

Investor Update

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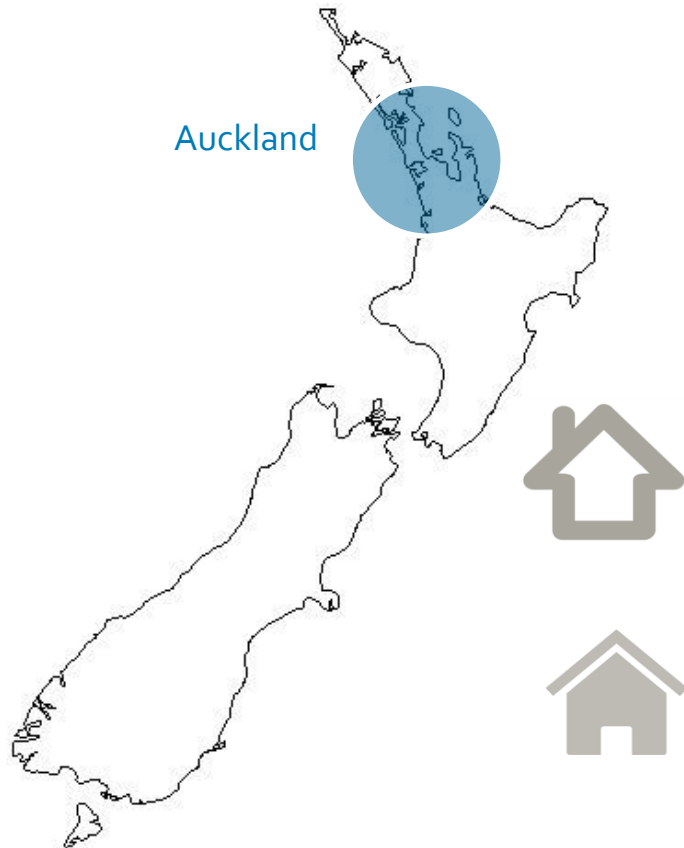
Overview



Auckland – overview



3rd Most Liveable City in the world¹



- New Zealand's largest and fastest growing city
- 35% of New Zealand's population – June 2017
- Auckland regions GDP 38% of NZ GDP – December 2017
- Auckland's annual GDP growth rate 3% (vs 2.9% for NZ) – December 2017

50%

of New Zealand's
growth in the last year



Home to

60%

of New Zealand's Top
200 companies



4

Out of every 10 Kiwis will be
living in Auckland by 2043



400,000

Dwellings needed in the
next 30 years (currently
550,000)

Interim financial results highlights



Interim results to 31 December 2017

Group revenues up from the previous period by \$226 million (8%)

For the period (NZ\$m)	6 months to 31 Dec 2017	6 months to 31 Dec 2016	12 months to 30 Jun 2017
Rates revenue*	1,698	1,628	1,641
Services and other revenues	1,305	1,149	2,488
Total revenue	3,003	2,777	4,129

Due to increases in:

- general rates revenue of \$70 million, due to rates increases of 2.5% and rating base growth of 1.5%
- infrastructure growth (vested assets, development contributions, grants etc.)
- fees and charges of \$33 million (mainly public transport, port operations and water and wastewater)
- Reimbursement of interest by the Crown for CRL enabling works of \$14.5 million

* Note full year rates revenue recognised in interim results

Interim results to 31 December 2017

Group total expenditure up from the previous period by \$139 million (7%)

For the period (NZ\$m)	6 months to 31 Dec 2017	6 months to 31 Dec 2016	12 months to 30 Jun 2017
Total expenses	1,718	1,600	3,318
Finance costs	232	211	471
Total	1,950	1,811	3,789

Due to increases in:

- additional weathertightness provision of \$69 million
- operating costs at Auckland Transport of \$28 million due to growth and introduction of new contracts
- finance cost of \$21 million due to increase in debt for capex
- employee benefits of \$17 million for increased activity and living wages

Interim results to 31 December 2017

Solid operating surplus up from the previous period by \$87 million (9%)

For the period (NZ\$m)	6 months to Dec 2017	6 months to Dec 2016	12 months to Jun 2017
Operating surplus before gains and losses	1,053	966	340
(Deficit)/Surplus after income tax	976	1,336	640

