Auckland International Airport Limited

Research Analyst Property & Retail Afternoon

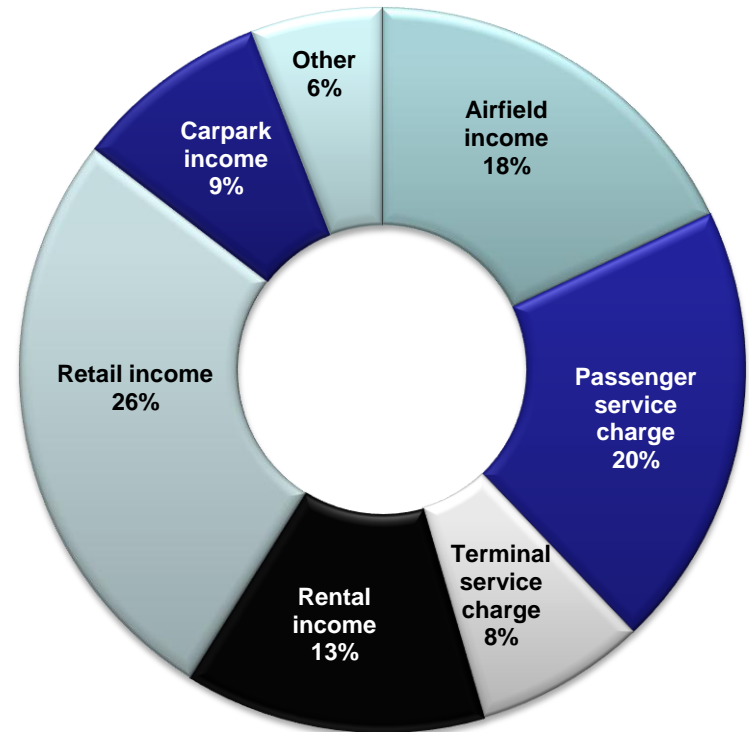**Wednesday 12 May 2010**

AGENDA

- Welcome and Introduction – Simon Robertson (CFO)
- Property – Peter Alexander (General Manager, Property)
- Retail – Adrian Littlewood (General Manager, Retail)
- Q&A
- Tour of property and international departures retail space

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Non Aeronautical Revenue

- Non-Aeronautical revenue represent 55% of our revenue base.

- New property brand and precinct plan launched to property market on 28 April 2010.

- Two new hotels in development in the airport business district.

- New DFS and JR Duty Free stores opened in international departures on Saturday 1 May.

- Continuing development of the proactive landlord strategy.

Revenue Mix – 6 months ended Dec 2009

Other 6%

Airfield income 18%

Carpark income 9%

Passenger service charge 20%

Retail income 26%

Terminal service charge 8%

Rental income 13%

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Property Overview

Peter Alexander

Analyst Day Presentation – Property

Overview

Legend:
- Northern Runway (green)
- AIAL Boundary (red)
- Designation Boundary (yellow)

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Property Division Portfolio

Portfolio Composition by Value

- Land Portfolio 43%
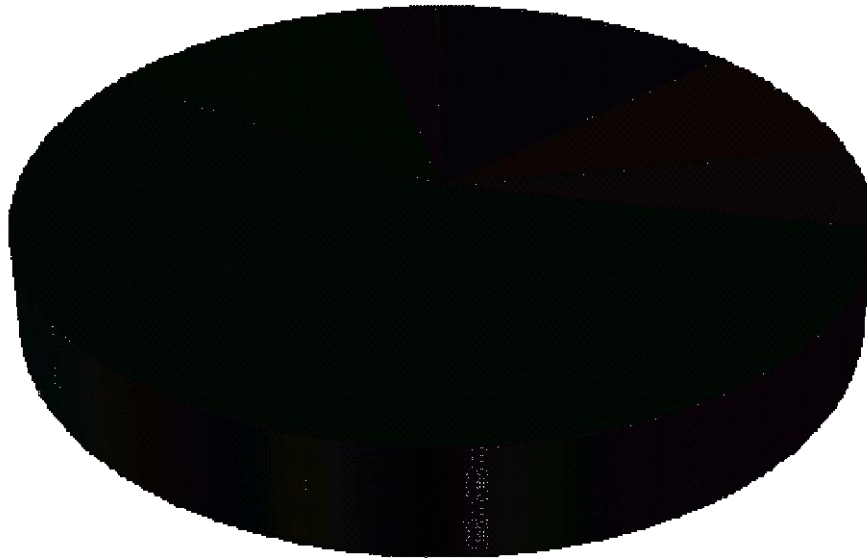- Investment Portfolio 57%
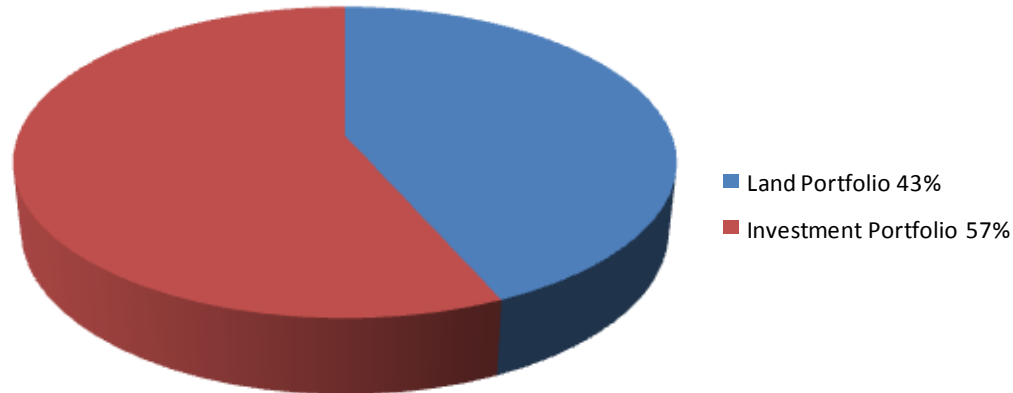
Investment Portfolio   - $313m

