



**Respond
Recover
Accelerate**



Respond

Unprecedented events that called for a rapid response to best protect our travellers, our people, precinct workers and our business.

Recover

Considered and concise decisions made to reset our business and ensure we are best placed to recover and manage through uncertainty.

Accelerate

Ready to accelerate when the time is right. We're aligning our organisation to be best placed for a rapid restart to support New Zealand's future prosperity.



Facing unprecedented challenges as COVID-19 impacted aviation and tourism, Auckland Airport took quick action to protect people's health and safety and to keep New Zealand connected to the world.



Infrastructure reset

Auckland Airport moved swiftly to re-evaluate our infrastructure programme, cancelling or deferring projects with a projected total completion value of more than \$2 billion.



Looking after our retailers

Since the outset of the crisis, we have worked closely with our retail partners and tenants on a case-by-case basis to provide support.



Runway maintenance

The reduction in air travel created an opportunity to bring forward scheduled maintenance work on the touchdown zone at the eastern end of the runway.

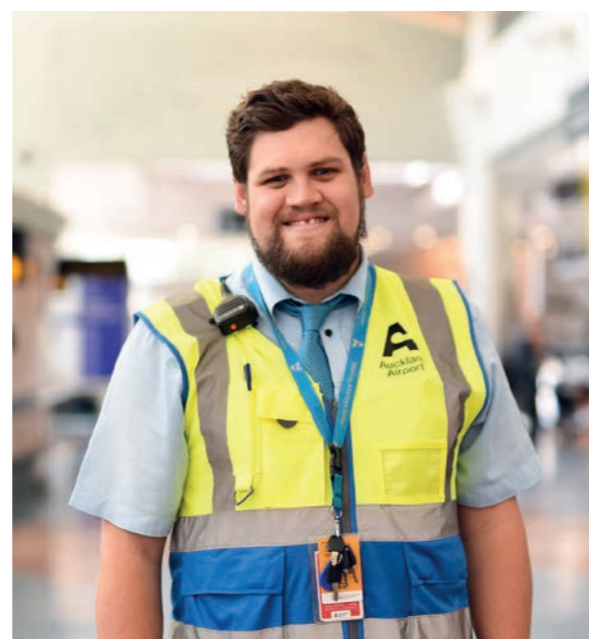
Airport Emergency Services crew members, like Lorna Biggam, were on hand to help guests throughout the COVID-19 outbreak

Respond

Keeping people safe

Despite a significant fall in passenger numbers, Auckland Airport's duty of the care to look after staff and guests continued to be our top priority. From the very first days of the pandemic, we supported public-health workers in the international terminal and increased cleaning in high-touch areas.

We brought in measures to encourage social-distancing and spread key health messaging across both terminals.



Our team played a leadership role in supporting 115 successful repatriation flights to and from New Zealand

As fleets were grounded by border restrictions and a fall in passenger demand our operations team supported our airline partners in parking planes on the airfield



As the world moves past the immediate impact of the pandemic, Auckland Airport will have a key role in charting the path to recovery for New Zealand’s aviation and tourism sectors and the wider economy.



Safe and secure

Everyone travelling through Auckland Airport has a right to do so with a sense of safety and security. That’s why we’ve developed a plan to create separate zones in the international terminal for different categories of passengers, helping to enable future travel bubbles.



Maintaining global connections

We’ve worked hard for many years to build a global network connecting Auckland to the world and we will work just as hard to rebuild it. The airport’s role as a cargo hub through the crisis has proved critical to maintaining airlinks and nurturing aviation’s recovery.

Recover



Resilient portfolio

Our strategy of diversifying into property continues to provide resilience and support our recovery. The new Foodstuffs NZ headquarters is on track for completion in January 2021, and its office building was recently certified as 5-Star Green.

5-Star

Green build – Foodstuffs NZ



Triggering infrastructure

Auckland Airport’s long-term vision to create an airport of the future remains. We continue to prioritise core aeronautical projects and ensure we are positioned strongly for a successful restart of our infrastructure development programme.

The New Zealand story

With international border restrictions in place, Kiwis were out exploring their own country during the July school holidays, making Auckland Airport one of the busiest airports in Australasia. We’ll continue to support local tourism and assist in the development of future services.



Safe-travel bubbles

Since the earliest days of the pandemic, Auckland Airport has led a programme of work to propose how New Zealand could establish safe travel bubbles with other countries. Our team played a key role in co-ordinating a group of 40 experts from airlines, government border agencies and the Ministry of Health to develop plans for how a safe air corridor could be established, when the Government decides the time is right.

► See video – RNZ Checkpoint

For many years Auckland Airport has been proud to play a leading role in New Zealand's economic prosperity, connecting our people and businesses with the world. We continue to work for New Zealand. When the time is right we will be ready to forge ahead, growing our country's success in travel, trade and tourism.

Accelerate



Airlines

Prior to the pandemic, 29 airlines were flying into Auckland Airport, connecting the city to 43 international destinations. Our team has worked hard alongside our airline partners to develop and promote these new routes. As economies and airlines return to strength, we will do so again.



Retail

As part of providing the best possible experience for travellers, Auckland Airport has attracted some of the world's leading brands to our retail space and we have developed strong customer relationships. We will continue to innovate and the excellent retail experience travellers have come to expect will remain part of their future journeys.



Tourism

New Zealand has always been among the most desirable destinations in the world and we know it will continue to be an attractive place to visit in a post COVID-19 world.



Nau mai & welcome



Adrian Littlewood
Chief Executive

Patrick Strange
Chair

The last six months have been the most challenging of Auckland Airport's 54-year history. The world is in the grip of a global pandemic and the extremely difficult aviation and tourism operating conditions we have seen over the past six months are far from over.

But during this time of crisis, we have worked quickly to respond with our sights set firmly on our future. The long-term fundamentals of our business remain strong and we have taken steps to ensure we remain resilient and well positioned for a recovery, accelerating into growth as demand for international travel returns.

At the outset, we would like to thank our investors for their continuing support as we navigate through this crisis. We do so with the confidence that trade will continue to flow between New Zealand and overseas, that our country remains an extremely attractive place to visit and that travel will recover.

For now, we are focused on what's most important in the immediate term: the health and safety of our people, workers and visitors to the airport precinct, maintaining New Zealand's essential air connectivity to the world and to our regions through domestic

travel. Safety and security have always been at the heart of our operation and throughout this time of crisis our people, especially those on the frontline, have worked tirelessly to keep everyone safe and to protect New Zealand from the spread of COVID-19. The strength of our relationships with border agencies, airlines and airport partners have served us well, allowing us to collaborate and implement changes, often at very short notice. From additional cleaning regimes in the terminals, to developing a comprehensive and evolving plan to protect our staff and airport workers we continue to do all we can to help everyone travel safely and with confidence.

The emerging pandemic left Kiwis stranded overseas and foreign visitors unable to return home from New Zealand. Our team played a leadership role in supporting 115 successful repatriation flights to and from New Zealand, transporting more than 22,700 people home across the globe from February to the end of July. We have also maintained our close relationships with airlines to keep trade links alive, ensuring the ongoing flow of critical cargo supplies and the export of high-value Kiwi goods.

Just as we took steps to support trade and repatriation flights, we moved decisively to secure the future of our organisation as the pandemic impacted our business:

During this time of crisis, we have worked quickly to respond with our sights set firmly on our future. The long-term fundamentals of our business remain strong and we have taken steps to ensure we remain resilient and well positioned for a recovery.