- Decrease in surplus after tax of \$77 million from the operating surplus before gains and losses is mainly due to the revaluation of financial instruments

Interim results as at 31 December 2017

Total Group assets increased by \$1.8 billion (4%) from 30 June 2017

As at (NZ\$m)	31 Dec 2017	31 Dec 2016	30 Jun 2017
Cash	774	222	337
Total assets	49,163	45,750	47,359
Total borrowings	9,017	7,760	8,300
Total liabilities	12,398	10,751	11,583
Net assets	36,765	34,999	35,776
Total borrowings to total assets	18.3%	17.0%	17.5%

- Total net group debt (after cash) was \$8.24 billion (increase of \$277 million from 30 June 2017)

Interim results to 31 December 2017

Strong Operating cash flow of \$638 million up by \$99 million (18%) from the previous period

For the period (NZ\$m)	6 months to 31 Dec 2017	6 months to 31 Dec 2016	12 months to 30 Jun 2017
Operating cash flow	638	539	892
Investing cash flow	(798)	(591)	(1,367)
Funding cash flow	600	145	678

Current issues and response



Current issues

- Infrastructure requirement to support growth
- Collaboration with government
 - Housing Infrastructure Fund
 - Crown Infrastructure Partners
 - Other SPV's
- 10-year budget - Long term plan (LTP) 2018-2028

LTP timeline

Key milestones	Date
Mayoral Proposal	30 November 2017
Adoption of consultation documents	21 February 2018
Public consultation	28 February to 28 March 2018
Deliberations on consultation feedback	April to May 2018
Adoption	27 June 2018

LTP consultation document

Key issues:

- Responding to growth
- Infrastructure needs, especially transport and water
- Cleaning up harbours, beaches and streams
- Protecting endangered species (such as kauri)

How to fund these:

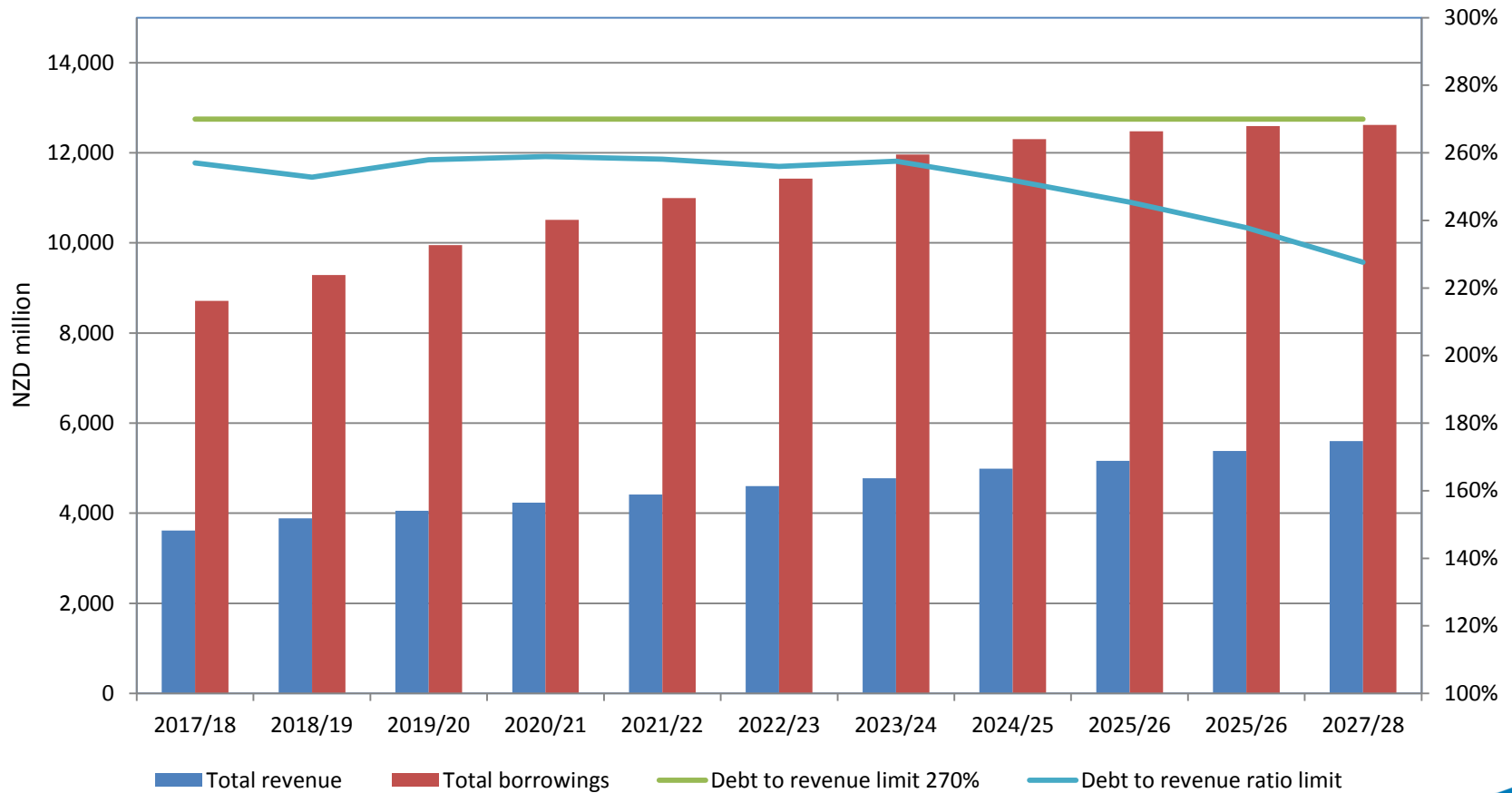
- Increases in general rates
- Introduction of new targeted rates
- Introduction of regional fuel tax
- Government funding and other funding mechanisms

