Auckland Airport

Annual Results 2016

A50YEARS

Delivering results
From 1966 - 2016

Adrian Littlewood
Chief Executive

Philip Neutze
Chief Financial Officer

Highlights

2016 full year results

Adrian Littlewood, chief executive

50 years of history

Results at a glance

Revenue
↑12.9% **$573.9m**

Passenger movements
↑9.1% **17.3m**

International 8.8m up 8.1% | International transits 0.6m up 17.2%
Domestic 7.9m up 9.8%

Operating EBITDAFI
↑13.2 % **$430.3m**

Retail income
↑19.3% **$157.5m**

Underlying profit
↑20.6% **$212.7m**

Investment property rent roll
↑12.3% **$63.0m**

Total dividend per share
↑19.9% **17.5 cents**

Five-year average total shareholder return
26.1%

Performance bonus to staff not in an incentive scheme [1]
$1,500

[1] Available to permanent staff not in a short term incentive scheme

Results at a glance

Strong growth driven by enhanced connectivity to new and established markets

- ↑ 8 new international airlines launched or announced during FY16
- ↑ 6.7% increase in international aircraft movements, domestic up 3.5%
- ↑ 8.5% increase in total seat capacity

New retail offering proving very popular

- ↑ Over 10% increase in retail sales[1]
- ↑ Over 25% increase in specialty/destination sales, 9% in food and beverage sales
- ↑ 11.6% increase in average revenue per parking space

Another standout year in investment property

- ↑ 10 new developments completed
- ↑ 12.3% increase in rent roll
- ↑ 4 significant developments underway that broaden portfolio mix

Expanding capacity and improving the passenger experience

- ↑ 64 significant capital projects underway spanning aeronautical, technology and investment property

[1] Excluding FX

Financial performance

2016 full year results

Philip Neutze, chief financial officer

Excellent twelve months

2016 financial results

For the year ended 30 June	2016 $m	2015 $m	Change
Revenue	573.9	508.5	12.9%
Expenses	143.6	128.5	11.8%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**430.3**	**380.0**	**13.2%**
Share of profit from associates	(8.4)	12.5	(167.2)%
Derivative fair value (decrease)/increase	(2.6)	(0.7)	271.4%
Property, plant and equipment revaluation	(16.5)	(11.9)	38.7%
Investment property revaluation	87.1	57.2	52.3%
Depreciation expense	73.0	64.8	12.7%
Interest expense	79.1	86.0	(8.0)%
Taxation expense	75.4	62.8	20.1%
Reported net profit after tax	**262.4**	**223.5**	**17.4%**
Underlying profit after tax	**212.7**	**176.4**	**20.6%**

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

Strong growth across the business

For the year ended 30 June	2016 $m	2015 $m	Change
Airfield income	103.4	93.3	10.8%
Passenger services charge	154.9	140.9	9.9%
Retail income	157.5	132.0	19.3%
Car park income	52.1	46.6	11.8%
Investment property rental income	59.1	50.1	18.0%
Other rental income	15.6	14.5	7.6%
Other income	31.3	31.1	0.1%
Total revenue	**573.9**	**508.5**	**12.9%**

- Aircraft and passenger growth drove the majority of the increase in airfield income and passenger service charge, plus 1.5% - 2.5% price increases
- Strong passenger growth, new commercial agreements in duty free and outstanding specialty performance contributed to the excellent growth in retail income
- Proactive management through the online channel resulted in higher parking transaction values. This contributed 7% of the above growth with the balance from higher passenger volumes
- Strong rent reviews and the completion of 34,000 sqm of office and warehouse space in year drove rental increase

Significant growth in passengers

Passenger movements

	2016	2015	Change
International arrivals	4,420,669	4,077,749	8.4%
International departures	4,358,907	4,046,686	7.7%
International passengers excluding transits	**8,779,576**	**8,124,435**	**8.1%**
Transit passengers	578,714	493,756	17.2%
Total international passengers	**9,358,290**	**8,618,191**	**8.6%**
Domestic passengers	7,902,059	7,198,595	9.8%
Total passengers	**17,260,349**	**15,816,786**	**9.1%**

- Another outstanding year with strong international and domestic passenger growth
- The growth in passengers occurred across a range of geographic markets: China up 23%, North America up 9%, Germany 11% and the UK 6%
- Passenger growth of 9.1% ahead of aircraft movements up 4.5%
- Momentum has carried into FY17

Runway movements growing

Aircraft movements and MCTOW

For the year ended 30 June	2016	2015	Change
Aircraft movements			
International aircraft movements	49,825	46,692	6.7%
Domestic aircraft movements	107,929	104,264	3.5%
Total aircraft movements	**157,754**	**150,956**	**4.5%**
MCTOW (tonnes)			
International MCTOW	4,909,786	4,556,051	7.8%
Domestic MCTOW	2,069,157	1,890,764	9.4%
Total MCTOW	**6,978,943**	**6,446,815**	**8.3%**

