Auckland Airport

Market Release | 23 February 2023

1H23 results: Auckland Airport returns to profitability as travel continues its recovery

Auckland Airport today announced its financial results for the six months to 31 December 2022.

Auckland Airport Chair Patrick Strange said: “As demand for air travel has surged globally, Auckland has remained firmly on airline radars as a destination worthy of capacity investment. In the first half of the 2023 financial year we welcomed back familiar airlines along with new routes and carriers, helping to deliver Auckland Airport’s first underlying profit in two and a half years.

“Our outlook is for continued growth, however, the recovery still has some way to go with global aviation facing ongoing systemic challenges. Travellers are feeling the frustration of mishandled bags, airline schedule changes and global staff shortages, as well as the increased likelihood of delays and queues across the aviation system – all issues that are going to take time to resolve.

“People have also had to contend with recent severe weather events – both the extraordinary Auckland flooding and Cyclone Gabrielle. Our thanks go to travellers for their ongoing patience and the team at Auckland Airport who continue to work hard to support the recovery of the business.”

Key performance data for the six months to 31 December 2022:

- Total number of passengers 7.6 million

- Domestic passengers of 4.1 million, and international passengers (including transits) of 3.5 million
- Revenue of $288 million
- Operating EBITDAFI of $189 million
- Reported profit after tax of $5 million, impacted by the $94 million non-cash investment property valuation decrease
- Earnings per share of 0.33 cents
- Net underlying profit after tax of $68 million[1]
- Net underlying profit per share of 4.62 cents
- No interim dividend will be paid

Chief Executive Carrie Hurihanganui said: "It's reassuring to see Auckland Airport return to profitability, reflecting a significant increase in capacity with 23 airlines now flying from Auckland Airport to 35 international destinations. Our focus has been on supporting airlines and their ground handlers by providing an operational environment which allows them to work as efficiently as possible, particularly in the tough-to-recruit labour market.

"We recognise that it's been a challenging time for travellers who have arrived in New Zealand without their luggage, or who waited in queues longer than we would have liked. Everyone in the wider Auckland Airport eco-system is working hard to address these issues as the recovery continues."

Overall, there were 7.6 million international and domestic travellers for the first half of the 2023 financial year, accounting for 71% of the same period pre-COVID in the 2019 financial year. Domestic passengers were 4.1 million (85% of the same period pre-COVID in the 2019 financial year) while international passenger numbers (including transits) were 3.5 million (60% of the same period pre-COVID in the 2019 financial year).

"The connection growth through to North America was a highlight for the period, with Hawaiian Airlines, Air Canada, United Airlines and American Airlines reconnecting into Auckland, and the announcement by Delta Air Lines that it plans to fly the route between Los Angeles and Auckland next summer. These are all high-quality airlines with

[1] We recognise that EBITDAFI and underlying profit are non-GAAP measures. Please refer to the table at the end of the media release for the reconciliation of reported profit after tax to underlying profit after tax.

extensive domestic and international networks, providing choice for Kiwis and helping to keep airfare prices competitive in future, as well as greater reach into New Zealand's second largest inbound tourism market. Add to that Air New Zealand is now flying into seven North American cities, including its flagship service to New York, to be joined mid-way through this calendar year by Qantas flying from Sydney to New York via Auckland.

"More recently, we've seen an easing of travel restrictions in mainland China - an important milestone in New Zealand's aviation and tourism recovery. Pre-COVID, China was a key visitor market with approximately 400,000 Chinese visiting New Zealand each year and up to 42 flights from mainland China arriving at Auckland Airport every week.

"New Zealand has been named as one of 20 countries open to Chinese travel agencies and online tour operators as a destination for Chinese tour groups, and like other market re-openings, we're expecting the first round of Chinese travel demand to come from friends and family reconnections, quickly followed by business travellers resuming important face-to-face meetings. As we head into the autumn and winter, we expect to see a further lift in traveller numbers as Chinese leisure travellers have their passports reissued and obtain visas to visit New Zealand, resulting in a corresponding lift in flight frequency. We also expect to see students from China returning in greater numbers after the Chinese Government announced online credentials obtained from a foreign educational institution would no longer be recognised.

"With China Eastern, China Southern, and Air New Zealand adding flights between Auckland and mainland China, travellers will have a choice of 19 weekly flights from April onwards."

Transport, property, retail and commercial

An ongoing programme of work to upgrade the precinct's roading network continued in the first half of the 2023 financial year, with improvements underway on the main southern access road to the domestic terminal (Laurence Stevens Drive) to add high occupancy vehicle lanes for smooth flowing public transport.

To the north of the airport precinct, Auckland Airport is building a new road with the addition of Te Ara Kōrako, connecting George Bolt Memorial Drive and Nixon Road. Construction of Te Ara Kōrako will provide an alternative route for travellers leaving the international terminal and heading east, as well as supporting freight moving around the precinct, helping to reduce traffic volumes on the core roading network.

“Construction on the Transport Hub directly in front of the international terminal has made significant progress with the first stage – the new undercover public pick-up and drop-off zone – set for completion by the end of the year. Parking options at the airport will also be increased by year end with work resuming on Park & Ride South off Puhinui Road,” said Ms Hurihanganui.

Auckland Airport’s commercial property business continued to improve in the six months to 31 December 2022 alongside the continued recovery of our retail business.

“Fitout of the Te Arikinui Pullman (a joint venture between Auckland Airport and Tainui Group Holdings) has begun with Māori motifs incorporated into the sophisticated and contemporary interior design. All construction work will be completed by late 2023 with doors opening in early 2024 after a period of commissioning.

“Mānawa Bay, New Zealand’s first ever purpose-built premium outlet shopping destination, is taking shape with major construction work underway on the 150,000m^2 site. With Savory Construction appointed lead contractor, the completed outlet centre will feature 100-plus retail stores and 13 food and beverage tenancies.”

The increased summer travel numbers have been matched by the reopening of terminal-based tenancies. Currently 87% of international terminal and 95% of domestic terminal retail and food and beverage operators are trading daily. However, like everyone else in the airport system, operators remain impacted by labour shortages and are operating across a shorter trading day while they continue to actively recruit staff.

“We have announced a decision to move from two duty-free operators – a rarity in international airports – to a single operator, Aelia Duty Free (owned by Lagardère Travel Retail SAS) from September 2023. A full single-operator re-tender will be completed by mid-2025.

“The pandemic has accelerated online shopping trends for travel retail. In the current environment it’s important that duty-free shopping can evolve to match the customer demand for product choice and innovative retail experiences they can’t access on the high street, while delivering competitive prices. We believe this is best delivered through a single operator.”

Sustainability

“Climate change resilience remains a key focus for Auckland Airport,” said Ms Hurihanganui.

“The unprecedented flooding over Auckland Anniversary Weekend caused huge disruption to travellers and airport operations, and like other infrastructure owners, we are taking a hard look at our stormwater system and modelling around climate change to ensure the future capacity we are building into our infrastructure programme is fit for purpose.

“We take every opportunity to upgrade stormwater infrastructure – a major and ongoing programme of work. An example is our recent Northern Network roading development, which included work to improve the stormwater systems and build additional stormwater capacity. Our seawall maintenance also includes upgrades to future-proof against sea level rises.

“We remain committed to reducing our carbon footprint and meeting our target of a 90% reduction in direct emissions from 2019 levels by 2030. To this end we started phasing out natural gas use in the international terminal, replacing gas boilers with electric heat pumps.

“We recognise new development generates an increase in carbon, and we are actively taking steps to minimise this. We are exploring on-site generation of electricity to reduce the footprint of new developments, including building what is expected to be the largest rooftop solar system in New Zealand on top of the 36,000m^2 Mānawa Bay outlet centre. It will support more than 80% of the 100-store centre’s anticipated power usage when it opens in 2024. A second 14,000m^2 solar array will sit atop the under-construction Transport Hub providing enough electricity to power the attached office and electric vehicle charging stations within its car park.

“We continue to look for opportunities to reduce carbon emissions across our infrastructure – from construction methods and materials through to operational efficiency. A strong emphasis on sustainable design is reflected in both the Transport Hub and Mānawa Bay, with Mānawa Bay aiming for a 5-Star green design and build, and the Transport Hub targeting a US-accredited Gold Parksmart rating in innovative sustainable practices in parking facilities.”

Aeronautical pricing

Auckland Airport is due to set proposed aeronautical prices for the remainder of the price setting event for the 2023 to 2027 financial years (PSE4) by June this year.

With the support of the majority of airlines, prices for the 2023 financial year were held constant at 2022 financial year prices. Aeronautical prices will be forecast to make up the 2023 financial year under-recovery versus our target return over the remainder of PSE4[2].

"On 8 February 2023 we shared our Draft Pricing Proposal for PSE4 with major airlines and we will consider their feedback before finalising PSE4 prices. Among other things, this process requires Auckland Airport to determine our aeronautical capital expenditure roadmap for PSE4 and beyond," said Ms Hurihanganui.

"We have undertaken deep and wide-ranging consultation with our substantial airline customers on PSE4 prices and on the aeronautical capital expenditure roadmap. The consultation process has taken longer than we originally anticipated, but we have taken the time necessary given the significance of the overall programme and we hope to complete it soon."

Auckland Airport, together with NZ Airports, has also submitted on the Commerce Commission's Input Methodology review which is due to be completed by December this year. Our main submission is that the Commission should refresh its 2016 calculation of the weighted average cost of capital for the regulated airport sector to bring it up to date using the same process it has adopted in previous years with the most recently available information. Auckland Airport will give consideration to the progress of the Commission's review when setting our target return for PSE4. We expect the Commission to publish its draft determination in the June quarter this year.

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[2] The 2023 financial year price freeze, and subsequent recovery mechanism, was agreed with the majority of airlines prior to its implementation from 1 July 2023, as was the discontinuation of the $2.00 plus GST per international passenger Regulatory or Requested Investment 'RRI' charge that applied over the last 9 months of the 2022 financial year linked to COVID-related costs.

Outlook

In October 2022, Auckland Airport revised its guidance for the 2023 financial year following a stronger than expected rebound in the aviation market as demand to reconnect exceeded capacity.

Auckland Airport continues to see positive signs in the recovery of the aviation industry and as a result is revising earnings guidance of underlying profit after tax to between $125 million and $145 million, an uplift from the guidance of between $100 million and $130 million provided in October 2022.

In addition, Auckland Airport is also revising capital expenditure guidance for the year to June 2023 from $600 million to $700 million to between $525 million and $600 million – largely reflecting the phasing of development from design to construction for a number of commercial projects.

Auckland Airport expects our total passenger numbers to recover to pre-pandemic levels during 2025, broadly consistent with IATA's outlook for global air travel. For the full 2023 financial year Auckland Airport is anticipating international passenger numbers will be around 70% of pre-COVID levels, with domestic passenger numbers at around 85%. This would result in overall passenger numbers of circa 16 million for the 2023 financial year, roughly comprising 50% domestic passengers and 50% international passengers.

As agreed with our banks following fresh interest covenant accommodations in February last year, no dividend has been declared for the six-month period to 31 December 2022. We will be reviewing our dividend policy later in the 2023 financial year, with dividends expected to resume in October 2023.

ENDS

Note 1. Underlying profit / (loss) reconciliation

For the six months ended 31 December ($m)	2022			2021		
	Reported profit	Adjustments	Underlying profit / (loss)	Reported profit	Adjustments	Underlying profit / (loss)
EBITDAFI per income statement	189.0	-	189.0	60.3	-	60.3
Investment property fair value change	(93.8)	93.8	-	131.5	(131.5)	-
Fixed asset write-offs and impairment	-	0.1	0.1	-	0.1	0.1
Derivative fair value movement	(0.3)	0.3	-	(0.6)	0.6	-
Share of profit / (loss) of associate and joint ventures	3.0	0.0	3.0	(17.4)	19.8	2.4
Depreciation	(68.7)	-	(68.7)	(53.7)	-	(53.7)
Interest expense and other finance costs	(30.7)	-	(30.7)	(26.8)	-	(26.8)
Taxation benefit / (expense)	6.3	(31.1)	(24.8)	15.5	(9.3)	6.2
Profit / (loss) after tax	**4.8**	**63.1**	**67.9**	**108.8**	**(120.3)**	**(11.5)**

For further information, please contact:

Investors:

Stewart Reynolds

Head of Strategy, Planning and Performance

+64 27 511 9632

stewart.reynolds@aucklandairport.co.nz

Media:

Libby Middlebrook

Head of Communications and External Relations

+64 21 989 908

Libby.middlebrook@aucklandairport.co.nz

Auckland Airport

Interim Financial Statements 2023


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Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Income			
Airfield income		40.9	26.2
Passenger services charge		60.6	8.2
Retail income		59.4	6.9
Rental income		78.8	63.0
Rates recoveries		6.4	4.3
Car park income		27.5	8.7
Interest income		1.0	0.2
Other income		13.2	8.7
Total income		287.8	126.2
Expenses			
Staff	5	29.5	21.7
Asset management, maintenance and airport operations		40.8	29.5
Rates and insurance		17.4	10.4
Marketing and promotions		1.9	0.8
Professional services and levies		3.0	1.2
Fixed asset write-offs	3	0.1	0.1
Other expenses		6.1	2.6
Reversal of expected credit losses		-	(0.4)
Total expenses		98.8	65.9
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		189.0	60.3
Investment property fair value change	10	(93.8)	131.5
Derivative fair value change		(0.3)	(0.6)
Share of profit/(loss) of associate and joint ventures	7	3.0	(17.4)
Earnings before interest, taxation and depreciation (EBITDA)[1]		97.9	173.8
Depreciation		68.7	53.7
Earnings before interest and taxation (EBIT)[1]		29.2	120.1
Interest expense and other finance costs	5	30.7	26.8
Profit/(loss) before taxation	4	(1.5)	93.3
Taxation benefit		(6.3)	(15.5)
Profit after taxation, attributable to the owners of the parent		4.8	108.8
Earnings per share		Cents	Cents
Basic earnings per share	11	0.33	7.39
Diluted earnings per share	11	0.33	7.39

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to the 2022 Financial Report, note 3(e).