LTP - Financial overview

- Borrowings forecast to increase from \$8.7b to \$12.6b.
- Revenue growth of 4.5% p.a.
- Debt to revenue ratio around 250% to 260% in first 7 years, then decreasing thereafter.
- Operating surpluses increase significantly, reducing borrowing requirement

LTP - Financial overview

Debt to revenue



LTP - Operating revenue

Overall increase in operating revenue of 4.5% p.a.

General rates revenue:

- Growth of 2% p.a.
- rates increases of 2.5% in 2018/19 and 2019/20
- 3.5% thereafter.

Targeted rates:

- Interim transport levy ends in 2017/18
- New Natural Environment and Water Quality Improvement targeted rates from 2018/19.

Non-rates revenue:

- Growth of 2% p.a. and inflation of around 2%. Higher increases in public transport and water user charges.

LTP - Operating expenses

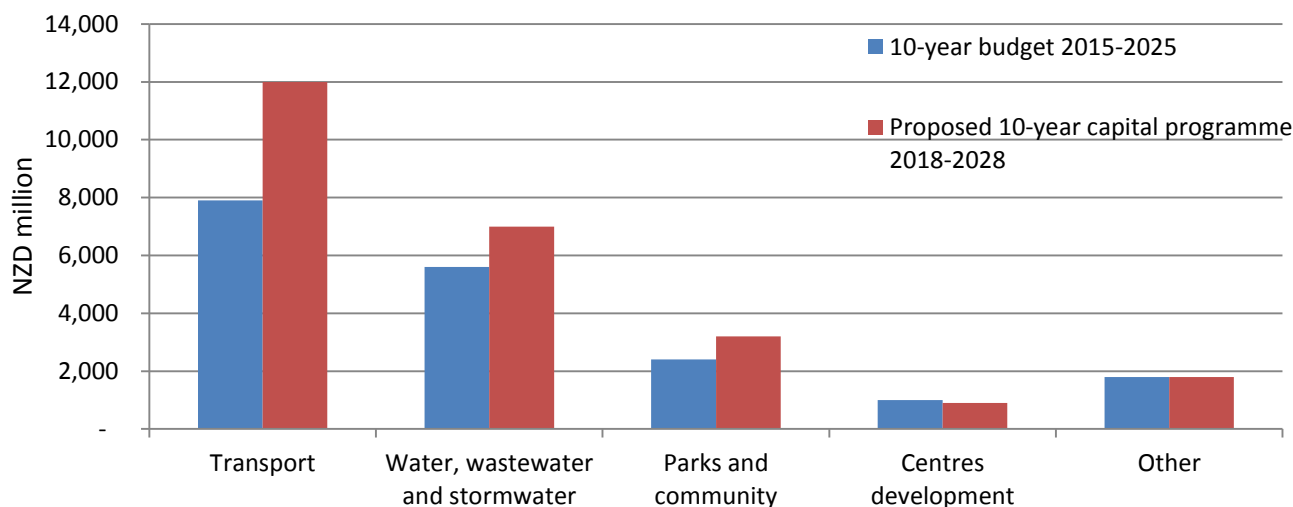
Increases by 3.3% p.a.