Land Portfolio   - $240m

Includes assets classified as both Property, Plant and Equipment (PP&E) and Investment Property (IP). IP valued as at 30 June 2009, PP&E last valued at 30 June 2006.
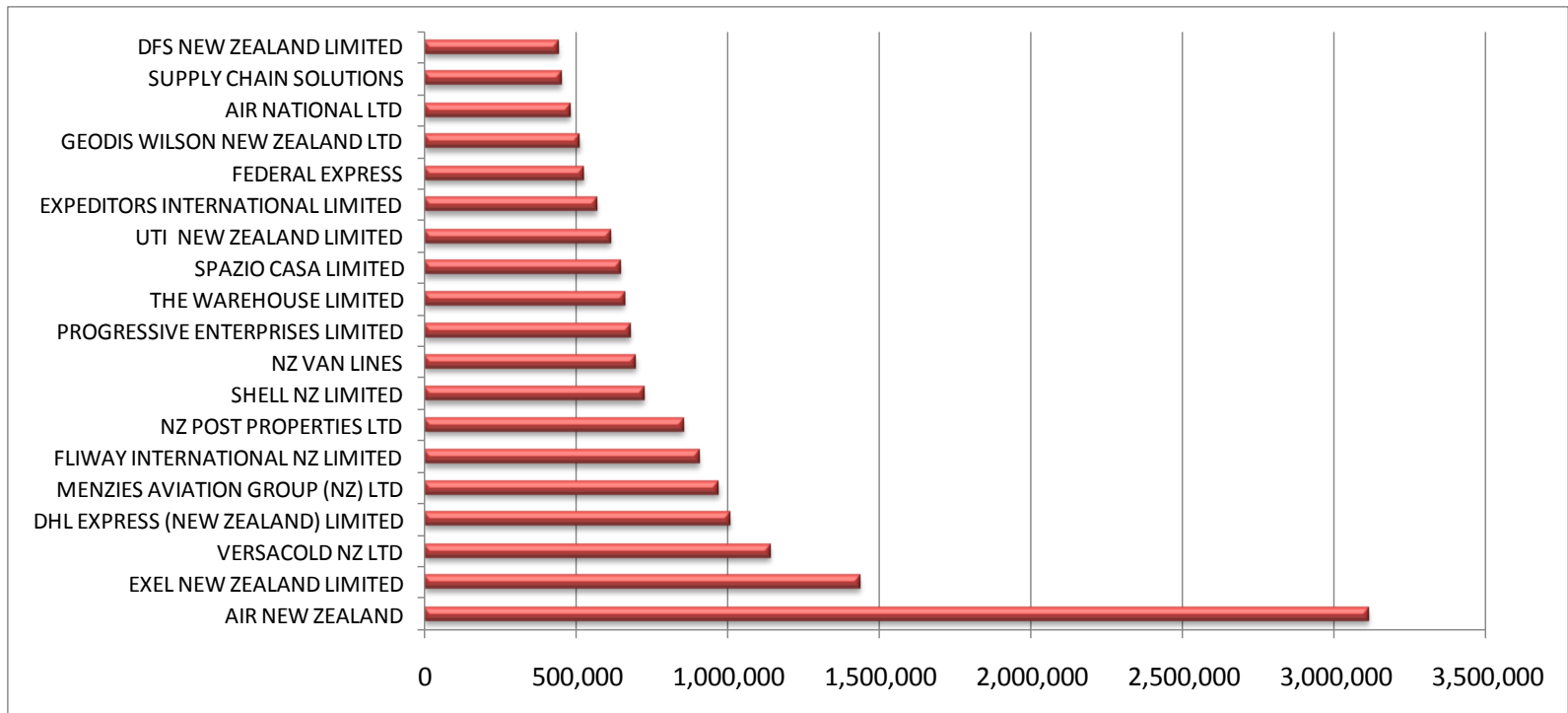
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Asset Diversity

