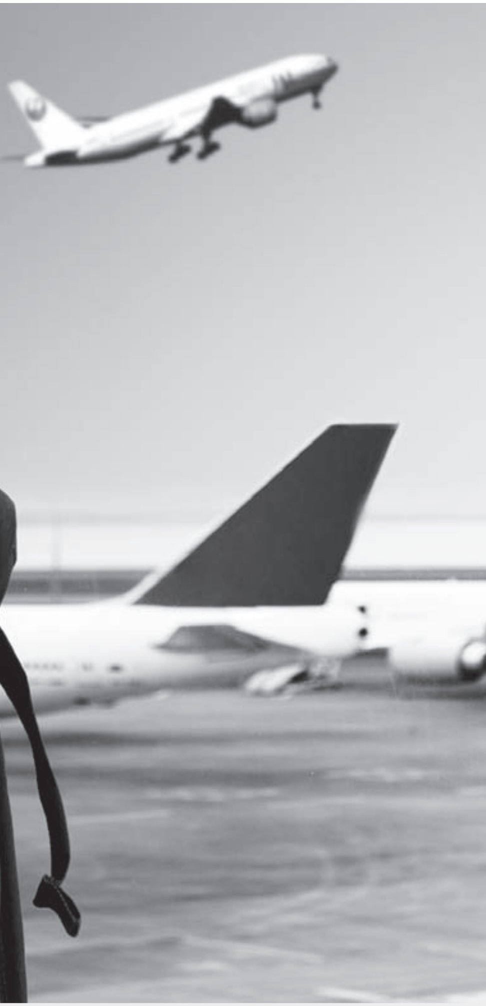
Sustaining Success

Auckland Airport

Interim Report 2013
Auckland International Airport Limited

Always

moving forward.



To sustain success we need to keep moving forward, keep seeking new solutions to existing challenges, and keep raising our ambitions.

Contents

Online Review

View our interactive review at **aucklandairport.co.nz/report** which has been designed for ease of online use, with tablets in mind, and includes additional content.

Welcome to Auckland Airport's interim report for the first half of the 2013 financial year, the first report with Adrian Littlewood as Chief Executive.

Auckland Airport is pleased to record a solid interim result for the six-month period to 31 December 2012. This continues a run of three consecutive years of profit increase, driven by an ambitious growth strategy and improved operating leverage.

Reported profit after tax for the six-months was up 11.3% to $76.910 million, while underlying profit[1] after tax was up 7.5% to $76.090 million. Total revenue was up 3.6% to $223.552 million, while expenses, excluding depreciation and interest costs, were $57.191 million, up 4.9%.

Shareholders have also benefited from an increase in dividend policy to 100% of net profit after tax, and a more even balance between the interim and final dividends, better reflecting the financial performance of the business.

However, our performance matters to more than just shareholders. Auckland Airport provides and builds connections between New Zealanders and their families, friends, business partners and customers. We play a core role in providing New Zealand exporters and importers with access to markets. Indeed, most New Zealand businesses are dependent to some extent on the air-links provided through our airport infrastructure and through our market development investment. New Zealand's future economic performance will also be dependent on Auckland Airport's infrastructure maintaining pace with growth, and its market development work helping to open up more access to business opportunities.

While the effect of the 'lapping' of a one-off increase in visitors driven by the 2011 Rugby World Cup tournament has had some effect, this was not especially significant in overall terms. It accentuated the decline this year in visitors from some key markets, particularly United Kingdom and Europe, but total demand for travel, both nationally and internationally, has continued to prove resilient to global upheavals and domestic fluctuations.

The result includes elements that make direct comparison to the prior half-year reporting period to December 2011 difficult, particularly aeronautical revenue which reflects the restructuring of aeronautical charging introduced in July 2012 following consultation with substantial airline customers. This includes a reduction in international charges, increase in domestic charges, discontinuance of a terminal service charge, removal of some domestic lease charges and introduction of a domestic and transit passenger charge.

1 For several years now, Auckland Airport has reported underlying profit alongside reported profit. We believe that further financial information, including references to underlying profits, adds valuable additional information to assist non-professional investors to understand what is happening at Auckland Airport. We believe the underlying profit measure is helpful to investors in understanding the underlying performance of the business and making comparisons of profits between years, without the positive or negative impact of one-off transactions or revaluations. A reconciliation to assist investors is set out in detail later in this report.

11.3%

PROFIT RESULT

REPORTED PROFIT AFTER TAX FOR THE SIX-MONTHS WAS UP 11.3% TO $76.910 MILLION, WHILE UNDERLYING PROFIT[1] AFTER TAX WAS UP 7.5% TO $76.090 MILLION

The half-year also saw a continued and ambitious air-service and market development focus on expanding New Zealand tourism and trade opportunities, particularly with the significant, and diverse, Chinese market.

As we have flagged in recent reports, the passenger experience at the domestic terminal is deteriorating and needs to be addressed to accommodate growth in travel demand. Some shorter-term remediation is now underway while the decisions on the best longer-term solution for New Zealand's primary domestic travel hub near completion. Whatever the final decision in relation to this essential national transport infrastructure, it will require significant capital expenditure and sufficient confidence in an appropriate return on the investment.

We look forward to the second half of the 2013 financial year with growing confidence. Our business strategy remains on track. Future opportunities to capture the next phase of growth and expand our already significant contribution to New Zealand's economy are, allowing for appropriate returns on our infrastructure investment and continued execution, eminently achievable.

> "We look forward to the second half of the 2013 financial year with growing confidence. Our business strategy remains on track."

Adrian Littlewood
CHIEF EXECUTIVE

Interim results in detail

Passenger numbers

Total international passenger movements at Auckland Airport, excluding transits, were up 0.2% to 3.654 million in the six months to 31 December 2012.

This reflects the lapping of the busy RWC peak periods in 2011. Transit passengers declined due to the exit of Qantas on the Los Angeles route, and Aerolineas Argentinas on the Buenos Aires route, both large transit passenger services. However, the calendar year finished well, with the week ending December 23 2012 being the busiest week ever for international passengers.

Total domestic passenger volume growth was up 7.2% to 3.356 million. This included over 600,000 passenger movements in the month of December, the busiest month ever.

16.8% ↑

International passenger volume increase, excluding transits, of 16.8% to 0.139 million
– QUEENSTOWN AIRPORT

Domestic travel is reflecting the significant positive impact of additional capacity by both Jetstar and Air New Zealand and robust competition.

Queenstown Airport had another notable international passenger volume increase, excluding transits, of 16.8% to 0.139 million. Its domestic volumes also reflected healthy increases in air-services, growing 22.3% to 0.488 million.

Cairns Airport experienced a decline in international passenger growth, down 7.6% to 0.391 million, while its domestic operations were up 9.5% to 1.895 million. The decline in international passenger volumes largely reflects a reduction in capacity on the Singapore route. Mackay Airport was up 0.1% to 0.571 million.

7.2% ↑

Increase in total domestic passenger volume growth, including a December which saw our busiest month ever with over:

600,000

DOMESTIC PASSENGER MOVEMENTS

26.8%

THE CHINA INBOUND MARKET GREW 26.8%, OVERTAKING THE USA AND, SHORTLY AFTER, THE UK, TO BECOME OUR SECOND LARGEST INBOUND MARKET.

Importance of a successful strategy

Over the last three financial years, we have lifted our ambition for Auckland Airport, focused on the customer by making journeys better, and delivered some outstanding results for travellers, investors and the wider national economy.

Underpinning this has been a consistent, coherent, long-term growth strategy. This has continued into the 2013 financial year.

To meet this responsibility and capture new opportunities we must aim even higher. We are updating our master plan and terminal facilities to meet New Zealand's future tourism and trade needs, and finding new ways for the country to capture more than our natural share of volume and value of the massive wave of growth out of Asia.

We are confident that our established "Ambition 2020" strategy, to chase higher growth from the markets, such as China, that are benefiting most from global economic shifts, is more relevant now than ever.

Market trends and development

The global restructuring of recent years has continued, and in some cases, accelerated. These shifts in tourism and trade markets show no sign of abating.

The changes are significant. During the six-months to December 2012, the China inbound market grew 26.8%, overtaking the United States as our third largest market, and, shortly after, the United Kingdom, to become our second largest inbound market. Other important markets such as Japan, India and Indonesia showed encouraging signs of growth.