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2022 AND 31 DECEMBER 2021. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2022 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Profit for the period	4.8	108.8
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Fair value gains recognised in the cash flow hedge reserve	22.7	38.9
Realised losses/(gains) transferred to the income statement	1.6	5.3
Tax effect of movements in the cash flow hedge reserve	(6.8)	(12.4)
Total cash flow hedge movement	17.5	31.8
Movement in cost of hedging reserve	(0.8)	(0.7)
Tax effect of movement in cost of hedging reserve	0.2	0.2
Items that may be reclassified subsequently to the income statement	16.9	31.3
Total other comprehensive income	16.9	31.3
Total comprehensive income for the period, net of tax, attributable to the owners of the parent	21.7	140.1

These interim financial statements were approved and adopted by the Board on 22 February 2023.

Signed on behalf of the Board by

Patrick Strange
Director, Chair of the Board

Julia Hoare
Director, Chair of the Audit and Financial Risk Committee

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Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
Six months ended 31 December 2022 (unaudited)				
At 1 July 2022		1,680.2	(609.2)	5,040.2
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Reclassification to retained earnings		-	-	(0.2)
Shares issued	11	0.6	-	-
Long-term incentive plan		-	-	-
At 31 December 2022		1,680.8	(609.2)	5,040.0
Six months ended 31 December 2021 (unaudited)				
At 1 July 2021		1,679.2	(609.2)	5,099.9
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Reclassification to retained earnings		-	-	-
Shares issued	11	0.9	-	-
Long-term incentive plan		-	-	-
At 31 December 2021		1,680.1	(609.2)	5,099.9

	Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate and joint ventures $M	Retained earnings $M	Total $M
	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
	-	-	-	-	4.8	4.8
	-	17.5	(0.6)	-	-	16.9
	-	17.5	(0.6)	-	4.8	21.7
	-	-	-	-	0.2	-
	-	-	-	-	0.6	1.2
	(0.1)	-	-	-	-	(0.1)
	2.0	35.2	(2.3)	50.9	1,976.3	8,173.7
	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5
	-	-	-	-	108.8	108.8
	-	31.8	(0.5)	-	-	31.3
	-	31.8	(0.5)	-	108.8	140.1
	-	-	-	-	-	-
	-	-	-	-	-	0.9
	(0.3)	-	-	-	-	(0.3)
	1.7	(18.6)	(1.6)	37.0	1,880.9	8,070.2

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2022

	Notes	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Non-current assets			
Property, plant and equipment	9	7,130.3	6,986.1
Investment properties	10	2,848.4	2,897.4
Investment in associate and joint ventures	7	175.3	166.5
Derivative financial instruments		50.3	28.1
		10,204.3	10,078.1
Current assets			
Cash and cash equivalents		62.8	24.7
Trade and other receivables		58.7	28.5
Taxation receivable		21.7	21.6
		143.2	74.8
Total assets		10,347.5	10,152.9
Shareholders' equity			
Issued and paid-up capital	11	1,680.8	1,680.2
Reserves		4,516.6	4,500.0
Retained earnings		1,976.3	1,970.7
		8,173.7	8,150.9
Non-current liabilities			
Term borrowings	12	1,054.1	961.0
Derivative financial instruments		31.5	15.7
Deferred tax liability		412.0	411.9
Other term liabilities		3.2	3.3
		1,500.8	1,391.9
Current liabilities			
Accounts payable and accruals		109.5	87.1
Derivative financial instruments		0.1	0.9
Short-term borrowings	12	557.0	515.6
Provisions		6.4	6.5
		673.0	610.1
Total equity and liabilities		10,347.5	10,152.9

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Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		262.3	128.9
Interest received		1.0	0.2
		263.3	129.1
Cash was applied to:			
Payments to suppliers and employees		(92.4)	(72.7)
Interest paid		(30.6)	(26.8)
		(123.0)	(99.5)
Net cash flow from operating activities	6	140.3	29.6
Cash flow from investing activities			
Cash was provided from:			
Share of dividends received and repayment of partner contribution		0.3	2.5
		0.3	2.5
Cash was applied to:			
Property, plant and equipment additions		(205.1)	(124.4)
Interest paid – capitalised		(6.9)	(3.8)
Investment property additions		(36.4)	(18.4)
Investment in joint ventures		(6.1)	(5.9)
		(254.5)	(152.5)
Net cash flow applied to investing activities		(254.2)	(150.0)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		400.0	176.0
		400.0	176.0
Cash was applied to:			
Decrease in borrowings		(248.0)	(100.0)
		(248.0)	(100.0)
Net cash flow from financing activities		152.0	76.0
Net (decrease)/increase in cash held		38.1	(44.4)
Opening cash brought forward		24.7	79.5
Ending cash carried forward		62.8	35.1

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Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

1. Corporate information

Auckland International Airport Limited ('the company' or 'Auckland Airport') is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The company was re-registered under the Companies Act 1993 on 6 June 1997. The company is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries, joint ventures and an associate ('the group').

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 22 February 2023.

2. Basis of preparation and accounting policies

The condensed consolidated interim financial statements ('interim financial statements') have been prepared in accordance with generally accepted accounting practice ('GAAP') in New Zealand and the requirements of the Financial Markets Conduct Act 2013 and the Main Board/ Debt Market Listing Rules of NZX Limited. The interim financial statements comply with New Zealand Equivalent to International Accounting Standards NZ IAS 34 and IAS 34 *Interim Financial Reporting*.

Auckland Airport is designated as a for-profit entity for financial reporting purposes.

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Financial Report for the year ended 30 June 2022.

These interim financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars ($M) and one decimal point unless otherwise indicated.

The accounting policies set out in the 2022 Financial Report have been applied consistently to all periods presented in these interim financial statements.

There were no new accounting standards, interpretations or amendments with a material impact on these interim financial statements.

Climate-related disclosure standard

In 2021, the New Zealand Government passed legislation to enable mandatory climate-related disclosures for large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers. This means that for the reporting periods starting on/after 1 July 2023, Auckland Airport will be required by law to publish annual disclosures on the impact of climate change on the business. The New Zealand External Reporting Board (XRB) has published a suite of standards in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), the global best practice benchmark for climate-related reporting. The final standards were published in December 2022.

Auckland Airport has begun to apply the XRB's standards from 1 July 2022, a year before full compliance with the new standards is required.

3. Changes in key estimates and judgements

The financial position and performance of the group continued to reflect the ongoing recovery of the aviation industry from the COVID-19 pandemic. The timing of full traffic recovery to pre-pandemic levels remains uncertain and constrained by staffing shortages and return of aircraft to service across the industry. The following key estimates and judgements, relating to COVID-19, were generated on the same basis as at 30 June 2022:

Abatements
The group continues to provide abatements to retailers and property tenants significantly affected as the aviation industry recovers from the COVID-19 pandemic. During the period ended 31 December 2022, the group recognised $51.4 million of abatements as negative variable lease payments (period ended 31 December 2021: $98.6 million). These abatements were consistent with expectations and were factored into fair value and impairment assessments at 31 December 2022.

Fixed asset write-offs and impairments
Capital expenditure work in progress totalling $0.1 million was written off during the period ended 31 December 2022 (period ended 31 December 2021: $0.1 million).

During the period ended 31 December 2022, no capital expenditure or fixed asset impairments have been recognised or reversed (period ended 31 December 2021: nil).

Provision for expected credit losses
During the period ended 31 December 2022, the provision has decreased by $0.2 million reflecting the recovery of outstanding debt (period ended 31 December 2021: decreased by $0.4 million).

Fair value assessments of property, plant and equipment
There have been no material changes in the fair value assessments of property, plant and equipment. Refer to note 9 for further details.

Fair value assessments of investment property
At 31 December 2022, independent valuations of investment property were performed by Colliers, Savills and JLL. The valuations concluded that there was a fair value decrease of $93.8 million (31 December 2021: increase of $131.5 million). Refer to note 10 for further details.

Recovery from the COVID-19 pandemic
The recovery from COVID-19 is now well underway. In response to the pandemic, Auckland Airport had initiated a number of actions as reported in the 2020, 2021 and 2022 Financial Statements.

The following measure remained in place throughout the six-month period ended 31 December 2022:

- Suspension of dividends (see note 8)

During February 2022, Auckland Airport renegotiated its bank facility interest coverage covenants for a transitionary period until December 2024. The following table sets out the EBITDA-based interest coverage covenants.

Period	Interest coverage covenant
Jun-22	1.25x
Dec-22	1.25x
Jun-23	2.00x
Dec-23	2.00x
Jun-24	2.50x
Dec-24 onwards	3.00x

Auckland Airport's actual interest coverage for the 12 months ended 31 December 2022 was 4.99x. Given the strong rebound in the aviation market during the six-month period ended 31 December 2022 and industry-wide optimism for further recovery, Auckland Airport's 12-month interest coverage metrics are likely to progressively strengthen going forward.

4. Segment information

(a) Identification of reportable segments

The group has identified its operating segments based on the internal reports reviewed and used by the chief executive, as the chief operating decision-maker, in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive monthly. The chief executive assesses the performance of the operating segments based on segment EBITDAFI. Interest income and expenditure, taxation, depreciation, fair value adjustments, and share of profits of associate and joint ventures are not allocated to operating segments as the group manages the cash position and borrowings at a group level.

(b) Types of services provided

Aeronautical
The aeronautical business provides services that facilitate the movement of aircraft, passengers and cargo and provides utility services that support the airport. The aeronautical business also earns rental revenue from space leased in facilities such as terminals.

From 2 May 2022, New Zealand's international border progressively reopened, initially to visa-waivered countries. From 1 August 2022 New Zealand's international border reopened to all passengers. The group did not provide abatements to aeronautical customers during the six-month period ended 31 December 2022 (31 December 2021: $0.8 million).

Retail
The retail business provides services to the retailers within the terminals and provides car parking facilities for passengers, visitors and airport staff.

Ongoing COVID-19 impacts continued to affect retailers within the terminals, and the group provided $51.2 million of abatements to retailers during the six-month period ended 31 December 2022 (31 December 2021: $94.4 million). Refer to note 3 for further information.

Property
The property business earns rental revenue from space leased on airport land outside the terminals including cargo buildings, hangars, shops and other stand-alone investment properties.

The group provided $0.2 million of rent abatements to property tenants during the six-month period ended 31 December 2022 (31 December 2021: $3.4 million).

	Aeronautical $M	Retail $M	Property $M	Total $M
Six months ended 31 December 2022 (unaudited)				
Total segment income	121.7	90.4	72.0	284.1
Total segment expenses	38.4	16.1	13.0	67.5
Segment EBITDAFI[1]	83.3	74.3	59.0	216.6
Six months ended 31 December 2021 (unaudited)				
Total segment income	46.4	17.9	60.0	124.3
Total segment expenses	36.5	6.8	9.3	52.6
Segment EBITDAFI[1]	9.9	11.1	50.7	71.7

1 EBITDAFI is a non-GAAP measure. Refer to the 2022 Financial Report, note 3(e).

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2021: nil).

(c) Reconciliation of segment EBITDAFI to income statement

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Segment EBITDAFI[1]	216.6	71.7
Unallocated external operating income	3.7	1.9
Unallocated external operating expenses	(31.3)	(13.3)
Total EBITDAFI as per income statement[1]	189.0	60.3
Investment property fair value increase	(93.8)	131.5
Derivative fair value change	(0.3)	(0.6)
Share of profit/(loss) of associate and joint ventures	3.0	(17.4)
Depreciation	(68.7)	(53.7)
Interest expense and other finance costs	(30.7)	(26.8)
Profit/(loss) before taxation	(1.5)	93.3

1 EBITDAFI is a non-GAAP measure. Refer to the 2022 Financial Report, note 3(e).

The income included in unallocated external operating income consists mainly of interest payments from third-party financial institutions and income from telecommunication and technology services provided to tenants. The expenses included in unallocated external operating expenses consists mainly of corporate staff expenses and corporate legal and consulting fees.

