

Media Release | 31 October 2018

2018 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.

As you will know, this is my final annual meeting and because of this we will doing something a little different.

I will start the Chair's report and focus on the key highlights for the year before handing over to incoming Chair Patrick Strange, who will talk to you about our future plans.

In the past year we have continued to deliver on our infrastructure plans, and successfully reshaped our business to meet the demand of unprecedented growth in passenger numbers, and the changing travel and trade markets.

In particular, we have reinforced our focus on business in New Zealand.

This has been achieved:

- by the sale of our stake in North Queensland Airports
- the investment in new transport projects
- and the roll out of new operations and service initiatives.

Another key priority has been taking care of customers during our \$2billion aeronautical infrastructure development programme – one of the most significant in the country.

As we enter an era of sustained capital investment, I am pleased to announce that this year we continue to make material progress. Reach key milestones in our investment programme, all with the endeavour to provide a seamless experience for our customers and passengers.

We have reviewed and clarified our 30-year vision for the airport of the future. Over the year the board has worked closely with the leadership team to ensure our approach is robust and considered. The end result is a strategy that represents the interests of the business, the communities we serve, our customers and you, our shareholders.

If one word was to sum up 2018 it would be change. Not only the significant change underway at the airport but also that in the wider operating environment.

The aviation market continues to be dynamic, with many changes throughout 2018 as airline alliances and network plans evolved; changing routes, availability and choices for customers.

I am pleased to report that we have responded well, having taken a long-term view, by continuing with our planned programme of infrastructure investment, rather than being concerned with the airline business models of the day.

As I reflect on my 9 years in the role – it is the work we have done as part of our local community, and the commitment we have made to South Auckland and the wider Auckland region, that I am proudest of.

This is now more important than ever, as we enter this period of ongoing development, that we continue these efforts – to be a good neighbour, an active and responsible member of our community.

I am pleased to report that our objective of sharing the benefits of our business with our community continues to gain momentum, again this year we have created hundreds of new jobs and provided invaluable training, employment opportunities and scholarships.

In 2018 the airport was recognised for its environmental commitment. Great recognition of the importance we place on ensuring the long-term health of our business by minimising our impact on the environment.

We are now in an era where a company's social license to operate is as fundamental to the end customer as the service or product it sells. Therefore, it is important that we continue to lead from the front with our ongoing corporate social responsibility activities.

Let me now turn to the 2018 numbers.

Pleasingly, our total number of passengers increased by 5.7% to 20.5 million.

International passengers were up 4.7%.

International transit passengers were marginally down by 1.2%.

And, domestic passengers were up 7.7%.

These increasing numbers are reflected in our financial results and support our significant infrastructure investment.

In 2018 our revenue was up 8.7%.

Operating EBITDAFI up by 7% to \$506.4 million.

Total profit was up 95.3%

This was largely driven by the AUD\$370 million sale of North Queensland Airports. The proceeds of which will be used to reinvest in core aeronautical infrastructure as well as reducing debt.

Underlying profit was up 6.2% to \$263 million.

Our continued performance has enabled us to provide you, the shareholders, with a total dividend of 21.7 cents per share – up 6.1% on the previous financial year.

Underlying earnings per share increased 5.8% to 22 cents.

And our five-year average total shareholder return was 20.7%.

I would like to thank everyone on the team who helped deliver another year of positive growth for the business and shareholders.

Before moving on to governance matters, I would like to take the opportunity to say that it has been an honour to serve on the Board and as Chair of Auckland Airport on your behalf over the past nine years.

I'd like to acknowledge the hard work and dedication of everyone who works at Auckland Airport, led by Adrian and his leadership team.

I have always been impressed by our people, they are by far and away our most important asset – they are what allows the airport to operate 24 hours, 365 days a year.

Thank you all – on behalf of the shareholders, for the ongoing contribution you make to the success of Auckland Airport.

To my fellow board members, both past and present, it's been a great privilege working alongside you, and our shareholders are well-served by your commitment and focus.