Inbound arrivals from Indonesia increased more than 19% in the twelve months to December 2012. Targeted marketing drove much of these efforts, using social media and the influence of celebrities with large social networks. One key factor has been our work with Indonesian celebrity chef, Farah Quinn. We forecast Indonesia to be a massive market opportunity for New Zealand over the next few decades. With Air New Zealand extending their successful Bali service into a second season, and with Garuda Airlines signaling an intention to commence direct services to Auckland soon, we believe our market investment is timely.

The outstanding growth out of the Chinese market continued over the six months to December 2012. Much of the growth has come from Guangzhou and the Guangdong region, the catchment area for China Southern's daily service.

MORE CONNECTIONS

IN OCTOBER, EMIRATES INTRODUCED A SECOND A380 AIRCRAFT INTO THE MARKET, IMPROVING THE CONNECTIVITY BETWEEN NEW ZEALAND AND THE MIDDLE EAST.

December 2012 also saw Auckland Airport play a key role in China Southern choosing New Zealand to host its annual travel agent incentive event. This event displayed New Zealand and some of its premium tourism experiences to more than 250 of the biggest outbound travel influencers in China. The exposure this gave New Zealand tourism was inestimable.

We have also had positive reinforcement of the decision taken some years ago to ‘future-proof’ New Zealand’s largest airport for the next generation of larger aircraft. In October, Emirates introduced a second A380 aircraft into the market. This complements their existing Auckland-Sydney-Dubai A380 service with an Auckland-Melbourne-Dubai A380 service, and improves the connectivity between New Zealand and the Middle East.

Connections to Taiwan also increased, with China Airlines commencing a four times a week service from Auckland to Taipei, via Sydney. Alongside their existing three times a week service to Taipei via Brisbane, this now offers daily services to Taipei, and into the extensive China Airlines network.

The United States and United Kingdom markets continued their decline of recent years. In the case of the United Kingdom, this was exacerbated by the lapping of RWC 2011.

> “More people are travelling around New Zealand than ever before.”

UNITED STATES MARKET REBOUNDING

Hawaiian Airlines commenced a direct service to Honolulu in March 2013 with

11

ONWARD CONNECTIONS TO THE US MAINLAND

Confidence in the United States market is however beginning to rebound. The announcement last year by Hawaiian Airlines that they will be commencing a direct service to Honolulu in March 2013, with 11 onward connections to the US mainland, has been very well received by travellers and the tourism industry. A further signal of confidence was the decision by Air New Zealand to increase capacity on their San Francisco, Vancouver and Los Angeles services, as well as greater focus on the Hawaiian market.

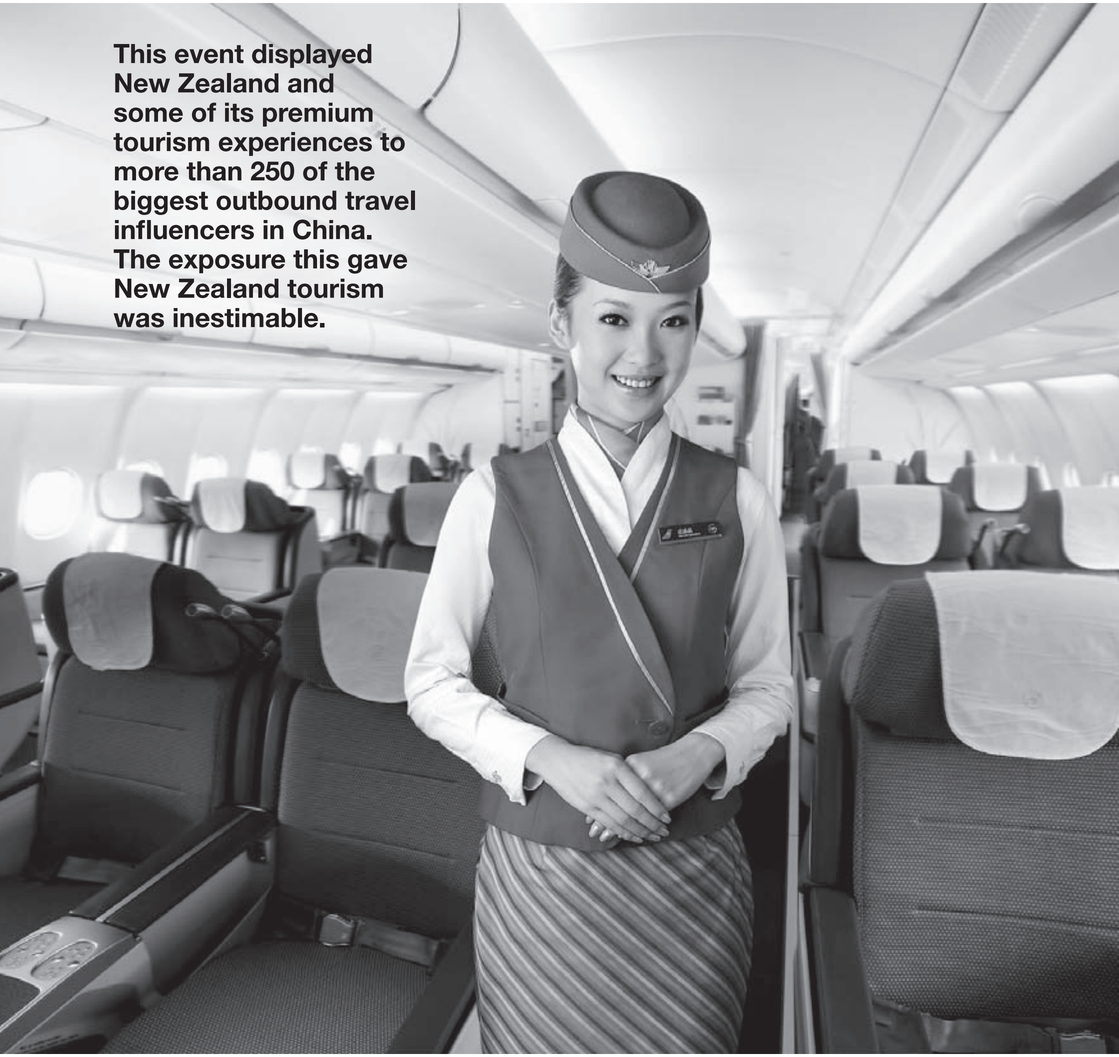
Domestically, the addition of capacity on a number of important routes, the increased flow of international visitors into airline networks, and the development of a number of innovatively priced domestic air-services by both Jetstar and Air New Zealand has driven a significant uplift in travel demand. More people are travelling around New Zealand than ever before.

Airline alliances continued to respond to market forces, with competition and transport authorities on both sides of the Tasman asked to consider, or having already considered, a number of proposed airline alliances or partnerships. We expect this trend to continue.

Auckland Airport played a key role in China Southern choosing New Zealand to host its annual travel agent incentive event.

19%

INBOUND ARRIVALS FROM INDONESIA INCREASED MORE THAN 19% IN THE TWELVE MONTHS TO DECEMBER 2012.



This event displayed New Zealand and some of its premium tourism experiences to more than 250 of the biggest outbound travel influencers in China. The exposure this gave New Zealand tourism was inestimable.

> "Our early successes in China and Indonesia have been achieved through developing premium-end visitor markets, encouraging greater industry readiness and building consumer demand ahead of air-service capacity growth."

These market shifts are all fundamentally changing the nature of the industry. The impacts continue to be experienced across the tourism industry and the economy, prompting widespread industry debate, analysis and adaptation.

Auckland Airport and other organisations of scale must and will continue to respond to these shifts and maximise the opportunity. Auckland Airport is committed to playing its part.

Auckland Airport participates significantly in tourism and trade market development and works closely with all market participants. This notably includes Government agencies, Tourism New Zealand, ATEED, Air New Zealand and other airlines, but also includes a wide range of wholesale and retail tourism operators. While we are just one of many contributors, we believe we are in a position to play a unique and complementary role.

We are able to focus on individual markets and market structure. We can take ambitious long-term positions in emerging markets in a way that many others cannot. Our Ambition 2020 programme illustrates our approach to this. Our early successes in China and Indonesia have been achieved through developing premium-end visitor markets, encouraging greater industry readiness and building consumer demand ahead of air-service capacity growth.

The significant global market shifts underway are the biggest economic challenge and opportunity that New Zealand travel, trade and tourism industries have faced for many years. As a nation and industry, we must accept that, despite our powerful brand appeal, New Zealand tourism has relative disadvantages. Overcoming New Zealand's inherent disadvantages of small scale and distance from markets is not unique to tourism. A distinctively New Zealand challenge, it will likely require a distinctively New Zealand approach, involving all the key stakeholders in the sector.

