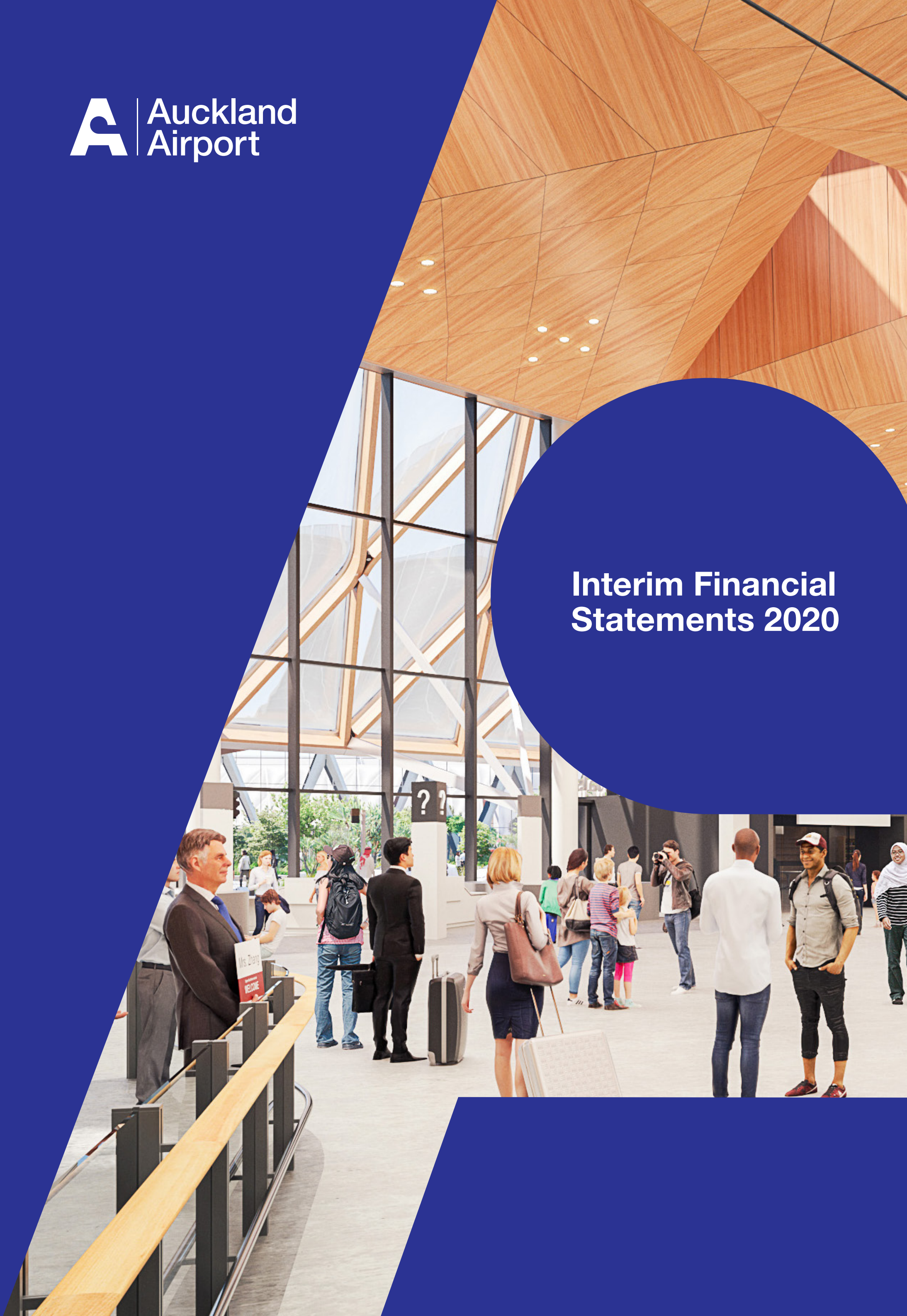
Auckland Airport



Interim Financial Statements 2020

Contents

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Income			
Airfield income		60.8	64.3
Passenger services charge		91.1	93.3
Retail income		113.6	110.8
Rental income		57.0	53.3
Rates recoveries		3.8	3.1
Car park income		34.3	32.9
Interest income		0.7	1.0
Other income		13.4	11.9
Total income		374.7	370.6
Expenses			
Staff	4	30.6	29.8
Asset management, maintenance and airport operations		42.5	38.6
Rates and insurance		8.9	7.9
Marketing and promotions		5.6	5.5
Professional services and levies		2.8	4.9
Other expenses		5.1	6.8
Total expenses		95.5	93.5
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)		279.2	277.1
Share of profit of associate and joint ventures	6	5.0	4.3
Derivative fair value (decrease)/increase		(0.4)	0.2
Investment property fair value increase	9	9.1	11.1
Earnings before interest, taxation and depreciation (EBITDA)		292.9	292.7
Depreciation		55.4	50.0
Earnings before interest and taxation (EBIT)		237.5	242.7
Interest expense and other finance costs	4	34.7	40.1
Profit before taxation	3	202.8	202.6
Taxation expense		55.6	55.4
Profit after taxation, attributable to the owners of the parent		147.2	147.2

	Cents	Cents
Earnings per share		
Basic and diluted earnings per share	12.14	12.23

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2019 AND 31 DECEMBER 2018. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2019 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Profit for the period	147.2	147.2
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Fair value gains/(losses) recognised in the cash flow hedge reserve	0.4	(10.9)
Realised losses transferred to the income statement	1.2	1.0
