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2021 Annual Meeting: Chair and Chief Executive addresses

Patrick Strange, Chair

Tēnā koutou, tēnā koutou, tēnā tatou katoa.

Good morning and welcome everyone to Auckland Airport's annual meeting. Thank you for joining us today via video link. I'm sorry we are not able to hold this meeting in person. As with last year's annual meeting, COVID-19 has guided our decision to make this a virtual meeting.

My name is Patrick Strange and I am Auckland Airport's Chair. I'm joined by Chief Executive Adrian Littlewood who will speak shortly. Directors Mark Binns, Dean Hamilton and Tania Simpson will also address you briefly on their respective re-elections. I will also address you on my re-election.

My other fellow directors are also joining via video link: Liz Savage, Julia Hoare, Justine Smyth and Christine Spring. Our Chief Financial Officer Phil Neutze is also with us by video. And finally, we also have our General Counsel Mary-Liz Tuck here with us today, other executives, and our auditors Deloitte.

The meeting will follow the usual format and you can ask questions and submit your votes online. Note that we will group any questions for those directors standing for re-election with the general questions towards the end of the meeting. We may also amalgamate questions of a similar nature. If, at the end of the meeting, you feel your

question wasn't addressed or you would like to discuss it further please contact us via the investor page on our website.

Auckland Airport has been working for New Zealand for more than 50 years. While the past financial year has brought many challenges, including our first ever underlying loss, we remain committed to delivering for our country.

At the outset, I would like to recognise our employees at Auckland Airport who have worked tirelessly to ensure the safety of passengers, colleagues and the community.

Auckland Airport is not the same company it was 20 months ago. We are more adaptable than we have ever been before, and our team has shown remarkable resilience through difficult months of constant disruption and uncertainty. We offer our sincere thanks for their dedication and ongoing efforts.

When COVID-19 arrived in early 2020, we moved quickly to chart a course through the pandemic and beyond, outlining a three-stage plan: Respond, Recover, and Accelerate.

COVID-19 is here to stay. Like the rest of the world, we will have to learn to live with it, principally through high levels of vaccination. And, like the rest of the world, our borders will open - probably gradually initially with some new controls, but open they will. Exactly when is unsure, but it is inevitable once New Zealand completes its vaccination programme. The reality is that we are quite quickly reaching the point where the risk of catching COVID-19 in the community will be greater than via our border.

As we are seeing overseas, the recovery in air travel will be strong. And, after a year of careful financial management, the reset of our infrastructure development programme and the emerging recovery in international aviation, Auckland Airport is positioning to meet this recovery with confidence.

We have confirmed our commitment to our anchor infrastructure projects, with construction to be carefully aligned with aviation's recovery. The team is progressing plans for our priority development: a new purpose-built domestic hub merged into the eastern end of the international terminal. It's a large complex project and we're expecting it to take five to six years to complete once construction is underway. We are

focused on how to meet our domestic passengers' needs and expectations while the new terminal is being built.

For now, international passenger volumes at Auckland Airport remain extremely low, and as we have recently seen, domestic travel remains volatile. To give you some idea of just how quiet the airport has been, there were an average of 960 passengers per day in September. That's less than half the number of daily passengers that moved through the airport in 1966 – the year the airport opened. But we know from overseas experience, this can change quickly and we are looking forward to welcoming back passengers soon.

We have been very mindful of supporting our business partners in the airport community as they too have faced challenging operating conditions and uncertainty. We have offered them rent relief on a case by case basis, and this totalled more than \$185 million in the 2021 financial year. We are proud to say that retail occupancy in our terminal buildings remains at 96%.

Disappointing, the Government is currently trying to pass broad changes to the Property Law Act regarding rent relief. We think these changes are rushed. We also think that they will have unintended consequences for the very tenants that Government seeks to support - and whom landlords like Auckland Airport are already supporting. We continue to urge the Government to rethink these changes to ensure that relief is targeted and directed to the businesses that need it the most and not to the multi-nationals that don't. We've made practical suggestions about amendments that could be made to ensure the law is fair for all New Zealand businesses.

I'd now like to summarise key aspects of our performance for the 2021 financial year.

The pandemic continues to have a far-reaching impact on our performance. While the introduction of safe-travel corridors with the Cook Islands and Australia brought some meaningful activity to our international business, we have seen the recent outbreaks here and across the Tasman bring sudden closure to these developments.