The major challenge for the industry is to convert increased demand into increased economic value. Despite outstanding effort and commitment from a wide range of tourism stakeholders, and some promising inroads into a number of rapidly emerging international visitor markets, we believe even greater ambition and bolder industry-wide action and support is needed to accelerate the opening up of the markets that will fuel our visitor, trade and export economies.

The hard reality is that incremental improvements, while always welcome, will not win any gold medals in the ruthless global competition for new market growth. We must upscale and focus New Zealand's collective marketing efforts, get market structures right, and support air-service profitability, thereby ultimately capturing greater economic value.

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A distinctively New Zealand challenge, it will likely require a distinctively New Zealand approach, involving all the key stakeholders in the sector.

7.5%

GROWTH IN UNDERLYING PROFIT

UP 7.5% TO $76.090 MILLION FOR THE SIX MONTHS ENDING 31 DECEMBER 2012, FROM THE PREVIOUS CORRESPONDING PERIOD.

3.6%

INCREASE IN REVENUE

TO $223.552 MILLION UP 3.6% ON THE PREVIOUS CORRESPONDING SIX-MONTH PERIOD.

Financials

There was growth in both reported profit, up 11.3% to $76.910 million, and, adjusting for one-off items and non-cash fair value changes, growth in underlying profit, up 7.5% to $76.090 million for the six months ending 31 December 2012, from the previous corresponding period.

Revenue was $223.552 million up 3.6% on the previous corresponding six-month period. In particular, there was a strong performance from the car parking business, reflecting increased demand and continued improvements in asset utilisation, particularly through the online booking parking option.

The new pricing path implemented on 1 July has changed the structure of pricing categories, making comparisons difficult, however overall aeronautical income was up 1.8% to $110.823 million.

Expenses, excluding depreciation and interest costs, were up 4.9% to $57.191 million. This was largely the result of investment in growth of the company and costs associated with the ongoing regulatory process. Depreciation expenses were $31.430 million, down 1.0% on the previous corresponding period. Interest was down 3.7% to $33.705 million.

Earnings before interest, taxation, depreciation, fair-value adjustments and investments in associates (EBITDAFI), were up 3.1 % to $166.361 million.

Earnings per share on underlying profit was 5.75 cents per share for the six months ending 31 December 2012, compared with 5.35 cents per share from the corresponding period for the six months ending 31 December 2011.

The balance sheet of the company remains in good shape, with the average debt maturity 4.7 years as at December 2012. In December 2012, Auckland Airport issued $100 million worth of bonds, to mature in December 2019.

Reported share of profit of associates (comprising North Queensland Airports, Queenstown Airport and Auckland Airport Hotel Partnership Limited), was $4.368 million up 61.0% on the corresponding period.

North Queensland Airports had a strong six months, reporting a net profit after tax of AUD9.422 million, up 61.3% on the prior period.

Queenstown Airport reported a net profit after tax of $3.106 million, up 11.7% on the prior corresponding period.

The table opposite shows how we reconcile between reported profit after tax and underlying profit after tax for the six months ending 31 December 2012.

61.3%

A net profit after tax of AUD9.422 million, up 61.3% on the prior period.

– NORTH QUEENSLAND AIRPORTS

3.1% ↑

INCREASE IN EARNINGS

BEFORE INTEREST, TAXATION, DEPRECIATION, FAIR-VALUE ADJUSTMENTS AND INVESTMENTS IN ASSOCIATES (EBITDAFI), UP 3.1 % TO $166.361 MILLION.

5.75¢

EARNINGS PER SHARE ON UNDERLYING PROFIT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012, COMPARED WITH 5.35 CENTS PER SHARE FROM THE CORRESPONDING PERIOD FOR THE SIX MONTHS ENDING 31 DECEMBER 2011.

	2012			2011		
Profit after tax	Reported profit $000	Adjustments $000	Underlying profit $000	Reported profit $000	Adjustments $000	Underlying profit $000
EBITDAFI per income statement	166,361	-	166,361	161,361	-	161,361
Share of profit of associates	4,368	(12)	4,356	2,713	281	2,994
Derivative fair value (decreases)/increases	1,128	(1,128)	-	(2,063)	2,063	-
Depreciation	(31,430)	-	(31,430)	(31,751)	-	(31,751)
Interest expense and other finance costs	(33,705)	-	(33,705)	(35,012)	-	(35,012)
Taxation expense	(29,812)	320	(29,492)	(26,145)	(656)	(26,801)
Profit after tax	**76,910**	**(820)**	**76,090**	**69,103**	**1,688**	**70,791**

Regulation

Auckland Airport has a responsibility to have aeronautical pricing that delivers an appropriate return on essential investment in national infrastructure in a staged, fit-for-purpose and highly efficient way.

This is required to meet New Zealand's long-term tourism interests and the interests of consumers. The ability to achieve fair returns is vital to investing with confidence in essential infrastructure.

We have also been very conscious of making sure that every dollar we spend counts. We have focused on driving efficiency in all our processes using Lean Six Sigma processes, and we have been careful to manage our capital expenditure tightly to optimise investment – making sure it is the right investment at the right time and only making that investment when we have to.

The relatively new information disclosure regime for airports is proceeding, with the draft S56G review, under Part 4 of the Commerce Act, of Wellington Airport completed, and the draft review of other airports, including Auckland Airport, to take place later in 2013. Auckland Airport remains committed to the information disclosure process and to ensuring that the new regime is given sufficient time for meaningful assessment of an airport's performance.

GROWING COMMERCIAL HUB

MODERN FACILITIES, LEADING EDGE DESIGN AND DEVELOPMENT, UNEQUALLED PLANNING FLEXIBILITY AND WELL LOCATED TO MAJOR TRANSPORTATION LINKS.

Auckland Airport Business District

New Zealand is fortunate that Auckland Airport has a significant land holding that allows for future growth and development in aviation capacity and the business activities that this generates.

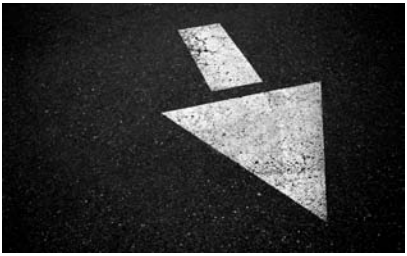
Historical experience around the world has clearly demonstrated that having sufficient land is an essential prerequisite for ensuring that the inevitable future growth in demand for tourism and trade is not curtailed by airport infrastructure constraints.

A key part of Auckland Airport's vision is the continued development of the airport as a business district. To facilitate this growth we see our role as not only providing the quality of physical and commercial infrastructure that is necessary to support a modern business community, but also in providing an environment in which businesses can grow and prosper through the provision of recreational and social amenities for their staff.

The Auckland Airport Business District is now a rapidly growing commercial hub. It delivers modern facilities, leading edge design and development, unequalled planning flexibility and is convenient to major transportation links. The prime location means it is increasingly attractive to businesses, particularly those dependent on movement of people or goods.

MODERN FACILITIES

QUALITY PHYSICAL AND COMMERCIAL INFRASTRUCTURE TO SUPPORT A MODERN BUSINESS COMMUNITY.



> “A major review of our master plan is underway which will refine the long-term plan for key terminal and runway infrastructure development for New Zealand’s major airport.”

Future planning

Getting planning and subsequent investment in new terminal and runway facilities right is pivotal to New Zealand tourism infrastructure being ready to accommodate future growth.

The long-term decisions we make now will form a central piece of New Zealand’s tourism infrastructure for several generations, so taking the time to get these right is paramount.

A major review of our master plan is underway which will refine the long-term plan for key terminal and runway infrastructure development for New Zealand’s major airport. It will also set out planning for future surface access and the Auckland Airport Business District. This will allow us to continue to develop the whole airport with the confidence a holistic and long-term master plan provides.

In addressing the deteriorating performance of the existing domestic terminal, Auckland Airport has been in close and constructive engagement with both of its major domestic airline customers, and remains on track to finalise a long-term pathway for new domestic travel terminal facilities in 2013.

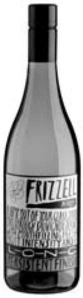
In the meantime, Auckland Airport has commenced upgrades to the existing domestic terminal to ensure it is working as best it can to meet the needs of our growing number of domestic travellers for the next few years. The upgrades will focus on easier traffic flow, increased processing and boarding spaces and a host of other operational improvements. The changes started in January 2013 and will relieve capacity constraints for aircraft and passenger processing and make domestic journeys better.