- In April, shareholders strongly supported us in the successful equity raise of \$1.2 billion, reinforcing our balance sheet and ensuring we remain well capitalised during this period of uncertainty and are positioned for a post-COVID-19 recovery
- We secured significant support from our lenders, including extending the maturity dates of our bank loans and confirming covenant waivers from our banking group and United States Private Placement (USPP) lenders until 31 December 2021
- We implemented a range of measures to manage cash flow, including cancelling the interim dividend for the 2020 financial year and suspending all future dividends while the debt covenant waivers are in place. We also reduced the remuneration of our directors and executives to 80% and lowered most other employees' hours and salaries to 80%
- We applied strong cost control and eliminated discretionary spending
- We cancelled or deferred infrastructure projects with a projected total completion value of more than \$2 billion until we have more certainty about future market conditions and are again able to support higher capital expenditure levels and associated borrowings. These projects include the second runway, the Domestic Jet Hub, a multi-storey

car park, Park & Ride South and the international arrivals expansion project

Prior to the pandemic we had a strong start to the 2020 financial year with solid passenger volumes in the six months to 31 December 2019. However, New Zealand's border is now tightly restricted and passenger volumes are currently at a fraction of what they have been in previous years. In the 2020 financial year there was a 26.5% decline in overall passenger numbers to 15.5 million in comparison with the year before, with domestic passenger numbers falling at a similar rate to 7 million during the period. With borders closed around the world, the number of international carriers flying scheduled passenger services to New Zealand fell from 29 in March to four as at 30 June 2020, contributing to a 26.4% fall in international passenger numbers (including transits) in the 2020 financial year to 8.5 million. For the month of June 2020, domestic passenger numbers were down 71% on last year and international passengers down 97%. This significant fall in passenger numbers, combined with the scaling back of our infrastructure development programme, meant we had to make the difficult decision to reduce the size of our workforce in line with our new operating reality. While ensuring we make no compromises on the safety

We also continue to consider opportunities and advance new developments in investment property, an area of the business which has performed strongly even during the outbreak of COVID-19.

and security of our operation, as at 30 June 2020 these changes had resulted in a 25% reduction in the number of staff and contractors we employ. We recognise the pandemic has also impacted many of our business partners and other organisations operating at Auckland Airport, including those in retail, aviation and construction, with many job losses.

Despite the current challenging operating conditions, we remain focused on the path ahead, doing all we can to drive the recovery of our business and assist the industry to manage throughout the pandemic.

Since the earliest days of the pandemic, Auckland Airport has led the charge on the development of a comprehensive plan to reopen our border to other low-risk countries when it becomes safe. Co-ordinated via the Australia New Zealand Leadership Forum, we helped bring together and support a team of 40 experts in the development of a blueprint for the future safe reopening of quarantine-free travel between New Zealand and Australia, when our respective governments decide it is appropriate to do so. We continue to consider systems and approaches for the safe and gradual reopening of borders with other low risk countries.

With flight movements at an all-time low, we have also taken opportunities to advance core asset replacement, maintenance and resilience projects to ensure we emerge in the strongest position possible beyond COVID-19. We are investing in our core roading network, upgrading the southbound corridor of George Bolt Memorial Drive, adding a high occupancy vehicle lane



The EBOS Group development at The Landing Business Park

and new underground utilities. In May, with the support of our key airline partners and other stakeholders, we brought forward the planned \$26 million runway pavement replacement works, temporarily shortening the runway by 1.1km during construction to renew 280 sections of pavement in the eastern touchdown zone. This work was successfully completed on budget in August 2020.

We also continue to consider opportunities and advance new developments in investment property, an area of the business which has performed strongly even during the outbreak of COVID-19. This resulted in the investment property annual rent roll increasing 4% to \$104 million and the portfolio value rising 17% to \$2.04 billion in the 2020 financial year.

Overall, Auckland Airport's financial results are in line with the challenging economic conditions we currently face. In the year to 30 June 2020, revenue was down 23.7% to \$567 million, with earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) decreasing 53.1% to \$260.4 million.

Reported profit after tax was down 63% to \$193.9 million, underlying net profit was down 31.4% to \$188.5 million and our underlying earnings per share was down 34.7% to 14.7 cents for the 2020 financial year. No final dividend will be paid in line with our covenant waivers.

As we look to the 2021 financial year, we continue to face significant uncertainty on the timing of Auckland Airport's recovery. Our financial performance is strongly linked to international arrivals and departures, and while there is no

doubt that international travel will recover, there is not yet any consensus how and when that will unfold.

With so much uncertainty, we think it prudent at this time to adopt more conservative planning assumptions than either the International Air Travel Association (IATA) or Standard & Poor's, which are forecasting a full recovery of international travel in approximately three years. At this stage, we think a full recovery could take longer. However, we are hopeful that domestic travel will return to normal comfortably within two years. With Australia being our largest international market, we are also hopeful that short-haul Tasman and Pacific Island travel will resume sometime in 2021, with a full recovery of both these markets occurring before long-haul international travel returns to normal.

Because of the high uncertainty around the recovery of international passenger numbers and its strong impact on our commercial performance, combined with the return of nationwide restrictions on people movement due to COVID-19, the company has suspended underlying earnings guidance for the 2021 financial year. We will reassess this decision at the October annual meeting and again at our interim results in February 2021.

Auckland Airport's capital investment in the 2021 financial year will be focused on advancing existing roading infrastructure projects; delivering core airfield renewals such as slab replacement and apron works; upgrades to the baggage system to meet compliance requirements; and completing pre-leased property developments. Capital expenditure for the 2021 financial year is expected to be between \$250 million and \$300 million.

Auckland Airport continues to play a critical role in connecting New Zealand to the world and in the time of COVID-19 this has never been more important.

We do not yet know the course of the pandemic, but our long-term commitment to growing New Zealand's success in travel, trade and tourism remains unchanged and we remain confident about our future.

Thank you to our community, customers and investors for your ongoing support during this very challenging year. Lastly, we would like to acknowledge the continued professionalism of our people who have had to say goodbye to friends and colleagues and cease working on infrastructure projects we were all proud to be delivering for New Zealand. It's been a tough year for our team and your unrelenting hard work and commitment are hugely appreciated.

Patrick Strange
Chair

Adrian Littlewood
Chief Executive

Underlying net profit

\$188.5m
▼ 31.4%

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 also believe that an underlying profit measurement can 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 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 net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items). However, dividends are temporarily suspended while Auckland Airport has financial covenant waivers in place with our lenders. This dividend suspension is expected to span the reporting periods ending 30 June 2020 to 31 December 2021.

In referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result. The reconciliation between underlying profit and reported profit for the current reporting period can be found on page 41.



2020 / key numbers

Our performance in the 12 months to 30 June 2020

15.5m

Passengers

Domestic

7.0m
 ▼ 26.5%

International

7.7m
 ▼ 26.3%

International transits

0.7m
 ▼ 27.4%

Revenue

\$567.0m
 ▼ 23.7%

Operating EBITDAFI

\$260.4m
 ▼ 53.1%

Reported profit

\$193.9m
 ▼ 63%

Underlying profit

\$188.5m
 ▼ 31.4%

Dividend per share

—
 Interim 0.0¢ Final 0.0¢

Underlying earnings per share

14.7 cents
 ▼ 34.7%

Five-year average annual shareholder return

8.4%

Net capex additions

\$370.8¹m
 ▲ 30.5%

¹ Net capital expenditure additions after \$62.2 million of write-offs and impairments

2020 / key statistics

Health and safety

▼ 72%
 Employee recordable injury rate

▲ 89%
 Reporting of safety observations and hazards

▼ 5.9%
 Passenger incident rate

Diversity

▲ 62.5%
 Percentage of female Board directors

▲ 41%
 Female senior managers

44

Recorded ethnicities – noting that not everyone who works at Auckland Airport chooses to disclose their ethnicity

Environmental impact reductions

The below results are in comparison with our base year, 2012.