In the year to 30 June 2021, revenue was down 50% to \$281 million, with earnings before interest expense, taxation, depreciation, fair-value adjustments and investments in associates decreasing 34% to \$172 million.

Reported profit after tax was up 139% to \$464 million. However, this was driven by property revaluations. Of more relevance, our underlying profit fell by 122% to a loss of \$42 million. Underlying earnings per share fell to a loss of 2.8 cents per share for the 2021 financial year.

In the 2021 financial year, 560,000 travellers arrived or departed through the international terminal, down from nearly 8 million in the 2020 financial year, and from 10.5 million in 2019 - the last pre-COVID year. The numbers for domestic travellers were stronger, with 6 million arriving or departing, down from 7 million in the 2020 financial year, and 9.6 million in 2019.

Our property portfolio continues to perform strongly and rapid growth in ecommerce and structural shifts in the logistics sector mean we are well-positioned for continued growth. Annual rent roll increased 13% to \$117 million and the portfolio value rose 29% to \$2.6 billion.

As with the previous financial year, we were unable to pay a dividend to shareholders.

In the 2021 financial year, an area of key focus for Auckland Airport was the recovery of the aviation and tourism sector, including supporting the Government in safely reopening the border.

We played a lead role in bringing together the aviation community to assist the Government in designing a risk-based quarantine-free travel system to support airlinks between New Zealand and other low-risk countries.

While these quarantine-free arrangements are currently on hold, we have continued to plan for the future and the reopening of New Zealand's border. In partnership with Customs, Auckland Airport has been leading a piece of work over the past eight weeks called Future Borders, working with airlines, airports and agencies to develop a set of recommendations for the Government.

The recent community outbreak has underscored the importance of vaccination in New Zealand's response to COVID-19. We have worked hard to support the vaccination drive from the very start, both for our own people and more recently for the community. Adrian will talk more about this.

As I noted, we are confident about the return to growth and our long-term future. But at this stage we continue to adopt more conservative planning assumptions than those of the International Air Travel Association, which is forecasting global travel to fully recover in 2023. We believe the full recovery may take a little longer, but it will be a full recovery.

In terms of governance, we are pleased to have four directors standing for re-election this year as independent directors in line with NZX listing rules.

Mark Binns is standing for re-election after three years with the Board. Mark is Chair of our Development Committee and the Board unanimously supports his re-election.

Dean Hamilton is standing for re-election after three years with the Board. Dean is Chair of our Aeronautical Pricing Committee and again, the Board unanimously supports his re-election.

Tania Simpson is standing for re-election after three years with the Board. Tania is a member of our People and Capability Committee and our Safety and Operational Risk Committee. Again, the Board unanimously supports her re-election.

I am privileged to be standing for re-election after six years with the Board. As I've already said, I'm the Board Chair.

Finally, I would like to recognise my fellow directors for their hard work over these challenging times. I'd also like to acknowledge Justine Smyth, who today finishes her time as a director, a role she has filled since 2012. We sincerely thank her for her outstanding contribution.

I also want to offer special thanks today to Adrian who will finish in his role as Chief Executive on 12 November. He has been an exceptional leader who has seen the company through both rapid periods of growth and the disruption of a global pandemic. Auckland Airport has been able to face the challenges of COVID-19 and rebuild for a strong future thanks to his outstanding contribution. His wider leadership in representing the private sector in Wellington and finding ways to enable the right answers for all New Zealanders, has been hugely influential. On behalf of our shareholders and the wider New Zealand community, we say thanks to Adrian and wish him all the very best.

We have announced our new Chief Executive: Carrie Hurihanganui. Carrie has more than 20 years' experience in aviation, and we are confident that her leadership, aviation knowledge and focus on customer experience will ensure a strong future for Auckland Airport. She will join us from her role as Chief Operating Officer at Air New Zealand in the new year.

Finally, I would like to thank you, our shareholders, for standing with us and adding your support to our vision of a strong future for Auckland Airport. Your support in uncertain times has been truly appreciated.

I'll now hand over to Adrian.

Adrian Littlewood, Chief Executive

Thanks Patrick.

Kia ora everyone, and it is great to join you for our annual meeting.

Patrick talked about the challenges our organisation has faced over the past year and how we've responded. I'll now go into greater detail and share some of what is ahead for the company.