Passenger experience

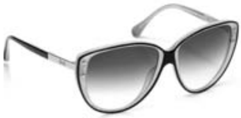
Auckland Airport’s goal is to serve the interests of consumers and New Zealand by driving choice, innovation, efficiency and quality (reflecting its service ethos of making journeys better).

As the airport that receives more than 70% of all visitors to New Zealand and contributes the most to tourism and trade, we must avoid constraining the country’s economic growth agenda and seek to maximise our contribution.

Considerable joint planning and effort, led and coordinated by the Auckland Airport operations team, goes into increasing terminal capacity and efficiency. Airport-wide collaboration with border agencies, airlines and other key partners is focused on efficiency and optimising the asset while still delivering an outstanding passenger experience. The successful introduction of a second A380 daily service by Emirates, and an increase in domestic services by Jetstar and Air New Zealand, highlights this ongoing work.



ENHANCING THE EXPERIENCE
OFFERING UNIQUE NEW ZEALAND AND PREMIUM GLOBAL BRANDS FOR A DIVERSE RANGE OF CUSTOMERS.



The retail business at Auckland Airport has also focused on the customer experience and gaining a deeper understanding of customers and behaviours. This has led to a greater number of short-term retail options, providing frequent travellers with a greater range of products and services from which to choose. The customer insights we have gained and the flexibility we have offered to New Zealand and global brands has resulted in the airport being used to launch or trial a number of new products. We have also focused on supporting our retail partners through our on-airport marketing efforts.

Safety is a fundamental yet seldom seen aspect of the passenger experience. Auckland Airport prides itself on its health and safety record, illustrated by Auckland Airport's Airfield Manager, Dennis Millington, becoming the first person from the airport sector to receive an individual Civil Aviation Directors award, recognising his outstanding contribution to safety in aviation.

FOCUSED RESEARCH
WE'VE FOCUSED ON THE CUSTOMER EXPERIENCE AND GAINED A DEEPER UNDERSTANDING OF CUSTOMERS AND BEHAVIOURS.

Governance

At the annual shareholders meeting in October 2012, the Chair, Joan Withers, signaled to shareholders her intention to retire from the Board at the next Annual Meeting in October 2013.

Joan has served with distinction on the Board of Auckland Airport since 1997, the last two and a half years as Chair. Joan remains focused on continuing the momentum built over the last few years.

Justine Smyth was appointed as a new director in early July 2012. Justine is also a director of Telecom, a Board member of the Financial Markets Authority and chair of The New Zealand Breast Cancer Foundation. Justine has strong experience in retail, governance, mergers and acquisitions, taxation and financial performance of large corporate enterprises and the acquisition, ownership, management and sale of small and medium enterprises. Her experience positively complements the mix of skills and experience of other Board members.

November 2012 saw the appointment of Adrian Littlewood as the new Chief Executive of Auckland Airport. Adrian had been the General Manager, Retail and Commercial since 2009. The Board was delighted to have appointed Adrian, an internal candidate, after an extensive local and international search programme, which attracted a significant number of high calibre applicants.

The Board also acknowledges the contribution made by Simon Robertson, who stepped into the role of Acting Chief Executive in August. Simon did a great job of leading the company through the transition period while the search for a Chief Executive was underway. Simon had made it clear to the Board he did not wish to be considered for the Chief Executive role on a permanent basis, and returned to his role as Chief Financial Officer with our thanks.

The passing of Sir Wilson Whineray, a long-serving director of Auckland Airport, and a great New Zealander, in October 2012, saddened the Board and Management of Auckland Airport. Sir Wilson served as a director of Auckland Airport from 1992 to 2005, and was one of that rare breed of leaders who combined outstanding business acumen with profound wisdom, with an overlay of mana, dignity and personal humility.

IN MEMORIAM

SIR WILSON WHINERAY
1935–2012

...one of that rare breed of leaders who combined outstanding business acumen with profound wisdom, and with an overlay of mana, dignity and personal humility.

FROM LEFT JOAN WITHERS | JUSTINE SMYTH
ADRIAN LITTLEWOOD | SIMON ROBERTSON

Looking ahead

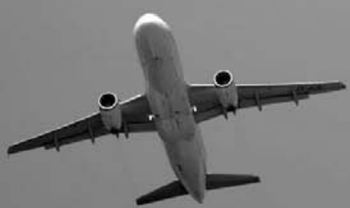
At the beginning of the 2013 financial year, we outlined expectations that the net profit after tax (excluding any fair value changes and other one-off items) would be between $143 and $150 million.

Performance for the first six months has been slightly ahead of expectations, particularly domestic passenger volume growth. While challenges to aviation demand remain, we now have a modestly higher expectation for the FY2013 period. We are therefore lifting our guidance for the full year to between $145 and $153 million, subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property, and volatility in global market conditions or other unforeseeable circumstances.

Joan Withers
CHAIR

Adrian Littlewood
CHIEF EXECUTIVE

Financials



Group interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	NOTES	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Income				
Airfield income		40,836	39,476	77,299
Passenger services charge	4	59,950	42,051	83,081
Terminal services charge	4	-	14,353	28,604
Retail income		62,371	61,839	120,863
Rental income		27,013	26,646	54,974
Rates recoveries		1,903	2,236	4,390
Car park income		20,450	18,635	36,620
Interest income		1,426	840	1,570
Other income		9,603	9,791	19,412
Total income		223,552	215,867	426,813
Expenses				
Staff	4	18,174	17,123	34,326
Asset management, maintenance and airport operations		19,276	18,796	36,717
Rates and insurance		4,766	4,478	9,082
Marketing and promotions		6,977	6,357	12,207
Other		7,998	7,752	15,192
Total expenses		57,191	54,506	107,524
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		166,361	161,361	319,289
Share of profit of associates	5	4,368	2,713	9,240
Derivative fair value increase/(decrease)		1,128	(2,063)	(2,148)
Investment property fair value increases	8	-	-	1,350
Earnings before interest, taxation and depreciation (EBITDA)		171,857	162,011	327,731
Depreciation		31,430	31,751	64,483
Earnings before interest and taxation (EBIT)		140,427	130,260	263,248
Interest expense and other finance costs	4	33,705	35,012	68,958
Profit before taxation	3	106,722	95,248	194,290
Taxation expense		29,812	26,145	52,006
Profit after taxation attributable to owners of the parent		76,910	69,103	142,284

		Cents	Cents	Cents
Earnings per share:				
Basic and diluted earnings per share		5.82	5.22	10.76

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 INSTITUTE OF CHARTERED ACCOUNTANTS (NZICA) REVIEW ENGAGEMENT STANDARD RS-1. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2012 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Group interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	NOTES	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Profit for the period		76,910	69,103	142,284
Other comprehensive income				
Items that will not be reclassified to the income statement:				
Tax on the property, plant and equipment revaluation reserve		(473)	475	472
Items that will not be reclassified to the income statement		(473)	475	472
Items that may be reclassified subsequent to the income statement:				
Movement in share of reserves of associates	5	(756)	(6,103)	(9,668)
Movement in foreign currency translation reserve		(950)	620	(1,724)
Cash flow hedges:				
Fair value gains/(losses) recognised in the cash flow hedge reserve		(6,041)	(15,916)	(19,716)
Realised (gains)/losses transferred to the income statement		4,406	6,220	11,466
Tax effect of movements in the cash flow hedge reserve		458	2,715	2,310
Total cash flow hedge movement		(1,177)	(6,981)	(5,940)
Items that may be reclassified subsequent to the income statement		(2,883)	(12,464)	(17,332)
Total other comprehensive income/(loss)		(3,356)	(11,989)	(16,860)
Total comprehensive income for the period, net of tax attributable to the owners of the parent		73,554	57,114	125,424

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 INSTITUTE OF CHARTERED ACCOUNTANTS (NZICA) REVIEW ENGAGEMENT STANDARD RS-1. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2012 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Group interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