▼ 19%
 Energy use per passenger
↓ by 19% against our target of 20% by 2020

▼ 39%
 Waste to landfill per passenger
↓ by 39% against our target of 20% reduction by 2020

▼ 45%
 Carbon emissions per m²

Auckland Airport Community Trust

\$351,572

Granted to community projects by the Auckland Airport Community Trust to support learning, literacy and life skills in South Auckland

Direct investment into community projects

\$567,722

Invested in our local communities (including the \$351,572 granted to the Auckland Airport Community Trust and \$216,150 granted through other Auckland Airport grant programmes)



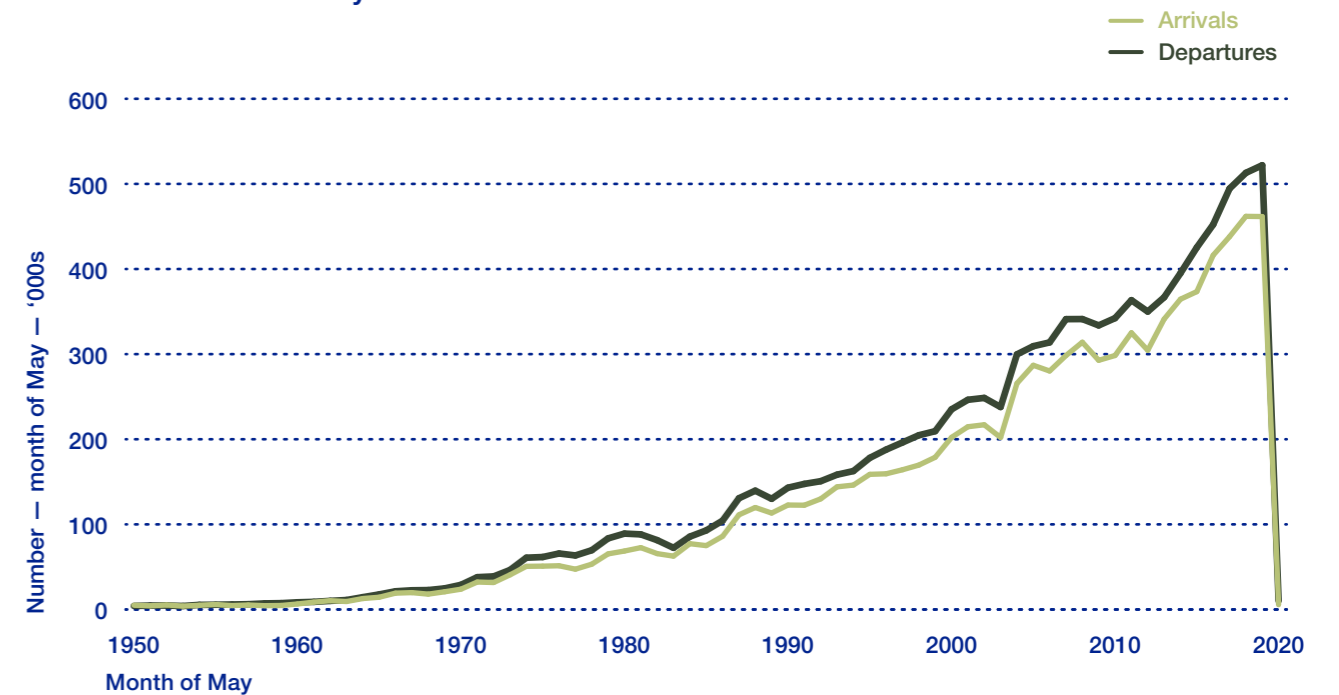
Our strategy

Respond Recover Accelerate

In March 2020, Auckland Airport launched an immediate response to the outbreak of COVID-19 and the impact travel and border restrictions would have on the business. This included a shift away from the successful *Faster, Higher, Stronger* strategy we have pursued for the past seven years. While we are confident we will return to growth, the global downturn in aviation and tourism will present ongoing challenges for Auckland Airport and we need to act decisively.

Our new strategic plan is to *Respond* to the pandemic and our new operating reality, to optimise the organisation to *Recover* quickly and to position ourselves to *Accelerate*, unlocking opportunities once the market recovers.

Number of international arrivals into and departures from New Zealand in the month of May since 1950



Respond

We worked quickly to stabilise our organisation following the significant impact of the pandemic and subsequent border restrictions, while continuing to ensure New Zealand's air connectivity to the world through the ongoing safety and security of our operation. We will do all we can to protect the ongoing health and safety of our people, airport workers and travellers, and are committed to supporting border agencies and the government to protect New Zealand against the spread of COVID-19.

Recover

As we emerge from our initial response to COVID-19, we will ensure our organisation is positioned to advance in our new operating reality. Collaborating with government agency stakeholders and our aviation partners, we will play a critical role in helping to build the path to recovery for New Zealand aviation over the coming years. We will unlock opportunities as the domestic and international travel markets begin to return and restore public confidence in travel. We know that a fast, efficient and effective airport makes journeys better, and we will develop a trigger-based infrastructure development plan to identify timing for key aeronautical projects.

Accelerate

In a post-COVID-19 world, we will look to accelerate long-term sustainable growth. We will invest in the infrastructure New Zealand needs to grow its success in travel, trade and tourism, delivering on our aspirations to build an airport of the future. We are working for New Zealand, creating enduring value for generations to come.

Review

A closer look



Putting health and safety first

What we are doing to keep our people, workers and travellers safe



People are what brings our airport to life – the excitement, anticipation, and even apprehension of the journey. We have worked hard to ensure, whatever the circumstances, everyone feels safe and welcome when they come to Auckland Airport.

This has never been more important than during the outbreak of COVID-19. Fast-changing border restrictions and the subsequent global disruption of the aviation industry created a challenging environment for everyone – from the travellers through to the airlines, businesses, border agencies and our own staff working at the heart of our operation.

As ever, we have strived to deliver an assured, reliable experience at a time when conditions for our travellers and our people are unpredictable, stressful and uncertain.

In mid-March we implemented our full Crisis Management Team to guide us through the escalating risk of the spread of COVID-19 to our travellers, staff and the wider community. We worked hard and fast alongside government border agencies, the Ministry of Health (MOH), the Ministry of Transport, airlines and the wider travel and tourism industry.

Meeting daily, our collaborative cross-agency team effort allowed us to make rapid changes to reduce the COVID-19 risk. We introduced various layers of protection across the terminal to keep people safe and healthy, including high-frequency cleaning in all areas and widespread social distancing messaging. We also helped foreign embassies set up support for stranded passengers and made the 260-room Novotel Hotel available to the MOH to provide managed isolation facilities for returning New Zealanders.



THE JUICERY

The Juicery, the only food and beverage operator open airside during the COVID-19 lockdown, is a standout example of Kiwi hospitality and flexibility in a crisis. In the face of one of the most challenging situations the business had ever been through, it adapted to meet the new trading conditions.

While the airport was considered an essential service and the airfield continued to operate for domestic and a small number of international flights, there were strict limitations on the types of food and beverage that could be provided airside for passengers under the Government's Alert Level system.

With less than a day's notice The Juicery converted its menu from poké bowls, salads, juices and smoothies to ready-to-eat healthy sandwiches, fruit salad, snack bars and bottled drinks – a food range that complied with government requirements for pre-prepared, grab-and-go food only.

The company's staff, who had already said farewell to each other in preparation for lockdown, became part of a small group of 'essential' retail workers, providing food and beverage options for departing passengers. Two other international terminal retailers, Take Home and NZ Health & Beauty, were also open during lockdown to provide essential supplies to airport workers and travellers.



Protecting our workplace

As an essential service, Auckland Airport continued to operate throughout the COVID-19 lockdown period.

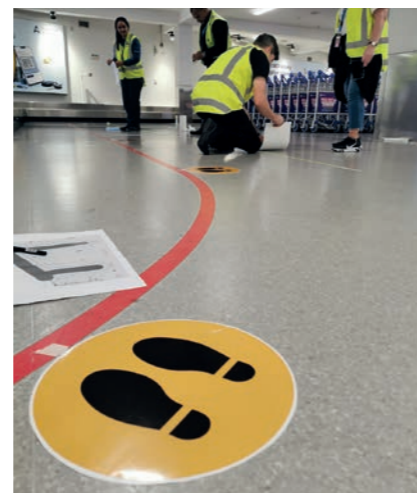
Making changes to ensure the continued health and safety of our people in the workplace was one of our key priorities, and we were quick to respond to evolving operational demands and MOH requirements. This included developing a comprehensive and evolving Business Response Plan to ensure our people understood clearly how we would operate during the pandemic and what this meant for each of them.

We communicated frequently with staff and created a confidential register of vulnerable staff to help identify those who may be at higher risk of contracting COVID-19, while ensuring their working arrangements were suitable to keep them safe.

We also carried out detailed planning to split operational staff shifts into smaller groups during the higher alert levels to further reduce the risk of staff exposure, and safety equipment was made freely available to all operational staff. Meanwhile, remote working was introduced for all non-frontline staff ahead of the whole-of-country lockdown.

Health and safety in the wider airport community

Auckland Airport's strong safety culture extends to our retail and business partners, many of whom have been significantly impacted by COVID-19. We included precinct stakeholders in our communication strategy, providing practical and up-to-date advice and guidance to help keep them and their workers informed. For our construction partners, when building activity was able to resume at Alert Level 3 we reviewed and approved the health and safety plans before teams returned to work.