5. Profit for the period

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Staff expenses comprise:		
Salaries and wages	31.3	25.5
Capitalised salaries and wages	(7.0)	(4.7)
Employee benefits	2.8	3.1
Share-based payment plans	(0.2)	0.1
Defined contribution superannuation	0.9	0.9
Government wage subsidy	-	(4.2)
Other staff costs	1.7	1.0
	29.5	21.7
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	18.0	14.1
Interest on bank facilities and related hedging instruments	9.6	10.5
Interest on AMTN notes and related hedging instruments	6.9	4.6
Interest on commercial paper and related hedging instruments	3.1	1.4
	37.6	30.6
Less capitalised borrowing costs	(6.9)	(3.8)
	30.7	26.8
Interest rate for capitalised borrowings costs	4.77%	4.32%

The interest expense amounts disclosed in the table above are net of the impact of interest rate hedges. The gross interest costs of bonds, bank facilities, Australian Medium Term Notes ('AMTN') and commercial paper, excluding the impact of interest rate hedges, was $35.6 million for the period ended 31 December 2022 (restated 31 December 2021: $25.6 million).

6. Reconciliation of profit after taxation with cash flow from operating activities

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Profit after taxation	4.8	108.8
Adjustments for:		
Depreciation	68.7	53.7
Deferred taxation benefit	(6.5)	(16.2)
Fixed asset write-offs	0.1	0.1
Share-based payments	(0.2)	0.1
Equity-accounted loss/(earnings) from associate and joint ventures	(3.0)	17.4
Investment property fair value decrease/(increase)	93.8	(131.5)
Derivative fair value decrease	0.3	0.6
Items not classified as operating activities:		
(Increase)/decrease in property, plant and equipment retentions and payables	(4.9)	36.3
Increase in investment property retentions and payables	(3.9)	(1.4)
Increase in investment property lease incentives and receivables	(1.8)	(8.3)
Items recognised directly in equity	1.0	0.6
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(30.2)	3.4
Decrease in taxation receivable/(payable)	(0.1)	0.6
Increase/(decrease) in accounts payable and provisions	22.3	(34.5)
Decrease in other term liabilities	(0.1)	(0.1)
Net cash flow from operating activities	140.3	29.6

7. Associate and joint ventures

Movement in the group's carrying amount of investments in associate and joint ventures

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Investment in associate and joint ventures at the beginning of the period	166.5	154.4
Further investment in joint ventures	6.1	5.9
Share of profit/(loss) after tax of associate and joint ventures	3.0	(17.4)
Share of dividends received and repayment of partner contribution	(0.3)	(2.5)
Investment in associate and joint ventures at the end of the period	175.3	140.4

Share of (loss)/profit after tax of associate and joint ventures

In the comparative six-month period ended 31 December 2021, the group recognised its $20.5 million share of a $41.0 million revaluation loss on the Pullman hotel. The hotel is under construction and owned by Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture). The revaluation loss arose due to an increase in construction costs compared to an independent valuation of the hotel as at expected completion during the financial year ended 30 June 2024.

The construction of the hotel was split into two phases due to the impact of COVID-19. The first phase was to complete the facade and structural elements under the original contract, which was completed on time and to budget. The second phase was to carry out all internal fit-outs ready for opening. During the six months ended 31 December 2021, the joint venture re-tendered the second phase at a higher cost than the original contract. The total cost of the project is forecast to be $221.0 million. The second phase started in January 2022 and is currently tracking to budget and programme.

At 31 December 2021, an independent valuation performed by JLL determined a fair valuation of $180.0 million, resulting in a revaluation loss of $41.0 million for the joint venture. Auckland Airport's share of the revaluation loss was $20.5 million. The valuation was prepared on the basis of 'material valuation uncertainty', and therefore the valuer advised that less certainty should be attached to the valuation than would normally be the case.

At 31 December 2022, the group assessed that the carrying value of the Pullman hotel was not materially different from fair value given there was no material change in the key valuation inputs since the December 2021 valuation, or the forecast completion cost. The next planned revaluation will align with the Novotel valuation for the year ended 30 June 2023.

Carrying value of investments in associate and joint ventures

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Tainui Auckland Airport Hotel Limited Partnership	40.6	40.6
Tainui Auckland Airport Hotel 2 Limited Partnership	36.8	30.6
Queenstown Airport Corporation Limited	97.9	95.3
Total	175.3	166.5

8. Distribution to shareholders

As part of the changes negotiated to Auckland Airport's banking covenants in February 2022, Auckland Airport agreed that no dividends will be paid until after 31 December 2022 (period ended 31 December 2021: no dividend paid).

The company has a dividend reinvestment plan, but this was inactive during the period as no dividend was paid.

9. Property, plant and equipment

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Carried at fair value	6,696.0	6,662.0
Carried at cost	231.2	221.7
Work in progress at cost	527.9	358.6
Accumulated depreciation	(324.8)	(256.2)
Net carrying amount	7,130.3	6,986.1

The group carries land, buildings and services, infrastructure and runway, taxiways and aprons at fair value.

At 31 December 2022 and 31 December 2021 the group undertook a desktop review of the property, plant and equipment balances carried at fair value.

- For land assets previously formally revalued using the discounted cash flow approach, the 31 December 2022 desktop assessment compared today's expectations regarding the timing and shape of the recovery from COVID-19 with the independent valuers' views at the last formal valuation as at 30 June 2022. Those expectations have remained materially unchanged.
- For land assets previously formally revalued using the market value alternative use and direct sales comparison approaches, the desktop assessment considered the outcome of the investment property desktop review described in note 10, in particular the vacant land component.
- For all other assets previously formally revalued using the optimised depreciated replacement cost approach, the desktop assessment considered movements in the capital goods price index.

These assessments indicated that there was no material fair value movement in any class of property, plant and equipment from 30 June 2022.

Vehicles, plant and equipment and work in progress are carried at cost.

Additions to property, plant and equipment were $214.5 million for the six months ended 31 December 2022 (six months ended 31 December 2021: $90.7 million).

There were transfers to investment property of $1.6 million during the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

The following categories of property, plant and equipment are leased to tenants:

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $319.8 million (30 June 2022: $319.8 million);
- Land associated with retail facilities within terminal buildings carried at $1,452.4 million (30 June 2022: $1,452.4 million); and
- Space within terminal buildings, being 15% of total floor area or $217.5 million (30 June 2022: 14% of total floor area or $183.0 million).

10. Investment properties

	Unaudited 6 months to 31 Dec 2022 $M	Audited 12 months to 30 Jun 2022 $M
Balance at the beginning of the period	2,897.4	2,641.4
Additions	41.4	39.5
Transfer from property, plant and equipment (note 9)	1.6	0.7
Write-offs	-	-
Change in net revaluations	(93.8)	204.4
Lease incentives capitalised	0.7	8.2
Lease incentives amortised	(1.5)	(2.4)
Spreading of fixed rental increases	2.6	5.6
Balance at the end of the period	2,848.4	2,897.4

Investment property is measured at fair value, which reflects market conditions at balance date. To determine fair value, the group ordinarily commissions investment property valuations at 30 June each year and undertakes a desktop review at 31 December each year. Auckland Airport also reviews investment properties that are recently constructed or in the latter stages of construction at 31 December each year.

At 31 December 2022 and 31 December 2021, the group undertook more comprehensive desktop revaluations than the desktop reviews the group ordinarily performs at 31 December each year. The changed approach was considered prudent due to changes in market capitalisation rates.

During the period ended 31 December 2022, an increase in capitalisation rates indicated a potential decrease in investment property valuations. However, this was partially offset by growth in market rental rates across the industrial asset class.

The desktop revaluations were performed by Colliers, Savills and JLL based on key valuation metrics. The valuers did not re-inspect the properties but undertook relevant investigations, including considering any tenant changes, assessing market rentals and reviewing capitalisation rates in order to determine the desktop value of the group's investment properties. The desktop revaluations have been reviewed and assessed by management and subsequently adopted by the group, resulting in a fair value decrease of $93.8 million or 3.2% for the overall portfolio for the six months ended 31 December 2022 (31 December 2021: increase of $131.5 million or 4.9%).

The following categories of investment property are leased to tenants:

- Retail and service carried at $378.2 million (30 June 2022: $328.8 million);
- Industrial carried at $1,856.2 million (30 June 2022: $1,879.8 million); and
- Other investment property carried at $180.5 million (30 June 2022: $221.9 million).

11. Issued and paid-up capital and earnings per share

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M	Unaudited 6 months to 31 Dec 2022 Shares	Unaudited 6 months to 31 Dec 2021 Shares
Opening issued and paid-up capital	1,680.2	1,679.2	1,472,195,131	1,472,034,637
Shares fully paid and allocated to employees by employee share scheme	0.6	0.5	74,470	89,200
Shares vested to employees participating in long-term incentive plans	-	0.4	-	58,194
Closing issued and paid-up capital	1,680.8	1,680.1	1,472,269,601	1,472,182,031

Earnings per share
The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $4.0 million (six months ended 31 December 2021: $108.8 million).

The weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

	Unaudited 6 months to 31 Dec 2022 Shares	Unaudited 6 months to 31 Dec 2021 Shares
For basic earnings per share	1,472,220,223	1,472,086,424
Dilution effect of share options	60,776	336,096
For diluted earnings per share	1,472,280,999	1,472,422,520

The reported basic earnings per share for the six months ended 31 December 2022 is 0.33 cents (six months ended 31 December 2021: 7.39 cents).

The reported diluted earnings per share for the six months ended 31 December 2022 is 0.33 cents (six months ended 31 December 2021: 7.39 cents).

12. Borrowings

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Current		
Commercial paper	167.0	142.6
Bank facilities	65.0	73.0
Bonds	325.0	300.0
Total short-term borrowings	557.0	515.6
Non-current		
Bank facilities	125.0	165.0
Bonds	661.1	516.2
AMTN notes	268.0	279.8
Total term borrowings	1,054.1	961.0
Total		
Commercial paper	167.0	142.6
Bank facilities	190.0	238.0
Bonds	986.1	816.2
AMTN notes	268.0	279.8
Total borrowings	1,611.1	1,476.6

In the six-month period to 31 December 2022, the company undertook the following bank and financing activity:

- The issuance of $150.0 million of three-year floating rate notes in October 2022 which was used to refinance the maturing $100 million floating rate notes and provide additional liquidity;
- The issuance of $225.0 million of 5.5-year, 5.67% fixed rate bonds in November 2022, which was used to refinance the maturing $100 million fixed rate bonds and provide additional liquidity; and
- In November 2022 the company entered into the following new bank facilities:
  - a $125 million three-year facility with Commonwealth Bank of Australia;
  - a $125 million four-year facility with Commonwealth Bank of Australia;
  - a $125 million four-year facility with China Construction Bank Corporation; and
  - a $50 million three-year facility with MUFG Bank, Ltd.

The following facilities either matured or were cancelled:

- The AU$90 million facility with Commonwealth Bank of Australia matured in November 2022.
- The $95 million facility with China Construction Bank Corporation matured in November 2022.
- The $50 million facility with MUFG Bank, Ltd that was set to mature in February 2023 was cancelled.

The two $195 million bank facilities with MUFG Bank Ltd and Westpac New Zealand Limited were both reduced to $110 million. The net effect of the above bank refinancing activity was an increase in total available facilities of $10 million.

As at 31 December 2022, the company had undrawn bank facilities of $1,013.0 million (30 June 2022: $954.5 million).

During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities.

The group has negotiated modified interest coverage covenants applying from calendar year 2022 onwards. The EBITDA-based measures step up progressively, broadly in line with the anticipated COVID-19 recovery. The interest coverage covenants are summarised in note 3.

The carrying amount of AMTN notes has reduced due to foreign exchange rate movements. The foreign currency exposure is fully hedged by cross-currency interest rate swaps, which have similarly reduced in value (refer to note 14).

13. Financial risk management

The group has a treasury policy which limits exposure to market risk for changes in interest rates and foreign currency, liquidity risk and counter-party credit risk. The group has no other material direct price risk exposure.

The interim financial statements do not include all financial risk management information and disclosures and should be read in conjunction with note 18 of the 2022 Financial Report.

Further information is also contained in the risk management section of the 2022 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2022.

14. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2022 (30 June 2022: nil).

The following financial instruments are carried at amortised cost, which approximates their fair value:

- Cash;
- Trade and other receivables;
- Accounts payable and accruals;
- Other term liabilities; and
- Borrowings issued at floating rates.

Borrowings issued at fixed rates, including bonds and AMTN notes, are also carried at amortised cost, which differs from their fair value. The fair values are shown in the table below for comparative purposes and are determined as follows:

- The group's bonds are classified as level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date; and
- The group's AMTN notes are classified as level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	Unaudited		Audited	
	31 Dec 2022		30 Jun 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	986.1	983.1	816.2	816.5
AMTN notes	268.0	282.5	279.8	285.0

14. Fair value of financial instruments CONTINUED

The group's derivative financial instruments are carried at fair value and are classified as level 2. The fair values are determined on a discounted cash flow basis. The future cash flows are forecast using the key inputs presented in the table below. The forecast cash flows are discounted at a rate that reflects the credit risk of both counterparties to the derivative financial instruments.