Tax effect of movements in the cash flow hedge reserve	(0.4)	4.3
Total cash flow hedge movement	1.2	(5.6)
Movement in cost of hedging reserve	2.2	(0.6)
Tax effect of movement in cost of hedging reserve	(0.6)	0.2
Items that may be reclassified subsequently to the income statement	2.8	(6.0)
Total other comprehensive income/(loss)	2.8	(6.0)
Total comprehensive income for the period, net of tax, attributable to the owners of the parent	150.0	141.2

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Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
Six months ended 31 December 2019 (unaudited)				
At 30 June 2019		468.2	(609.2)	4,968.8
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Shares issued	10	32.2	-	-
Dividend paid	7	-	-	-
At 31 December 2019		500.4	(609.2)	4,968.8
Six months ended 31 December 2018 (unaudited)				
At 30 June 2018		404.2	(609.2)	4,913.9
Adjustment on adoption of NZ IFRS 9		-	-	-
At 1 July 2018		404.2	(609.2)	4,913.9
Profit for the period		-	-	-
Other comprehensive loss		-	-	-
Total comprehensive income		-	-	-
Shares issued	10	34.7	-	-
Long-term incentive plan		-	-	-
Dividend paid	7	-	-	-
At 31 December 2018		438.9	(609.2)	4,913.9

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Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate $M	Retained earnings $M	Total $M
1.4	(67.1)	(5.8)	28.8	1,247.8	6,032.9
-	-	-	-	147.2	147.2
-	1.2	1.6	-	-	2.8
-	1.2	1.6	-	147.2	150.0
-	-	-	-	-	32.2
-	-	-	-	(136.3)	(136.3)
1.4	(65.9)	(4.2)	28.8	1,258.7	6,078.8
1.3	(38.2)	-	28.8	981.3	5,682.1
-	3.3	(3.3)	-	-	-
1.3	(34.9)	(3.3)	28.8	981.3	5,682.1
-	-	-	-	147.2	147.2
-	(5.6)	(0.4)	-	-	(6.0)
-	(5.6)	(0.4)	-	147.2	141.2
-	-	-	-	-	34.7
(0.1)	-	-	-	-	(0.1)
-	-	-	-	(132.3)	(132.3)
1.2	(40.5)	(3.7)	28.8	996.2	5,725.6