Auckland Airport's strong safety culture extends to our retail and business partners, many of whom have been significantly impacted by COVID-19. We included precinct stakeholders in our communication strategy, providing practical and up-to-date advice and guidance to help keep them and their workers informed.

TOUCHLESS TRAVEL

As we look to the future of aviation in a COVID-19 world, travellers will have new expectations around how airports work to protect their health and safety.

Our airport experience needs to reflect this new environment, providing reassurance to travellers and guests that they should feel safe and comfortable at all points of interaction at the airport.

The pandemic has accelerated the global trend of contactless airport journeys, and over the past year we have put the technology building blocks in place to bring this to life.

The Auckland Airport app now pulls together the complete journey from home to the gate of any flight departing from the airport, creating a personalised itinerary for the day of travel – from when to leave home, to predictive estimates of the time required to clear Customs and Aviation Security, to gate allocations and alerts. The app puts the guest in control and provides the basis of an end-to-end digital journey.

We have introduced 12 eGates at international departures to scan boarding passes and allow access to security areas. Replacing the need to physically check a boarding pass, the eGates provide a touchless security process focused on self-service. Two gates are configured to include biometric authentication to enable a future seamless customer journey from check-in to aircraft boarding.

We are now working on technology enhancements to further reduce the physical touchpoints in the airport journey – from ticketless parking and self-service baggage drops to contactless food and beverage ordering and virtual queuing. These touchless experiences can help with safety and efficiency as well as providing a better guest experience.



Building blocks for the future

Recalibrating our infrastructure programme for a post-COVID-19 world

Auckland Airport's goal of ensuring consistent, reliable journeys for our travellers remains unchanged.

We began the 2020 financial year with an ambitious infrastructure development programme that started at the airfield, the centre of our operation, and stretched to the edges of the airport precinct.

Development was well underway, including a 250,000m² expansion of airfield taxiways and remote stands; preparation work for two key terminal expansion projects – the \$1 billion-plus Domestic Jet Hub and a new \$350 million-plus international arrivals area; a \$100 million-plus upgrade to our core roading network; and construction of an additional Park & Ride facility. We also made further progress in the development of a second runway with the Environment Court approving design changes, including extending the planned runway length by 833m to 2,983m, to accommodate predicted growth in passenger numbers and developments in aircraft technology.

The outbreak of COVID-19 and the swift reduction in flight and passenger numbers meant we had no option but to carry out an immediate re-evaluation of our entire infrastructure programme. Such a rapid decline in aeronautical demand and revenue meant we needed to act prudently and take fast action, but in a way that preserved what we had already achieved.

Our long-term plans remain the same but until there is more certainty about future market conditions projects predicated on growing passenger numbers have been deferred. These deferrals include:

- Construction of the new 30,000m² arrivals area at the international terminal
- The full expansion of our core roading network, including the addition of all high-occupancy vehicle lanes to key thoroughfares, and enhanced pedestrian and shared pathway links as part of the Northern Network and Southern Network projects

- Expanding the airfield including a new taxiway and remote stands
- Planning and design for a second runway
- The accelerated delivery of a new Domestic Jet Hub, a new terminal connected to the existing international terminal
- Plans for an upgraded pedestrian plaza and forecourt connected to the existing international terminal
- Building additional car parks, including construction of the Park & Ride South facility on Puhinui Road and plans for a six-storey, 3,200-bay car park in front of the international terminal





FUEL PIPELINE

Work to create a resilient airfield fuel network was underway when New Zealand first went into lockdown.

Elements of the project relating to essential safety and asset maintenance continued through Alert Level 4, making it one of the only active worksites at the airport during that time.

As New Zealand emerged from that initial lockdown, fewer aircraft and traffic on the airfield provided an opportunity to enhance the sequence of work on the fuel network, involving 4.4km of new pipeline. This was not possible when managing construction around activity on a busy airfield.

We took the time to evaluate each of the remaining packages of construction work to ensure any deferred work was not only stopped safely but in a way that also made it easier and less expensive to return to complete the works in the future. Pipelines in place, although not yet fully functional, have been filled with nitrogen – an inert gas that prevents pipeline deterioration – and are monitored regularly.

Construction work on the pipeline, which pumps 14,300 litres of fuel per minute to 22 different aircraft stands, will continue into the early part of the 2021 financial year.

14,300

Litres of fuel per minute



Before the outbreak of COVID-19, a 250,000m² airfield expansion (above) was underway

Prioritising core projects

Despite the current market challenges, we have continued to progress selected capital expenditure projects focused on essential safety, resilience and asset maintenance.

In May, following the dramatic reduction in flight movements, we brought forward budgeted and planned runway pavement replacement work. This followed two unplanned temporary closures of the runway in January and February 2020. We worked with our key project partners to reach agreement on the safety case needed to enable us to accelerate delivery of the project. The \$26 million replacement of 280, 36m² concrete slabs in the eastern touchdown zone was successfully completed in August 2020.

Performing slab replacement work is a normal part of maintaining safe airfield operations and one undertaken regularly by airports around the world. Our runway, which was originally constructed in 1965, has been developed and renewed over the years as part of a programme of work that follows recognised standards and is overseen by independent experts.

Throughout the initial lockdown period we also completed safety compliance work on the jet-fuel pipeline network, as well as planned replacement work on one of the original airbridges connected to Pier A in the international terminal.



Preparation had begun for a new international arrivals area

Triggers for future development

The impact of COVID-19 and the uncertainty around the speed and timing of the aviation industry recovery have required a refresh of the existing infrastructure plan.

We are taking the opportunity to reset our plans to ensure we are ready to restart our infrastructure programme as soon as demand justifies it. By preserving and building on work that's already taken place, the refresh of our capital plan will look at current capacity and scenarios around future demand requirements for our airfield, terminal and transport network, utilising the already existing plans, infrastructure and asset information.

We are taking the opportunity to reset our plans to ensure we are ready to restart our infrastructure programme as soon as demand justifies it.

DIGITAL DOUBLE

Putting Auckland Airport in the best place possible to quickly reignite our infrastructure programme means digitally bringing together earlier construction work.

Supporting the planning, design and management of our core terminal infrastructure has seen all key assets being developed as digital replicas. Aligning Building Information Modelling (BIM) with Geographical Information Systems (GIS) enables Auckland Airport to convert our bricks-and-mortar structures into detailed 3D models.

Since its construction in the 1970s, the international terminal has been renovated, reconfigured and extended several times, with each project generating different architectural plans, engineering drawings, construction detailing and maintenance records. We are now building a complete digital picture of our terminal – right down to the furniture, available anywhere, anytime.

Initially tested on the redevelopment of the international airside departures area and the Pier B extension, the 'Digital Twin' approach was fully adopted as a project tool for the Domestic Jet Hub and international arrivals expansion projects. The approach was used in the design process as well as when working with the many stakeholders involved in these complex projects. These models will also form the baseline data that is used to manage and maintain the asset throughout its life cycle.

Although the outbreak of COVID-19 has seen these big infrastructure projects deferred, with no immediate requirement to support the construction programme, work on refining the model continues. This digital development means not only will we be in a better position when work on these projects recommences, but this will also help us today to manage our terminal assets and facilities in a cost-effective, safe and efficient manner.



Aviation in the time of COVID-19

We worked hard to grow New Zealand's air links to the world and we will work just as hard to safely rebuild them

No industry in the world has been hit harder by COVID-19 than aviation.

At Auckland Airport, the effects of the pandemic were felt immediately as border restrictions came into force, people stopped travelling and airlines around the world moved quickly to scale back their services in line with lower demand.

New Zealand closed its border to anyone who was not a New Zealand citizen or permanent resident at 11.59pm on 19 March 2020. The importance of cargo and repatriation flights came to the fore straight away, underlining Auckland Airport's fundamental purpose: We serve as New Zealand's main air connection point with the world.

More than 80% of the high-value, time-critical goods that are transported by air to and from New Zealand flow through Auckland Airport. In the earliest days of the pandemic, as airlines' scheduled services plummeted, a small number of passenger services (Air New Zealand, China Eastern and China Southern) continued to operate throughout the lockdown, providing an important lifeline for the flow of critical imports like medical supplies, and the export of Kiwi goods such as food and meat products to key markets.