- Increased connectivity to new and existing destinations reversed a 7 year decline in total aircraft movements
- Up-gauging of domestic and international fleets continued in FY16, however existing carriers appear to be closer to optimal configuration, suggesting aircraft movement growth may continue

Expenses

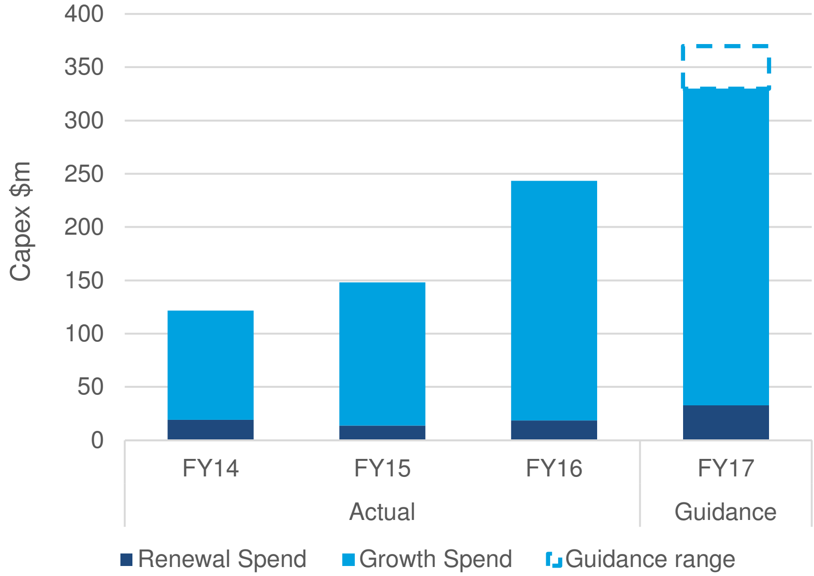
For the year ended 30 June	2016 $m	2015 $m	Change
Staff	46.8	46.3	1.1%
Asset management, maintenance and airport operations	49.1	44.2	11.1%
Rates and insurance	11.5	10.7	7.5%
Marketing and promotions	16.3	13.2	23.5%
Professional services and levies	9.7	7.3	32.9%
Other	10.2	6.8	50.0%
Total operating expenses	**143.6**	**128.5**	**11.8%**
Depreciation	73.0	64.8	12.7%
Interest expense	79.1	86.0	(8.0)%

- Managed operating expense growth, delivered operational leverage
- Staff costs marginally increased reflecting capability growth offsetting LTI reductions
- Other expense growth reflects:
  - variable costs to drive revenue (e.g. Ibis hotel, Emperor Lounge, Valet and Park&Ride);
  - network utilities strategy work (e.g. electricity, gas, water and roads); and
  - increased health and safety, strengthened financial internal controls and infrastructure planning
- Interest expense benefitted from successful refinancing at lower rates, rebalancing towards floating rate exposure and the decline in base rates during the year

Associates' performance

For the year ended 30 June	2016 $m	2015 $m	Change
Queenstown Airport (24.99% ownership)			
Total Revenue	31.5	24.8	27.0%
EBITDAFI	21.5	16.6	29.5%
Domestic Passengers	1,176,330	1,000,713	17.5%
International Passengers	474,779	397,927	19.3%
Underlying Earnings (Auckland Airport share)	1.9	2.1	(6.0)%
North Queensland Airports (24.55% ownership)			
Total Revenue (AU$)	134.6	127.5	5.6%
EBITDAFI (AU$)	83.8	81.6	2.7%
Domestic Passengers (Cairns + Mackay)	5,088,692	5,030,804	1.1%
International Passengers (Including transits) (Cairns)	767,423	616,748	24.4%
Underlying Earnings (Auckland Airport share) (NZ$)	7.9	7.3	8.2%
Novotel Tainui Holdings (20.00% ownership)			
Total Revenue	26.0	23.2	12.1%
EBITDAFI	9.7	8.3	16.9%
Average occupancy	89%	87%	
Average room rate increase	12.6%	7.7%	
Underlying Earnings (Auckland Airport share)	1.7	1.3	30.8%