	Unaudited Fair value As at 31 Dec 2022 $M	Audited Fair value As at 30 Jun 2022 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates
Assets	50.3	28.1	
Liabilities	(13.8)	(11.6)	
Cross-currency interest rate swaps			
Liabilities	(17.8)	(5.0)	Forward interest and foreign exchange rates (from observable yield curves and forward foreign exchange rates) and contract rates

15. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $206.8 million at 31 December 2022 (30 June 2022: $198.8 million).

(b) Investment property

The group had contractual obligations to purchase, develop, repair or maintain investment property for $24.6 million at 31 December 2022 (30 June 2022: $34.3 million).

(c) Joint ventures

At 31 December 2022, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) had contractual obligations of $38.3 million to develop a new Pullman hotel (30 June 2022: $82.0 million). The group's share of those commitments was $19.2 million at 31 December 2022 (30 June 2022: $41.0 million)

16. Contingent liabilities

Noise insulation

Auckland Airport Designation 1100, contained in the Auckland Unitary Plan, sets out Auckland Airports' obligations for noise mitigation for properties affected by aircraft noise. This includes obligations to mitigate the impact of aircraft noise through the installation of noise mitigation packages to existing dwellings and schools. The noise mitigation packages provide treatment of dwellings to achieve an internal noise environment of no more than 40dB. The company is required to subsidise 100% of treatment costs for properties in the high aircraft noise area and 75% in the medium aircraft noise area.

The aircraft noise contours included in Designation 1100 reflect the long-term predicted aircraft noise levels generated by aircraft operations from the existing runway and proposed northern runway. Annually, the company projects the level of noise that will be generated from aircraft operations for the following 12 months. These annual projections confirm which dwellings and schools are eligible for noise mitigation each year and offers are sent out to those affected properties. It is at the discretion of the individual landowner whether they accept a noise mitigation package.

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $7.7 million (30 June 2022: $7.8 million).

Contractor claims

A contingent liability of $4.6 million (30 June 2022: $7.3 million) is estimated for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a conservative view and recognised the total uncertified contractor claims as a contingent liability.

17. Events subsequent to balance date

On 27 January 2023, Auckland experienced widespread flash flooding caused by record-breaking rainfall. Auckland Airport experienced flooding across the precinct and particularly the international terminal building. Both the domestic and international terminals were closed for short periods starting that evening, with domestic flights resuming at midday on 28 January 2023 and international flights from the morning of 29 January 2023.

Auckland Airport experienced flood damage to assets across its precinct. The most significant areas of damage were to check-in, baggage and vertical transportation at the international terminal building. Auckland Airport has material damage, business interruption and construction works insurance policies and is working with its insurance assessors to determine the flood-related losses and claims. It is too early to reliably estimate the value of the claims.

From 12 to 14 February 2023, the North Island of New Zealand was battered by Cyclone Gabrielle, bringing heavy rains and high winds to Auckland. There was no further material damage to Auckland Airport’s assets and the terminals remained open. However, all domestic flights and most international flights were cancelled for approximately two days.

On 17 February 2023, the directors of Queenstown Airport declared a final dividend of $6.0 million for the period ended 31 December 2022. The group’s share of the dividend is $1.5 million.

On 22 February 2023, the directors of Auckland Airport resolved that no interim dividend would be declared for the period ended 31 December 2022.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Auckland International Airport Limited ('the Company') and its subsidiaries ('the Group') which comprise the consolidated interim statement of financial position as at 31 December 2022, and the consolidated interim income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 2 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of greenhouse gas inventory assurance reporting, trustee reporting and assurance reporting for regulatory reporting as well as non-assurance services provided to the Corporate Taxpayers Group of which the Company is a member. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

Andrew Dick
Partner
for Deloitte Limited
Auckland, New Zealand
22 February 2023

Shareholder information

Reporting entity

The company was incorporated on 20 January 1988, under the Companies Act 1955, and commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. On 25 June 1998, the company adopted a revised constitution, approved as appropriate for a publicly listed company. Further revisions of the constitution were adopted on 21 November 2000, 18 November 2002, 23 November 2004 and 23 October 2019 to comply with NZX and ASX Listing Rule requirements.

The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156) and was granted Foreign Exempt Listing Entity status by ASX on 22 April 2016.

Stock exchange listings

The company's shares were quoted on the NZX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

The total number of voting securities on issue as at 31 December 2022 was 1,472,820,947.

Auditors

Deloitte Limited has continued to act as external auditor of the company and has undertaken a review of the interim financial statements for the six months ended 31 December 2022. The external auditor is subject to a partner rotation policy.

Credit rating

As at 31 December 2022, the S&P Global Ratings' long-term credit rating for the company was A- Stable Outlook.

Company publications

The company informs investors of the company's business and operations by issuing an annual report (with notice of meeting) and interim financial statements.

Enquiries

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Link Market Services Limited on +64 9 375 5998. Other questions should be directed to the Company Secretary at the registered office.

Share registrars

New Zealand:
Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

PO Box 91976
Auckland 1142

Australia:
Link Market Services Limited
Level 12
680 George Street
Sydney
NSW 2000

Locked Bag A14
Sydney South
NSW 1235

Financial calendar	Half-year	Full-year
Results announcement	February	August
Reports published	February	August
Annual meeting	-	October
Disclosure financial statements	-	November

Corporate directory

DIRECTORS

Patrick Strange, chair
Mark Binns
Mark Cairns
Dean Hamilton
Julia Hoare
Liz Savage
Tania Simpson
Christine Spring

SENIOR MANAGEMENT

Carrie Hurihanganui
chief executive

Philip Neutze
chief financial officer

Melanie Dooney
chief corporate services officer

Jonathan Good
chief digital officer

André Lovatt
chief infrastructure officer

Scott Tasker
chief customer officer

Mark Thomson
chief commercial officer

Mary-Liz Tuck
chief sustainability and masterplanning officer

REGISTERED OFFICE NEW ZEALAND

4 Leonard Isitt Drive
Auckland Airport Business District
Manukau 2022
New Zealand

Phone: +64 9 275 0789
Freephone: 0800 Airport (0800 247 7678)
Facsimile: +64 9 275 4927
Email: tellus@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

REGISTERED OFFICE AUSTRALIA

c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia

Phone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
Website: www.kpmg.com.au

MAILING ADDRESS

Auckland International Airport Limited
PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

GENERAL COUNSEL

Ian Beaumont – Russell McVeagh

AUDITORS

External auditor – Deloitte Limited
Internal auditor – Ernst & Young
Share registry auditor – Grant Thornton

Interim Results Presentation

23 February 2023

Carrie Hurihanganui
Chief Executive

Philip Neutze
Chief Financial Officer

Important notice

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- is provided for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Auckland International Airport Limited (Auckland Airport);
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All currency amounts are expressed in New Zealand dollars unless otherwise stated and figures, including percentage movements, are subject to rounding.

Refer to page 39 for a glossary of the key terms used in this presentation.

Non-GAAP measures

This presentation contains references to non-GAAP measures including EBITDAFI, EBITDA and underlying profit or loss. A reconciliation between reported profit after tax and the non-GAAP measure of underlying profit or loss is included in the Appendix.

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons can be made with confidence between different companies and that there is integrity in our reporting approach. However, we believe that an underlying profit or loss measurement can also assist investors 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 profit or loss 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 and our policy to pay 100% of underlying profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items).

In referring to underlying profits or losses, we acknowledge our obligation to show investors how we have derived this result.

Highlights

Results at a glance

Revenue	Reported profit after tax	Passenger movements	Interim dividend
$287.8m	$4.8m	7.6m	0.0cps
▲ 128% on 1H22 (78% of 1H19)	▼ 96% on 1H22 (3% of 1H19)	▲ 341% on 1H22 (71% of 1H19)	▬
	1H23 earnings per share of 0.33cps		

EBITDAFI [1]	Underlying [1] profit after tax	Aircraft movements	Capital investment [2]
$189.0m	$67.9m	69,936	$261.6m
▲ 213% on 1H22 (68% of 1H19)	▲ 690% on 1H22 (50% of 1H19)	▲ 117% on 1H22 (77% of 1H19)	▲ 124% on 1H22 (198% of 1H19)
1H23 EBITDAFI margin of 65.7%	1H23 underlying profit per share of 4.62cps		

1. *Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying loss after tax is included in the appendix*
2. *Net capital expenditure additions after $0.1m of capital expenditure impairments*

The recovery in aviation driving improved results

Aeronautical

$101.5m revenue 195% ▲

7.6m passengers comprising:
3.2m international
0.3m transits
4.1m domestic

Retail

$59.4m income 761% ▲

Largely reopen (ITB 87%, DTB 95%)
Retail IPP[3] up 102%

Parking

$27.5m revenue 216% ▲

Strong activity reflecting increased demand for self-drive
parking exits up 293%

Property

$65.1m revenue 19% ▲

$2.8b portfolio valuation
$94m fair value decrease (3%)
$133m annual rent roll

Hotels

$22.4m revenue[4] 173% ▲

Strong demand driving rate growth
61% average occupancy across both hotels (vs total hotel rooms)
Staff shortages capped available rooms[5]

Queenstown

$30.0m revenue 136% ▲

PAX volumes have exceeded pre-COVID levels
379k International
845k Domestic

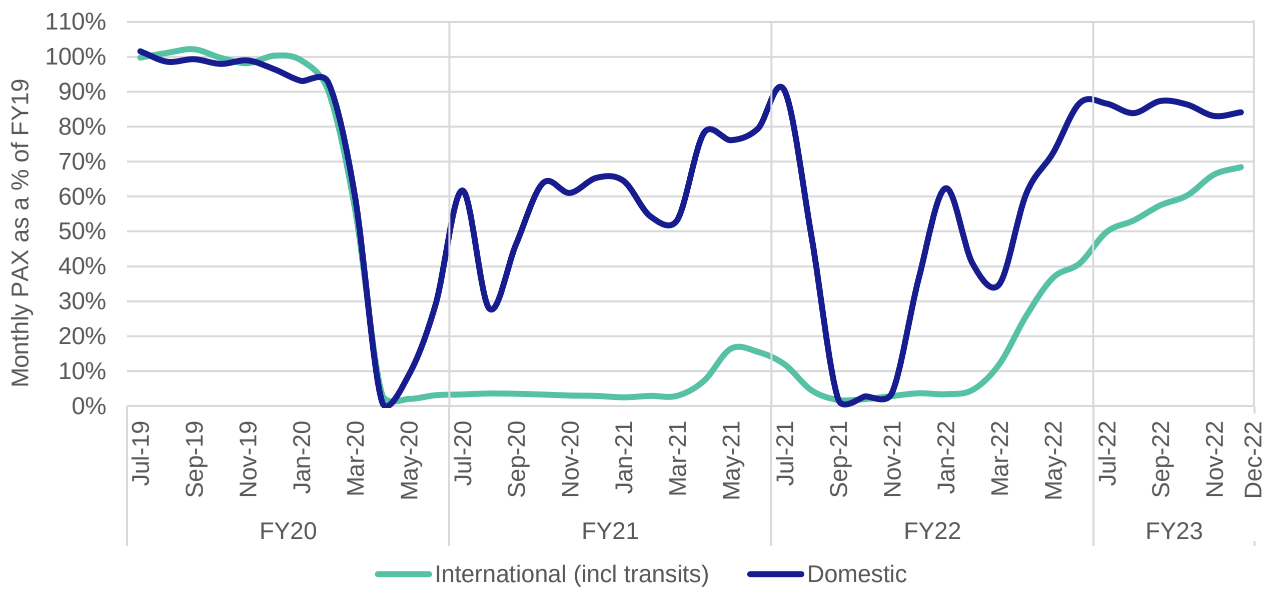
3. *Retail income per passenger*
4. *Includes ibis Budget Hotel and 100% of Novotel hotel revenues*
5. *The Novotel hotel was solely occupied by the Ministry of Health in the six months to 31 December 2021 as a managed isolation and quarantine facility*

Passenger numbers recovering

No domestic and international travel restrictions for most of 1H23 enabled further recovery of international PAX in the six months to 31 December 2022. Total passenger numbers are expected to be back to pre-pandemic levels during 2025

- Domestic passenger volumes quickly recovered, but stabilised below pre-COVID-19 levels in 1H23 reflecting lower capacity deployed from domestic operators
- International air travel has continued to strengthen in the period as connectivity has improved, connecting New Zealand to more global destinations, and the addition of further capacity to existing routes
- International air travel demand is now stronger than at any time since COVID-19 first closed our border and is expected to progressively recover further as additional capacity is deployed

Monthly passenger numbers



We are ‘building a better future’

Reconnecting New Zealand to the world through the return of international carriers

Extension of services through return of previous international carriers and announcement of new routes

Recovery in our commercial businesses as system activity increases

International retail reopens following easing of travel restrictions

Investment in aeronautical infrastructure and commercial property developments

Foundation work on the Eastern Bag Hall

Financial performance

Total passenger numbers up reflecting the recovery

For the six months ended 31 December	2022	2021	Change	Pre-COVID 2018[6]	% of pre-COVID 2018
International arrivals	1,646,063	114,400	1,339%	2,724,021	60%
International departures	1,537,116	137,518	1,018%	2,570,486	60%
International passengers excluding transits	**3,183,179**	**251,918**	**1,164%**	**5,294,507**	**60%**
Transit passengers	291,450	6,506	4,380%	533,200	55%
Total international passengers	**3,474,629**	**258,424**	**1,245%**	**5,827,707**	**60%**
Domestic passengers	4,103,116	1,461,142	181%	4,816,706	85%
Total passengers	**7,577,745**	**1,719,566**	**341%**	**10,644,413**	**71%**