We saw other carriers follow suit, adding further cargo capacity to normal scheduled freight services. Airlines such as Air Canada, Emirates and China Airlines moved quickly to repurpose passenger services to airfreight only. Some airlines stored cargo in the seating areas of aircraft as well as in the belly hold, with the rise in cargo capacity supported and enabled by the New Zealand Government's International Air Freight Capacity (IAFC) Scheme. This initiative has provided financial support to carriers and airfreight businesses to ensure New Zealand's critical freight routes remain open.





REPATRIATION FLIGHTS

As borders closed around the world and scheduled flight services were cancelled following COVID-19 lockdowns, the team at Auckland Airport quickly switched focus into supporting repatriation flights.

Our core role remained the same: helping Kiwis get home and helping other travellers get where they need to be. But timelines for supporting repatriation flights were greatly contracted – while preparing for a new airline service into Auckland can typically take up to a year, some repatriations were arranged within days.

We are proud to have supported airlines such as Air India, Swiss Air Lines, Vietnam Airlines and Austrian Airlines, which had either never flown to New Zealand before, or not operated regular scheduled services here. In total, more than 22,700 travellers flew home via Auckland Airport between February and the end of July 2020.

Several airlines including Lufthansa memorably acknowledged the efforts of Auckland Airport and the people of Auckland with flyovers of the central city. A French Air Force Airbus A400M paid a visit also, repatriating citizens to Tahiti and paying tribute to Auckland with a low-level salute.

22,700+

travellers flown home via Auckland Airport between February and end July 2020



Domestic travel

While international passenger numbers fell 53% in the six months to 30 June 2020 compared with the previous half year, domestic services have continued to play a part in connecting Kiwi families, enabling key business travel, and supporting our local tourism industry. Despite domestic capacity and demand falling sharply during lockdown, it rebounded at Alert Level 2. Jetstar resumed its domestic services from Auckland in July and was operating at about 54% of its normal schedule as at the end of July, while Air New Zealand was operating at around 63% of its usual domestic seat capacity, prior to Auckland's return to Alert Level 3 on 12 August.



Future of international travel

In the short term, the recovery of our aeronautical business is dependent on how the pandemic progresses and on New Zealand's ability to open up safe corridors with other countries that have had success in battling COVID-19, with likely early candidates including the Pacific Islands, Australia and several countries in Asia. In the medium term, the recovery of our aeronautical business is dependent on the pathway to a wider reopening of borders and Auckland Airport continues to play a role in supporting government officials in planning for reopening when the Government decides it is safe to do so.

According to the International Air Transport Association (IATA), airlines are expected to lose \$130 billion this year. We continue to work closely with our airline partners, ensuring we are well positioned to help them rebuild their connections to and from New Zealand as the market begins to recover.

Our outlook for the long term remains strong. New Zealand continues to be an attractive place to visit, do business, study and live, and our reputation as a safe, secure country will endure. Longer



term, Asia's fast-emerging middle class, particularly in China, India and several countries in South East Asia, represents significant opportunities for New Zealand tourism as well.

Our history shows what's possible

To look to the future, we only need to reflect on how far we have come in growing New Zealand's air connectivity to the world.

Auckland Airport experienced more than 50 years of passenger growth before COVID-19. It took 48 years to reach 15 million annual passengers at Auckland Airport, and only another four years (2014 – 2018) to exceed 20 million annual passengers, flying to 50 destinations around the globe. We added 13 new airlines and 22 new international routes between 2015 and 2019, adding capacity and unlocking new markets in South Korea, Canada, eastern United States and the Middle East.

We worked hard to build these connections and we are committed to rebuilding them when it's appropriate to do so.



KEY STATS:

International cargo capacity
Second half of the financial year

224,031 tonnes

-27% YoY

Dedicated freighter movements

977

+27% YoY

Belly-hold aircraft capacity

166,945 tonnes

-34% YoY

Passenger aircraft freighter movements

1,435



SAFE BORDER GROUP

From the outset of the COVID-19 crisis, Auckland Airport has led a programme of work to consider how safe passenger connections could be created between New Zealand and other low-risk countries.

Recognising that safe passenger travel would be crucial for both our business and the national recovery, Auckland Airport and the Australia New Zealand Leadership Forum (ANZLF) worked to bring together health experts and airline, airport and border agencies from both sides of the Tasman to develop new guidelines and protocols.

The Safe Border Group united 40 business and government representatives. Its recommendations for safely reopening the air border have since been presented to the governments of both countries to support their decision making.

A safe air corridor between two countries does away with the need for a 14-day quarantine between nations with similar COVID-19 infection rates and management systems, boosting business, leisure and tourism travel.



Working hard for our commercial partners

Unlocking value in property

Our strategy of diversifying into investment property provides resilience

We are pleased to report the 2020 financial year was an exceptional 12 months for Auckland Airport's investment property business. Our annual rent roll has increased 4% to \$104 million and the portfolio value has increased 17% to \$2.04 billion. The weighted average lease term (WALT) for the portfolio is 9.3 years and remains one of the longest WALTs in Australasia for portfolios of this type.

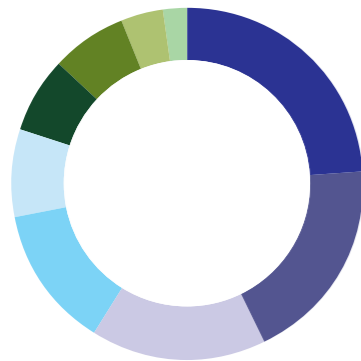
Despite the challenges brought by COVID-19, three new pre-leased building commitments were secured, and all projects within our \$300 million-plus development programme continue to track within budget and ahead of schedule. This sets a solid platform for another strong contribution from the investment property business in the year to 30 June 2021.

Auckland Airport's investment property portfolio remains weighted towards the industrial and logistics sectors. Our assets are typically modern, efficient buildings that are leased to high-covenant tenants on long-term leases with fixed rent growth mechanisms in place. When the developments currently underway have been completed, more than 70% of portfolio revenue will be derived from assets less than 10 years old. Portfolio income is diversified across a variety of industry sectors (see diagram 1), adding further resilience should economic conditions further decline.

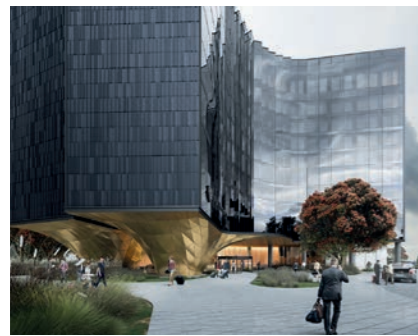


Image: Percy café opened at The Landing in January

Sector composition of portfolio income



| | |
|-----------------|-----|
| ● Logistics | 24% |
| ● FMCG | 19% |
| ● Aeronautical | 16% |
| ● Hotels | 13% |
| ● Government | 8% |
| ● Distribution | 7% |
| ● Manufacturing | 7% |
| ● Car Rental | 4% |
| ● Services | 2% |



These are:

16,000m²

A 16,000m² purpose-built facility for Hellmann Worldwide Logistics – the second development for Hellmann in The Landing Business Park

8,000m²

An 8,000m² expansion for DHL Supply Chain at The Landing Business Park – DHL will increase the current footprint to 20,000m², and extend its term to 10 years. This is our third development for DHL Group at the airport in the past six years

4,000m²

A new state-of-the-art 4,000m² facility for Interwaste, which provides critical waste collection, treatment and disposal solutions for Auckland Airport, Ports of Auckland, Port of Tauranga and District Health Boards around the North Island. This is located in our eastern land holdings

The initial COVID-19 lockdown was an unprecedented event felt differently across the airport precinct. While some tenants remained closed throughout the period, others continued to operate. We have worked hard to support customers most affected by this crisis, providing relief on a case-by-case basis – in particular to our smaller tenants within the retail, service and hospitality sectors.

Despite these challenges, the performance and outlook for our investment property business remains strong and continues to be underpinned by development activity. During the 2020 financial year, we completed new developments leased to ASX-listed Bapcor, Tempur Group and Airways Corporation, and we completed ‘Percy’, a landmark café in The Landing Business Park. We also secured three new development commitments which are expected to contribute a further \$85 million to the portfolio once completed.



