

Media Release | 11 January 2010

Auckland Airport agrees to purchase a stake in Cairns and Mackay Airports

Auckland International Airport Limited (Auckland Airport) today announced it has agreed to purchase from Westpac Bank a 24.55% stake in North Queensland Airports (NQA), the operator of Cairns and Mackay airports in Queensland, Australia for A\$132.8m (approximately NZ \$166m).

Auckland Airport's chairman, Tony Frankham, said, "This is a significant milestone for Auckland Airport and for our strategy to grow beyond our core business in Auckland. This proposed acquisition opens up exciting new opportunities to strengthen and grow air services connections with Cairns as a stepping stone between New Zealand and the high-growth tourism markets of Asia, and enables us to leverage our world class expertise in the large scale movement of people and goods to grow shareholder value."

Cairns Airport is Australia's seventh busiest airport, with approximately 3.7 million passengers in the year to 30 June 2009 (compared with Auckland Airport's 13.0 million passengers in the same period). It is the closest international airport to Asia on Australia's eastern seaboard and is the gateway to Tropical North Queensland, an internationally renowned tourism region boasting two World Heritage listed attractions; the Great Barrier Reef and the Wet Tropics Rainforests. Mackay Airport is an important regional domestic airport with nearly 1 million passengers in the year to 30 June 2009. The airport is the main airport servicing the Bowen Basin, an important region for natural resources, which contains one of the largest deposits of coal in the world. Mackay Airport also benefits from its close proximity to the Whitsunday resort islands.

Auckland Airport's chief executive, Simon Moutter, said, "Since indicating in March 2009 that we would pursue opportunistic but carefully selected step-outs, we've looked at a range of opportunities to drive synergies and volume for our core business at Auckland. We also recognise that our most important value driver is growth in international passenger volumes. We believe that Asian tourism markets offer the greatest opportunity for volume growth and that one of the keys to growing Asian traffic is improved air services connections. Driving more travel demand out of Asia will be crucial to the future growth of both Auckland Airport and the New Zealand tourism sector."

"New Zealand has underperformed against Australia in gaining a share of Asian tourism, so we have decided to take a position in the Australian market in an effort to get better connected and lift our market share. While our primary focus remains direct Asian connections with Auckland, an important stepping-stone is to strengthen connections with other strategically located airports."

"Cairns Airport fits the bill in terms of its location, scale, focus on Asian tourism, and market diversification opportunities. Mackay offers additional diversified exposure to the booming Australian resources sector."

"This is very much a case of the right deal at the right time. We've monitored this situation closely over the last year since privatisation by the Queensland Government, and we've now been able to take advantage of a rare opportunity to enter the Australian airport market alongside key partners (Infrastructure Investment Fund, advised by JP Morgan Asset Management; and The Infrastructure Fund, managed by Hastings Funds Management, the largest airports funds manager in Australia)."

NQA Chairman, Jason Zibarras, welcomed Auckland Airport as a proposed new shareholder and said his Board of Directors was looking forward to forging a new alliance.

"As an airport operator investing in NQA, Auckland Airport will bring additional expertise. Their proposed investment is a welcome mark of confidence in the outlook for Cairns and Mackay," Mr Zibarras said.

Mr Moutter said the Cairns/Mackay investment is relatively modest (around 5%) as a proportion of Auckland Airport's total assets. "Auckland remains our core business. Our

commitment to continuing to be one of the 10 best airports in the world and developing more air services to help grow New Zealand tourism and trade won't be changing."

Auckland Airport believes the proposed deal to be strongly value accretive, offering an equity return on investment in the mid teens percentages. It will initially be financed from existing debt facilities. Subsequently, the funding strategy is likely to involve a mixture of debt and equity consistent with Auckland Airport's current capital structure.

The proposed purchase, which is due to settle on 13 January, is conditional on NQA obtaining the consent of its financiers to the proposed transaction prior to that date.

Auckland Airport would become the only airport operator shareholder in NQA. Its shareholding arrangements would enable it to exercise strategic and operational influence and drive benefits from joint air-services development and operational expertise sharing across all three airports.

Mr Moutter added, "Cairns has been underperforming due to the decline in some key markets such as Japan. However we believe it is poised for a strong rebound, driven by improving tourism demand, recently announced new air services, new Federal Government initiatives to encourage foreign airlines to fly to and beyond regional international airports such as Cairns, and more than A\$45m of committed government tourism support."

"We believe this is a good move for Auckland Airport and New Zealand and Auckland tourism", said Mr Moutter.

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Auckland Airport - World Airport Award Winner 2009

Auckland Airport has been voted the 10th best in the world and the best airport in the Australia Pacific region in the 2009 independent Skytrax World Airport awards. The World Airport Survey is conducted by UK-based aviation research organisation, Skytrax. The survey is completed by approximately 8.2 million travellers from more than 190 airports around the world. The questionnaire asks travellers to evaluate their experiences across 39 different airport service and product factors - from check-in, arrivals, and transfer through to departure at the gate. www.airlinequality.com

Further Facts & Figures

Asian and Australian tourism:

- Asia is forecast to be the fastest growing region for air travel over the next 20 years
- Tourism Australia has forecast growth of Asian visitors to Australia from 2009-2014 to be 7.0% per annum as opposed to Tourism New Zealand forecasting 3.8% per annum for Asian visitors to New Zealand
- Particularly strong tourism growth is predicted from India, China, Indonesia, and Malaysia
- More than 16 international airlines fly to the east coast of Australia that don't fly to New Zealand

Tropical North Queensland

- Tourism accounts for 47% of the region's export-based economy
- Tropical North Queensland tourism is dominated by international leisure travel
- Tropical North Queensland has two world-heritage listed attractions, the Great Barrier Reef and the Wet Tropics Rainforests (including Daintree)
- Other attractions include Port Douglas, Tropical Islands and the Whitsundays

Cairns and Mackay Airports

- Cairns and Mackay Airports were privatised by the Queensland State Government approximately 12 months ago, with their ownership restructured to form NQA
- Cairns is a medium-haul destination from many Asian markets (e.g. approximately 7 hours flying time from Hong Kong, 6 hours from Singapore)
- Auckland is approximately 4-5 hours flying time from Cairns Airport
- Cairns Airport has direct flights to all Australian capital cities with the exception of Hobart
- Jetstar has just announced 18 new domestic flights per week from Cairns to other cities in Australia
- Pacific Blue has just announced it will commence twice weekly direct flights between Cairns and Auckland from March 2010
- Cairns is the 4th most visited tourism region in Australia for holiday visitors
- Cairns Airport is located approximately 1600km north of Brisbane and is the primary gateway to Tropical North Queensland
- Cairns Airport is the 7th busiest airport in Australia. It is currently serviced by Qantas, Jetstar, Virgin Blue, Cathay Pacific, Air New Zealand, Continental Airlines, Airlines PNG and Air Niugini
- Mackay Airport is located approximately 900km north of Brisbane and is the primary gateway to the Bowen Basin coal-mining region
- Mackay Airport passenger numbers have more than trebled since 2002.