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2019

	Notes	Unaudited As at 31 Dec 2019 $M	Audited As at 30 Jun 2019 $M
Non-current assets			
Property, plant and equipment	8	6,658.3	6,577.1
Investment properties	9	1,848.7	1,745.4
Investment in associate and joint ventures	6	117.2	105.7
Derivative financial instruments		160.8	162.6
		8,785.0	8,590.8
Current assets			
Cash and cash equivalents		65.2	37.3
Trade and other receivables		91.0	69.0
		156.2	106.3
Total assets		8,941.2	8,697.1
Shareholders' equity			
Issued and paid-up capital	10	500.4	468.2
Reserves		4,319.7	4,316.9
Retained earnings		1,258.7	1,247.8
		6,078.8	6,032.9
Non-current liabilities			
Term borrowings	11	1,893.9	1,748.6
Derivative financial instruments		88.1	88.4
Deferred tax liability		268.5	265.3
Other term liabilities		1.8	1.9
		2,252.3	2,104.2
Current liabilities			
Accounts payable and accruals		115.1	102.4
Taxation payable		12.4	15.3
Short-term borrowings	11	481.8	441.8
Provisions		0.8	0.5
		610.1	560.0
Total equity and liabilities		8,941.2	8,697.1

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Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		358.6	352.1
Interest received		0.7	1.0
		359.3	353.1
Cash was applied to:			
Payments to suppliers and employees		(99.7)	(110.7)
Income tax paid		(56.3)	(49.0)
Interest paid		(34.3)	(38.3)
		(190.3)	(198.0)
Net cash flow from operating activities	5	169.0	155.1
Cash flow from investing activities			
Cash was provided from:			
Dividends from associate and joint ventures		8.9	7.2
		8.9	7.2
Cash was applied to:			
Purchase of property, plant and equipment		(120.9)	(153.3)
Interest paid – capitalised		(6.5)	(2.7)
Expenditure on investment properties		(92.8)	(24.5)
Investment in joint ventures		(15.4)	(0.6)
		(235.6)	(181.1)
Net cash flow applied to investing activities		(226.7)	(173.9)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		290.0	150.0
		290.0	150.0
Cash was applied to:			
Decrease in borrowings		(100.0)	(75.0)
Dividends paid	7	(104.4)	(98.1)
		(204.4)	(173.1)
Net cash flow from/(applied to) financing activities		85.6	(23.1)
Net increase/(decrease) in cash held		27.9	(41.9)
Opening cash brought forward		37.3	106.7
Ending cash carried forward		65.2	64.8

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Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. Corporate information

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

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

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 20 February 2020.

2. Basis of preparation and accounting policies

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

Auckland Airport is designated as a 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 2019 ('2019 Annual Report').

The accounting policies set out in the 2019 Annual Report have been applied consistently to all periods presented in these interim financial statements, other than the adoption of NZ IFRS 16 for the 2020 financial year.

NZ IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019. The group has applied NZ IFRS 16 from 1 July 2019. When applying the new standard, the group reviewed:

- Leases where the group is the lessor and has concluded that these will remain as operating leases under NZ IFRS 16; and
- Leases where the group is the lessee and has concluded that there is no material impact of NZ IFRS 16 on the financial statements.

Investment properties, space within terminals and certain properties used for aeronautical purposes, where the group acts as a lessor, are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and adjustments to rentals depending on the passenger numbers.

To manage any credit risk exposure where considered necessary, the group may obtain bank guarantees for the term of the lease.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Application of this standard by the group has not materially affected any of the amounts recognised in these financial statements. The application of this standard resulted in additional disclosures relating to the disaggregation of leased vs non-leased assets (refer to note 8 and note 9) and a number of other qualitative disclosures that were included above.

There are no other new or amended standards that are issued but not yet effective that are expected to have a material impact on the group.

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

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, as the chief operating decision-maker, in assessing performance and in determining the allocation of resources.

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

(b) Types of services provided

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

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

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

	Aeronautical	Retail	Property	Total
	$M	$M	$M	$M
Six months ended 31 December 2019 (unaudited)				
Total segment income	167.3	154.1	50.2	371.6
Total segment expenses	46.7	16.7	11.1	74.5
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	120.6	137.4	39.1	297.1
Six months ended 31 December 2018 (unaudited)				
Total segment income	171.7	149.0	47.1	367.8
Total segment expenses	42.4	15.9	12.1	70.4
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	129.3	133.1	35.0	297.4

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2018: nil).