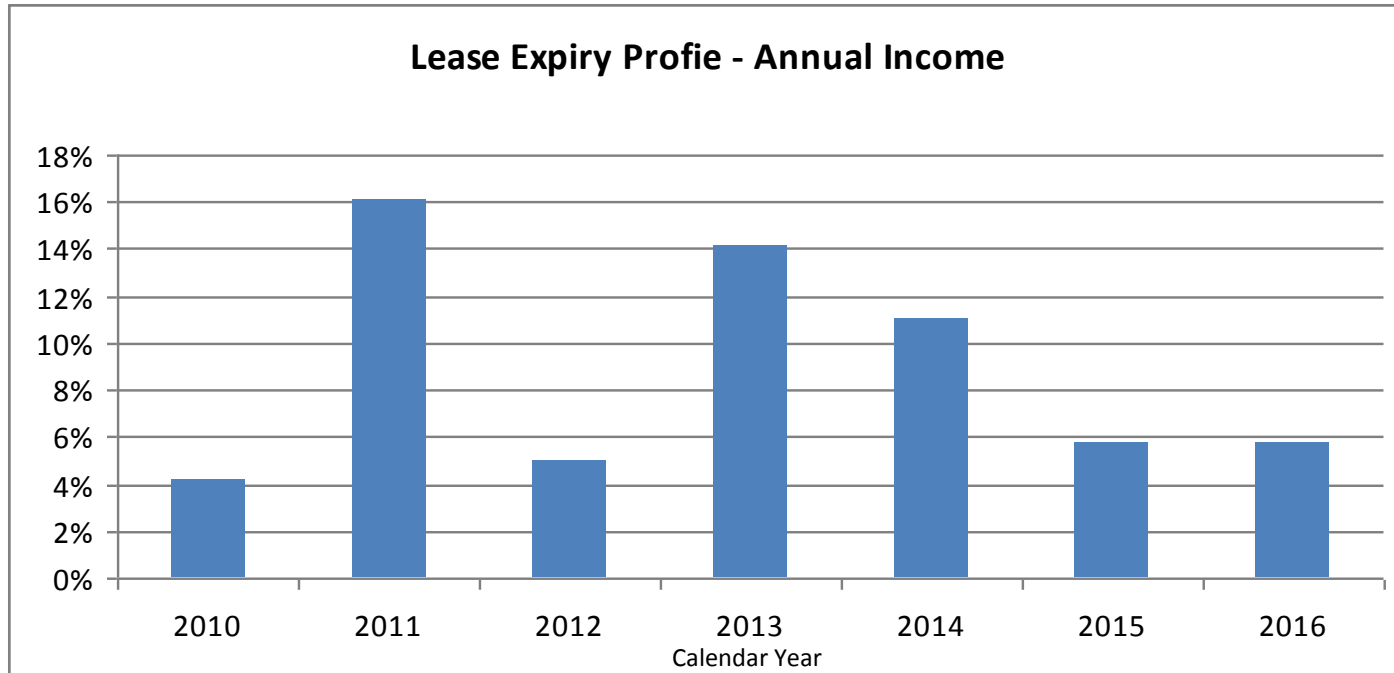## Portfolio by Income – year ended 30 June 2009

- Ground Leases = 14.8%
- Retail = 8.3%
- Office = 5.9%
- Industrial = 54.4%
- Service = 13.4%
- Hangars = 3%

Auckland Airport Top Customers (by income)

Lease Expiry Profile

Lease Expiry Profie - Annual Income

Auckland Airport Property Division Investment**

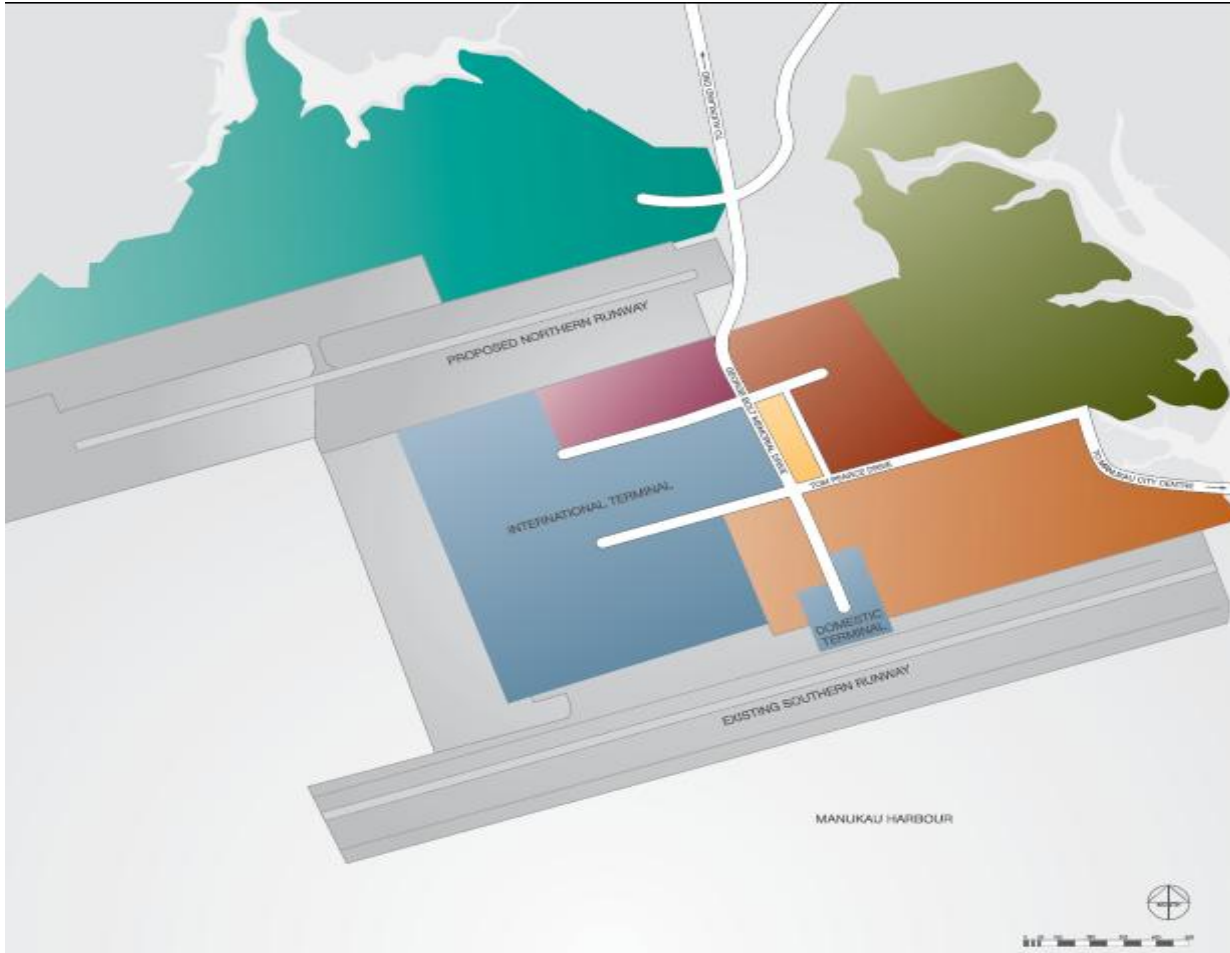| Investment Portfolio	Value ($m)*	Net Income ($m pa) June 2009	Passing Yield (%) *	Weighted Average Lease Term (years)	Land Area (ha)	Net Lettable Area (NLA) (m²)	Vacancy (% of Annual Income)	Vacancy m² (NLA)
Ground lease	56.34	4.41	7.83%	9.4	34.20			
Occupational Leases								
Retail	24.82	2.47	9.96%	2.9	5.15	11,871	0.24%	221
Office	17.88	1.66	9.30%	2.6	2.46	6,023		
Industrial	169.29	16.20	9.57%	5.3	31.79	171,500	1.70%	7,705
Service	39.88	4.00	10.02%	5.7	9.56	10,058		
Hangars	4.59	0.91	19.71%	6.6	1.50	14,057		
Other (Res)	0.97	0.12	11.99%	1.3	1.99			
Sub total	257.43	25.35	9.85%	4.7	52.44	213,509		
Total	313.77	29.77	9.49%	5.7	86.64	213,509	1.95%	7,926