The award-winning EBOS Group development

85,000m²

The 85,000m² Foodstuffs NZ development, also situated within The Landing Business Park, continues to progress well and remains on track to be completed in January 2021, with the office building recently certified as 5-Star Green.

In partnership with Tainui Group Holdings, the Novotel Hotel has provided dedicated accommodation for travellers arriving in New Zealand and serving their 14-day quarantine period.

Construction continues on our two hotel developments – the 146-room Mercure Hotel and the 311-room luxury Te Arikini Pullman Auckland Airport Hotel, the latter in partnership with Tainui Group Holdings. Post COVID-19 we have adjusted our approach and our plan to deliver these projects in a staged development approach by first completing the structure and façade of the buildings while deferring fitout and other construction works until market conditions improve.

Supporting our retail customers

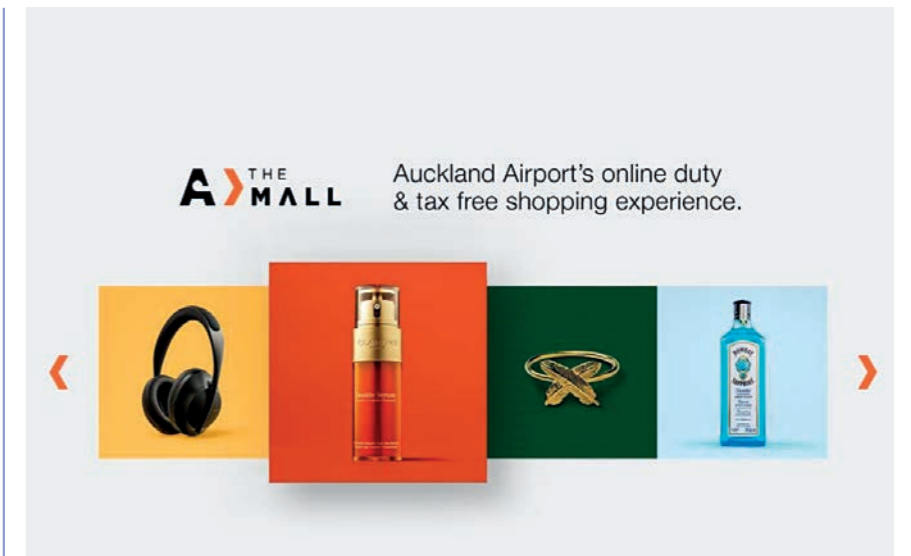
Sustaining the long-term future of our retail business

The impact of COVID-19 has been significant for our retail partners at Auckland Airport, including those inside our terminals.

When our terminals were fully operational, we had 108 businesses open employing around 2,500 people, creating a busy, dynamic environment for our travellers. All of this changed almost overnight as the pandemic began to take hold.

Under the COVID-19 Alert Level 4 restrictions while operating at less than 10% of capacity, there were just three retail businesses open at the international terminal providing valuable travel essentials and grab-and-go food services to travellers and essential staff.

With some retail businesses reopening as lockdown restrictions have started to lift and others remaining closed until international borders reopen, we have worked alongside each of our retail tenants to provide relief on a case-by-case basis.



New Zealanders began booking domestic flights again as travel restrictions eased, giving many of our domestic terminal retailers and service operators the confidence to restart. There were more than 275,000 domestic passengers during the July school holiday period, around 60% of July 2019 volumes, prior to Auckland’s recent return to Alert Level 3.

Looking ahead

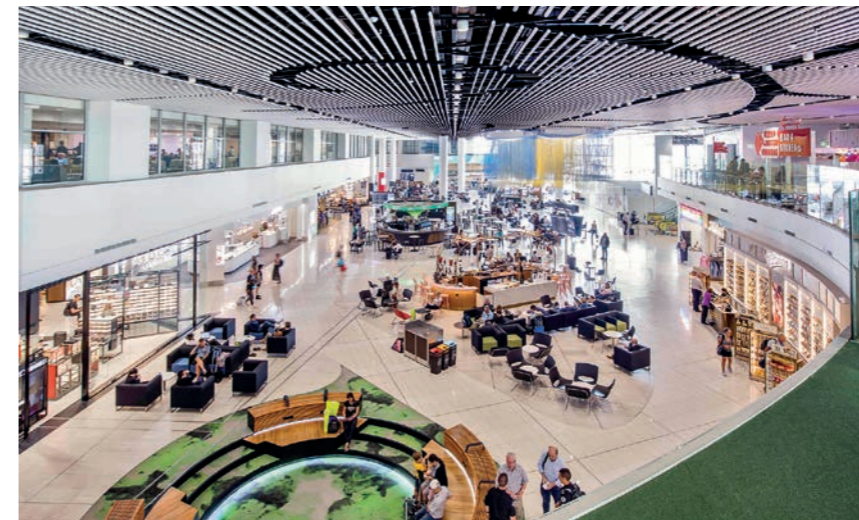
While the outlook for the immediate future is uncertain, the past year has included highlights that will ensure we are in the best place possible to enable us to accelerate growth once international air travel resumes.

Since 2018, we have complemented our terminal retail investment with an innovative online shopping platform, The Mall, and our online loyalty programme, the Strata Club. With six major retailers now on board, The Mall is a growing retail channel with sales growth of 827% for the first half of the 2020 financial year compared to the previous period.

In the 2020 financial year, The Mall was recognised at The Moodies – the international airport and travel retail digital, social media and marketing awards. At the forefront of travel retail innovation worldwide, The Mall won the Best E-Commerce and Mobile Commerce category.

We also advanced our e-commerce offering with our targeted WeChat mini store. Again, this places Auckland Airport at the leading edge of travel retail innovation, and through leveraging the trust of our brand, the WeChat mini store experienced 58% growth between the first and second quarters of the 2020 financial year.

While the international travel restrictions mean The Mall has temporarily ceased processing orders, we have seen consumer shopping behaviour increasingly shift to online following the outbreak of COVID-19. Auckland Airport’s investment in e-commerce and loyalty means we are well placed to respond when international travel resumes.





The symbol representing Auckland Airport's new guest promise

Being a sustainable business matters

We are purpose led and values based

Auckland Airport's resilience has been put to the test in the 2020 financial year, but our commitment to making a positive contribution socially, culturally, environmentally and economically has not faltered.

We know that many diverse groups share a stake in Auckland Airport and its future and that's why we strive to do better every day, recognising that sustainability must be embedded across our activities if we are to create and share value.

In the 2020 financial year we made good progress on achieving our sustainability targets but the outbreak of COVID-19 has prompted a review of our approach to sustainability. The pandemic has had a significant impact across our organisation and we are working to re-evaluate our priorities, while ensuring sustainability remains at the heart of our business strategy.

Because of this, we have chosen to take more time to develop our refreshed sustainability strategy and are looking forward to providing an update on our new strategy and targets when we release our interim results for the 2021 financial year.

Our people

It has been an extremely challenging year for our team at Auckland Airport, as we have shifted away from delivering transformational infrastructure to managing through a pandemic.

The outbreak of COVID-19 had a sudden impact on our operation, and in the space of a few short months we had to make changes that would have seemed unimaginable in January: shutting down key projects; reducing the size of our workforce; lowering employee hours and salaries; and disrupting the growth, progress and development our team was proud to be leading.

These are among the toughest things any business can experience.

Throughout this time of uncertainty, we have put the health and safety of our team first (see page 17) and we are enormously proud of the professionalism, grace and determination they have shown.

While many of our workers remained on the frontline, more than 300 staff worked remotely during lockdown. We were able to quickly scale up our use of technology to ensure we could meet, call and collaborate in one virtual space – ways of working that have now become a firm fixture within our workplace culture.

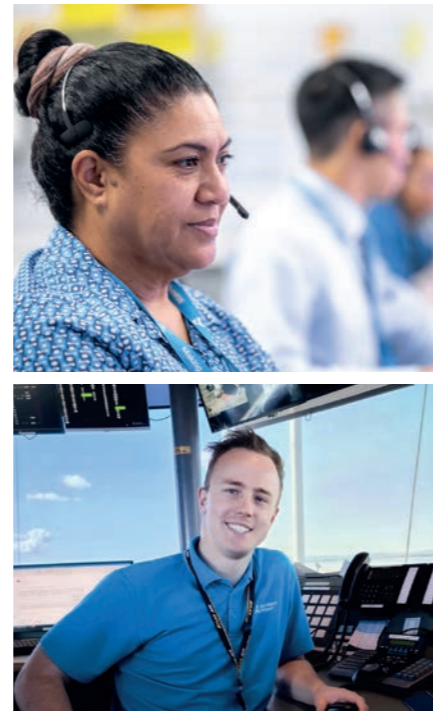


GUEST PROMISE

Our people are the face of Auckland Airport and we have worked to assist our staff in ensuring everyone coming to the airport experiences manaakitanga – a warm and uniquely New Zealand hospitality.