3. Segment information CONTINUED

(c) Reconciliation of segment EBITDAFI to income statement

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Segment EBITDAFI	297.1	297.4
Unallocated external operating income	3.1	2.8
Unallocated external operating expenses	(21.0)	(23.1)
Total EBITDAFI as per income statement	279.2	277.1
Share of profit of associate and joint ventures	5.0	4.3
Depreciation	(55.4)	(50.0)
Derivative fair value (decrease)/increase	(0.4)	0.2
Investment property fair value increase	9.1	11.1
Interest expense and other finance costs	(34.7)	(40.1)
Profit before taxation	202.8	202.6

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

4. Profit for the period

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Staff expenses comprise:		
Salaries and wages	24.2	23.5
Employee benefits	2.4	2.0
Share-based payment plans	0.4	0.4
Defined contribution superannuation	0.9	0.8
Other staff costs	2.7	3.1
	30.6	29.8
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	21.3	20.2
Interest on bank facilities and related hedging instruments	6.8	6.1
Interest on USPP notes and related hedging instruments	7.1	8.9
Interest on AMTN notes and related hedging instruments	4.4	5.3
Interest on commercial paper and related hedging instruments	1.6	2.3
	41.2	42.8
Less capitalised borrowing costs	(6.5)	(2.7)
	34.7	40.1
Interest rate for capitalised borrowings costs	3.94%	4.29%

The gross interest costs of bonds, bank facilities, USPP, AMTN and commercial paper, excluding the impact of interest rate hedges, was $41.0 million for the period ended 31 December 2019 (31 December 2018: $40.4 million).

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

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Profit after taxation	147.2	147.2
Non-cash items:		
Depreciation	55.4	50.0
Deferred taxation expense	2.2	7.0
Share-based payments	0.4	0.4
Equity-accounted earnings from associate and joint ventures	(5.0)	(4.3)
Investment property fair value increase	(9.1)	(11.1)
Derivative fair value decrease/(increase)	0.4	(0.2)
Items not classified as operating activities:		
(Increase)/decrease in property, plant and equipment retentions and payables	(10.4)	51.7
Increase in investment property retentions and payables	(0.1)	(2.8)
Movement in working capital:		
Increase in trade and other receivables	(22.0)	(31.3)
Decrease in taxation payable	(2.9)	(0.6)
Increase/(decrease) in accounts payable and provisions	13.0	(51.0)
(Decrease)/increase in other term liabilities	(0.1)	0.1
Net cash flow from operating activities	169.0	155.1

6. Associate and joint ventures

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

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
Movement in investment in associate and joint ventures continuing		
Investment in associate and joint ventures at the beginning of the period	105.7	104.4
Further investment in joint ventures	15.4	2.3
Share of profit after tax of associate and joint ventures	5.0	4.3
Share of dividends received and repayment of partner contribution	(8.9)	(7.2)
Investment in associate and joint ventures at the end of the period	117.2	102.1

Tainui Auckland Airport Hotel Limited Partnership (joint venture)

On 31 October 2019, the group increased its investment in Tainui Auckland Airport Hotel Limited Partnership from 40% to 50% by way of acquiring Accor Hospitality's remaining 10% stake in the partnership. The 10% stake was purchased for a consideration of $6.6 million.

Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture)

During the period ended 31 December 2019, the group contributed $8.8 million into the Tainui Auckland Airport Hotel 2 Limited Partnership to fund its 50% share of the initial construction costs of the Pullman Hotel.

In August 2019, the group provided a $96.3 million 35-month loan facility to the Tainui Auckland Airport Hotel 2 Limited Partnership. The loan facility was undrawn at 31 December 2019 but will be used to fund future construction costs of the Pullman Hotel. The loan facility will be secured over the joint venture's assets, with a floating interest rate of BKBM plus 1.5%.