** Excludes rental revenue from Aeronautical and Retail divisions

* Includes assets classified as both Property, Plant & Equipment (PPE) and Investment Property (IP). IP valued as at 30 June 2009, PP & E last valued at 30 June 2006

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Land Portfolio

- Auckland Airport owns over 1,500 hectares of freehold land, of which 443 hectares is potentially available for airport commercial development.

- Within the Airport Business District we have created seven specialised precincts that focus on common land use themes.

- The seven precincts are:-
    - The Landing,
    - The Quad,
    - Altitude,
    - The Common,
    - Cargo South,
    - Cargo North
    - Terminal Precinct.

Precinct Plan

Precinct Plan

- The Landing
- The Quad
- Altitude
- The Common
- Cargo South
- Cargo North
- Terminal Precincts

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Strategy

- Kick start Development
  - Maximise Airport proximity advantage
  - Leverage Airport attributes identify Target Markets
    - Supply Chain
    - Knowledge Industries/Travel Rich
    - Interaction
    - Tourism, Leisure and Entertainment
  - Location of choice
    - Flexibility
    - Security
    - Quality
  - Magnet activities

Focus/Achievements

- 263 room 4 star Novotel Hotel Joint Venture

- 125 room Formula 1 Hotel

- 10 year pre-commitment for Mercedes 3,400 sqm parts warehouse facility

- Active Management
  - high occupancy, maintaining WALT
  - minimising vacancy periods
 - restructuring and refocus is delivering benefits.
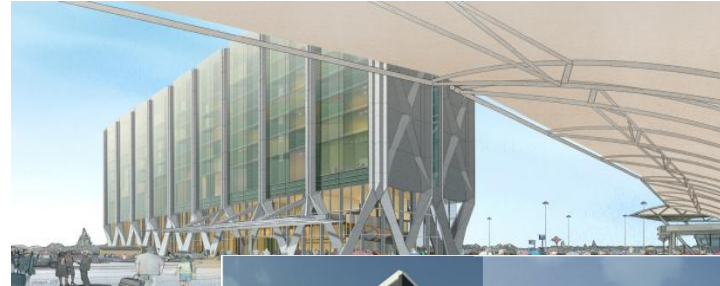
Outlook

- Economic recovery still feels fragile
- Leasing Market
  - Cautious attitude amongst business owners, however, have noticed an increase in leasing enquiry over the past 6 months
  - Total package important – efficiency, investment, incentives
  - Airport Oaks vacancy 6.0%
  - Suburban office vacancy 10%
- Capital Values
  - Block land values – little evidence, distressed sellers only
  - Investments stable