I am proud of the work that the Airport has done and will continue to do, ensuring Auckland and New Zealand's prosperity and wellbeing.

I know the company's best days are ahead of it.

Shareholders, I'd like to conclude my part of the address by making a few governance comments.

James Miller is also retiring from his time on the Board. This is his last annual meeting as a director of the company.

Thank you James, for your significant contribution since joining in 2009, particularly in your role as the Chair of Auckland Airport's Audit and Financial Risk Committee.

And of course, as mentioned at last year's meeting, Michelle Guthrie stepped down in March this year after five years on the Board. Again we'd like to thank Michelle for her valuable contribution.

The directors have unanimously endorsed the nomination of Tania Simpson and Dean Hamilton. The Board acknowledges the extensive experience they will both bring to the company.

Dean will bring considerable commercial and financial markets experience to the airport, while Tania's significant governance experience will greatly assist us.

As usual I will finish by confirming we expect FY19 underlying profit after tax to be between \$265 million and \$275 million.

Guidance would deliver underlying earnings per share growth of 1% to 4.5%

I will now hand over to Patrick who will be Auckland Airport's next Chair. The airport will no doubt benefit from his deep experience in complex infrastructure businesses, as it works to build the airport of the future.

Dr Patrick Strange

Thank you Henry. It has been a pleasure to serve on the Auckland Airport Board under your leadership.

I look forward to my role as Chair and having the opportunity to contribute to the future growth and development of Auckland Airport, and through this, Auckland and New Zealand.

I look forward to working with my fellow directors, and with Adrian and his team, to continue to deliver for our customers, stakeholders, and you, our shareholders.

Henry has talked about some of the highlights of the past year. I would like to look forward.

In May this year the Board of Directors endorsed a continuation of our 2013 Faster, Higher, Stronger strategy for the period through to 2022.

This will see us focus on:

- growing travel and trade markets
- strengthening our consumer business
- being fast, efficient and effective in the work we do
- and, investing for future growth.

For the foreseeable future, we will be in a phase of elevated investment.

But this is not just physical assets. We also aim to continue to improve the service we provide to our airlines and travelling customers.

A core element of this will be continuing to invest in the capability and commitment of our people, who are at the core of our success.

And while we grow, we will do our utmost to live up to the high expectations our customers have of their Auckland Airport experience. Certainly, building new terminals

and infrastructure can be disruptive, but our focus as an organisation will be to be up front about changes, and deliver on our promises.

We aim to operate a vibrant, dynamic and competitive aeronautical market, to connect Auckland and New Zealand to the world, and to grow sustainable trade and tourism for New Zealand.

And we want to do it in a way which adds value to both you, our shareholders, and to our community.

Ends

Adrian Littlewood, Chief Executive, Auckland Airport

Kia ora koutou.

Good morning everyone – Sir Henry has shared some of our headline results from 2018, and it's my privilege to share with you some more detail.

Sir Henry talked about the theme of change and I would like to extend that theme to one of 'transformation' – for the past year has been a year of ongoing transformation for our business.

Transformation

Transformation in our business runs at two speeds. In our tourism and aviation business it can happen almost overnight as new routes open up, new alliances dissolve and re-form or overseas regulators impose new rules, impacting our ground operations.

In the past year we have seen exactly these changes take place, for example with Emirates withdrawal from the Tasman, and Virgin and Air NZ going their separate ways. Our team has shown themselves to be nimble and able to quickly respond.

In a different context, our consumer business has also been quickly transforming to meet customer expectations, through the development and launch of The Mall - a full 'click-and-collect' online retail channel – offering over 2,300 products at launch and soon to be extended. This service brings together our online retail, loyalty and service activities and we believe the solution is one of the most advanced in the world for airports.

Our ongoing investment in new technology has also allowed Auckland Airport to continue to improve our customer service in other areas, for example we:

- added real time information on processing queue times to our mobile app to enable passengers to plan better
- launched an AI-based virtual online assistant called 'Ava' that can answer the most common customer queries
- invested in strengthening our customer Wi-Fi network so we could improve performance and extend the free access for the travelling public.