- Total PAX volumes increased 341% in the six months to 31 December 2022 reflecting the continued recovery in international travel following the reopening of the country's border
- International PAX recovered to 60% of their pre-COVID-19 equivalent in 1H23 and reached 69% in December 2022. Demand remains strong, with limited airline capacity
- Domestic PAX volumes plateaued at 85% of pre-COVID-19 levels

6. *Comparative information for the six-month period to December 2018 has been included to compare the 1H22 performance against 1H19, i.e. the last financial year that immediately preceded the COVID-19 pandemic*

Aircraft movements and MCTOW

For the six months ended 31 December	2022	2021	Change	Pre-COVID 2018[7]	% of Pre-COVID 2018
Aircraft movements					
International aircraft movements	19,133	8,349	129%	29,101	66%
Domestic aircraft movements	50,803	23,846	113%	61,775	82%
Total aircraft movements	**69,936**	**32,195**	**117%**	**90,876**	**77%**
MCTOW (tonnes)					
International MCTOW	1,815,742	996,752	82%	3,003,550	60%
Domestic MCTOW	1,001,246	487,280	105%	1,203,153	83%
Total MCTOW	**2,816,988**	**1,484,033**	**90%**	**4,206,703**	**67%**

- International aircraft movements and MCTOW increased by 129% and 82% respectively following the return of a significant portion of the network
- Domestic aircraft movements and MCTOW increased by 113% and 105% respectively, reflecting no domestic travel restrictions in the six months to 31 December 2022 compared with the major disruptions experienced during the prior period
- International and domestic seat capacity recovered to 69% and 89% respectively of the pre-COVID-19 equivalents in December 2022

7. *Comparative information for the six-month period to December 2018 has been included to compare the 1H22 performance against 1H19, i.e. the last financial year that immediately preceded the COVID-19 pandemic*

Return to underlying profit

For the six months ended 31 December ($m)	2022	2021	Change
Revenue	287.8	126.2	128%
Expenses	98.8	65.9	50%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)[8]	**189.0**	**60.3**	**213%**
Share of profit / (loss) from associate and joint ventures	3.0	(17.4)	117%
Derivative fair value change	(0.3)	(0.6)	50%
Investment property fair value change	(93.8)	131.5	(171)%
Depreciation expense	68.7	53.7	28%
Interest expense	30.7	26.8	15%
Taxation benefit	(6.3)	(15.5)	59%
Reported profit after tax	**4.8**	**108.8**	**(96)%**
Underlying profit / (loss) after tax[8]	**67.9**	**(11.5)**	**690%**

- Underlying profit returned with significant growth in aeronautical activity driving higher revenues versus a proportionately smaller increase in operational expenses to facilitate the recovery
- Strong recovery was also seen in Queenstown with a $2.9 million share of profits (1H22: $0.2 million) driven by strong recovery at Queenstown Airport
- EBITDAFI margin improved from 48% to 66% as economies of scale return

8. *Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying profit/(loss) after tax is included in the appendix*

Higher PAX numbers driving improved performance

For the six months ended 31 December ($m)	2022	2021	Change
Airfield income	40.9	26.2	56%
Passenger charges	60.6	8.2	639%
Retail income	59.4	6.9	761%
Car park income	27.5	8.7	216%
Investment property rental income	65.1	54.8	19%
Other rental income	13.7	8.2	67%
Other income	20.6	13.2	56%
Total revenue	**287.8**	**126.2**	**128%**

- Aeronautical income rose significantly in the period as the recovery in aviation flowed through to higher airfield and passenger revenues. Auckland Airport provided a total of $3.7 million of incentives to airlines in the period to stimulate connectivity, the majority via discounts in landing charges
- With the removal of the remaining travel restrictions in the six months to 31 December 2022, income from passenger charges rose significantly as the number of higher-paying international passengers increased
- With travellers returning, the reopening of retail stores in the international terminal drove a significant increase in retail income. As a result of a high proportion of the stores open for peak periods of the day during the summer holiday season, passengers showed a willingness to spend with retail income per passenger rising to 74% of the pre-pandemic equivalent
- Carparking income increased significantly on the prior period also as the combined effects of strong propensity to park, no domestic lockdowns in the year and the reopening of all parking products for the period drove revenues
- Property rental income increased by 19% on the prior period driven by rental growth in the existing portfolio, new leases, and a part-period contribution from new developments

Operating costs

For the six months ended 31 December ($m)	2022	2021	Change
Staff	29.5	21.7	36%
Asset management, maintenance and airport operations	40.8	29.5	38%
Rates and insurance	17.4	10.4	67%
Marketing and promotions	1.9	0.8	138%
Professional services and levies	3.0	1.2	150%
Fixed asset impairment	0.1	0.1	0%
Other expenses	6.1	2.6	135%
Reversal of expected credit losses	-	(0.4)	100%
Total operating expenses	**98.8**	**65.9**	50%
Depreciation expense	68.7	53.7	28%
Interest expense	30.7	26.8	15%

- The recovery in aviation necessitated higher staff numbers and outsourced operations for busing, cleaning and parking to service increased aircraft and passenger throughput
- Normalising for the $4.2 million of the Government wage subsidy received in the prior period, the increase in staff costs was $3.6 million or 14%
- In addition, cost inflation was evident, especially in non-tradable categories with rates and insurance costs rising significantly in the period

Significant lift in capital expenditure

Stronger aeronautical outlook and continuing demand for commercial property on the airport campus have driven a significant increase in capital expenditure in the period

- Capital expenditure in the half year of $262 million[9] associated with terminal integration enabling, property development, airfield renewals and transportation upgrades

Terminal Integration ($135 million)

- Progressed design across several elements of the Terminal Integration programme with construction underway on key enabling projects including the Eastern Bag Hall, Operations Control Centre and airfield relocations. In addition, construction also commenced on the Transport Hub

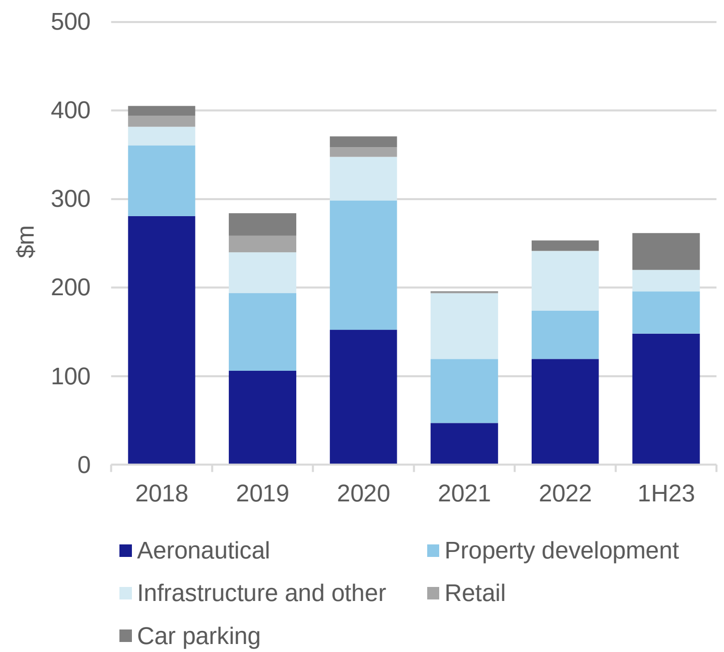
Property ($48 million)

- Completed the preleased development at 6-8 Te Kapua Drive
- Five preleased warehouse and office developments underway, with completions expected through FY23 to FY25
- Construction commenced on Mānawa Bay, a 100-store premium outlet shopping centre development

Airfield ($38 million)

- Renewal and upgrade works of airfield runway slab and aprons and fuel network. In addition, the purchase of Airfield Ground Lighting Assets from Airways NZ was completed in the period

Capital expenditure



9. Net capital expenditure additions after $0.1m of capital expenditure write-offs. Includes contributions to investments in joint ventures (Pullman)

Strong liquidity position with improved credit metrics

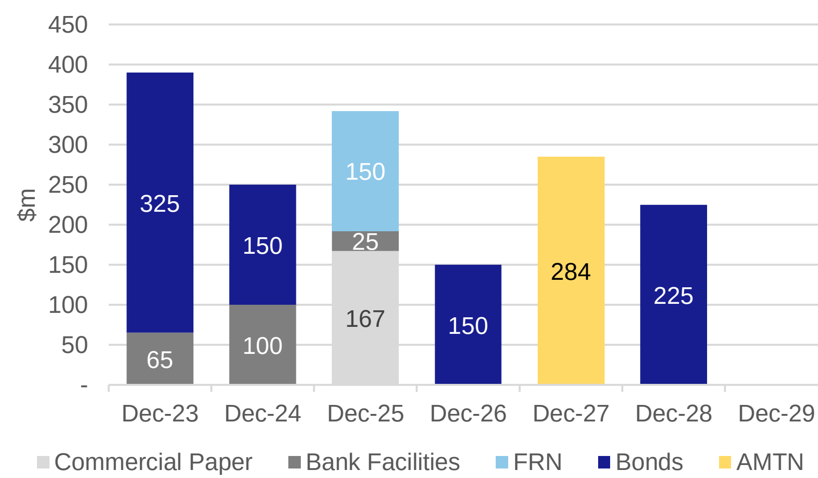
Liquidity of $1,076 million to support the business

- Total drawn debt of $1,611 million at 31 December 2022, an increase of 9% or $134 million on June 2022
- Committed undrawn bank facility headroom of circa $1,013 million (Jun-22: $955 million), and $63 million in available cash (Jun-22: $25 million)
- Raised $375 million of new borrowings through two NZDCM issues in the period: a $150 million wholesale floating rate note and a $225 million listed fixed rate bond
- Stronger financial metrics support the return to a 'business as usual' position with our banking syndicate
- A- credit rating maintained

Key credit metrics

	Test	Dec-22	Jun-22
Gearing covenant[10]	≤ 60%	17.0%	15.6%
Interest coverage covenant[11]	≥ 1.5x	4.99x	2.58x
Debt to enterprise value		12.3%	12.3%
Net debt to enterprise value		11.9%	12.1%
Funds from operations interest cover[12]	≥ 2.5x	4.2x	2.6x
Funds from operations to net debt[12]	≥ 11.0%	14.0%	6.5%
Weighted average interest cost		4.77%	4.32%
Average debt maturity profile (years)		2.96	2.29
Percentage of fixed borrowings		64.9%	71.5%

Drawn debt maturity profile for the 12 months ending



10. Gearing defined as nominal value of debt plus derivative liabilities divided by nominal value of debt plus derivative liabilities plus the book value of equity
11. Interest coverage defined as reported NPAT plus taxation, interest expense, depreciation, revaluations and derivative changes (broadly EBITDA) divided by interest
12. Test is S&P's A- rating threshold for Auckland Airport. The metrics provided for June 2022 are per S&P's October 2022 report and December 2022 are Auckland Airport estimates.