This year we introduced the guest promise and supporting training modules for our staff to ensure we deliver on our promise: we make sure every guest leaves wanting to come back.

Four service principles guide the behaviour of our staff in delivering on our guest promise: treating every guest like they're our only guest; making it feel like a walk in the park; making relaxation our guests' destination; and helping our guests enjoy their time, their way. In the 2020 financial year 172 people took part in training across our operations, guest services, engineering and support office teams.



Ara job expo



Auckland Airport's approach to sustainability is focused on our commitment to empower the people and community of South Auckland and across wider Auckland.

During the initial lockdown period, we faced the difficult task of beginning to reshape our organisation in line with fewer flights arriving and the deferral of a significant part of our infrastructure development programme.

As at 30 June 2020, we had reduced our workforce by 25% to 527 full-time staff members. In June, we also began consultation with our people on further staff changes impacting our operations and infrastructure teams, with additional job losses following our balance date.

Throughout this difficult time, our approach has been guided by our values of being respectful, collaborative, exceptional, acting with integrity and demonstrating that we care.

As an organisation, we also believe strongly in the benefits of diversity and inclusiveness. In the 2020 financial year, we advanced diverse leadership with female representation on the Board increasing from 50% to 62.5%. The percentage of females in the leadership team increased from 22% to 25%, while senior leaders increased from 33% to 41%. We still have further progress to make as an organisation in achieving our diversity target objectives and this will continue to be a focus.



We are committed to ensuring that our actions continue to reflect these values, and at the moment this is centred around open communication about the challenges we face and the changes we need to make in the future.

Supporting our community

Auckland Airport's approach to sustainability is focused on our commitment to empower the people and community of South Auckland and across wider Auckland.

Ara, our Auckland Airport Jobs and Skills hub, has continued to play a leading role in this, connecting local people with training and employment opportunities prior to the outbreak of COVID-19, as part of a joint initiative with government agencies, training providers and employers.

During the 2020 financial year, we built a strong partnership with the Ministry of Social Development (MSD) and jointly hosted two job expos at the new headquarters of Ara, located at the refurbished clubhouse of the former Aviation Golf Course. One expo focused on the hospitality industry and another on construction, with more than 60 businesses and 940 job seekers collectively attending the expos.

In the 2021 financial year, the MSD and the Auckland Business Chamber will manage the provision of services and Ara's name will change to Ara, the Business and Employment Hub. With Auckland Airport's support, Ara will stay in its current location at the heart of the airport precinct and continue to connect local people with work and training opportunities in and around Auckland Airport.

Our programme of community support included a number of highlights in the 2020 financial year, including:

- Nine year 13 school leavers were awarded an Auckland Airport Education Scholarship, including a financial grant, laptop and the help of a mentor from the airport team to kick-start their university careers
- We supported several local organisations and events through our sponsorship programme, including the Counties Manukau Life Education Trust, Firefighter Sky Tower Stair Challenge (Leukaemia & Blood Cancer New Zealand) and the Lakes District Air Rescue Trust. These sponsorships amounted to \$83,468. Auckland Airport has also been a committed financial supporter of ASB Polyfest, and while the 2020 event had to be cancelled in response to COVID-19, we contributed \$17,500 to cover costs
- We granted \$80,000 to community groups across Auckland, comprising \$50,000 in He Tangata Grants to 10 community groups in Ōtara, Māngere, Papatoetoe, Ōtāhuhu, Manurewa and Papakura, and a further \$30,000 to 30 community groups across Auckland

- We also granted \$351,572 to the Auckland Airport Community Trust, which distributes these funds to residents, schools, community groups and organisations, targeting projects and initiatives that support learning, literacy and life skills in South Auckland
- Auckland Airport also redistributed \$144,000 of donations made by generous travellers into charity globes in our terminals to 12 charities, celebrating the 12th year of our annual 12 Days of Christmas programme
- Auckland Airport is in the final stages of establishing a new permanent fund for the benefit of local iwi groups (Te Ākitai Waiohū, Te Kawerau ā Maki and Te Ahiwaru). A total of \$50,000 will be available per year through this programme (increasing with inflation over time) for the purpose of education scholarships and vocational training relating to travel, trade, tourism, sport, aviation, engineering, construction and environmental planning. Applications for the first round of grants will be called for in the 2021 financial year

OUR VALUES

Respectful



Collaborative



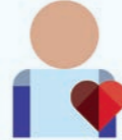
Exceptional



Integrity



We care





Sistema Aotearoa

SPOTLIGHT ON THE AUCKLAND AIRPORT COMMUNITY TRUST

The Auckland Airport Community Trust provides financial assistance to a wide range of community groups in the Manukau area.

Since its establishment in 2003, the Trust has distributed over \$4 million in grants for community benefit, focusing on improving education outcomes. The core focus of these grants has been to support learning, literacy and life skills, although that focus has widened in recent years to benefit a greater range of people and activities.

In the 2019/2020 funding round, 18 groups received community grants to support a wide variety of activities, including youth support, artistic activities, sporting facility development, environmental improvement and conservation initiatives, volunteering programmes, and programmes targeted to help elderly and disabled people within our communities. Some of the very worthy recipients of these grants include Garden to Table, an organisation which teaches essential food skills to children, and Sistema Aotearoa, an Ōtara-based organisation working to bring about social change through orchestral music-making.

Supporting strong communities and partnerships

We know that we are stronger at Auckland Airport when we work as a team and this extends beyond our organisation.

The successful, safe and reliable operation of our business relies on our many and diverse stakeholders, and in the 2020 financial year we placed great emphasis on building an environment focused on trust, shared interests and open communication and collaboration.

Stay in the know

As work began on a series of major infrastructure projects in the 2020 financial year, we launched a multi-channel communications campaign built around the idea that travellers, local businesses and workers could “stay in the know” on airport infrastructure projects and how they might impact their journey.

Runway pavement replacement

Work to replace and renew the pavement in the runway touchdown zone is a key part of our continuous programme of ensuring a safe and reliable airfield.

Strong collaboration with our stakeholders and agreement on the significant benefits of an early start allowed the work to be brought forward and completed without compromising safety.



Stay in the know campaign image



Auckland Airport introduced health and safety contractor forums in the 2020 financial year and took part in exercises with contractors

External recognition for online interactive consultation tool

In April 2020, Auckland Airport won the New Zealand Planning Institute’s Best Practice – Consultation Participation Strategies and Processes award for the development and use of an online interactive tool to help property owners understand the potential impact of the planned second runway on their property. There were 146,682 views within the first month of the map being launched.

Health and safety partnership

Our drive for better health and safety outcomes and commitment to zero harm means we continually seek to improve our processes.

We introduced new Health and Safety Contractor forums in the 2020 financial year where Auckland Airport, contractors and industry experts shared ideas, initiatives and knowledge across all areas of health and safety. We also reviewed and consolidated our key critical health and safety risks.

The proactive attitudes and increased engagement relating to safety were reflected in the number of safety observations and hazards reported, and the decline in employee injury and passenger incident rates.

Reducing our environmental footprint

This financial year we have continued to reduce energy use, waste and carbon across our operations.

While good progress has been maintained our results have been influenced by the significant reduction in overall passenger numbers during the second half of the 2020 financial year because our environmental impact reductions are calculated on a per-passenger basis.

The following results are in comparison with our base year, 2012.

| | Unit | FY17 | FY18 | FY19 | FY20 |
|--|------|------|------|------|------|
| Energy use per passenger | % | -34% | -35% | -38% | -19% |
| Waste to landfill per passenger | % | -46% | -46% | -47% | -39% |
| CO ₂ -e emissions per m ² of terminal area | % | -29% | -34% | -40% | -45% |

The 2020 financial year marks the end of many of our environmental impact reduction targets which were set in 2013. Work is underway to develop our refreshed sustainability strategy and we are looking forward to providing an update on our new strategy and targets when we release our interim results for the 2021 financial year.

