Media Release | 20 February 2014

Auckland Airport's interim result reflects plan in action – underlying profit up 13.9% to $86.7 million

Auckland Airport has today announced its interim results for the six months to 31 December 2013.

Total profit after tax was up 11.7% to $85.9 million, while underlying profit after tax increased by 13.9% to $86.7 million.

Revenue increased by 6.7% to $238.5 million and expenses increased by 6% to $60.6 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 6.9% to $177.9 million. Passenger movements were up 4.8% to 7.6 million for the six-month period. Total share of profit from associates – North Queensland Airports, Queenstown Airport and the Novotel hotel – totalled $4.9 million, an increase of 11.5% on the corresponding period.

Sir Henry van der Heyden, Auckland Airport's chair, says, "The company is pleased to record an interim result which has exceeded expectations and builds on our recent strong performance. We have delivered solid financial returns for investors in the first six months of this financial year and the implementation of our strategic business plan Faster, Higher, Stronger, is progressing well."

“We have renewed our focus on becoming a southern hub airport for the Pacific Rim, and our focus on growing travel markets has resulted in new routes and additional seat capacity. Our commitment to invest for future growth has been underpinned by ongoing work to complete the draft 30-year vision for the ‘airport of the future’. Likewise, the Board’s decision to seek High Court and shareholder approval to return $454 million of capital to shareholders is targeted at ensuring that we remain fast, efficient and effective. Finally, we have successfully transitioned to a new chair of the board of directors following the 2013 Annual Meeting and completed the chief executive’s restructure of the leadership team.”

Sir Henry says the key revenue highlight is strong underlying aeronautical income, driven by higher international and domestic passenger volumes and also underpinning positive growth in car parking revenue. Our ongoing investment in our property transformation programme has delivered a solid increase in property rental income. The increase in expenses remains lower than revenue growth, resulting in the EBITDAFI increase. Interest costs were lower in the first six months of this financial year. With the improvement in profit levels the company has continued to strengthen its ability to fund the business, reinforcing our capacity to return capital to shareholders.

“At the beginning of the 2014 financial year, we outlined our expectation that the net profit after tax (excluding any fair value changes and other one-off items) would be between $160 million and $170 million. Auckland Airport is lifting its guidance for the full year to be between $166 million to $172 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,” says Sir Henry.

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Note for media:

Directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, users can confidently know that comparisons can be made between different companies and that there is integrity in the reporting approach of an entity. However, we also believe that an underlying profit measurement can assist readers to understand what is happening in a business such as Auckland Airport where revaluation changes can distort financial results or where one-off transactions (both positive and negative) can make it difficult to compare profits between years.

For several years, Auckland Airport has referred to underlying profits alongside reported results. We do so when we report our results but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends (our dividend policy is to pay 100% of net profit after tax, excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items). However, in doing so, we also acknowledge our obligation to show users how we have derived our underlying result.

The table below shows how we reconcile reported profit after tax and underlying profit after tax for the six months ending 31 December 2013.

	2013			2012		
	Reported profit $000	Adjustments $000	Underlying earnings $000	Reported profit $000	Adjustments $000	Underlying earnings $000
EBITDAFI per income statement	177,899	-	177,899	166,361	-	166,361
Share of profit of associates	4,869	(157)	4,712	4,368	(12)	4,356
Derivative fair value (decreases)/increases	(1,261)	1,261	-	1,128	(1,128)	-
Depreciation	(31,389)	-	(31,389)	(31,430)	-	(31,430)
Interest expense and other finance costs	(32,317)	-	(32,317)	(33,705)	-	(33,705)
Taxation expense	(31,914)	(309)	(32,223)	(29,812)	320	(29,492)
Profit after tax	**85,887**	**795**	**86,682**	**76,910**	**(820)**	**76,090**

We have made the following adjustments to show underlying profit after tax for the six months ended 31 December 2013 and 31 December 2012:

- We have adjusted for Auckland Airport's share of the fair value movement in the derivative financial instruments of associates that do not qualify for hedge accounting for the six-month period ended 31 December 2013 and 31 December 2012.
- We have also adjusted for the fair value movements of derivative financial instruments in Auckland Airport that either do not qualify for hedge accounting or hedge accounting ineffectiveness that relate to the counterparty risk of the particular derivatives entered into by the company. These gains/(losses) are unrealised and are expected to reverse out over the lives of the derivatives.

- We also allow for the taxation impacts of the above adjustments for both the six-month periods ended 31 December 2013 and 31 December 2012.

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