Capital expenditure



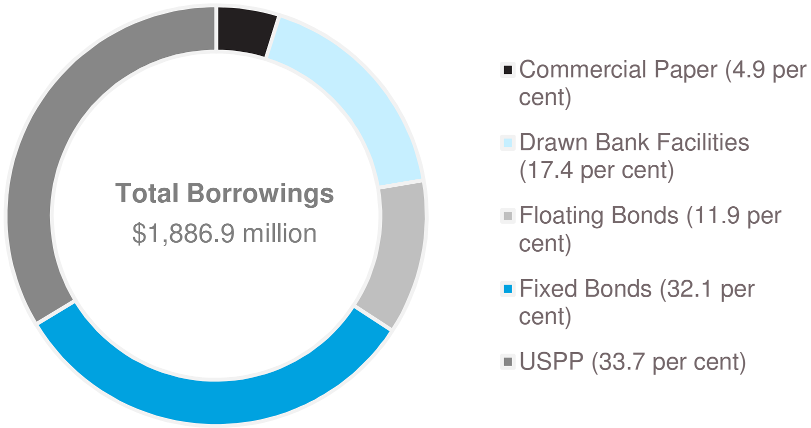
For the year ended 30 June	2016 $m	2015 $m	Change
Renewal	18.4	13.7	34.3%
Growth	224.8	133.9	67.9%
Total capital expenditure	**243.2**	**147.6**	**64.8%**
Depreciation	73.0	64.8	12.7%

- The majority of our capital expenditure is investing for future earnings growth
- Capital expenditure is forecast to increase in FY17 to between $330 million and $370 million on:
  - significant aeronautical projects including the International Terminal level 1 redevelopment, the extension to International Terminal Pier B, and additional remote and contact stands; and
  - investment property developments including Fonterra, Ministry for Primary Industries, two logistics developments and the new office development Quad 7

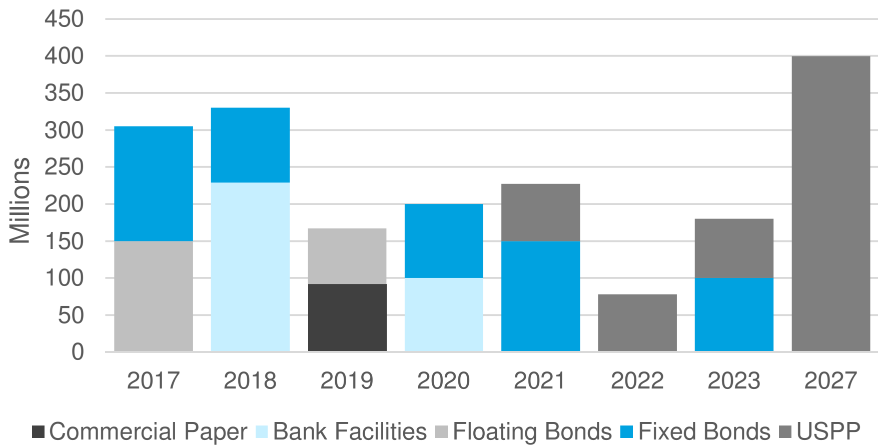
Funding

- Reflecting greater investment, total borrowings at 30 June rose 9.5% in the year, but gearing reduced to 19.7% at 30 June[1]
- Weighted average maturity of existing facilities of 4.3 years
- Committed headroom of $280 million at 30 June
- Auckland Airport continues to target an A- credit rating
- Balance sheet capacity for capital expenditure uplift
- Auckland Airport remains committed to dividend policy of paying ~100% of underlying NPAT
- Investigating a potential retail bond issue in October/November