Balance sheet remains strong

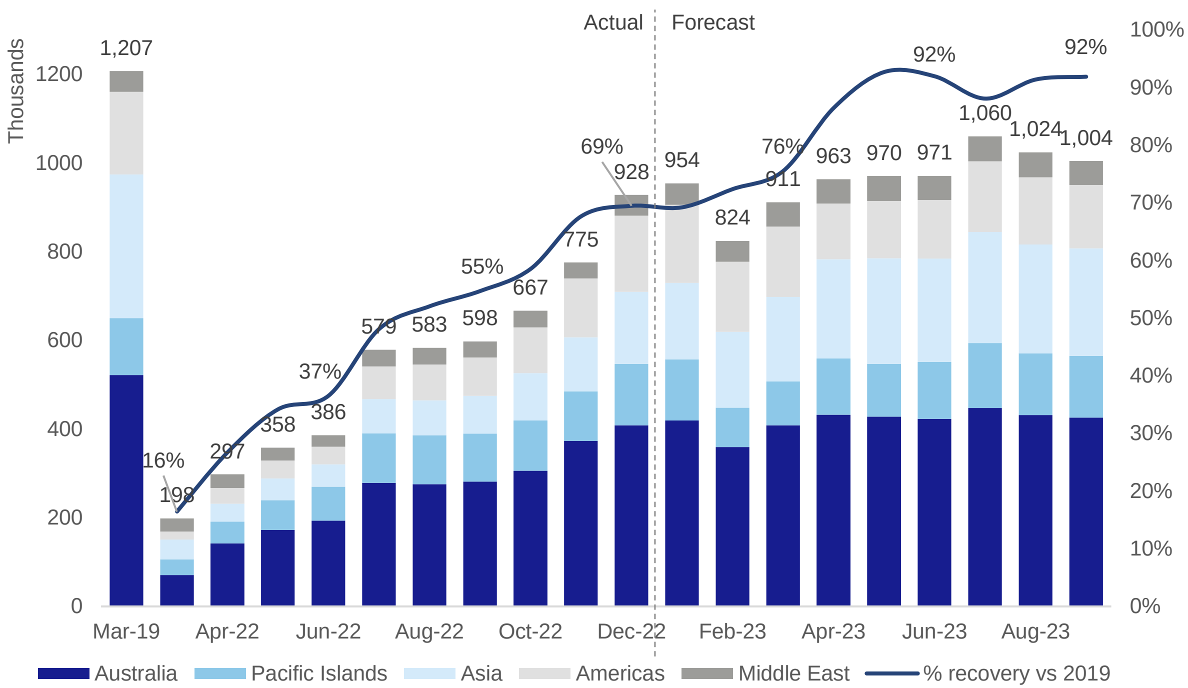
As at ($m)	Dec-22	Jun-22	Change
Non-current assets	**10,204.3**	**10,078.1**	**1%**
Property, plant and equipment	7,130.3	6,986.1	2%
Investment properties	2,848.4	2,897.4	(2)%
Other non-current assets	225.6	194.6	16%
Current assets	**143.2**	**74.8**	**91%**
Cash	62.8	24.7	154%
Other current assets	80.4	50.1	60%
Non-current liabilities	**1,500.8**	**1,391.9**	**8%**
Term borrowings	1,054.1	961.0	10%
Other non-current liabilities	446.7	430.9	4%
Current liabilities	**673.0**	**610.1**	**10%**
Accounts payable and accruals	109.5	87.1	26%
Short-term borrowings	557.0	515.6	8%
Other current liabilities	6.5	7.4	(12)%
Equity	**8,173.7**	**8,150.9**	**0%**

Our continuing journey

The recovery in travel is underway

International seat capacity serving Auckland is expected to significantly increase over the remainder of the calendar year as airlines restart previous Auckland services and launch new routes

Auckland international seat capacity (000s)



Recovery % versus pre-COVID equivalent	Dec-22	Sept-23
Australia	74%	89%
Pacific Islands	91%	86%
Asia	40%	85%
Americas	102%	121%
Middle East	90%	109%

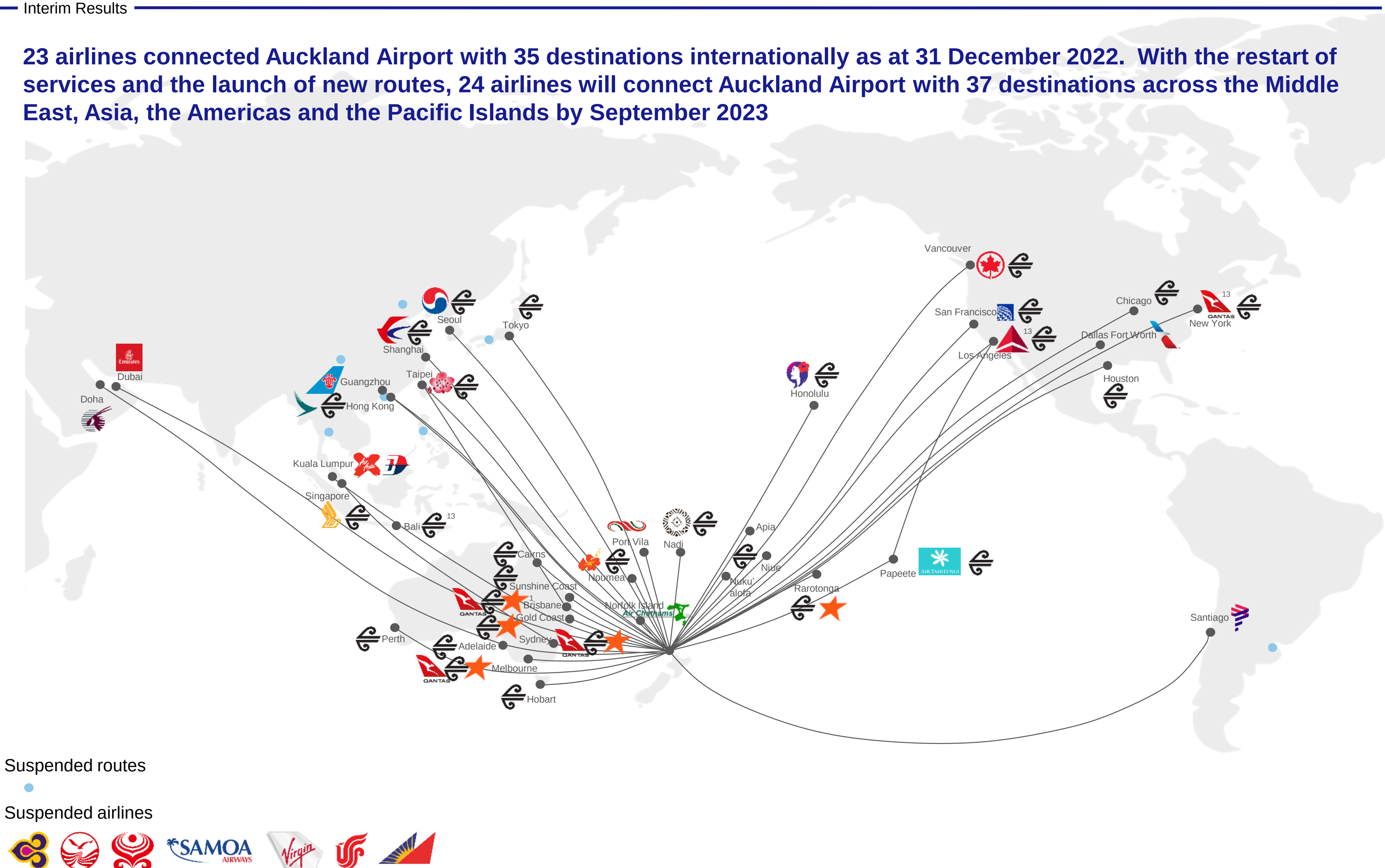
Source: Sabre

Announced and launched airline restarts

Jul 22	Adelaide, Cairns, Hobart, Sunshine Coast, Papeete, Noumea, Honolulu, Houston
	Honolulu
	Los Angeles via Papeete
Sep 22	Norfolk Island
	New York
Oct 22	Chicago
	Dallas
	San Francisco
Nov 22	Vancouver
	Kuala Lumpur via Sydney
Dec 22	Dubai direct
Mar 23	**Bali** NEW
Jun 23	Sydney-Auckland-New York
Oct 23	**Los Angeles** NEW

Reconnecting New Zealand to the world

23 airlines connected Auckland Airport with 35 destinations internationally as at 31 December 2022. With the restart of services and the launch of new routes, 24 airlines will connect Auckland Airport with 37 destinations across the Middle East, Asia, the Americas and the Pacific Islands by September 2023

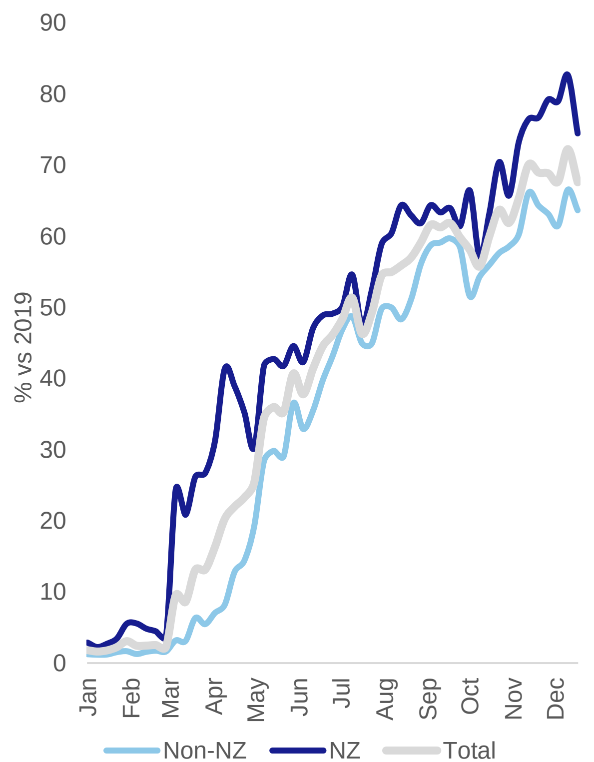


13. *Bali commences March 2023, New York (Qantas) commences June 2023, Los Angeles (Delta) commences October 2023*

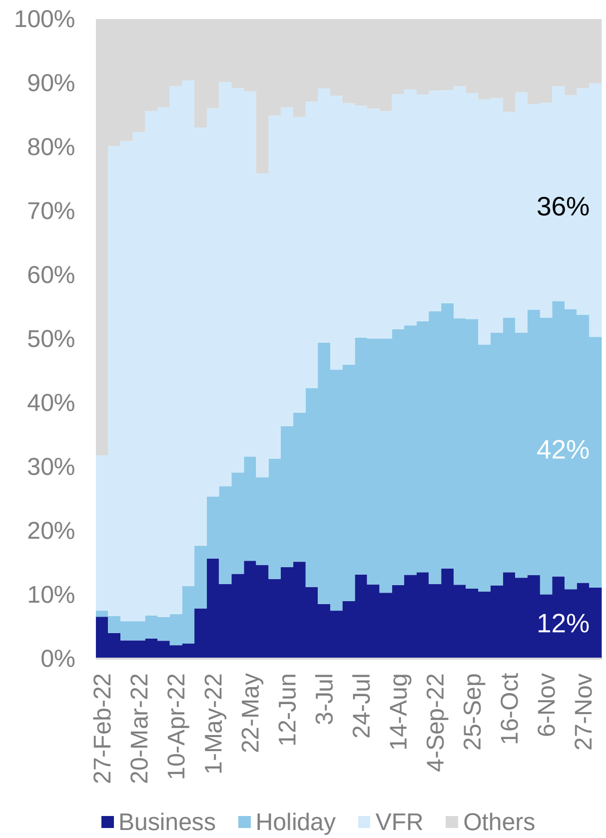
Broad-based recovery driven from PAX mix

The recovery in aviation markets is strengthening as Kiwi outbound travellers are joined by increasing numbers of international visitors. Diverse reasons for travel and strong load factors are further supporting industry confidence

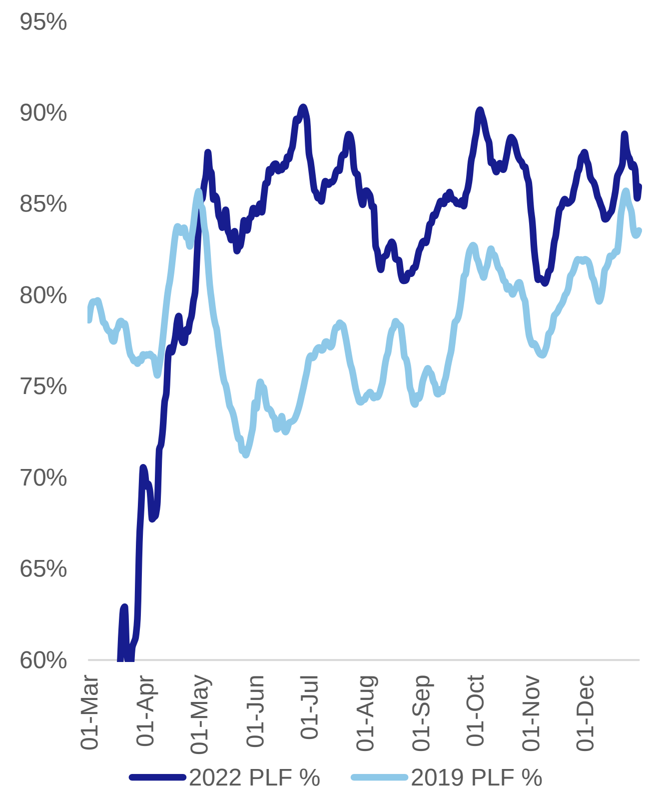
New Zealand arrivals



Weekly visitor arrivals' purpose of travel



International load factors (PLF) at Auckland



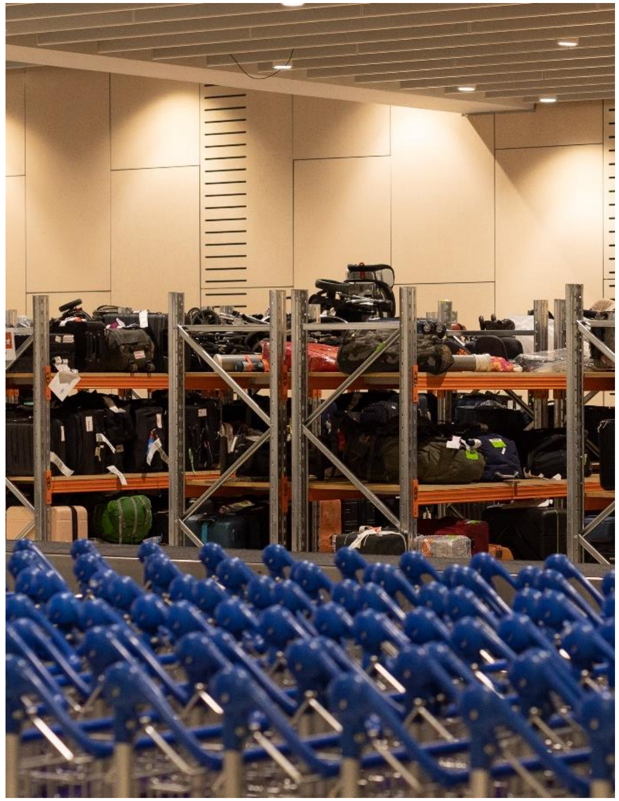
The recovery is not without its challenges

