallel year-long consultation process with airlines on service, operations and pricing priorities.

From that consultation process we announced a \$1.8 billion aeronautical capital expenditure programme for the next five years.

With an upgrade programme of this scale, it will likely be the most significant since the original development of the airport in the mid-1960s.

Some of the major features of the programme announced include:

- further expansion and upgrade of the international departure experience;
- more contact gates for international aircraft;
- a new domestic jet terminal joined onto the existing international terminal;
- expansion of the international arrival experience with a new border processing area and public arrivals space;
- along with many other transport and aeronautical projects.

The good news for passengers and airlines is that we have been able to commit to a major infrastructure upgrade while at the same time maintaining reasonable prices.

In real terms, over the next five years, average annual international passenger charges reduce by 1.7% and domestic passenger charges increase by just 0.8% – a great outcome for travellers.

In the next five years we also plan to take significant steps on the path to opening our second runway – currently expected to be required around 2028. We will of course continue to work hard with Airways New Zealand and the airlines to increase the capacity and productivity of our existing runway and we will be investing significant time in the next few years designing and securing the required planning permissions for this critical piece of infrastructure for New Zealand.

Based on an opening date of 2028 we expect earthworks for the new runway to start around 2020 or 2021. If the construction of the second runway is confirmed, we intend to introduce a modest runway land charge of \$1.19 (excluding GST) per passenger at that time.

In setting our new investment programme and prices we were clearly conscious of the needs of the travelling public, our airline partners and all those across the travel, trade and tourism sectors that rely on Auckland Airport as part of growing their businesses.

It is a responsibility to our customers we treat with care, but we are also balancing many other expectations – including those of you, our shareholders, looking for a fair return on a major investment programme – and we believe we have struck a fair balance in our investment and pricing decisions for the next five years.

While I have focused on the next five years I am pleased to note that the company is close to delivering several important projects.

- We are three quarters through delivery of the major international departures upgrade, with a brand new Customs and security screening area and half the new duty free stores already open, with the balance of the brand new stores and a new passenger lounge space opening before mid-to-late 2018 – providing us with a world class international departure experience;
- We have also almost finished a major international pier extension with two new multi-use aircraft gates capable of supporting two A380s or four A320 planes;
- and we are delivering a comprehensive transport upgrade, including new roads, bus lanes, intersection upgrades and over 1,000 new car parks.

As Sir Henry mentioned, it is critical that we maintain a very strong focus on providing the best customer experience that we can, during what has been and continues to be a time of significant change.

So on top of the major infrastructure projects underway we have also made further steps in improving the customer experience:

- we reconfigured the international check-in area to provide around 20% more serviced counters, and introduced a new fleet of self-service check-in kiosks available for airlines to use;
- we launched the Strata Club – our new, innovative and mobile-based programme designed to reward our customers with personalised airport services and benefits; and
- we completed a tender for a fleet of new airfield buses and purchased new mobile covered jet bridges that protect passengers from bad weather and provide ramps rather than stairs.

Combined, these and many other improvements demonstrate our ongoing commitment to provide the best customer experience that we can at Auckland Airport.

So far I have focused on development projects, however we have also continued to share the benefits of our investment with the local community as well as managing the impact of the growth on our neighbours.

Ara – our airport jobs and skills hub – provides training for local people to get into real job vacancies. It demonstrates how adopting a sustainable approach to working with our community can help local people get ahead today as well as potentially create intergenerational change helping people off benefits and into productive work.

Ara was formally launched in June and in the past year provided more than 1,300 training opportunities and placed 190 people into employment, 82% of whom came from South Auckland and 39% of whom were previously receiving a central government benefit.

We also went further back up the education chain to support a range of programmes with local schools, including scholarships and work experience programmes, and we supported broader educational priorities through programmes such as the Counties Manukau Life Education Trust and the Auckland Arts Festival's school programme.

Our commitment to investing in the future as well as sharing those benefits with the community no doubt contributed to us being recognised for the first time in the Colmar Brunton survey as one of New Zealand's top-10 most trusted corporate brands, somewhat marking a coming of age for our company as a respected and more consumer focused organisation.

Ladies and gentlemen, I wanted to finish by recognising the team at Auckland Airport. Our ongoing success is very much due to their hard work and we have continued to put a great deal of attention into the safety and development of our people as well as ensuring we recognise their efforts over the past year.

We continue to reward our top performers with a targeted reward scheme, however on top of this, in August 2016 the Board approved an additional \$1,500 bonus for our employees not already in an incentive scheme in recognition of the strong FY16 performance and in August this year it awarded a further bonus of \$900 for the strong FY17 year.

So my thanks again to our team for their hard work last year.

Lastly this morning, can I offer my sincere thanks to firstly, Sir Henry and the Board for the ongoing support they provide to me and the Leadership Team – it is greatly appreciated by all of us.

And can I especially thank Richard and Michelle for their contributions as directors and wish them both well for the future.

I want to also extend my appreciation to you the shareholders for your continuing support of the company.

FY18 has started well but has already thrown up one or two challenges for us to manage. But be it a challenge or an opportunity one thing is certain – we are well on our way to setting up our company and core infrastructure for the next few decades as we build into the future, providing thousands of jobs and driving economic growth and ensuring that Auckland Airport continues to connect Auckland with New Zealand and New Zealand with the world.

Shareholders, I thought I would end my presentation this morning by showing you a short video that we released at the time of the new \$1.8 billion, five-year aeronautical infrastructure programme – it shows exactly how we are setting up Auckland Airport to succeed for generations to come.

Thank you.

Ends

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