This will be the last time I give this address as Chief Executive of Auckland Airport – so the very first thing I want to do is to acknowledge the remarkable efforts of our team. They were incredible when the pandemic first hit and I'm just as proud of them today. It's through their continued dedication and commitment that we can safely and reliably operate the airport today and recast our long-term plans for a better future.

At our 2021 results presentation in August I talked about how, despite the very difficult circumstances, our team had not wasted a single day in working hard to secure the business and also look through the current pandemic phase and lay out a positive plan for Auckland Airport.

Firstly, following on from our work last year, our team has continued to carefully manage our operations, dialling up as travel restarted and then down again and hibernating when travel closed. As Patrick mentioned, we worked closely with our

partners in each phase to support them and we provided significant financial relief where justified.

We also continued to carefully manage our wider business throughout the year, taking care of our staff, adding new resource as we cautiously switched on new projects and staying in close contact with our banking partners to ensure we had the flexibility to fund our core projects and operations. This has required real diligence and careful management as we faced ongoing disruption throughout the year.

Secondly, we have been determined to support the recovery of the aviation sector and maintain our country's connectivity to the world. We did everything we could to help the Government restart travel within New Zealand and then to safely reopen the border for quarantine-free travel. Given the nature of COVID-19, that also meant stretching ourselves into new areas to support the national pandemic response.

The airport community works closely together each day, and it was through our collaboration with airlines, border agencies, retailers and ground operators we were able to ensure that quarantine-free travel with firstly Rarotonga and then Australia could be handled safely and effectively.

This meant delivering a 'split' terminal – keeping quarantine-free travellers separated from others who are heading into quarantine facilities. Our teams worked tirelessly with the airport community and with public health officials and the teams coordinating MIQ sites to deliver a safe and reliable separated terminal, and we are really proud of what they achieved.

As Patrick said, the subsequent pause on quarantine-free travel and the Delta outbreak has underlined the importance of vaccination. That's why we have also been doing all we can to support the vaccine rollout in the community. We've allowed health authorities free use of our Park & Ride facility as a drive-through vaccination site, now the biggest in the country. Our transport engineers helped to establish the site and our staff have volunteered there every day doing everything from transporting vaccines around the site to assisting public health nurses.

As the effort to get the community vaccinated stretched to reach more people, Auckland Airport pulled together a team of major New Zealand businesses to find new

ways to promote the vaccination message. People getting vaccinated at the 'Park & Vax' site have been taking part in promotions that offer grants for South Auckland schools and charities and they've even been able to win spot prizes, with a total prize pool of \$200,000. I'm proud to say that to date more than 100,000 people have already been vaccinated at the Park & Ride, including 25,000 while our campaign was underway. Our support of vaccination in the community has gone further. Auckland Airport has loaned our fleet of Park & Ride buses to the 'Shot Bro' public-health campaign that takes mobile vaccination centres right into the community. We've also been able to lend considerable communications and marketing support to these vaccination campaigns, utilising contacts across the business community to drive the vaccination efforts.

Beyond vaccination we have also played a lead role in pushing for new testing technology, whether it was our saliva PCR trials in early 2021, or the initiative to work with 25 other major companies to introduce rapid antigen tests into New Zealand. I can happily report that in under four weeks since we publicly called for the importation of rapid tests that 300,000 test kits will shortly start arriving in the country for distribution to the companies joining us in the Government-approved trial.

As the vaccination rollout continues over the rest of this year and based on what we have seen overseas, we expect demand for international travel to rebuild during the 2022 calendar year.

While stabilising our business and focusing on supporting the travel restart we have maintained our attention on core infrastructure resilience and our future development programme. For several years, Auckland Airport has been progressing a series of projects with the aim of delivering an integrated airport terminal, an extended airfield and an enhanced transport system that would serve Auckland and New Zealand well into the future.

Those plans were heavily disrupted when COVID-19 arrived early last year. Our team immediately developed a plan to suspend and preserve work on key capital projects so they could be restarted when conditions in the aeronautical and travel sectors improved.

With reduced traffic volume on the roads and fewer aircraft on the airfield, we have been able to advance work on the upgrade and renewal of core infrastructure including airfield, utilities, security systems and \$160 million in roading improvements.

The upgrade to our core roading network is now almost complete and we have collaborated with Waka Kotahi/NZTA and Auckland Transport to deliver upgrades to State Highway 20B, providing better public transport options to travellers by connecting into the new Puhinui main line rail station.