- Inflation of 2% p.a.
- Real cost increases contained to around 1.3% p.a. - despite higher growth in public transport costs and consequential opex from a large capital programme

Interest expense increases by around 4.5% p.a. over first 7 years and then levels out due to significant operating surpluses.

LTP - Capital revenue and expenditure

- Capital revenue is made up off development contributions of around \$215m to \$300m p.a. and NZTA capital subsidies of \$360m to \$640m (50% of transport capex).
- Capital expenditure of \$2.0b to \$2.6b p.a. for a total of \$22.3b over 10 years (\$24b including CRL and Housing Infrastructure Fund).



Funding approach and debt market activity



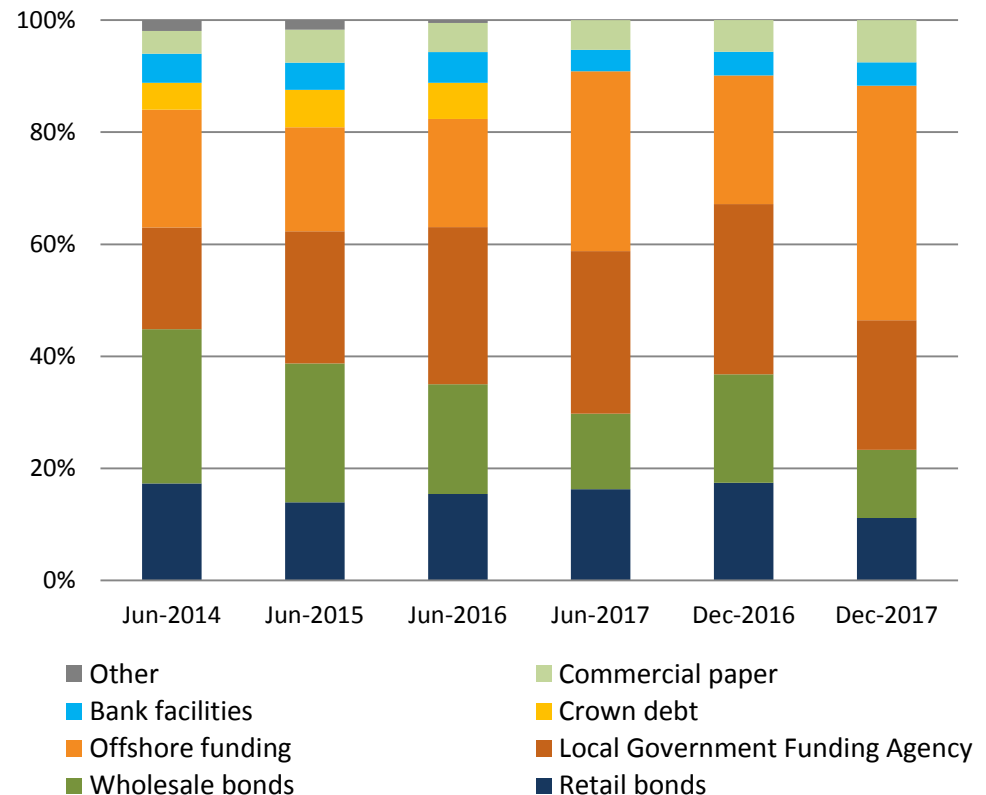
Funding approach

- Diversity important – across domestic, Local Government Funding Agency (LGFA) and offshore
- Spread of debt maturities
- Longer tenors
- Continue to develop offshore markets – 2 EUR benchmark issues
- Commitment to AA/Aa2 credit rating
- Development of a Green Bond Framework