Drawn borrowings by category as at 30 June 2016



Debt maturity profile as at 30 June 2016



[1] Debt / debt plus market value of equity as at 30 June 2016

Our continuing journey

2016 full year results

Adrian Littlewood, chief executive

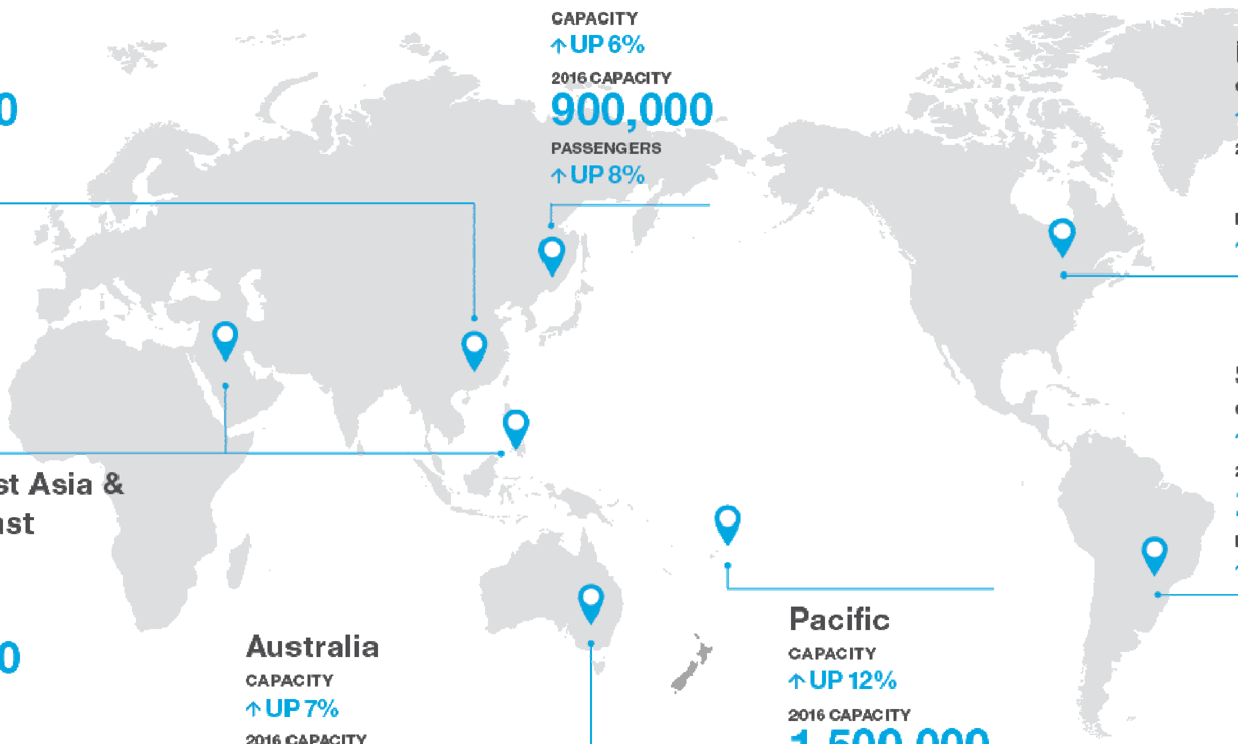
Strategic priority:
Growing Travel Markets

Strong growth in connectivity

- Strong international growth driven by enhanced connectivity to established, emerging and new markets:
  - 8 new international airlines launched or announced during FY16
  - 15 new routes established and flight frequencies increased on existing routes
- Domestic capacity growth:
  - 4 new Auckland services as a result of Jetstar's new regional services; and
  - increased Air New Zealand capacity driven by fleet growth, upgauging and greater frequencies

Delivering growth through travel markets

2016 passenger movements and capacity by direct connecting regions



China
CAPACITY
↑ UP 34%
2016 CAPACITY
750,000
PASSENGERS
↑ UP 30%

East Asia
CAPACITY
↑ UP 6%
2016 CAPACITY
900,000
PASSENGERS
↑ UP 8%

North America
CAPACITY
↑ UP 9%
2016 CAPACITY
1,200,000
PASSENGERS
↑ UP 8%

South America
CAPACITY
↑ UP 50%
2016 CAPACITY
270,000
PASSENGERS
↑ UP 50%

South East Asia & Middle East
CAPACITY
↑ UP 13%
2016 CAPACITY
900,000
PASSENGERS
↑ UP 11%

Australia
CAPACITY
↑ UP 7%
2016 CAPACITY
6,100,000
PASSENGERS
↑ UP 5%

Pacific
CAPACITY
↑ UP 12%
2016 CAPACITY
1,500,000
PASSENGERS
↑ UP 6%

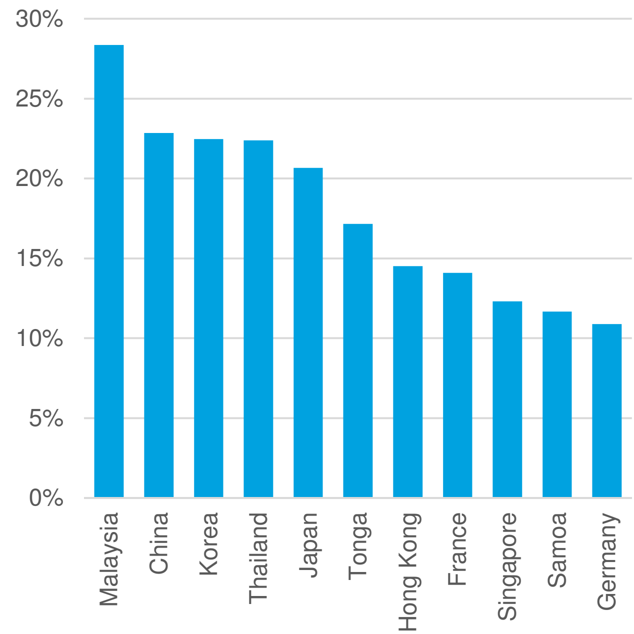
Note: passenger movements on routes, not arrivals by country of residence