Retail & Commercial Overview

Adrian Littlewood
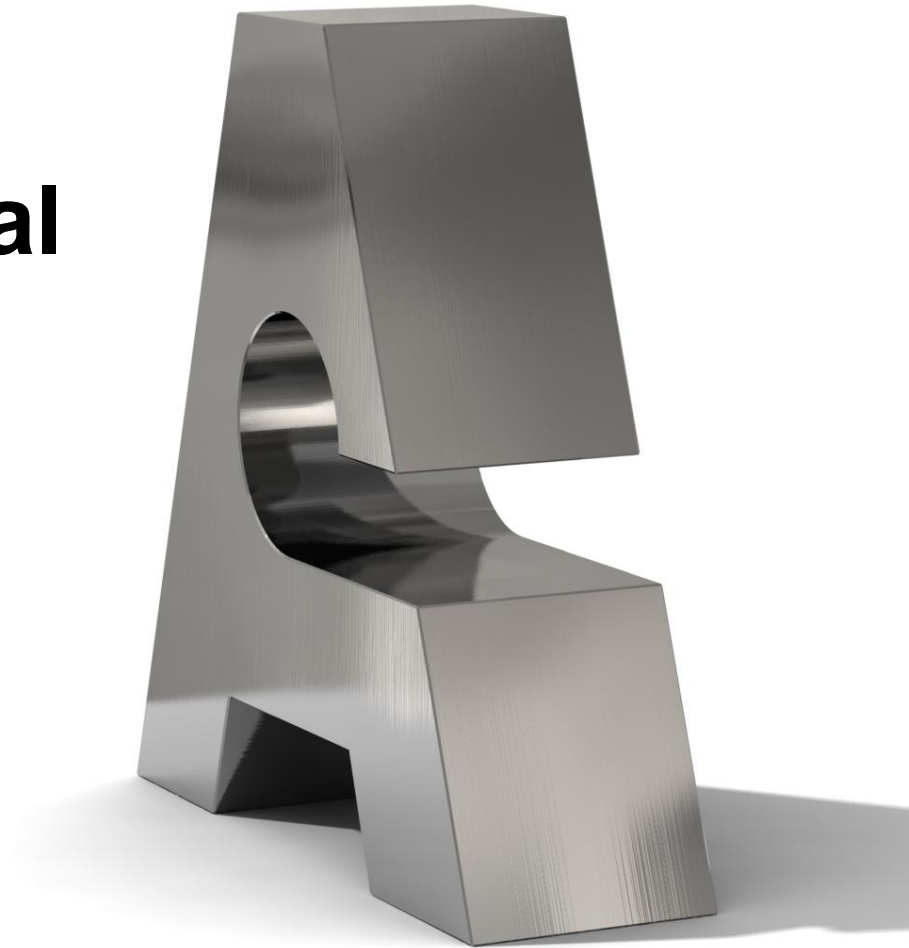
In early 2009 we elected a new approach to our airport retail under the banner of 'proactive landlord'

Strong operational foundation

- Clear understanding of key value drivers and alignment of activity to value
- Strong account management
- Invest in best practice retail management systems

Applying scale in support of retailers

- Using Airport resources to add scale to retailers eg research, operations, training, etc
- Drive airport precinct marketing across airport businesses (eg links to Aeronautical Business Development, Parking)

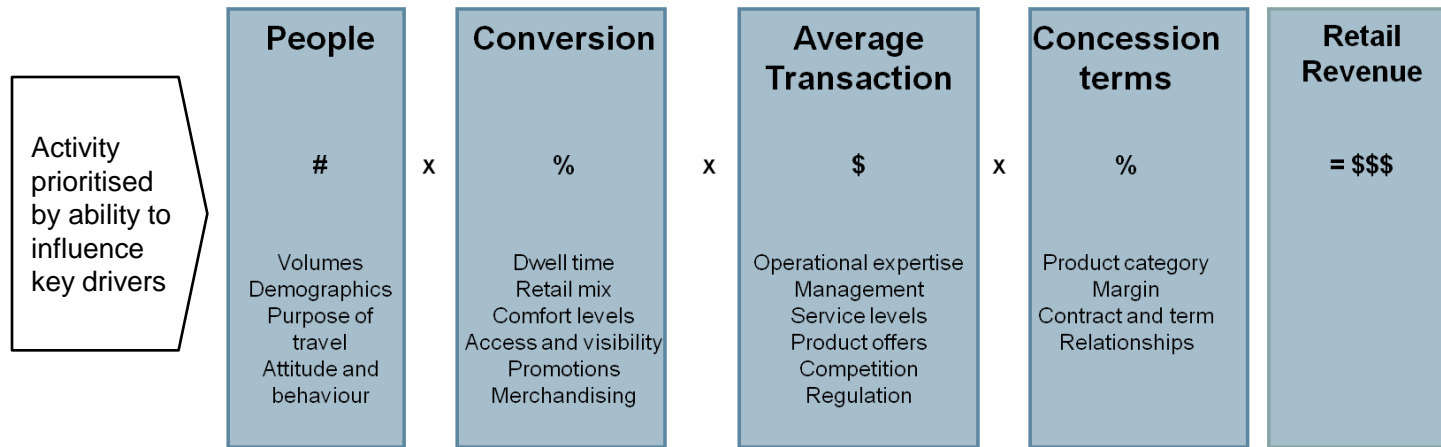### Clearly defined retail experience and standards

- Clearly defined customer experience and unifying retail 'idea'
- Optimised retail design to maximise PAX flow/dwell time
- Defined retail operational standards
- Defined retail design standards
- Clear retailer selection model

Data driven retail operations

- Leverage airport's access to data sets to develop valuable retailing data
- Use data sets to support and manage retailers

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At a high level we are focusing on each of the key drivers of retail performance and prioritising activities accordingly

Key retail performance drivers

Activity prioritised by ability to influence key drivers	**People**		**Conversion**		**Average Transaction**		**Concession terms**	**Retail Revenue**
	#	x	%	x	$	x	%	= $$$
	Volumes Demographics Purpose of travel Attitude and behaviour		Dwell time Retail mix Comfort levels Access and visibility Promotions Merchandising		Operational expertise Management Service levels Product offers Competition Regulation		Product category Margin Contract and term Relationships	