KEY STATISTICS

Health and safety

▲ **89%**

Reporting of safety observations and hazards

▼ **72%**

Employee recordable injury rate

▼ **5.9%**

Passenger incident rate

Ara – Airport Jobs and Skills Hub

940

job seekers attended two job expos

60

businesses took part

Auckland Airport Community Trust

\$351,572

granted to community projects by the Auckland Airport Community Trust to support learning, literacy and life skills in South Auckland

Non-financial disclosure

In the 2020 financial year we continued in our proud history of voluntary disclosure of our sustainability performance, including featuring in the Dow Jones Sustainability Index and FTSE4Good.

Governance and leadership

Seated – from left
Patrick Strange
Michelle Kong
Justine Smyth
Dean Hamilton
Standing – from left
Tania Simpson
Julia Hoare
Liz Savage
Christine Spring
Mark Binns



New director



Liz Savage

Liz Savage became a director of the company after the 2019 annual meeting. She has worked for 20 years in senior leadership roles in Australia and Europe, including as Chief Commercial Officer of Virgin Australia during the early transformation of the airline, and Business Development Director of easyJet during the airline's first 10 years of growth.

Liz is currently a director of Intrepid Group, North Queensland Airports, and People Infrastructure. She is also a board member of Brisbane Marketing.

Retired director

Brett Godfrey

Brett Godfrey became a director of the company in 2010. Brett officially retired from the Board at the 2019 annual meeting. We would like to thank Brett for all his hard work and many years of commitment to Auckland Airport

Future director

Michelle Kong

Michelle Kong was selected to participate in the Future Director Programme in January 2019 and her term ended in June 2020. We would like to thank Michelle for her valuable contribution.

Company officer changes

Richard Barker

General Manager Retail and Commercial

In June 2020, it was announced that General Manager Retail and Commercial Richard Barker would be leaving the company.

Richard has been responsible for developing Auckland Airport's retailing businesses, including duty free, specialty retail, and food and beverage, as well as overseeing passenger experience and car-parking. Under his leadership, in 2019 Auckland Airport's refurbished departure terminal and dining precinct was named the global Airport Food & Beverage Offer of the Year, while The Mall won Best E-commerce Platform at the 2020 Moodies travel journey digital awards.

Richard's leadership and commitment to delivering an exceptional customer experience means Auckland Airport's retail business will be in an excellent position to rebuild quickly once the market begins to recover.

Responsibility for Richard's business portfolios has been shared between other members of the executive team.

Financial summary

Underlying earnings per share
 **34.7%**
 14.7 cents per share

The 2020 financial year was one of contrasting halves. The first half of the year saw the company embark on a historic period of infrastructure-related transformation, while the second half of the financial year was significantly impacted by the global travel restrictions put in place following the outbreak of COVID-19.

Our reported profit after taxation for the 2020 financial year was \$193.9 million – a decrease of 63% on the prior year's reported profit of \$523.5 million.

Underlying profit after taxation for the 2020 financial year was \$188.5 million, a decrease of 31.4% on the prior year's underlying profit of \$274.7 million.

Revenue decreased 23.7% to \$567.0 million reflecting subdued passenger flows in the second half of the year driven by the introduction of travel restrictions associated with the COVID-19 outbreak. Total aeronautical income for the 2020 financial year fell 25.3% on the prior year as a result of substantially lower aeronautical activity. In the three months to June 2020, passenger numbers at Auckland Airport were down 92.6%.

In response to the reduced aeronautical activity, Auckland Airport undertook a cost reduction programme that has generated significant savings in discretionary and activity based operating expenditure in the second half of the year. However, operating expenses for the year increased 62.6% to \$306.6 million as additional COVID-related costs were incurred including capital expenditure project write-offs, impairments, contractor termination expenses, redundancies and provisions for expected credit losses. As a result, earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) in the year to 30 June 2020 decreased 53.1% to \$260.4 million.

Auckland Airport's share of underlying profit from associates was \$9.2 million for the 2020 financial year, an increase of \$1.0 million on the prior year reflecting profit of \$4.5 million from Queenstown Airport and a 14.6% increase in Auckland Airport's share of underlying profit from the Novotel Hotel to \$4.7 million.

The unparalleled trading environment driven by the COVID-19 outbreak resulted in earnings per share decreasing by 64.5% to 15.2 cents. Underlying earnings per share also decreased by 34.7% to 14.7 cents.

The Board has resolved not to pay a final dividend in 2020 owing to the impacts of the COVID-19 pandemic. Under the terms of the financial covenant waivers in place from June 2020 until December 2021 granted by Auckland Airport's banking group and USPP noteholders, dividend payments are suspended until the covenant waivers expire.

The table above shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2020 and 30 June 2019.

| | 2020 | | | 2019 | | |
|---|---------------------|-----------------|-----------------------|---------------------|-----------------|-----------------------|
| | Reported profit \$M | Adjustments \$M | Underlying profit \$M | Reported profit \$M | Adjustments \$M | Underlying profit \$M |
| EBITDAFI per Income Statement¹ | 260.4 | – | 260.4 | 554.8 | – | 554.8 |
| Investment property fair value increase | 168.6 | (168.6) | – | 254.0 | (254.0) | – |
| Property, plant and equipment revaluation | (45.9) | 45.9 | – | (3.8) | 3.8 | – |
| Fixed asset write-offs, impairments and termination costs | – | 117.5 | 117.5 | – | – | – |
| Derivative fair value movement | (1.9) | 1.9 | – | (0.6) | 0.6 | – |
| Share of profit of associates and joint ventures | 8.4 | 0.8 | 9.2 | 8.2 | – | 8.2 |
| Impairment of investment in joint venture | (7.7) | – | (7.7) | – | – | – |
| Depreciation | (112.7) | – | (112.7) | (102.2) | – | (102.2) |
| Interest expense and other finance costs | (71.8) | – | (71.8) | (78.5) | – | (78.5) |
| Taxation expense | (3.5) | (2.9) | (6.4) | (108.4) | 0.8 | (107.6) |
| Profit after tax | 193.9 | (5.4) | 188.5 | 523.5 | (248.8) | 274.7 |

1. EBITDAFI includes \$117.5 million relating to fixed asset project write-offs, impairments and termination costs

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2020 and 30 June 2019:

- We have reversed out the impact of revaluations of investment property in 2020 and 2019. 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
- Consistent with the approach to revaluations of investment property, we have also reversed out the revaluation of the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment for the 2020 financial year and the building and services class of assets within property, plant and equipment for the 2019 financial year. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult
- We have reversed out the impact of fixed asset project write-offs, impairments and termination costs for the 2020 financial year. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended. Some of these abandoned or suspended projects incurred contractor termination costs. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit
- We have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any 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. Further information is included in note 18(b) of the financial statements

- In addition, we have adjusted the share of profit of associates and joint ventures in 2020 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives
- We have also reversed out the taxation impacts of the above movements in both the 2020 and 2019 financial years

Share registrar

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street, Auckland 1010
New Zealand
PO Box 91976, Auckland 1142
New Zealand

Email: enquiries@linkmarketservices.com
Website: www.linkmarketservices.co.nz
New Zealand telephone: +64 9 375 5998
New Zealand facsimile: +64 9 375 5990
Australia telephone: +61 1300 554 474

Annual Report 2020

This annual report covers the performance of Auckland International Airport Limited for the period from 1 July 2019 to 30 June 2020. This volume contains overview information and a summary of our performance against financial and non-financial targets for the 2020 financial year. Our audited financial statements for the period from 1 July 2019 to 30 June 2020 are contained in a separate volume, which may be accessed at report.aucklandairport.co.nz

2020 Financial Statements

The 2020 Financial Statements are available on our website report.aucklandairport.co.nz or you may elect to have a copy sent to you by contacting our investor relations team.

Electronic shareholder communication

If you would like to receive all investor communications electronically, including interim and annual shareholder reports, please visit the Link Market Services website www.linkmarketservices.co.nz or contact them directly (details above).

Investor relations

PO Box 73020, Auckland Airport
Manukau 2150, New Zealand
Email: investors@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

aucklandairport.co.nz



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