Infrastructure

There is no question that the speed of change in business has accelerated, and with it has customer and wider community expectations. So while we have embraced that pace and expectation, and changed our business accordingly, transformation in core infrastructure takes longer, is complex, and lasts for decades – so it is important to get right.

Several years ago we started out on a multi-year transformation of our core infrastructure at Auckland Airport, and in the past year that programme gained pace. When we initially set out on this upgrade path, no one predicted the unprecedented rate of change in travel and trade markets. Indeed, since we set prices and our infrastructure plan in 2012, for the immediately prior pricing period, passenger numbers have grown by 44% – in only 6 years.

Our \$2 billion upgrade programme announced in mid-2017 signals our strong commitment to supporting that growth and delivering infrastructure that New Zealanders can be proud of, but it takes time to deliver.

Indeed, we are not alone in this challenge – airports all over the world are facing similar challenges in response to global travel growth, and the Centre for Aviation (CAPA), a global aviation consultancy, says there is at least NZ\$1.6 trillion of investment planned in airports across the world in the coming decades.

A similar story, at a smaller scale than Auckland, can also be seen in the Wakatipu Basin, where Queenstown Airport has been growing fast and is also working through how best to provide infrastructure to support that part of the South Island, for long-term growth.

So while the transformation in infrastructure can seem slower relative to change in other parts of our business, it has been gathering real momentum in the past year. Major projects that have been in development over the past few years have now completed or are close to completion, and both we, and our customers, are already seeing the benefits of those investments. In the past year we:

- completed the 12,240 sqm international Pier B extension. This has immediately dropped bussing of international passengers down to around 3%
- completed 90% of the international terminal departures upgrade project, adding new processing space, new toilets, new common lounge area and a wide variety of new retail and dining choices for passengers
- invested in new roads, bus lanes, intersections and technology to manage traffic flows through the day. These changes are having an immediate impact – for example we have reduced peak traffic flows by roughly 45% from the main domestic terminal forecourt
- We launched and won international awards for a new Strata Lounge for customers who want to pay for a premium experience, or for our airlines partners who don't have their own lounge service
- continued to invest significant time and resources into planning critical infrastructure, like our second runway, or our next major terminal projects such as the new domestic terminal or new international arrivals project.

As it now stands, in the past few years alone we have either built or refurbished 50,000 sqm of terminal space – equivalent to 1.5 times the new International Convention Centre in Auckland – with much more still to come, as we continue to roll out our major upgrade programme.

Customers

We also recognise that the change ahead will require us to take care of the 55,000 customers who pass through the airport on average every day, during the transformation.

Our team at Auckland Airport is always looking for new ways to make travel easier for people and this requires investing time with our airline, ground handler and border agency partners, to ensure the whole system performs to high standards. And also we will continue to invest over the coming years in new technology like mobile and remote

check in, new baggage systems, new security, processing, and customer service tools, as well as bringing more of our people into the terminal to support passengers on their journeys.

Indeed, despite the significant works underway, in FY18 we were able to maintain our customer service scores above 4 out of 5, based on the globally recognised Airport Service Quality survey. More widely our reputation was also recognised in the Colmar Brunton survey as one of NZ's top 10 most trusted corporate brands.

It was our focus on our business in NZ and our future investment programme that led us to sell our stake in North Queensland Airports in 2018. While airport investments are highly prized in the global investing community, our strategy and energy was clearly centred on NZ. It was the right time to sell and our team did a fantastic job of securing an outstanding result for the company, and you, our shareholders, with a sale price of A\$370m, almost 3 times the original price, without even considering dividends. This sale has helped further strengthen our balance sheet as we head through our investment cycle at Auckland.