Passenger mix is changing

Strong passenger growth in 2016

- Strong international and domestic passenger growth driven by capacity increases and solid load factors
- Passenger growth driven by mix of established, emerging and new markets
  - 11 countries had passenger growth in excess of 10% with 5 countries over 20%
- Ongoing shift towards free independent travellers ("FIT") and mono-NZ travel driving higher spend in the airport's retail offering
  - Based on current trends, 50% of China visas will be for FIT by the end of 2016

Fastest growing arrivals by country in FY16



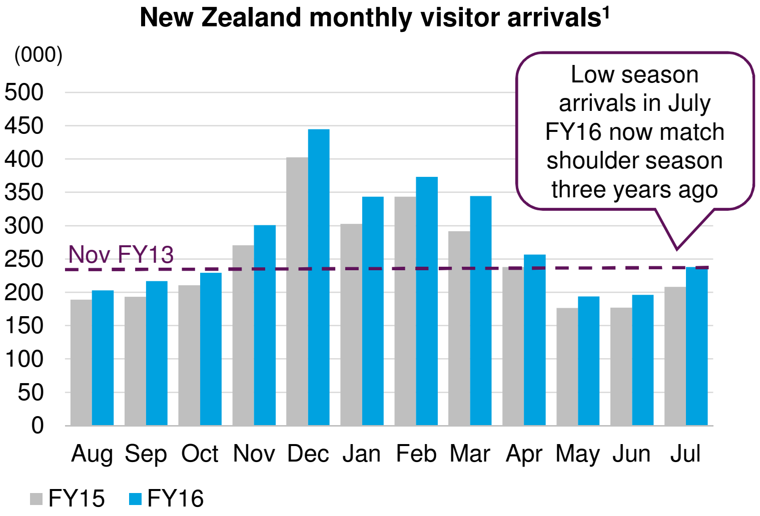
2017 is looking positive

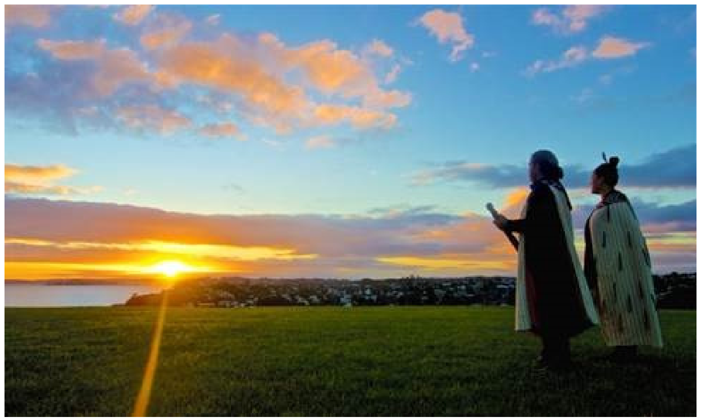
United Airlines	Emirates - A380 upgauge	Hong Kong Airlines	Tianjin	Qatar Airlines
July 2016	Oct 2016	Nov 2016	Dec 2016	Feb 2017
Daily – San Francisco	Daily – Dubai	Daily – Hong Kong	3 Weekly – Tianjin	Daily – Doha
140,000 annual seats	90,000 annual seats	177,000 annual seats	83,000 annual seats	189,000 annual seats

Tourism sector in a state of growth

Successes in developing shoulder season is spreading the load

- Tourism sector experiencing strong growth with total international visitor arrivals up over 10% and spend up 18% on the prior year
- International visitors are staying longer in New Zealand with total guest nights up over 8%[2]
- Average daily accommodation rates also rose 8%, a five year high[3]
- Focus of Tourism NZ and the wider industry on shifting investment to the shoulder seasons is showing results
  - July 2016 visitor arrivals were up 14% on prior year and higher than the shoulder season months three years ago
- Therefore enables the industry to maximise resources and drive yields – supporting future investment in new capacity
- NZ tourism intensity still remains low compared to peer group countries[4]





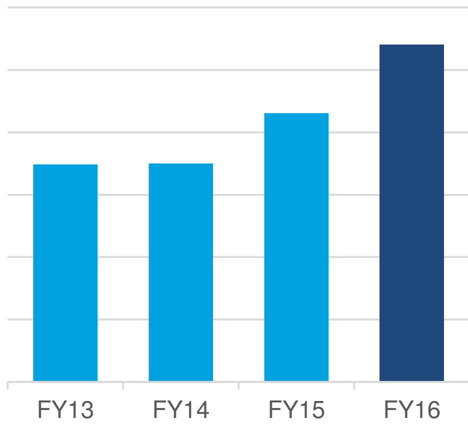
[1] Tourism New Zealand
[2] Stats NZ
[3] TIA Hotels Annual Operating Survey
[4] Ranking #67th in the world by visitation per capita. Source: World Bank, analysis