From labour shortages, poor on-time performance, lost baggage and cost inflation to high ticket prices, a number of factors are presenting as challenges to the recovery in the aviation system

Worker shortages

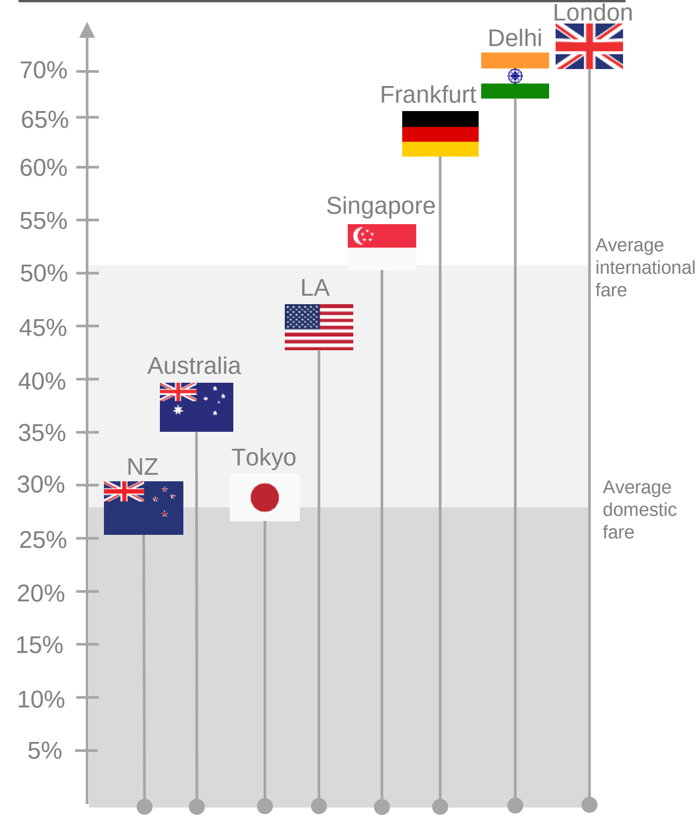
Queues at the outbound international departure hall

Displaced baggage



Displaced baggage in the arrivals hall

Elevated ticket prices from Auckland



Average Auckland international fares are forecast to be 51% higher than their pre-COVID-19 equivalent and domestic 27% higher[14]

14. *Based on the average non-stop or one-stop economy return airfare from Auckland between February 2023 and July 2023.. Source Skyscanner Travel Insights*

Retail has reopened as demand recovers

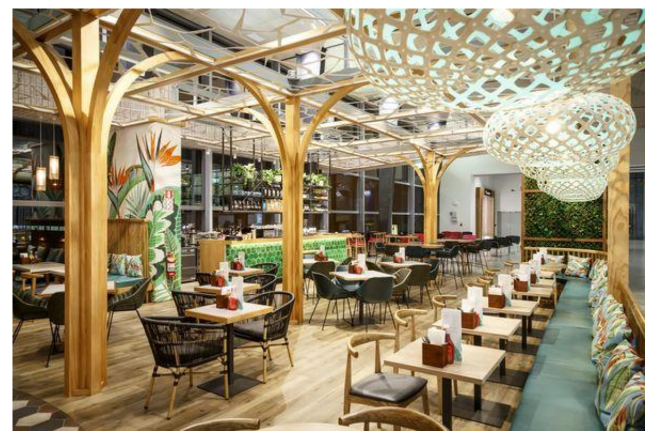
The airport retail proposition has reopened and is serving growing international passenger numbers

- Retail income of $59.4 million was up materially on the $6.9 million in the prior period following the reopening of international retail and strong domestic passenger volumes
- By 31 December 2022, 95% of the domestic and 87% of the international retail offerings were open to the public, up from 90% and 45% respectively at 30 June 2022
- With a greater number of stores open and increased coverage during the day, income per passenger lifted 102% to $8.15 versus the six months to 31 December 2021, circa 75% of the FY19 equivalent
- Retail rent abatements of $51.2 million were provided for the six-month period, a 46% reduction on the 1H22 equivalent
- Auckland Airport has selected global duty-free operator Lagardère AWPL as its duty-free partner until the full tender completes and the successful duty-free operator is in place from June 2025
- The omni-channel offering has resonated strongly with customers with the ease of pre-purchasing duty and tax-free goods in advance and collecting on the day of travel. Income is up eight times on the prior period
- A new tax-free tech offering by PB Technologies has been launched at the international terminal, with an extended range available online via The Mall and now offered within PB Tech stores nationwide
- The off-airport duty and tax-free service via the Collection Point is recovering well with the addition of new luxury stores from Westfield Newmarket

$8.15 Retail income per PAX

87% of the stores open in the international terminal

Reopening of Aelia Duty Free stores



Wondertree restaurant in the international terminal

Parking business is recovering well

With a full suite of products open for the period and increased demand, parking revenue is recovering towards pre-COVID-19 levels

- Transport revenue is up three-fold to $27.5 million from the prior period reflecting the combined effects of:
  - the recovery in international passenger numbers
  - rise in the average period of stay
  - customers trading up in the period to higher-value products
- A new mobility Valet product was launched in the period, providing ease of access at the front door of the international terminal for mobility permit holders
- A new short-stay car park with designated accessible parking spaces opened in the period, directly opposite the international terminal

Development activity

- Construction of the Transport Hub is well underway, which when finalised will provide improved passenger amenity, connectivity and capacity for the terminal precinct
- In January 2023, we announced $90 million of other transport projects to support smoother journeys including:
  - a new Park & Ride service to connect southern travellers;
  - a new priority lane on Laurence Stevens Drive for public transport and high-occupancy vehicles to provide easier access into the airport; and
  - building a new road, Te Ara Kōrako Drive, connecting George Bolt Memorial Drive and Nixon Road

Construction of the Transport Hub

Investment property

Development momentum, lease renewals and new quality tenants to our portfolio continue to provide income growth and income diversification

- 4.6% increase in rent roll in the six months to December 2022
- 1.7% decrease in portfolio value as cap rates increase
- Completed developments include a 13,600m^2 temperature-controlled office and warehouse facility at 6-8 Te Kapua Drive
- Quality pipeline of five new industrial developments currently under construction. These projects are expected to add a further $8 million in rental income once completed

Mānawa Bay

Design completed and construction of the 23,000m^2 net lettable area outlet shopping centre is underway with opening scheduled for 2024

- Strong tenant interest continues
- Targeting a 5 Green Star sustainability rating

Hotels

- 73% occupancy in December 2022, constrained by labour shortages
- Construction of the façade of the Te Ārikinui Pullman complete with fit-out underway. Completion expected in calendar 2023
- Fit-out of the Mercure hotel will be reactivated when demand recovers

$133 million Rent roll

98.5% Occupancy

8.8 years WALT

152ha of land available for property development[15]

61% hotel occupancy in the six months to December

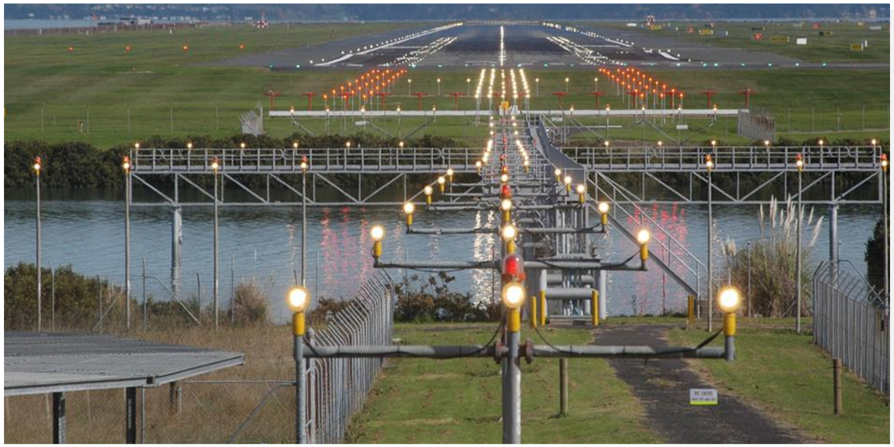
New temperature-controlled office and warehouse development at 6-8 Kapua Drive

15. *Excludes land allocated to developments under construction*

Continuing to invest in critical infrastructure

Airline consultation on the draft 10-year aeronautical capital plan is ongoing, but expected to be completed soon. In the meantime, upgrades to key elements of the system continued, including airfield slab, fuel and lighting, fibre and CCTV

Airfield works



Purchase of Airways' airfield lighting

Upgrade to airside access

Terminal works

Foundation works for the Eastern Bag Hall

Utility upgrades

Upgrades to the stormwater system including an eastern airside stormwater pond, eastern arrivals forecourt, terminal enabling and Mānawa Bay precinct

Significant progress towards terminal integration

Substantial enabling work continues on the design of an integrated terminal that is planned to be tightly integrated with the existing international terminal building

- Detailed consultation with airline stakeholders continues
- Preliminary design of the integrated facility complete and consulting with customers around key elements before moving to detailed design
- Construction on key enabling work projects well underway including:
  - the relocation of the airport operations centre to a new purpose-built facility that enables closer collaboration between airport stakeholders;
  - construction of the new Eastern Bag Hall including provision of increased capacity; and
  - relocation of eastern airfield operations including livestock, ULDs, airside waste disposal facility and Checkpoint Charlie

Artist's illustration of the preliminary design of the proposed Domestic terminal

Re-energising the airport with solar

Artist's illustration

Auckland Airport is looking skywards as we take our first steps to generate onsite renewable energy, with plans for rooftop solar systems atop of two of our newest buildings

- A 2.3-megawatt solar array is planned for Mānawa Bay to support more than 80 per cent of the centre's anticipated power usage when it opens in 2024
- Expected to be the largest rooftop solar system in New Zealand
- A solar array of 1.2 megawatts will be installed on the 14,000m^2 roof of the Transport Hub opposite the International Terminal
- Output will power the attached office building and electric vehicle charging stations within its car park

Continuing on our decarbonisation pathway

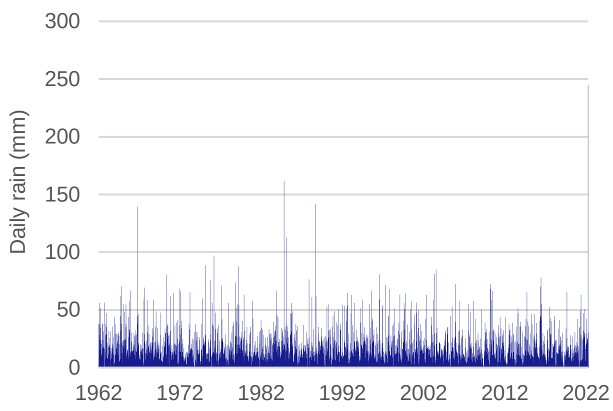
Reducing Auckland Airport's carbon footprint through the use of electric heat pumps for heating in terminal buildings

- Auckland Airport is taking our first steps away from fossil-fuelled heating with the installation of our first electric heat pump in Pier B of the International Terminal
- The heat pump is expected to save 30 tonnes of carbon per annum
- The new heat pump can heat and cool simultaneously across multiple zones, saving overall energy use
- Once all heat pumps have been installed, this will save 1,500 tonnes of carbon per annum

Recent flood at Auckland Airport

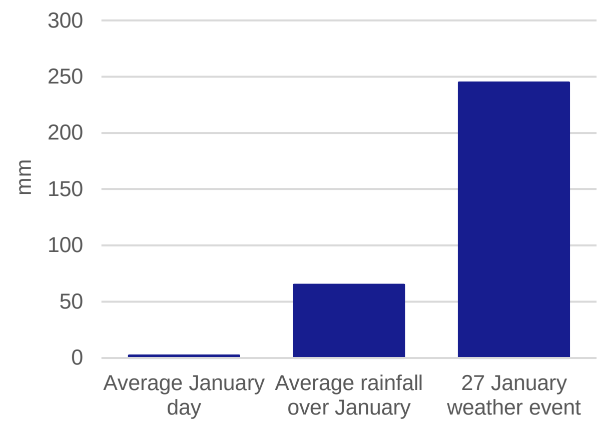
Unprecedented level of rainfall with the equivalent of over three January months' rain falling in one day and two months of rain falling in two hours