Community and environment

While we often talk about the scale and complexity of investment at Auckland, we also recognise that the change and growth of Auckland Airport relies upon us playing our role, as one of NZ's major companies, to mitigate our impact on the wider environment, as well as maintaining the support of our local community – as Sir Henry has highlighted.

In the past year we have continued to focus on reducing our impact on the environment by investing in new energy management systems to drop energy use per passenger – down 33% over the past five years – reduce waste to landfill – down 27% per passenger in last five years – and help our partners reduce carbon emissions through the roll out of new ground power connections for aircraft to minimise engine use.

Reflecting this success, we received some major recognition in the past year, with us being the first airport in the world to set a publicly disclosed carbon reduction target, based on the UN-supported Science Based Targets Initiative. We were also recognised by Enviro-Mark as one of NZ's top carbon reducers in 2018.

We also continue to support our community and share the benefits of our growth in 2018. Our Ara Job and Skills Hub continues to thrive, with another 215 job placements and 1,082 training courses run in 2018. In response to requests from local companies looking for staff, we have now extended this programme beyond construction into logistics, retail and hospitality sectors. With over 80% of these jobs being taken by people from South Auckland, there is no doubt that Ara will make a genuine difference to our local community for years to come.

One other area which we don't often talk about is our support for other community organisations in South Auckland. Auckland Airport supports a wide variety of social organisations across a range of programmes.

We have a staff-driven programme where staff get to select and provide targeted financial support and time to small local social support groups, like the Oaklynn Special School. We also have our 12 Days of Christmas campaign, where we distribute \$120,000 ahead of Xmas to 10 local organisations, like Dress for Success.

And we also have the Auckland Airport Community Trust which has provided over \$4.5m since 2003 to enable installation of noise insulation for residents who live close to the airport and provide support for local community organisations.

I had the privilege two weeks ago to sit at the Trust's AGM and hear about the 12 organisations who received a grant in 2018. It was very humbling to hear about the work these groups perform and how they change lives.

In particular, we heard from one group called 'CAP', helping to lift local families out of crippling consumer debt and permanently changing their approach to budgeting through financial coaching. There was another group called 'Littlemore', distributing donated baby clothing and equipment to local mums, to ensure that young kids get the best possible start in life.

These organisations play a critical part in gluing our society together and I believe as shareholders you can be proud that your company is helping these organisations to make South Auckland a happy, healthy and prosperous place to live and work.

Our People

Ladies and gentlemen, I wanted to finish by recognising the fantastic team at Auckland Airport. Our ongoing success is very much due to the effort they put in every day of the year, 24 hours a day, seven days a week – no matter what challenge is thrown at them.

We take pride in being a good employer and we have continued to focus on the safety, wellbeing and development of our people in the past year.

Our never-ending focus on safety has seen continued improvement in safety performance outcomes, and us playing a greater role in influencing the safety of thousands of workers, in hundreds of different businesses, right across the airport community.

We have also made changes in our pay policies through a pay equity review, to ensure our staff are properly rewarded for their skill and experience, and that no inherent bias is evident in remuneration. We have also ensured that our top performers are recognised through a new scheme to reward high and consistent performance throughout a year.

So I wanted to sincerely thank our team again for their hard work over the past last year.

Finally, I wanted to thank our Board for their support during the past year – your support and guidance is greatly appreciated by all of our team.

I would also like to acknowledge and thank Michelle Guthrie, who retired from the Board earlier this year, and also offer my thanks to James Miller and also to Sir Henry, who, as our Chair for the last five years, has been a great supporter and guide for me personally. My sincere thanks to both of you, and I think you can both leave the Board with a sense of real satisfaction in the significant growth and change at Auckland Airport during your tenure.

On behalf of the management team, I would also like to offer our welcome to Patrick into the role of Chair, I know the team is looking forward to working with you and the rest of the Board – including the new Directors Dean and Tania.

Lastly, I want to also extend my appreciation to you, the shareholders, for your continuing support of the company as we continue to develop, deliver, and transform Auckland Airport over the coming years.

Thank you.

Ends

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