Strengthen our consumer business

Retail offering proving very popular with sales up over 10%

- Total international PSR (ex tobacco) up 1.3% on prior year
- Two new world-class duty free operators with enhanced store fit-outs and refreshed product mix established in early FY16
- Following a bedding in period, now delivering improved sales performance across core categories e.g. cosmetics/skincare, confectionary sales up over 40% and 20% respectively
- Specialty and destination store categories proved very popular with the travelling public, combined sales up over 25%
- Strong performance in the food and beverage category with sales up over 9% following product improvements made in previous financial year

Total Retail Sales (excl FX)[1]



Driving future growth in FY17

- Securing new, high quality specialty and food and beverage stores for upgraded international departure retail hub
- New duty free agreements support future retail performance as rental mechanisms share benefit of growing passenger numbers and increased space

[1] Includes sales from domestic, international and off airport, excludes FX

Strategic priority:
Strengthen our consumer business

Parking revenue growth ahead of passenger growth

- Revenue management tool and improved promotions driving parking revenue up 11.8% and ARPS up 11.6%
- Valet services now established at terminals. Valet exits up 127% prior year
- Park&Ride revenue up 25% on prior period
- Will continue to add new capacity across the product range as demand supports. A further 1,500 spaces to be added by mid FY18, largely Park&Ride

Enhancing customer choice

- Changed taxis operators at the airport to provide better value and improved customer experience for the travelling public
- Introduced a free short term parking 'Wait Zone' at the International Terminal. Has proved a success with 27,000 customers since December 2015, reducing terminal roading forecourt congestion
- Changed operators of the airport bus service to provide a better customer experience through upgraded fleet and technology offering

Driving digital transformation

- 360° view of the customer enabling enhanced personalisation of services and products
- 41% of website traffic from mobile
- 8 retailers available through online marketplace
- 100k app downloads since release
- 37% improvement in engagement
- 200% increase in bookings on the Airport App

Be fast, efficient and effective

Real-time collaborative decision making delivering tangible results

- Applying a ‘total airport management’ concept to drive operational efficiency through collaborative decision making based on technology, data and LEAN principles
- Embedded collaborative operations forums at different levels of organisation from front line to CEO delivering improved outcomes for customers and stakeholders
- Committed to further improvements and benchmarking our achievements against leading global airports

↓ **4.1%** International departure processing time

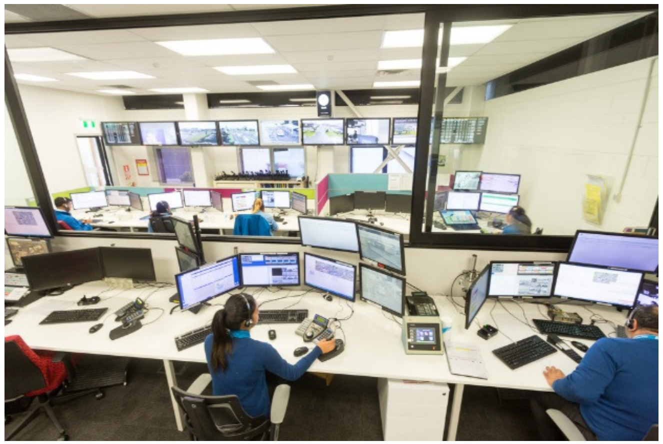
↓ **2.1%** Reduction in baggage hall processing time

↓ **2.2%** Aircraft taxi time

Reducing CO_2 emissions by in 327,160 Kg

In the air and on the roads

- Continued improvement in management of airspace around the airport and began trial of a third SMART flight path. This will result in aircraft burning less fuel, emitting less carbon and flying more quietly
- Formalised cooperation with Auckland Transport, New Zealand Transport Agency and Auckland Council to improve operational management of land transport to the airport



Strategic priority:

Be fast, efficient and effective

To be one of the safest airport workplaces

- Auckland Airport has a strong commitment to safeguard the health and safety of people who work at or visit the airport
- 2016 has seen an investment in our people and our health and safety teams to ensure Auckland Airport is a safe environment to work
- Greater engagement has driven improved reporting of incidents
- Through taking a pro-active stance on addressing health and safety issues before they cause injury, our loss time injury rate has substantially dropped