Funding strategy – diversity

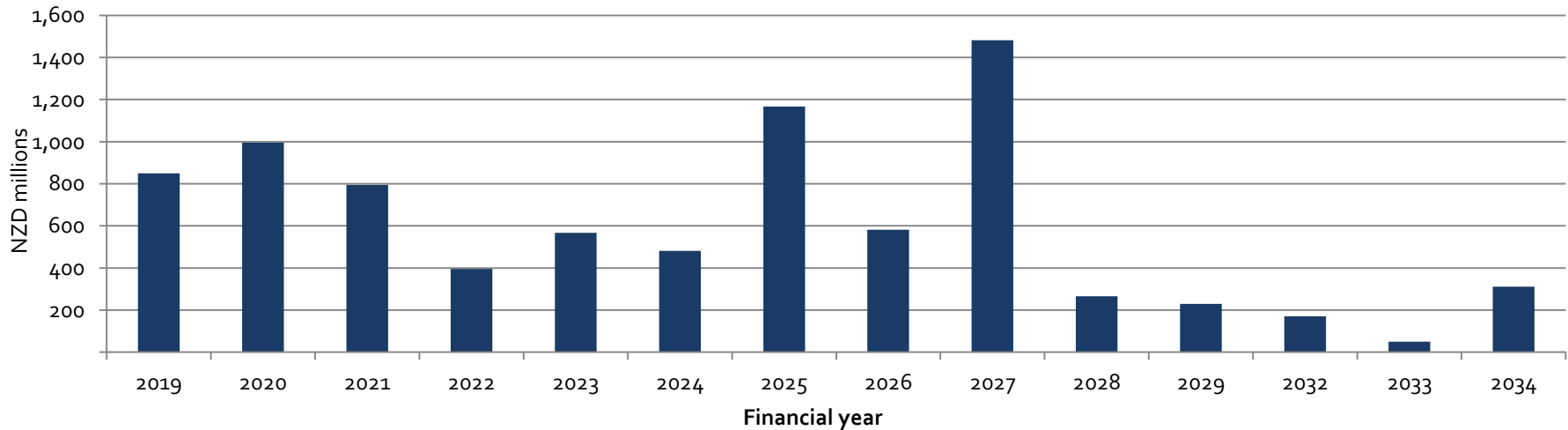
- 10 offshore issues – (EUR, AUD, NOK and CHF)
- Weighted average term of 5.8 years
- Backed by NZD1.2 billion standby facility
- Funding via LGFA capped at 40% of their lending (currently 27%)

Auckland Council Group funding mix

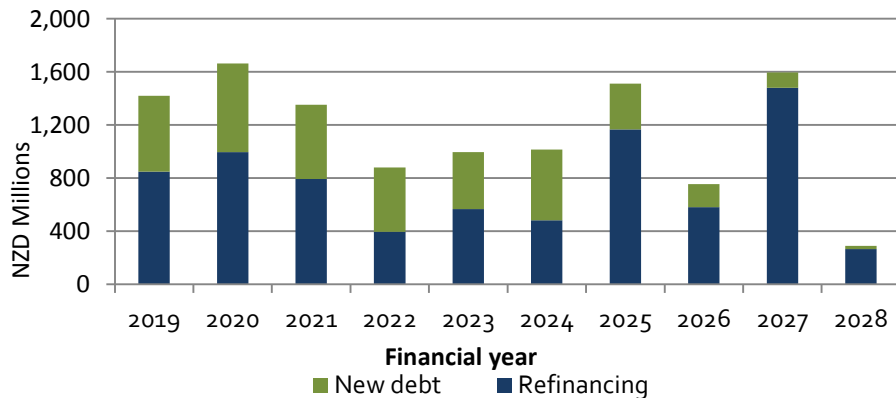


Funding strategy – refinancing and new debt

Debt maturity profile (as at 31 Dec 2017)