Carrying value of investments in associate and joint ventures:

	Unaudited As at 31 Dec 2019 $M	Audited As at 30 Jun 2019 $M
Investment in associate and joint ventures continuing		
Tainui Auckland Airport Hotel Limited Partnership	32.2	30.4
Tainui Auckland Airport Hotel 2 Limited Partnership	14.0	5.2
Queenstown Airport Corporation Limited	71.0	70.1
Total	117.2	105.7

7. Distribution to shareholders

	Dividend payment date	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M
2018 final dividend of 11.00 cps	19 October 2018	-	132.3
2019 final dividend of 11.25 cps	18 October 2019	136.3	-
Total dividends paid		136.3	132.3

The company has a dividend reinvestment plan. During the period ended 31 December 2019, $31.9 million of dividends were reinvested and $104.4 million were paid in cash (31 December 2018: $34.2 million reinvested and $98.1 million paid in cash).

8. Property, plant and equipment

	Unaudited As at 31 Dec 2019 $M	Audited As at 30 Jun 2019 $M
At fair value	6,402.5	6,373.6
At cost	185.0	174.4
Work in progress at cost	325.2	229.8
Accumulated depreciation	(254.4)	(200.7)
Net carrying amount	6,658.3	6,577.1

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

At 31 December 2019 the group assessed that carrying amounts do not differ materially from fair value.

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

Additions to property, plant and equipment were $135.1 million for the six months ended 31 December 2019 (six months ended 31 December 2018: $104.4 million).

Transfers from investment property were $1.2 million for the six months ended 31 December 2019 to make land available for the terminal exit road. Transfers from investment property were $21.6 million for the six months ended 31 December 2018 to make land available for new public car parks and for owner-occupied office space.

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

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $188.6 million (30 June 2019: $188.6 million);
- Land associated with retail facilities within terminal buildings carried at $2,232.0 million (30 June 2019: $2,232.0 million); and
- Space within terminal buildings, being 14% of total floor area or $124.4 million (30 June 2019: 14% of total floor area or $127.9 million).

9. Investment properties

	Unaudited 6 months to 31 Dec 2019 $M	Audited 12 months to 30 Jun 2019 $M
Balance at the beginning of the period	1,745.4	1,425.6
Additions	95.4	92.8
Disposals	-	(0.5)
Transfer to property, plant and equipment (note 8)	(1.2)	(26.5)
Change in net revaluations	9.1	254.0
Balance at the end of the period	1,848.7	1,745.4

Investment property is measured at fair value, which reflects market conditions at balance date. To determine fair value, Auckland Airport commissions investment property valuations at 30 June each year and undertakes a desktop review at 31 December each year.

At 31 December 2019 and 31 December 2018, desktop reviews were performed by Auckland Airport which comprised a review of recent comparable transactional evidence of market sales and leasing activity using market data provided by Colliers. The reviews did not include full property inspections or the issue of new valuation reports but examined the likely effect on property values relevant to Auckland Airport's investment property portfolio. The reviews indicated that there was no material fair value movement in the overall investment property portfolio.

At 31 December each year, Auckland Airport also reviews investment properties that are recently constructed or in the latter stages of construction. At 31 December 2019, a review of four new investment properties was performed by Savills.

The valuation of these four investment properties resulted in a $9.1 million increase in the fair value at 31 December 2019 (31 December 2018: $11.1 million increase resulting from the valuation of one recently constructed investment property).

The following categories of investment property are leased to tenants:

- Retail and service carried at $295.1 million (30 June 2019: $271.3 million);
- Industrial carried at $1,007.3 million (30 June 2019: $927.8 million); and
- Other investment property carried at $176.0 million (30 June 2019: $169.1 million).

10. Issued and paid-up capital

	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2019 Shares	Unaudited 6 months to 31 Dec 2018 Shares
Opening issued and paid-up capital	468.2	404.2	1,210,674,696	1,201,875,336
Shares fully paid and allocated to employees by employee share scheme	0.1	0.3	10,300	64,200
Shares vested to employees participating in long-term incentive plans	0.2	0.2	89,379	125,515
Shares issued under the dividend reinvestment plan	31.9	34.2	3,620,888	4,839,421
Closing issued and paid-up capital	500.4	438.9	1,214,395,263	1,206,904,472