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As landlord we are in unique position to help drive retailer efficiency and effectiveness through exploiting rich data
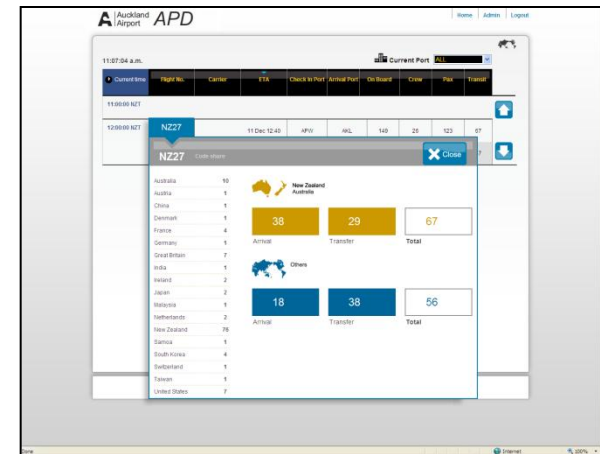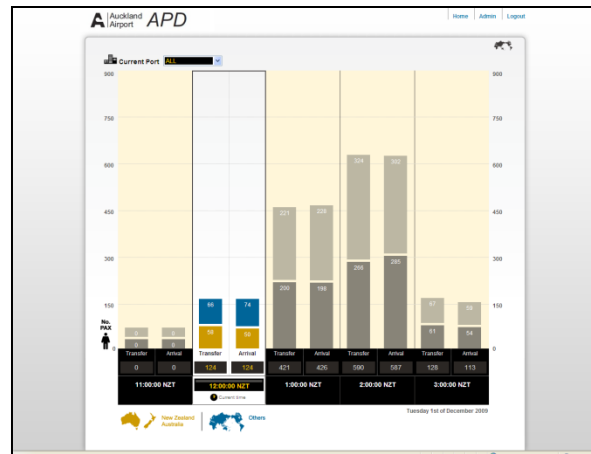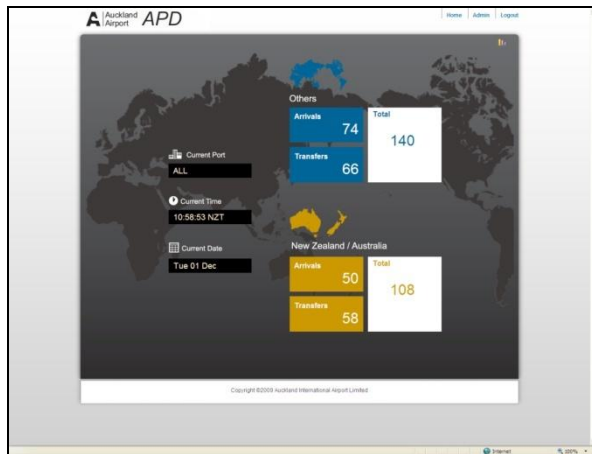
Example data sets targeted by Auckland Airport for tracking and analysis
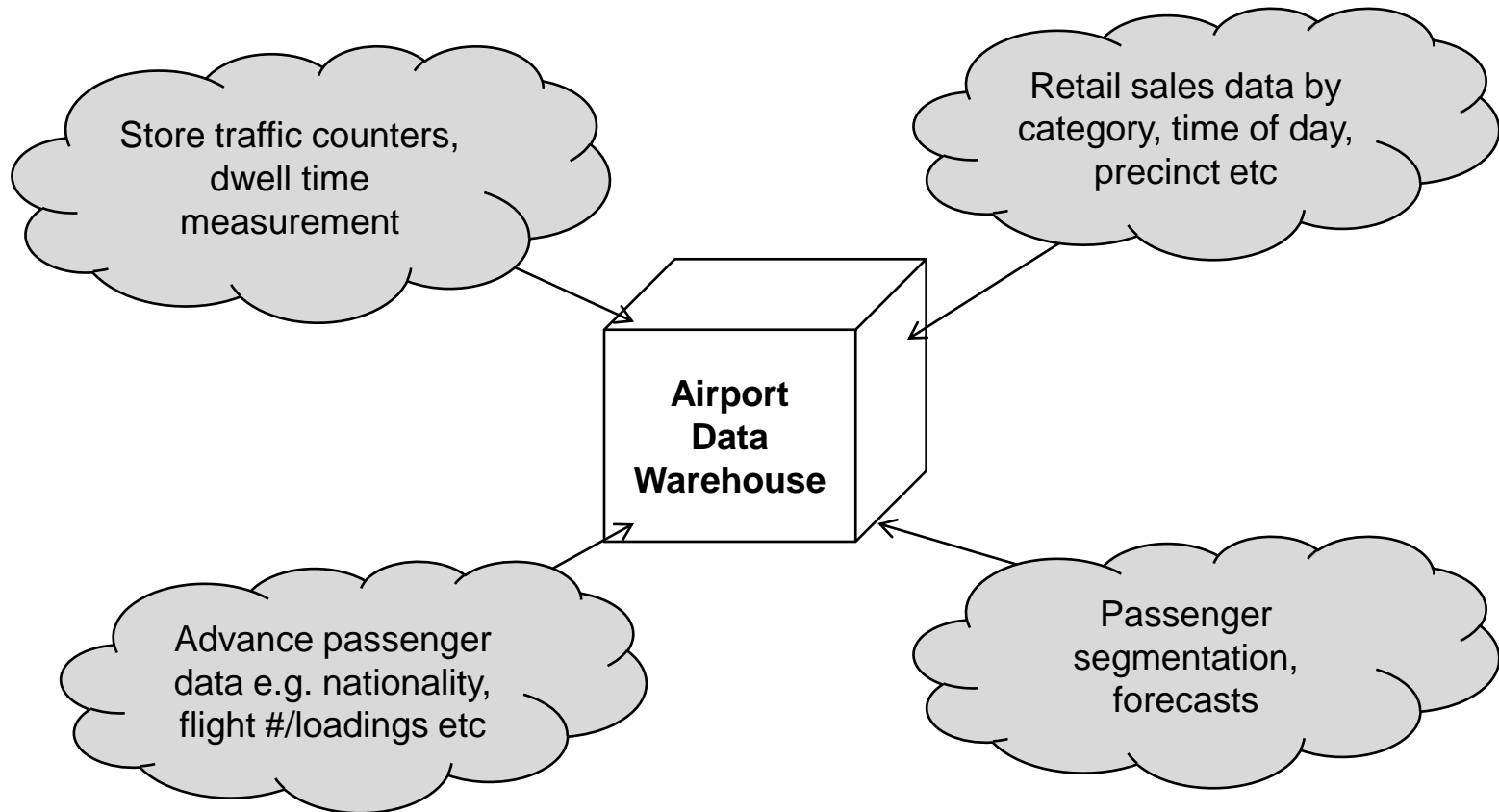
We already have some of the core building blocks in place