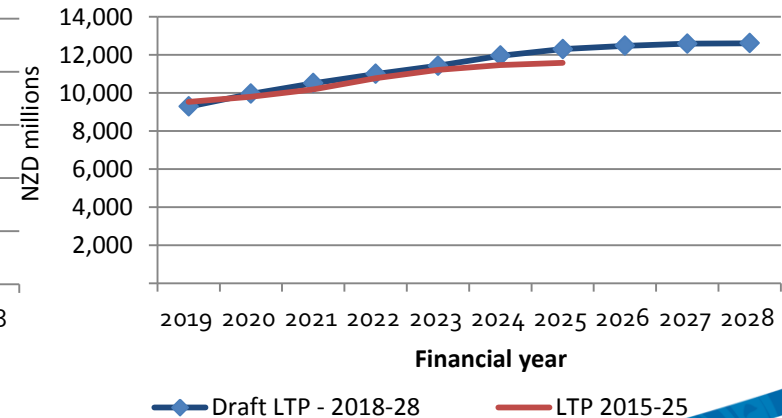


Annual forecast group borrowing



Based on draft LTP 2018-2028

Projected group debt (financial years)



What underpins our strong credit rating

- Predictable legislative and governance framework
- Flexible and broad powers to rate
- Strong and diversified economy
- Prudent financial management
- Debt burden noted as a risk

Borrowing and liquidity limits	Policy limit	As at 31 December 2017
Net debt to total revenue	<270%	260%
Net interest to total revenue	<15%	13%
Net interest to total rates	<25%	19%
Liquidity (six months)	>100%	207%

Auckland Council - summary

- Auckland is New Zealand's largest and fastest growing city with 1.6 million people. Population expected to increase by 700,000 by 2043 (representing 40% of New Zealand's population)
- Long-term credit rating AA by S&P and Aa2 by Moody's
- Rating is supported by the strong governance framework, flexible and broad powers to set rates, and strong, diversified economy
- Lenders have a charge over current and future rates income, rates rank above all claimants of the property
- Annually balance operating expenditure with operating income
- Total assets of NZ\$ 49 billion; total debt NZ\$ 9 billion
- Strong operational cash flow as depreciation cash funded
- Debt only used to fund new assets

Summary financials



Statement of financial performance – 31 December 2017

For the period (NZDm)	Half year to 31 December 2017	Half year to 31 December 2016	Year to 30 June 2017	Year to 30 June 2016	Year to 30 June 2015
Rates	1,698	1,628	1,641	1,564	1,458
Other revenue	1,305	1,149	2,488	2,141	2,100
Total Revenue	3,003	2,777	4,129	3,705	3,558
Depreciation	423	430	874	828	778
Other expenses	1,295	1,170	2,444	2,210	2,278
Finance Costs	232	211	471	417	422
Total Expenses	1,950	1,811	3,789	3,455	3,478
Operating Surplus	1,053	966	340	250	80
(Deficit) / Surplus after adjustments	989	1,347	640	(231)	(72)

Statement of financial position– 31 December 2017

As at (NZDm)	31 December 2017	31 December 2016	30 June 2017	30 June 2016	30 June 2015
Cash	774	222	337	137	345
Total assets	49,163	45,750	47,359	44,679	44,167
Total borrowings	9,017	7,760	8,300	7,611	7,334
Total liabilities	12,398	10,751	11,583	11,027	10,088
Net assets	36,765	34,999	35,776	33,652	32,079
Total borrowings (gross) to total assets	18.34%	17.0%	17.5%	17.0%	16.6%
Total borrowings (net) to total assets	16.77%	16.5%	16.8%	16.7%	15.8%

Statement of cash flows – 31 December 2017

For the period (NZDm)	Half year to 31 December 2017	Half year to 31 December 2016	Year to 30 June 2017	Year to 30 June 2016	Year to 30 June 2015
Operating cash flow	638	539	892	771	726
Investing cash flow	(798)	(591)	(1,367)	(1,338)	(1,445)
Funding cash flow	600	145	678	358	854
Net (Decrease) / Increase in Cash	440	93	203	(209)	135

[Interim Report 31 December 2017 available here:](#)

Contact details

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