↑ **76%** Health & safety incident reporting

↓ **43%** Lost time injury frequency

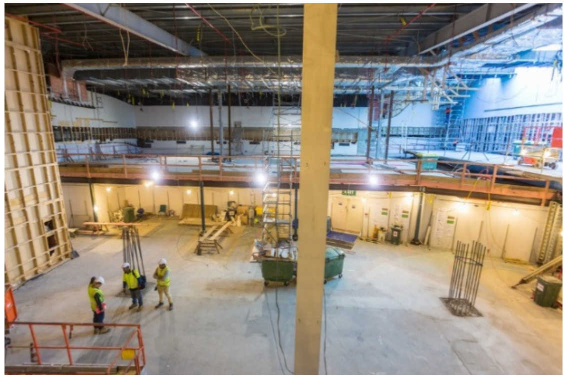
↓ **44%** Lost time injury severity

Strategic priority:

Invest for future growth

A significant period of investment is underway

- 2016 has seen a step change in investment as we build to accommodate the ongoing growth in passengers, aircraft and businesses operating at the airport
- Key projects completed in 2016 included:
  - detailed planning on the function of the future domestic section of the new combined international and domestic terminal building;
  - a new bus lounge on Pier B of the international terminal;
  - second of two additional baggage belts in the international baggage hall;
  - an extra 17,500 square metres of airfield apron and stands;
  - four new regional gates at the domestic terminal; and
  - new departure lounge to support Jetstar's regional services
- Key projects commenced in 2016 included:
  - upgrade of the international terminal departure area providing expanded core processing, passenger dwell space, and retail footprint; and
  - extension of the international terminal Pier B to add gates and air bridges (~10,000 sqm of pier footprint)

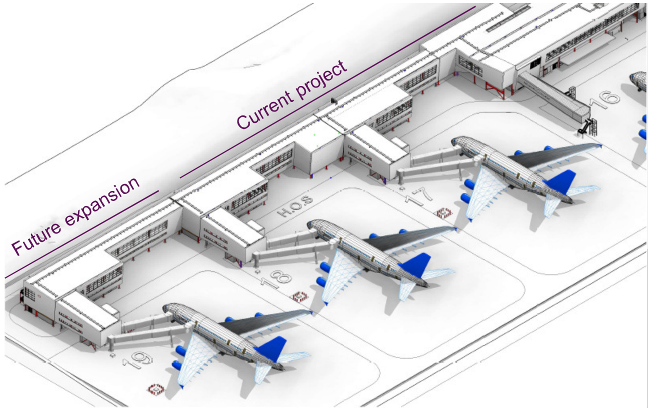


Invest for future growth

Significant work planned for 2017

- Expansion of the international departure area will continue throughout 2017
- Commence construction of the Pier B extension
- Completion of new serviced remote and contact stands for international terminal
- Detailed design for the domestic section of the combined international and domestic terminal
- Update of our current consent and completion of early-stage design for the second runway
- Careful development planning to minimise disruption during the international terminal expansion
- Further development of our parking and access roads

Extension to Pier B of the international terminal



Auckland's new Unitary Plan provides for our airport of the future

- Provides for adjusted noise contours to facilitate the development of the second runway, improved land designations and preserves airport development flexibility within the airport precinct

Strategic priority:

Invest for future growth

Another standout year for our property business

- Rent roll up 12.3% on the prior year
- Ten new income generating developments completed including:
  - a 12,000 sqm processing facility for Coca-Cola Amatil;
  - new facilities for Hellman Worldwide Logistics, DHL Express, CEVA Logistics, Fuji Xerox NZ, Agility Logistics and DetPak;
  - two developments delivering 12 units - now fully leased
- Nine hectares of land development completed with capacity to accommodate 50,000 sqm of new building projects

Development momentum is building into FY17

- A number of new major projects are underway:
  - 11,000 sqm distribution centre for Fonterra Brands;
  - 17,000 sqm integrated office, warehouse and dog handling facility for Ministry for Primary Industries;
  - Quad 7 office building due to complete Q4 2016; and
  - design well underway to develop a 5-star 250 room hotel in the terminal precinct

Being a good neighbour

Supporting and lifting achievement within our local community

Education

- ✓ Established a range of programmes to support education including:
  - scholarship programme for local teachers
  - scholarships for local students enabling them to pursue tertiary studies and gain work experience
  - donated $330,000 to support learning, literacy and life skills in South Auckland communities
  - $120,000 to charities in the lead up to Christmas

Employment initiatives

- ✓ Worked closely with central government agencies and education providers to develop ‘Ara’ (Airport Jobs and Skills Hub), creating a pathway from job training through to work opportunities at the airport
- ✓ Ara trained 525 South Aucklanders, placing 98 in employment