We've been working hard with our partners to develop a comprehensive transport plan to manage development inside and to the north and east of the airport, along with understanding future demands on the network and the provision of public transport. We need to ensure roading upgrades keep up with development, protecting traffic flows to and from the airport and surrounding areas.

The restart of our priority development, a new purpose-built, domestic hub merged into the eastern end of the international terminal, has been exciting for the whole team – a chance to look through the current phase to the future.

Following the arrival of COVID-19, we worked closely with airlines, border agencies and our aviation partners in resetting our wider infrastructure development programme and our plans for the \$1 billion-plus domestic facility. We will take advantage of lower passenger volumes in early 2022 to get enabling works underway and we look forward to working closely with our partners, including iwi, as we progress the development. Combined with the other major projects, the new domestic hub will deliver a significant improvement in the traveller experience.

The restart of other anchor infrastructure projects will align with growth in aeronautical demand, and we will constantly review the triggers to restart these projects as the longer-term recovery in aviation develops.

Alongside working for a safe reopening of the border and restarting our infrastructure projects, we also stabilised our commercial business for the 2022 financial year and laid out some exciting future plans.

In August, Auckland Airport announced plans to strengthen our retail business by building a quality fashion outlet centre in a fantastic location on the north eastern edge

of the precinct. The centre will be underpinned by sustainable design principles and will create more than 500 new jobs across 100 stores and food outlets. Since the announcement, we've been really delighted by the response from potential tenants and also the wider retail sector with the consistent feedback that there is a large gap in the market for a premium outlet centre.

Our investment property business continues to perform strongly and has been a bulwark during the COVID-19 pandemic – providing vital support when passenger markets are shut.

In the 2021 financial year we completed the outstanding 85,000m² distribution centre and head office for Foodstuffs North Island. This award-winning project is the largest distribution complex in the country. It is also a development focused on a sustainable future with New Zealand's largest rooftop solar array and a 5-star Green Star rated adjoining head office building.

We've also developed and delivered a specialised waste facility for Interwaste and advanced construction on the 5-star Te Arikunui Pullman Hotel (a joint venture with Tainui Group Holdings) and the 4-star Mercure Hotel. Interior work and the final fit-outs of both hotels will be planned for completion when market conditions improve.

Auckland Airport is full of hard-working people who are guided by strong values and want to do the right thing for the communities we serve. Over the past year, Auckland Airport has completed a significant overhaul of our approach to sustainability, setting new goals and targets, including a new target of being Net Zero Carbon by 2030. These goals build on our significant achievements over the past 15 years and we will continue to work for the good of New Zealand, the environment and the community in which we operate.

Given this is my final shareholders' meeting I wanted to finish with a few reflections and thanks.

Auckland Airport is a strong business with deep roots. Despite the impact of COVID-19, your company today is stronger and more dynamic than when I joined 13 years ago and it has an exciting future ahead. We can genuinely point to areas where we already lead our sector or are investing ahead for a different future. While it might start slowly,

travel markets will recover and our important infrastructure investment programme will hit high gear again.

While planes dominate a lot of what an airport company is, it is the people - not planes - that matter most.

I want to thank our partners around the airport – the airlines, ground operators, retailers and border agencies and all those people that help to make the place run so smoothly. We are immensely proud of the way the airport community has pulled together during these tough times.

I want to acknowledge and thank the Board for its guidance and support during my nine years as Chief Executive, particularly in the face of so many challenges over the past 20 months. In particular, I would like to thank my three Chairs, Joan Withers, Henry van der Heyden and Patrick Strange – I have been incredibly fortunate to get to work with some of the best in the business.

I would like to thank Maree Tozer, my executive assistant, who has worked with me from my very first day in this job to the last and has been a tireless supporter who can make just about anything happen.

I would also like to thank my wife Claire and my kids Emma, Henry and Ben for their huge support and forbearance over the nine years. The airport has played an outsized role in our family's life and I know they are sad to see me leave the company.

But my greatest thanks, of course, goes to the people of Auckland Airport - my colleagues on the executive team and all those I have worked alongside across the many diverse areas of our operation – it has been a real privilege to work with you. I wish you and your incoming Chief Executive Carrie Hurihanganui the very best for the years ahead.

Nga mihi. Thank you.

ENDS

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