GROUP	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000
At 1 July 2012		348,846	(171,604)	2,148,589
Profit for the period		-	-	-
Other comprehensive income/(loss)		-	-	(473)
Total comprehensive income/(loss)		-	-	(473)
Reclassification to retained earnings		-	-	(433)
Dividend paid	6	-	-	-
At 31 December 2012		348,846	(171,604)	2,147,683
GROUP				
At 1 July 2011		338,386	(161,304)	2,149,731
Profit for the period		-	-	-
Other comprehensive income/(loss)		-	-	475
Total comprehensive income/(loss)		-	-	475
Reclassification to retained earnings		-	-	(1,573)
Shares issued		10,723	-	-
Share buy-back		(583)	(10,299)	-
Dividend paid	6	-	-	-
At 30 December 2011		348,526	(171,603)	2,148,633
At 1 July 2011		338,386	(161,304)	2,149,731
Profit for the year		-	-	-
Other comprehensive income/(loss)		-	-	472
Total comprehensive income/(loss)		-	-	472
Reclassification to retained earnings		-	-	(1,614)
Shares issued		11,043	-	-
Share buy back		(583)	(10,300)	-
Dividend paid	6	-	-	-
At 30 June 2012		348,846	(171,604)	2,148,589

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 INSTITUTE OF CHARTERED ACCOUNTANTS (NZICA) REVIEW ENGAGEMENT STANDARD RS-1. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2012 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Share-based payments reserve $000	Cash flow hedge reserve $000	Share of reserves of associates $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000
913	(26,614)	(11,351)	2,031	181,957	2,472,767
-	-	-	-	76,910	76,910
-	(1,177)	(756)	(950)	-	(3,356)
-	(1,177)	(756)	(950)	76,910	73,554
-	-	-	-	433	-
-	-	-	-	(80,665)	(80,665)
913	(27,791)	(12,107)	1,081	178,635	2,465,656
913	(20,674)	(1,683)	3,755	158,407	2,467,531
-	-	-	-	69,103	69,103
-	(6,981)	(6,103)	620	-	(11,989)
-	(6,981)	(6,103)	620	69,103	57,114
-	-	-	-	1,573	-
-	-	-	-	-	10,723
-	-	-	-	-	(10,882)
-	-	-	-	(62,163)	(62,163)
913	(27,655)	(7,786)	4,375	166,920	2,462,323
913	(20,674)	(1,683)	3,755	158,407	2,467,531
-	-	-	-	142,284	142,284
-	(5,940)	(9,668)	(1,724)	-	(16,860)
-	(5,940)	(9,668)	(1,724)	142,284	125,424
-	-	-	-	1,614	-
-	-	-	-	-	11,043
-	-	-	-	-	(10,883)
-	-	-	-	(120,348)	(120,348)
913	(26,614)	(11,351)	2,031	181,957	2,472,767

Group interim statement of financial position

AS AT 31 DECEMBER 2012

	NOTES	As at 31 Dec 2012 $000	As at 31 Dec 2011 $000	As At 30 June 2012 $000
Non-current assets				
Property, plant and equipment	7	3,005,445	3,026,016	3,021,865
Investment properties	8	601,553	557,733	579,783
Investment in associates	5	177,757	191,692	179,957
Derivative financial instruments		16,014	27,847	24,664
		3,800,769	3,803,288	3,806,269
Current assets				
Cash		76,022	36,564	42,842
Inventories		10	10	10
Prepayments		7,127	6,811	5,404
Accounts receivable		22,159	18,393	17,664
Dividend receivable		-	-	3,290
Derivative financial instruments		-	-	54
		105,318	61,778	69,264
Total assets		3,906,087	3,865,066	3,875,533
Shareholders' equity				
Issued and paid-up capital	9	348,846	348,526	348,846
Cancelled share reserve		(171,604)	(171,603)	(171,604)
Property, plant and equipment revaluation reserve		2,147,683	2,148,633	2,148,589
Share-based payments reserve		913	913	913
Cash flow hedge reserve		(27,791)	(27,655)	(26,614)
Share of reserves of associates		(12,107)	(7,786)	(11,351)
Foreign currency translation reserve		1,081	4,375	2,031
Retained earnings		178,635	166,920	181,957
		2,465,656	2,462,323	2,472,767
Non-current liabilities				
Term borrowings	10	1,069,994	906,503	926,930
Derivative financial instruments		31,450	32,930	31,627
Deferred tax liability		197,573	199,909	199,246
Other term liabilities		714	699	700
		1,299,731	1,140,041	1,158,503
Current liabilities				
Accounts payable and accruals		54,468	51,696	54,439
Taxation payable		3,461	304	6,160
Derivative financial instruments		724	2,658	1,339
Short-term borrowings	10	81,801	206,799	181,800
Provisions		246	1,245	525
		140,700	262,702	244,263
Total equity and liabilities		3,906,087	3,865,066	3,875,533

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Group interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	NOTES	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Cash flow from operating activities				
Cash was provided from:				
Receipts from customers		218,109	217,757	428,523
Interest received		1,426	840	1,570
		219,535	218,597	430,093
Cash was applied to:				
Payments to suppliers and employees		(57,960)	(52,785)	(105,753)
Income tax paid		(34,199)	(38,131)	(59,207)
Other taxes paid		(123)	(100)	(255)
Interest paid		(34,036)	(33,347)	(68,153)
		(126,318)	(124,363)	(233,368)
Net cash flow from operating activities	11	93,217	94,234	196,725
Cash flow from investing activities				
Cash was provided from:				
Settlement of net investment hedge (payments)/proceeds		-	101	(1,027)
Dividends from associate		7,876	8,449	15,335
		7,876	8,550	14,308
Cash was applied to:				
Purchase of property, plant and equipment		(21,354)	(22,060)	(46,485)
Interest paid – capitalised		(998)	(504)	(1,822)
Expenditure on investment properties		(15,546)	(17,291)	(36,335)
		(37,898)	(39,855)	(84,642)
Net cash flow applied to investing activities		(30,022)	(31,305)	(70,334)
Cash flow from financing activities				
Cash was provided from:				
Increase in share capital	9	-	10,723	11,043
Increase in borrowings		689,650	879,608	1,499,380
		689,650	890,331	1,510,423
Cash was applied to:				
Share buy-back		-	(10,882)	(10,883)
Decrease in borrowings		(639,000)	(889,797)	(1,508,887)
Dividends paid	6	(80,665)	(62,163)	(120,348)
		(719,665)	(962,842)	(1,640,118)
Net cash flow applied to financing activities		(30,015)	(72,511)	(129,695)
Net increase/(decrease) in cash held		33,180	(9,582)	(3,304)
Opening cash brought forward		42,842	46,146	46,146
Ending cash carried forward		76,022	36,564	42,842

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Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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 original assets of Auckland Airport were vested in the company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The company commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. The company is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements presented are for Auckland Airport and its subsidiaries and associates ("the group"). The subsidiaries consist of Auckland Airport Limited, Auckland International Airport Limited Share Purchase Plan, Auckland Airport Holdings Limited, and Auckland Airport Holdings (No 2) Limited.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The group earns revenue from aeronautical activities, on-airport retail concessions and car parking facilities, standalone investment properties and other charges and rents associated with operating an airport. The group also holds investments in three other airports being Cairns Airport and Mackay Airport in Queensland, Australia (NQA), and in Queenstown Airport in New Zealand, and also in the Tainui Auckland Airport Hotel Limited Partnership.

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 21 February 2013.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice and comply with New Zealand Equivalent to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. Auckland Airport is designated as a profit-oriented 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 Annual Report for the year ended 30 June 2012 ("2012 Annual Report").

The accounting policies set out in the 2012 Annual Report have been applied consistently to all periods presented in these financial statements, except as identified below. The following changes to accounting standards have been adopted in the preparation of these financial statements:

- *Amendments to NZ IAS 1 Presentation of financial statements – Presentation of items of other comprehensive income* is effective for annual reporting periods beginning on or after 1 July 2012. The Amendments require entities to separate items presented in other comprehensive income into two groups, based on whether they may impact the income statement in the future. They do not affect the measurement of any of the items recognised in the statement of financial position or the income statement in the current period.
- The amendment *Deferred tax: Recovery of Underlying Assets (Amendments to NZ IAS 12)* is effective for annual reporting periods beginning on or after 1 January 2012. The revised standard introduces a rebuttable presumption that an investment property is recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to realise substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of Auckland Airport do rebut the presumption of recovery through sale as it is expected that the company will receive the fair value of investment property by holding the investment property over that property's life. Therefore, application of this amendment has not had any impact on these financial statements.

These interim financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise indicated.

3. 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 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 at least monthly. The Chief Executive assesses performance of the operating segments based on segment EBITDA. Interest income and expenditure, taxation and depreciation are not allocated to operating segments as the group manages the cash position and assets 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.