Environmental sustainability

- ✓ Per PAX, waste to landfill down 21% and water use down 14%
- ✓ Continued recognition in global corporate social responsibility indices
- ✓ Ongoing partnership with EECA to save 6 gigawatt hours energy over 3 years across the airport (enough to power 750 homes)

EECA
Energy Efficiency and Conservation Authority
Te Tari Tiaki Pūngao

FTSE4Good

Dow Jones Sustainability Indexes

Regulatory

Economic regulation

- The Commerce Commission’s review of the current Input Methodologies (“IM”) is underway, expected to finish in December 2016
- The Commission’s draft decision on the IM review was released in June reaffirming that the Commission does not set prices for airport services and that its focus is on ensuring there is transparency in relation to the pricing decisions made by the airports
- Key points from the draft decision include:
  - a new forward-looking profitability measure using an IRR over a five year period reflecting each airport’s bespoke pricing approaches;
  - the Commission's draft approach to assessing airport profitability indicates that it will take into account different contextual factors when assessing airport performance, including airport specific required returns, investment volumes and risk profile; and
  - flexibility in approach to disclosing revenue on future use assets
- Auckland Airport’s FY18-22 aeronautical price path consultation with major airlines and representatives began in early FY17, with final pricing decision expected in May 2017

Outlook

Guidance

- Ongoing strong growth and performance means that we are confident that the Company will again deliver strong financial results in the next 12 months
- We expect total capital expenditure of between $330 million and $370 million in FY17, including approximately $232 million of aeronautical projects
- We expect underlying net profit after tax (excluding any fair value changes and other one-off items) in FY17 to be between $230 million and $240 million
- 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

Supportive macro environment

- ✓ Travel industry benefiting from continued favourable drivers
- ✓ Strong aircraft deliveries forecast for the Asia Pacific region over the next 20 years is expected to drive connectivity
  - 13,458 new Airbus airplanes (41% of total deliveries)[1]
  - 15,130 new Boeing airplanes (38% of total deliveries)[1]
- ✓ New Zealand benefitting from proximity to Asia and growing Asia-Pacific markets
- ✓ Strong New Zealand tourism market
- ✓ Growing Auckland population

[1] Airbus and Boeing

Appendix

Underlying profit reconciliation

For the year ended 30 June	2016 Reported earnings $m	2016 Adjustments $m	2016 Underlying earnings $m	2015 Reported earnings $m	2015 Adjustments $m	2015 Underlying earnings $m
EBITDAFI	**430.3**	**-**	**430.3**	**380.0**	**-**	**380.0**
Share of profit from associates	(8.4)	19.9	11.5	12.5	(1.8)	10.7
Derivative fair value increases	(2.6)	2.6	-	(0.7)	0.7	-
Investment property revaluation	87.1	(87.1)	-	57.2	(57.2)	-
Property, plant and equipment revaluation	(16.5)	16.5	-	(11.9)	11.9	-
Depreciation	(73.0)	-	(73.0)	(64.8)	-	(64.8)
Interest expense and other finance costs	(79.1)	-	(79.1)	(86.0)	-	(86.0)
Taxation expense	(75.4)	(1.6)	(77.0)	(62.8)	(0.7)	(63.5)
Profit after tax	**262.4**	**(49.7)**	**212.7**	**223.5**	**(47.1)**	**176.4**

- We have made the following adjustments to show underlying profit after tax for the twelve-month periods ended 30 June 2015 and 30 June 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 as a change in one particular year can be too short a period for measuring performance. Changes between years can be volatile and will consequently impact comparisons. 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 or where the counterparty credit risk on derivatives impact accounting hedging relationships. These gains or losses, like investment property, are unrealised and interest rate derivative movements are expected to reverse out over the lives of the derivatives;
  - reversed the revaluations of investment property and financial derivatives contained within the share of profit of associates; and
  - reversed the taxation impacts of the above adjustments

Important Notice and Glossary

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This presentation is given on behalf of Auckland International Airport Limited. Information in this presentation:

- is provided for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Auckland International Airport Limited (Auckland Airport);
- should be read in conjunction with, and is subject to, Auckland Airport's audited consolidated financial report for the year ended 30 June 2016, prior annual and interim reports and Auckland Airport's market releases on the NZX and ASX;
- includes forward-looking statements about Auckland Airport and the environment in which Auckland Airport operates, which are subject to uncertainties and contingencies outside of Auckland Airport's control. Auckland Airport's actual results or performance may differ materially from these statements;
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All currency amounts are in New Zealand dollars unless otherwise stated.

Glossary

AT	Auckland Transport
ARPS	Average revenue per parking space
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
EECA	Energy Efficiency and Conservation Authority
IM	Commerce Commission Input Methodologies
NPAT	Net profit after tax
PAX	Passenger
PSR	Passenger spend rate


Thank you