Auckland Airport's Advanced Passenger Data System (real time data)

- Overall view of passenger flows in real time

- System allows user to drill down into specific time slots for additional detail

- User can further drill down into specific flight to get PAX volume, departure port, nationality data, PAX type (eg crew, transfer, arrival etc)

Arrivals data on track to be available for duty free retailers from May 2010

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A retailer can drive performance using richer data sets…
Retailer decisions:

EXAMPLE

	PAX	Staff	Stock	Incentives	Display
Without rich data capability	'I think there are more Chinese PAX coming through nowadays'	'I probably should employ more Mandarin speaking staff'	'Chinese PAX don't seem to buy Jim Beam'	'Bonus set at 10% for achieving monthly sales target'	'I think I need more floor space for Chinese specific displays'
With rich data capability	'At 3 pm today flight NZ101 will arrive carrying 86 Chinese PAX'	'I need 2x Mandarin speaking staff on the 2-10pm shift'	'Chinese PAX are 6x more likely to buy X brand Cognac – I will order in additional stock'	'$X bonus for hitting Cognac sales strike rates on 2-10pm Tuesday shift'	'I need more moveable Chinese-focused stock display that I can roll-out for 3pm flight and roll back afterwards

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. . . and the Airport can use this information to drive retailer performance

EXAMPLE

Example of how AA could use data to manage retailer performance

Retailer X Sales Strike Rate Index Report: Morning Session

Time / Category	7:00am	8:00am	9:00am	10:00am	11:00am	Average Sales Strike Rate
Product A	0.25	0.75	0.9	1.1	0.9	7.5%
Product B	0.4	1.1	1.4	1.0	0.9	3.2%
Product C	0.6	1.4	0.4	0.4	1.1	8.4%
Product D	1.2	0.8	0.9	1.1	1.3	3.0%
Average Total Strike Rate	**0.6**	**1.01**	**0.9**	**0.97**	**1.05**	22.1%

🟩	Over perform versus index
⬜	Under perform versus index

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Our proactive landlord model also aims to bring scale to retailers

	Tier 1 Retailer	**Tier 2 Retailer**
Marketing	Bespoke support working with their brand partners and in line with their promo cycles	Airport driven/funded retail marketing cycle programme
Insight	Enhance Tier 1 retailer's existing segmentation approach with Airport data	Supply airport developed measurable segmentation model to guide retail operations
Operational Audits	Airport managed/funded mystery shop audit programme	
Staffing	Airport managed pre qualified 'pool' of sales staff	
Training	Airport supports Tier 1 retailer's existing training programme	Airport managed training programme available to retailer management/staff
Retail design	Retailer led design applying best in class approach	Retailer design with Airport led design peer review panel

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We are investing in a world class retail environment

We are here

Phase 1:
Oct 2008 – Aug 2009
Refreshment of the public farewell hall area

Phase 2:
Aug 2009 – Dec 2009
Refreshment and expansion of the emigration and security area

Phase 3:
Aug 2009 – Apr 2010
Refreshment and enhancement of the passenger-only duty free area

Phase 4:
Apr 2010 – Dec 2010
Refreshment of the passenger-only lounge, food & beverage and specialty retail areas

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Phase 1 – Landside and PAX processing

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Phase 2 – Duty Free

Phase 3/4 – Airside main retail area

Phase 3/4 – Fly through

The parking market is increasingly competitive

Last year we started the transformation of the parking business – starting by better understanding market growth

Assessment of DTB market growth factors
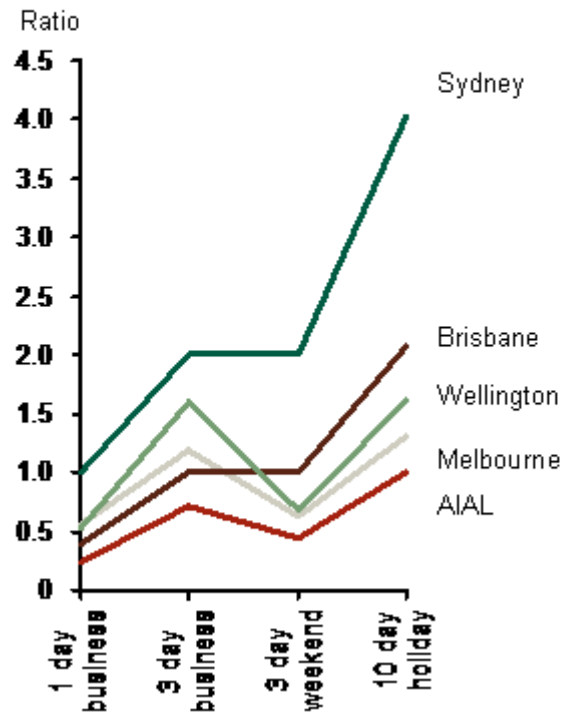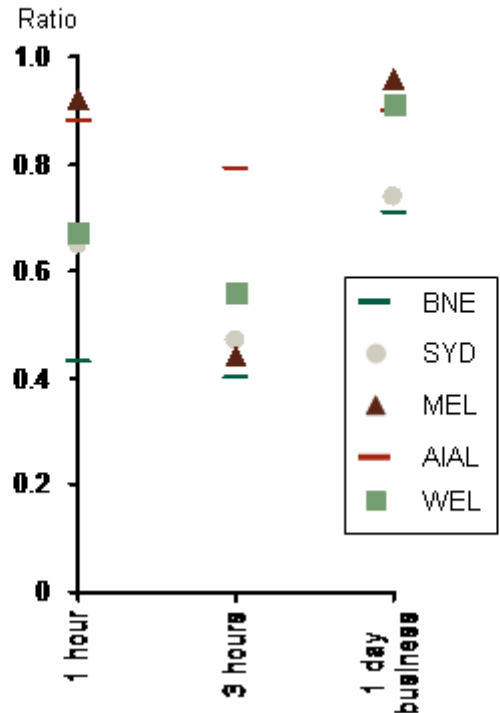