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

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

Six months ending 31 December 2012	Aeronautical $000	Retail $000	Property $000	Total $000
Total segment income	110,823	87,388	22,161	220,372
Total segment expenses	33,536	6,648	5,399	45,583
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	77,287	80,740	16,762	174,789
Six months ended 31 December 2011				
Total segment income	108,880	84,744	19,561	213,185
Total segment expenses	33,653	6,443	4,903	44,999
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	75,227	78,301	14,658	168,186
Year ended 30 June 2012				
Total segment income	214,571	166,045	41,076	421,692
Total segment expenses	65,362	12,740	10,445	88,547
Segment earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (Segment EBITDAFI)	149,209	153,305	30,631	333,145
Investment property fair value increases	-	-	1,350	1,350
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	149,209	153,305	31,981	334,495

Income reported above represents income generated from external customers. There was no inter-segment income in the year (31 December 2011: $nil; 30 June 2012: $nil).

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

3. Segment information CONTINUED

c/ Segment reconciliation of segment EBITDA to income statement:

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Segment EBITDA	174,789	168,186	334,495
Unallocated external operating income from continuing operations	3,180	2,682	5,121
Unallocated external operating expenses from continuing operations	(11,608)	(9,507)	(18,977)
Share of profit/(loss) of associates	4,368	2,713	9,240
Derivative fair value changes	1,128	(2,063)	(2,148)
Depreciation	(31,430)	(31,751)	(64,483)
Interest expense and other finance costs	(33,705)	(35,012)	(68,958)
Profit before taxation	106,722	95,248	194,290

The income included in unallocated external operating income from continuing operations consists mainly of interest from third party financial institutions and income from telecommunication services. The expenses included in external operating expenses from continuing operations consists mainly of staff expenses for management staff and corporate legal and consulting fees.

4. Profit for the period

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Staff expenses comprise:			
Salaries and wages	13,720	13,389	27,277
Employee benefits	1,566	1,098	2,422
Share-based payment	906	690	690
Defined contribution superannuation	441	402	802
Other staff costs	1,541	1,544	3,135
	18,174	17,123	34,326
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments	19,215	18,364	37,767
Interest on bank facilities and related hedging instruments	8,495	9,937	18,714
Interest on USPP notes and related hedging instruments	4,635	4,647	9,276
Interest on commercial paper and related hedging instruments	2,358	2,568	5,023
	34,703	35,516	70,780
Less capitalised borrowing costs	(998)	(504)	(1,822)
	33,705	35,012	68,958
Interest rate for capitalised borrowing costs	6.29%	6.49%	6.61%

4. Profit for the period CONTINUED

Passenger Services Charge and Terminal Services Charge

A new five year pricing schedule commencing 1 July 2012 was introduced following a comprehensive consultation process. Key structural pricing changes include the removal of a separate international terminal service charge, the removal of domestic terminal rental charges relating to passenger processing areas, the introduction of an international transit and transfer passenger services charge, the introduction of a domestic passenger services charge and the phased introduction of passenger services charges for 2-11 year olds.

5. Investment in associates

Movement in the group's carrying amount of investments in associates:

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Investment in associates at 1 July	179,957	197,635	197,635
Share of repayment of partner contribution	(360)	-	(520)
Share of profit after tax of associates	4,368	2,713	9,240
Share of reserves of associates	(756)	(6,103)	(9,668)
Share of dividends received	(4,193)	(4,667)	(14,325)
Foreign currency translation	(1,259)	2,114	(2,405)
Investment in associates at end of the period	177,757	191,692	179,957

The carrying value of investments in associates summarised by the underlying investment is outlined below:

	As at 31 Dec 2012 $000	As at 31 Dec 2011 $000	As at 30 June 2012 $000
Tainui Auckland Airport Hotel Limited Partnership	7,927	6,334	7,789
Stapled Securities of North Queensland Airports Limited	140,530	156,502	143,023
Queenstown Airport Corporation Limited	29,300	28,856	29,145
	177,757	191,692	179,957

6. Distribution to shareholders

	Dividend payment date	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
2011 final dividend of 4.70 cps	21 October 2011	-	62,163	62,153
2012 interim dividend of 4.40 cps	2 April 2012	-	-	58,195
2012 final dividend of 6.10 cps	19 October 2012	80,665	-	-
Total dividends paid		80,665	62,163	120,348

The interim and final dividends relating to the 2012 financial year total 10.5 cents per share (2011: 8.70 cents per share). The increase in the final dividend from 4.70 cents per share in 2011 to 6.10 cents per share in 2012 was in part due to an increase in dividend policy from 90% to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, treasury instruments and other one off items).

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

7. Property, plant and equipment

	Land $000	Buildings and services $000	Infra-structure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
At 31 December 2012						
At fair value	1,908,808	542,297	285,221	279,579	-	3,015,905
At cost	-	-	-	-	66,912	66,912
Work in progress at cost	-	11,568	5,780	38,564	4,178	60,090
Accumulated depreciation	-	(49,515)	(16,202)	(19,459)	(52,286)	(137,462)
Net carrying amount	1,908,808	504,350	274,799	298,684	18,804	3,005,445
Additions for the six months ending 31 December 2012 included above	-	5,786	331	5,407	3,486	15,010
At 31 December 2011						
At fair value	1,908,713	519,156	283,189	276,958	-	2,988,016
At cost	-	-	-	-	63,726	63,726
Work in progress at cost	-	9,239	3,847	34,886	906	48,878
Accumulated depreciation	-	(16,763)	(5,437)	(6,368)	(46,036)	(74,604)
Net carrying amount	1,908,713	511,632	281,599	305,476	18,596	3,026,016
Additions for the six months ending 31 December 2011 included above	-	10,070	6,808	4,702	1,481	23,061
At 30 June 2012						
At fair value	1,908,808	520,859	285,045	280,012	-	2,994,724
At cost	-	-	-	-	65,710	65,710
Work in progress at cost	-	27,220	5,627	33,158	1,893	67,898
Accumulated depreciation	-	(33,706)	(10,778)	(12,899)	(49,084)	(106,467)
Net carrying amount	1,908,808	514,373	279,894	300,271	18,519	3,021,865
Additions for the 12 months ending 30 June 2012 included above	-	29,754	10,652	6,029	5,044	51,479

Land and commercial properties were independently valued by Colliers International Limited and Seagar & Partners (Auckland) Limited, registered valuers, as at 30 June 2011 to fair value. Reclaimed land, seawalls, specialised buildings, infrastructure, runways, taxiways and aprons site improvements on commercial properties and car park facilities were independently valued by Opus International Consultants Limited, a multi-disciplinary engineering consultancy company, as at 30 June 2011 to fair value.

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. At 31 December 2012 there was no significant change in fair value.

8. Investment properties

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Balance at the beginning of the year	579,783	546,232	546,232
Additions	21,770	10,868	31,662
Transfers from/(to) property, plant and equipment	-	633	539
Change to net revaluations	-	-	1,350
Balance at end of period	601,553	557,733	579,783

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent registered valuers. Investment properties were last valued by independent valuers as at 30 June 2012. All valuers are registered valuers and industry specialists in valuing these types of investment properties.

At 31 December 2012 and 31 December 2011 an assessment review was performed by Auckland Airport which comprised a review of recent comparable transactional evidence of market sales and leasing activity using market data provided by CB Richard Ellis Limited. The assessment reviews and market data provided by CB Richard Ellis Limited at 31 December 2012 and 31 December 2011 did not include full property inspections or the issue of new reports but examined the likely effect on property values of the investment environment applicable at the relevant time. Further, at 31 December 2012, an independent review of three investment properties recently constructed or in the latter stages of construction was performed by registered valuers CB Richard Ellis Limited. That review at 31 December 2012 along with the assessment reviews and market data concluded that there were no material fair value movements. In the prior corresponding period to 31 December 2011 there was no independent review of properties in the early stages of construction as the carrying value of the two properties under construction at that time approximated fair value.