Heaviest daily rain ever recorded at the airport



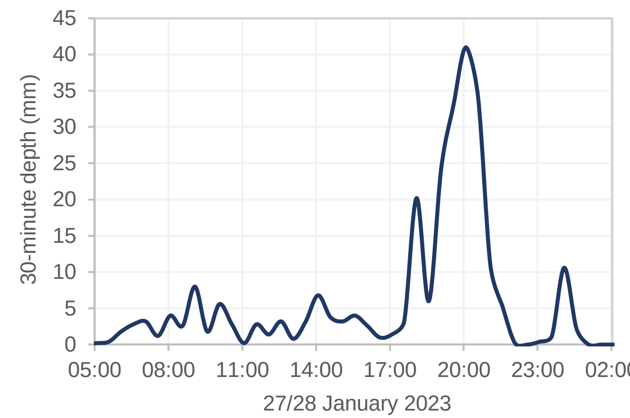
Source: NIWA CliFlo (1962 to 2023)

Multiple months of rainfall in one day



Source: NIWA CliFlo (1962 to 2023)

132mm of rain in a two-hour period



Source: MetService, Auckland Aerodrome gauge

Friday, 27 January

Incident
Peak rainfall of 132mm in a two-hour period

Terminals closed

Floodwaters cleared

Saturday, 28 January

13,700 passengers processed on Saturday following reopening at midday

Domestic terminal reopened

Domestic flights resume

Airport community mobilises to open operations

Sunday 29 January

39,900 passengers processed in the 24-hour period

International terminal reopened

International flights resume

Climate change resilience

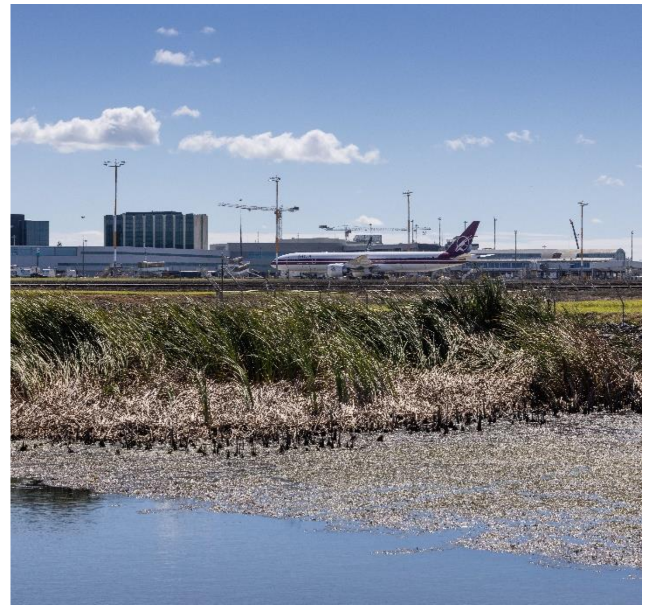
Like all major infrastructure providers, we are very conscious of how climate change will impact the future environment we operate in. We are aware of the need to design our future infrastructure to withstand the effects of increasingly frequent and intense storms and rising sea levels

Climate change studies:

- As part of our ongoing focus on sustainability, we commissioned a climate change study in 2019 to understand the flooding and inundation risk in critical areas
- In addition, Auckland Airport advanced further studies to determine the extent of flooding and inundation under the following climate change impact scenarios :
  - RCP* 2.6: 0.3 – 1.7°C (low)
  - RCP 4.5: 1.1 – 2.6°C (moderate); and
  - RCP 8.5: 2.6 – 4.8°C (high)
- These studies told us that while there was an increasing risk of flooding our existing infrastructure was sufficient to prevent floor flooding under these scenarios until 2046

Infrastructure programme:

- Despite the study findings, Auckland Airport elected to proactively commence works on major stormwater upgrades over the three years to 2025 to prepare for a worst-case climate change scenario
- These upgrades include:
  - increasing stormwater network capacity in parallel with the Domestic Processer, Pier A1 Apron, Eastern Forecourt, Western Truck Dock, Inner Terminal Road and Transport Hub projects
  - diverting stormwater to a new stormwater pond as part of the Remote Stands Stage 2 project
- Following the recent 2023 weather events, Auckland Airport is reviewing this programme to understand what further level of resilience should be incorporated into the system



Airside stormwater pond

** Representative Concentration Pathway (RCP) is a greenhouse gas concentration (not emissions) trajectory adopted by the United Nations Intergovernmental Panel on Climate Change*

Building a better future…

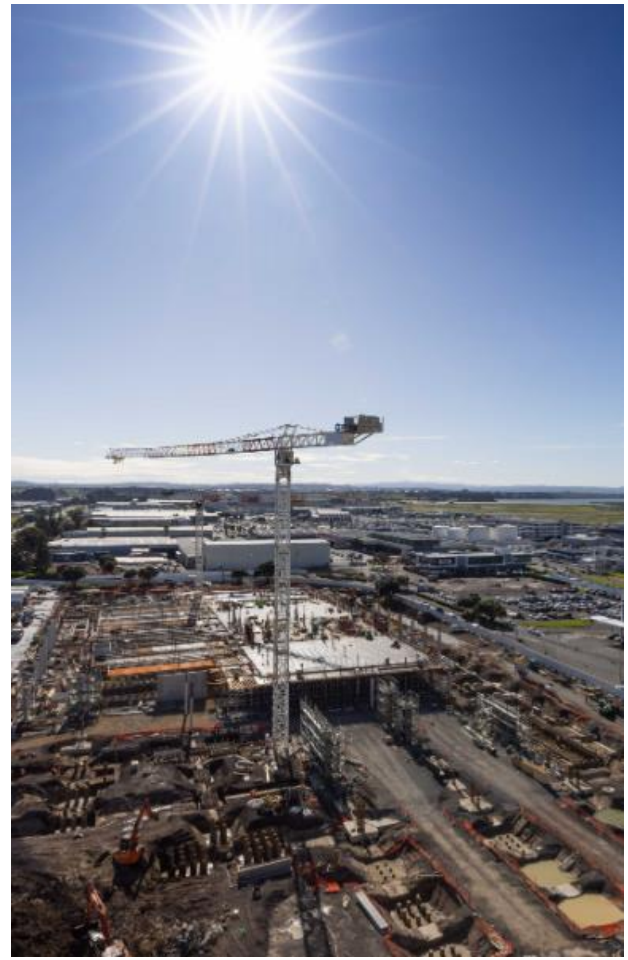
Re-establishing our aeronautical network and supporting the recovery in travel

Delta Airlines announced a daily Auckland-Los Angeles service commencing October 2023

Driving the recovery in our commercial business

Reopening of Aelia Duty Free in October 2022

Continued disciplined approach to investment in infrastructure and commercial opportunities



Construction of the Transport Hub

Regulatory and outlook

Regulatory

Consultation with airlines on aeronautical prices for PSE4 is well underway and is due to be completed by June 2023

- Prices for FY23 to FY27 (PSE4) will be determined following airline consultation on the 'building block' forecasts:
  - 10-year draft capital plan
  - a forecast recovery in total passenger numbers and aircraft movements to pre-pandemic levels by December 2024 (i.e. FY25);
  - increasing operational expenditure reflecting forecast growth in passenger numbers and aircraft movements and widespread inflation pressures;
  - aeronautical infrastructure projects including domestic integration, regional pathway, northern airfield and stands, and additional roading upgrades; and
  - a rise in Auckland Airport's weighted average cost of capital (WACC) / target return reflecting updated WACC input parameters as at 30 June 2022
- Prices for FY23 have been held constant at FY22 levels while consultation continues[16]. The price freeze will likely result in an aeronautical revenue shortfall of more than $100 million in FY23, forecast to be made up over the remainder of PSE4
- Following completion of aeronautical pricing consultation, we are targeting setting aeronautical prices for FY24 through FY27 by June 2023, with changes to take effect from 1 July 2023

Other regulation

- The Civil Aviation Bill remains before Parliament – as currently drafted, it retains the statutory ability for airports to set aeronautical prices
- The Commerce Commission is currently reviewing the "Input Methodologies" – i.e. the rules and processes that underpin regulatory information disclosures (and inform aeronautical price setting calculations). This review is due to be completed by December 2023 with a draft decision expected to be issued for consultation in May 2023 prior to our PSE4 prices being set

16. The adjustment to International and Transit Passenger Charges of $2.00+GST under the Regulatory and Requested Investment (RRI) Policy ended on 30 June 2022 and is not being applied in FY23. Any under or over-recovery in accordance with the RRI Policy will be considered as part of the PSE4 consultation

Outlook

Guidance

- As we look to the remainder of the 2023 financial year, we continue to see positive signs in the recovery of the aviation industry
- Increased connectivity, combined with the reopening of Auckland Airport's commercial operations, is supporting earnings for the remainder of the financial year
- As a result, we are raising our underlying earnings guidance for the 2023 financial year to between $125 million and $145 million
- In addition, Auckland Airport revises capital expenditure[17] guidance for the 2023 financial year to between $525 million and $600 million
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and any deterioration due to global market conditions or other unforeseeable circumstances

View of Auckland Airport's runway

17. *Capital expenditures net of any impairments and excluding the impact of reduced termination cost provisions. Includes contributions to investments in joint ventures (Pullman)*

Ka nui te mihi Auckland Airport community

Appendix

Appendix: Associate and joint ventures

For the six months ended 31 December ($m)	2022	2021	Change
Queenstown Airport (24.99% ownership)			
Total revenue	30.0	12.7	136%
EBITDA	22.5	6.3	257%
Underlying earnings (Auckland Airport share)	2.9	0.2	1,350%
Domestic passengers	845,216	482,005	75%
International passengers	378,795	12,960	2,823%
Aircraft movements	8,877	4,027	120%
Novotel Tainui Holdings (50.00% ownership)			
Total revenue	8.8	11.4	(23)%
EBITDA	0.1	4.2	(98)%
Underlying earnings (Auckland Airport share)	0.0	2.2	(100)%
Average occupancy[18]	54.1%	53.9%	0%

18. The Novotel Hotel was solely occupied by the Ministry of Health in the six months to 31 December 2021 as a managed isolation and quarantine facility

Appendix: Underlying profit / (loss) reconciliation

For the six months ended 31 December ($m)	2022 Reported profit	2022 Adjustments	2022 Underlying profit / (loss)	2021 Reported profit	2021 Adjustments	2021 Underlying profit / (loss)
EBITDAFI per income statement	189.0	-	189.0	60.3	-	60.3
Investment property fair value change	(93.8)	93.8	-	131.5	(131.5)	-
Fixed asset write-offs and impairment	-	0.1	0.1	-	0.1	0.1
Derivative fair value movement	(0.3)	0.3	-	(0.6)	0.6	-
Share of profit / (loss) of associate and joint ventures	3.0	0.0	3.0	(17.4)	19.8	2.4
Depreciation	(68.7)	-	(68.7)	(53.7)	-	(53.7)
Interest expense and other finance costs	(30.7)	-	(30.7)	(26.8)	-	(26.8)
Taxation benefit / (expense)	6.3	(31.1)	(24.8)	15.5	(9.3)	6.2
Profit / (loss) after tax	**4.8**	**63.1**	**67.9**	**108.8**	**(120.3)**	**(11.5)**

- Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures.
- We have made the following adjustments to show underlying profit / (loss) after tax for the six months ended 31 December 2022 and 2021:
  - reversed out the impact of revaluations of investment property. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
  - reversed out the impact of fixed asset write-offs. Related costs and cost reversals are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
  - reversed out the impact of derivative fair value movements. Derivative fair value movements are unrealised and relate to basis swaps that do not qualify for hedge accounting, as well as the ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives;
  - adjusted the share of profit of associates and joint ventures to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
  - reversed out the taxation impacts of the above movements in both six-month periods.

Glossary

AMTN	Australian medium term notes
Cps	Cents per share
DTB	Domestic Terminal Building
EBITDA	Earnings before interest, taxation and depreciation
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
FRN	Floating rate note
GAAP	Generally accepted accounting principles
ITB	International Terminal Building
MCTOW	Maximum certified take-off weight
NPAT	Net profit after tax
NZDCM	New Zealand debt capital markets issue
PAX	Passenger
PLF	Passenger load factor
PSE4	Regulatory price setting event 4
RCP	Representative Concentration Pathway
ULD	Unit load device
VFR	Visiting friends and relatives
WALT	Weighted average lease term

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Auckland International Airport Limited	
Reporting Period	6 months to 31 December 2022	
Previous Reporting Period	6 months to 31 December 2021	
Currency	NZD	
	Amount (millions)	**Percentage change**
Revenue from continuing operations	$287.8	128%
Total Revenue	$287.8	128%
Net profit/(loss) from continuing operations	$4.8	-96%
Total net profit/(loss)	$4.8	-96%
Final Dividend		
Amount per Quoted Equity Security	$0.0000	
Imputed amount per Quoted Equity Security	$0.000000	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$5.55	$5.48
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to attached media release, unaudited Interim Financial Statements and Results Presentation	
Authority for this announcement		
Name of person authorised to make this announcement	Melanie Dooney	
Contact person for this announcement	Melanie Dooney	
Contact phone number	+64 22 015 1400	
Contact email address	investors@aucklandairport.co.nz	
Date of release through MAP	23 February 2023	

Unaudited financial statements accompany this announcement.