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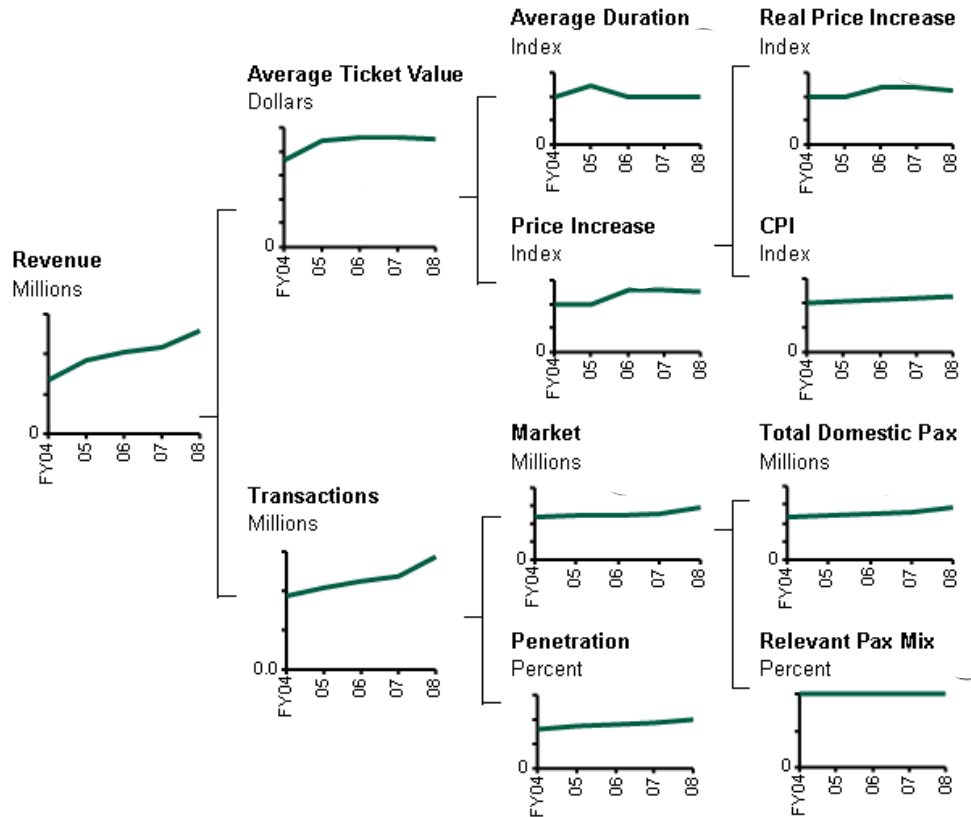
We also benchmarked our product and pricing mix

EXAMPLE
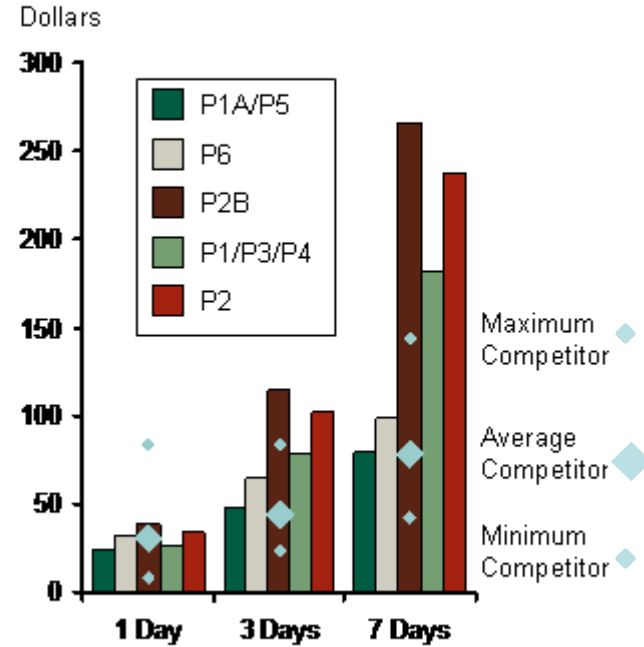
We are now evolving our parking business to a yield focus with dynamic management capability

Key improvements in transport business

- Clear customer segmentation model based on research and measurable parking data
- Extensive data cleansing and data warehouse development enabling close monitoring of results
- Wider sharing of market information with community to encourage competition amongst operators (eg rental cars)
- Further Investment in tools

Focus will broaden to further build marketing, channel and product capability

How we monitor performance

- Daily/weekly automated reporting
- Detailed analysis by segment and product
- Market share vs competitors
- Mystery shopping
- Customer research

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Any questions?