A full independent valuation of the investment property portfolio was performed by Seagar & Partners (Auckland) Limited, Colliers International Limited, CB Richard Ellis Limited, and Jones Lang LaSalle Limited registered valuers and industry specialists as at 30 June 2012. The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach. That full independent valuation resulted in a $1.350 million increase in the fair value of investment properties.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

9. Issued and paid-up capital

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Opening issued and paid-up capital at 1 July	348,846	338,386	338,386
Shares allocated to employees by employee share scheme	-	2	322
Shares issued under the dividend reinvestment plan	-	10,721	10,721
Shares purchased through an on-market share buy-back	-	(583)	(583)
Closing issued and paid-up capital	348,846	348,526	348,846

	6 months to 31 Dec 2012 Shares	6 months to 31 Dec 2011 Shares	12 months to 30 June 2012 Shares
Opening number of shares issued at 1 July	1,322,370,745	1,322,158,245	1,322,158,245
Shares allocated to employees by employee share scheme	-	1,500	212,500
Shares issued under the dividend reinvestment plan	-	4,665,700	4,665,700
Shares purchased through an on-market share buy-back	-	(4,665,700)	(4,665,700)
Closing number of shares issued	1,322,370,745	1,322,159,745	1,322,370,745

10. Borrowings

	As at 31 Dec 2012 $000	As at 31 Dec 2011 $000	As at 30 June 2012 $000
Current			
Commercial paper	81,801	81,799	81,800
Bank facility	-	75,000	50,000
Bonds	-	50,000	50,000
Total short-term borrowings	81,801	206,799	181,800
Non-current			
Bank Facilities	226,240	152,000	176,053
Bonds	637,939	538,950	538,370
USPP notes	205,815	215,553	212,507
Total term borrowings	1,069,994	906,503	926,930
Total			
Commercial paper	81,801	81,799	81,800
Bank facilities	226,240	227,000	226,053
Bonds	637,939	588,950	588,370
USPP notes	205,815	215,553	212,507
Total borrowings	1,151,795	1,113,302	1,108,730

10. Borrowings CONTINUED

The group utilises a mixture of bank facilities, term bonds, commercial paper, US private placement notes (USPP) and money market facilities to provide its on-going funding requirements. There were no defaults or breaches on any of the borrowing facilities in the current period (31 December 2011: nil, 30 June 2012: nil). The directors are confident that short-term borrowings will be refinanced at maturity.

Bank facilities

In September 2012, the company established a multi-currency bank facility (NZ$ and AU$) provided by Bank of New Zealand (BNZ) for NZ$80 million equivalent with a maturity date of 14 September 2017. As at 31 December 2012, this facility is drawn to the amount of AU$40 million (NZD equivalent NZ$51 million), the proceeds of which was used to repay the bond which matured on 7 November 2012. The AU$40 million is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports (NQA).

In October 2011, the company established a dual tranche multi-currency bank facility provided by Commonwealth Bank of Australia with a maturity date of 31 January 2015, comprising a NZ$135 million facility (Facility A) and a AU$40 million facility (Facility B). This bank facility, in conjunction with the term bond also issued in October 2011, was used to refinance the $275 million bank facility which matured on 31 January 2012. As at 31 December 2012, Facility A is undrawn. Facility B was fully drawn to AU$40 million (NZD equivalent NZ$51 million). The AU$40 million Facility B is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports (NQA).

In December 2009, the company established a bilateral $150 million standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ. The purpose of the standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital. In November 2011 the company extended the expiration of this bank facility to 10 March 2016. As at 31 December 2012, $125 million is drawn.

In March 2008, the company established a cash advances facility agreement with a syndicate of banks for $350 million. The facility contained a two-year facility of $125 million, a three-year facility of $125 million and a five-year revolving facility of up to $100 million. The company repaid the two-year $125 million facility in November 2009 and February 2010 in advance of its scheduled expiry date of March 2010. The company repaid the three-year $125 million facility in February 2011 with proceeds from the USPP issuance in advance of its scheduled expiry date of March 2011. The company repaid and cancelled the five-year $100 million revolving facility in December 2012 in advance of its scheduled expiry date of March 2013 with the proceeds of the bond issue in December 2012.

Borrowings under the bank facilities and standby facilities are supported by a negative pledge deed.

Term bonds

In December 2012, the company raised $100 million through a New Zealand public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 4.73 percent with a maturity of 13 December 2019.

In November 2012 the $50 million 7.19 percent fixed rate bonds matured and were repaid with proceeds from a drawdown of AU$40 million from the new BNZ multicurrency facility.

Borrowings under the bond programme are supported by a master trust deed.

US private placement notes

In December 2010, the company issued a total of US$150 million in the USPP market, made up of three tranches of US$50 million each. The tranches are a 4.42 percent coupon 10 year note and a 4.57 percent coupon 12 year note which were drawn in February 2011 as well as a 4.67 percent coupon 10 year note subsequently drawn in July 2011. Three cross currency interest rate swaps were also entered into at the same time to swap the US$ principal and fixed coupon obligations to NZ$ floating interest rates. These facilities were all drawn as at 31 December 2012, and are recorded on the balance sheet at their fair value including translation to NZ$ at the spot rate as at 31 December 2012.

Commercial paper

Commercial paper rates are set through a tender process. $82 million of commercial paper had been issued and was outstanding as at 31 December 2012.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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

	6 months to 31 Dec 2012 $000	6 months to 31 Dec 2011 $000	12 months to 30 June 2012 $000
Profit after taxation	76,910	69,103	142,284
Non-cash items:			
Depreciation	31,430	31,751	64,483
Bad debts and doubtful debts	3	(267)	(263)
Provision for loan write-off	-	775	775
Deferred taxation expense	(1,688)	(2,013)	(3,084)
Equity accounted earnings from associates	(4,368)	(2,713)	(9,240)
Investment property fair value decrease/(increase)	-	-	(1,350)
Derivative fair value decrease/(increase)	(1,128)	2,063	2,148
Items not classified as operating activities:			
(Gain)/loss on asset disposals	-	-	(79)
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	1,119	6,006	1,592
Movement in working capital:			
(Increase)/decrease in current assets	(6,222)	537	2,668
(Increase)/decrease in taxation payable	(2,698)	(9,973)	(4,117)
Increase/(decrease) in accounts payable	(155)	(1,027)	915
Increase/(decrease) in other term liabilities	14	(8)	(7)
Net cash flow from operating activities	93,217	94,234	196,725

12. 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 interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements as at 30 June 2012. Further information on risk management is also contained in the corporate governance section of the 2012 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2012.

In the period to 31 December 2012 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities.

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The group's derivative financial instruments are all level 2 financial instruments and the fair value of these instruments is determined by using valuation techniques. 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 2012.

There have been no reclassifications of financial assets since 30 June 2012.

13. Commitments

a/ Property, plant and equipment commitments

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for $24.913 million at balance date (31 December 2011: $10.853 million; 30 June 2012: $1.978 million).

b/ Investment property commitments

The group had contractual obligations to suppliers to purchase or develop investment property for $12.073 million at balance date (31 December 2011: $14.921 million; 30 June 2012: $11.639 million). The group has no further contractual obligations to tenants to purchase or develop investment property at balance date (31 December 2011: $0.976 million; 30 June 2012: $3.100 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for $0.589 million at balance date (31 December 2011: $0.585 million; 30 June 2012: $1.272 million).

14. Contingent liabilities and uncertain tax positions

Noise insulation

In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the company and other interested parties on the location and future operation of a second runway to the north and parallel to the existing runway. Construction of the second runway had commenced but on 28 August 2009 Auckland Airport announced that this construction had been deferred. Auckland Airport has gone through extensive consultation with the airline industry and continues to review capacity management of the existing runway to estimate the optimal construction timeframe for a second runway which is expected to be operational in the next decade.

The Environment Court determination includes a number of conditions which apply to the operation of the airport. These conditions include obligations on the company to mitigate the impacts of aircraft noise on the local community. The obligations include the company offering acoustic treatment packages to schools and existing homes within defined areas. Noise levels are monitored continually, and, as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of increase in aircraft noise levels over time, nor the rate of acceptance of offers of treatment by homeowners, the company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed $10.0 million.

Taxation

In May 2012, the Taxation (International Investment and Remedial Matters) Bill was enacted which included reform of the non-portfolio interests in foreign investment funds (‘FIF’) rules. The group is a holder of a non-portfolio interest in a FIF through its investment in the stapled securities of North Queensland Airports. The FIF rules now contained in the Income Tax Act 2007, effective 1 July 2011, mean certain loans within the stapled securities of North Queensland Airports give rise to attributable income to the group. It has been submitted to the Inland Revenue Department Policy Advice Division (‘IRD PAD’) that the outcome is not correct from a tax policy perspective. The IRD PAD has agreed with the submission and to recommend that a retrospective amendment is to be inserted into the Taxation (Livestock Valuation, Assets Expenditure, and Remedial Matters) Bill.

No current tax liability has been recognised in the financial statements as it is considered unlikely that the final outcome will be a payment to the Inland Revenue Department (‘IRD’) in relation to the FIF attribution due to the proposed amendment, but this would occur if the proposed amendment were not passed into legislation. The total exposure not recognised under the current FIF rules at 31 December 2012 for the period 1 July 2011 to 31 December 2012 is approximately $3.0m.

15. Related party transactions

All trading with related parties, including and not limited to licence fees, rentals and other sundry charges, has been made on an arms-length commercial basis, without special privileges, except as noted below.

No guarantees have been given or received.

For the period ended 31 December 2012, the Group has not made any allowance for impairment loss relating to amounts owed by related parties (31 December 2011: $0.775 million; 30 June 2012: $0.775 million). In six months to 31 December 2011 and therefore the year ended 30 June 2012, the Group provided in full for the impairment of a $0.775 million loan to Auckland International Airport Marae Limited.

No other expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

In the period ended 31 December 2012 the group agreed with Brick Bay Charitable Trust (which trades as Brick Bay Sculpture Trust) to purchase assets for $0.444m from that trust on an arms-length commercial basis without special privileges. Brick Bay Charitable Trust is a charitable trust and non-profit entity with revenue made by the trust used to assist New Zealand artists in meeting the expense of building outdoor art work. The trustees of the Brick Bay Charitable Trust are Richard Didsbury and his wife Christine Didsbury. Richard Didsbury is a director of Auckland International Airport Limited.

The company has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges, with the exception of the loans by the Company to Auckland Airport Limited and Auckland Airport Holdings (No. 2) Limited, and loans from Auckland Airport Employee Share Purchase Plan to employees, which are interest free.

North Queensland Airports

North Queensland Airports is an associate entity of the group. During the six month period ended 31 December 2012 Auckland Airport received directors fees of $0.102 million (31 December 2011: $0.156 million, year ended 30 June 2012: $0.206 million) for the provision of two of Auckland Airport's senior management staff, who are each on the boards of directors of a number of North Queensland Airports group companies. These directors apply their airport industry knowledge and skills, supported by the expertise of the other senior management of Auckland Airport, to protect and grow the value of the investment.

The directors of North Queensland Airports declared dividends of AU$11.500 million throughout the six month period ended 31 December 2012 (31 December 2011: AU$12.000 million, year ended 30 June 2012: AU$42.000 million). The group's share of the dividends are AU$2.823 million (NZ$3.547 million) (31 December 2011: AU$2.946 million, NZ$3.844 million; year ended 30 June 2012: AU$10.311 million, NZ$13.253).

Tainui Auckland Airport Hotel Limited Partnership

Tainui Auckland Airport Hotel Limited Partnership is an associate entity of the group. During the six month period ended 31 December 2012 the group received rental income of $0.318 million (31 December 2011: $0.143 million; year ended 30 June 2012: $0.794 million) and paid facilities hire fees of $0.004 million (31 December 2011: $0.004 million; year ended 30 June 2012: $0.037 million). In addition to this, two of Auckland Airport's senior management staff are directors on the board of the Tainui Auckland Airport Hotel Limited Partnership. No director's fees are paid in relation to these appointments but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

The directors of Tainui Auckland Airport Hotel Limited Partnership declared a repayment of partner contribution of $1.800 million in the six month period ended 31 December 2012 (31 December 2011: $nil; year ended 30 June 2012: $2.600 million). The group's share of the partner contribution is $0.360 million (31 December 2011: $nil; year ended 30 June 2012: $0.520 million) and the amount receivable at period end was $nil (31 December 2011: $nil; year ended 30 June 2012: $nil).

15. Related party transactions CONTINUED

Queenstown Airport

Queenstown Airport is an associate entity of the group. During the six month period ended 31 December 2012 the group received no remuneration for services provided by Auckland Airport to Queenstown Airport (31 December 2011: $0.022 million year ended 30 June 2012: $0.022 million). The directors of Queenstown Airport declared dividends of $2.587 million in the six month period ended 31 December 2012 (31 December 2011: $3.288 million; year ended 30 June 2012: $4.288 million). The group's share of the dividend is $0.646 million (31 December 2011: $0.822 million; year ended 30 June 2012: $1.072 million) and the amount receivable at period end was $nil (31 December 2011: $nil; year ended 30 June 2012: $nil). There have been no other material monetary transactions between the entities; however, services have been provided by Auckland Airport in accordance with a Strategic Alliance Agreement, utilising the skills, experience and expertise of some of Auckland Airport's management staff to help protect and grow Auckland Airport's investment in Queenstown Airport.

Auckland Council

Auckland Council's shareholding in the company exceeds 20 percent and, as such, accounting standard NZ IAS 24 requires that transactions with Auckland Council to be treated as related party transactions for the six month period ended 31 December 2012. Rates of $3.565 million (31 December 2011: $3.369 million; year ended 30 June 2012: $6.731 million) and compliance, consent costs and other local government regulatory obligations of $0.427 million (31 December 2011: $0.175 million; year ended 30 June 2012: $0.600 million) were incurred for the six month period ended 31 December 2012. Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. In the six month period ended 31 December 2012 grounds maintenance costs of $0.897 million (31 December 2011: $0.886 million; year ended 30 June 2012: $1.505 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement whereby Auckland Airport agrees to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for consideration of $4.092 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels. The same agreement also rationalised the road network within the airport with some roads to be transferred between the parties and some roads to be acquired by Auckland Airport for $3.109 million. These transactions are not complete as at 31 December 2012 and the obligations and benefits of Manukau City Council under the agreements now rest with Auckland Council.

16. Events subsequent to balance date

On 21 February 2013, the directors approved the payment of a fully imputed final dividend of 5.75 cents per share amounting to $76.058 million to be paid on 2 April 2013.

On 29 January 2013, the directors of Queenstown Airport declared a dividend of $1.000 million. The group's share of the dividend is $0.250 million and payment was received on 31 January 2013.

On 11 January 2013, the directors of North Queensland Airport declared a further dividend of AU$10.000 million for the quarter ended 31 December 2012, which was received on 1 February 2012. The group's share of the dividend was AU$2.455 million (NZ$3.031 million).

Deloitte.

REVIEW REPORT
TO THE SHAREHOLDERS OF
AUCKLAND INTERNATIONAL AIRPORT LIMITED

We have reviewed the consolidated interim financial statements on pages 18 to 35. The consolidated interim financial statements provide information about the past financial performance of Auckland International Airport Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2012. This information is stated in accordance with the accounting policies set out on page 24.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2012 and the results of operations and cash flows for the six months ended on that date.

Independent Accountant's Responsibilities

We are responsible for reviewing the consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the consolidated interim financial statements of the Group for the six months ended 31 December 2012 in accordance with the Review Engagement Standards issued by the External Reporting Board.

Other than in our capacity as auditors under the Companies Act 1993 and the provision of AGM vote scrutineer assistance, we have no relationship with or interests in Auckland International Airport Limited or its subsidiaries.

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated interim financial statements on pages 18 to 35 do not present fairly the financial position of the Group as at 31 December 2012 and the results of its operations 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.

Our review was completed on 21 February 2013 and our review opinion is expressed as at that date.

Deloitte

Chartered Accountants
21 February 2013
Auckland, New Zealand

This review report relates to the unaudited consolidated interim financial statements of Auckland International Airport Limited for the six months ended 31 December 2012 included on Auckland International Airport Limited's website. Through management, the Board of Directors is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entities website. We accept no responsibility for any changes that may have occurred to the unaudited consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited consolidated interim financial statements and related review report dated 21 February 2013 to confirm the information included in the reviewed unaudited consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate directory

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Keith Turner, deputy chair
John Brabazon
Richard Didsbury
Brett Godfrey
Sir Henry van der Heyden
James Miller
Justine Smyth

SENIOR MANAGEMENT

Adrian Littlewood, chief executive
Peter Alexander, general manager property
Paul Divers, acting general manager retail and commercial
Judy Nicholl, general manager aeronautical operations
Simon Robertson, chief financial officer
Charles Spillane, general manager corporate affairs
Adam Tyrie, general manager master-planning and terminal development
Glenn Wedlock, general manager aeronautical commercial

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CORPORATE SECRETARY

Charles Spillane

AUDITORS

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

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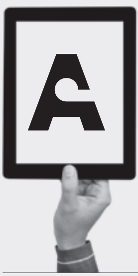

Online Review

View our interactive review at **aucklandairport.co.nz/report** which has been designed for ease of online use, with tablets in mind, and includes additional content.

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