11. Borrowings

	Unaudited As at 31 Dec 2019 $M	Audited As at 30 Jun 2019 $M
Current		
Commercial paper	91.8	91.8
Bank facilities	240.0	100.0
Bonds	150.0	250.0
Total short-term borrowings	481.8	441.8
Non-current		
Bank facilities	130.0	80.0
Bonds	825.0	725.0
USPP notes	628.8	631.9
AMTN notes	310.1	311.7
Total term borrowings	1,893.9	1,748.6
Total		
Commercial paper	91.8	91.8
Bank facilities	370.0	180.0
Bonds	975.0	975.0
USPP notes	628.8	631.9
AMTN notes	310.1	311.7
Total borrowings	2,375.7	2,190.4

Bank facilities
In August 2019 a new $100 million five-year facility was established with Mizuho Bank. The new facility replaced an existing drawn facility of the same amount that was set to mature in October 2019.

An additional $95 million 39-month facility was also established in August 2019 with China Construction Bank.

In December 2019 two new $50 million 12-month standby facilities were established with BNZ and Westpac.

Bonds and notes
In the period to 31 December 2019 the company undertook the following bond financing activity:

- The issuance of $100 million of three-year floating rate notes in October 2019; and
- The repayment of a $100 million seven-year 4.73% fixed rate bond in December 2019.

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

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 group has no other material direct price risk exposure.

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 for the year ended 30 June 2019.

Further information on risk management is contained in the corporate governance section of the 2019 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2019.

13. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2019 (30 June 2019: nil)

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

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

Borrowings issued at fixed rates, including bonds, USPP notes and AMTN notes, are also carried at amortised cost, which differs from their fair value.

The fair values are shown in the table below for comparative purposes and are determined as follows:

The group's bonds are classified as level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date;The group's USPP notes are classified as level 2.

The fair value of the USPP notes has been determined at balance date on a discounted cash flow basis using the USD Bloomberg curve and applying discount factors to the future USD interest payment and principal payment cash flows; andThe group's AMTN notes are classified as level 2.

The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	Unaudited 31 Dec 2019		Audited 30 Jun 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	975.0	1,026.6	975.0	1,031.1
USPP notes	628.8	639.0	631.9	637.0
AMTN notes	310.1	315.8	311.7	303.0

13. Fair value of financial instruments CONTINUED

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

	Unaudited Fair value As at 31 Dec 2019 $M	Audited Fair value As at 31 Dec 2018 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates
Liabilities	(88.1)	(88.4)	
Interest basis swaps			Observable forward basis swap pricing and contract basis rates
Assets	1.5	1.8	
Cross-currency interest rate swaps			Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates
Assets	159.3	160.8	

14. Commitments

(a) Property, plant and equipment
The group had contractual obligations to purchase or develop property, plant and equipment for $375.0 million at 31 December 2019 (30 June 2019: $72.0 million).

(b) Investment property
The group had contractual obligations to purchase, develop, repair or maintain investment property for $133.7 million at 31 December 2019 (30 June 2019: $183.4 million).

15. Contingent liabilities

Noise insulation

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

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

Projections are undertaken annually to determine eligibility. The rate of acceptance of offers of treatment by landowners is variable. It is estimated that further costs of noise mitigation should not exceed $9.0 million in relation to the existing runway and proposed northern runway.

Firefighting foam clean-up

The group has an obligation to dispose of PFOS/PFOA contaminated firefighting foam inventory, which is currently underway. PFOS/PFOA containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand.

The Ministry for the Environment is yet to determine if the airport sector will need to perform any additional decontamination tasks other than disposing of surplus inventory, but our investigations to assess the extent of any contamination are ongoing.

At this time, the potential cost of any yet-to-be-determined decontamination obligations has not been provided for in the financial statements.

16. Events subsequent to balance date

On 20 February 2020, the directors approved the payment of a fully imputed interim dividend of 11 cents per share amounting to $133.7 million to be paid on 3 April 2020.

On 12 February 2020, the directors of Queenstown Airport declared a dividend of $1.0 million. The group's share of the dividend is $0.2 million and was received on 13 February 2020.

Deloitte.

INDEPENDENT REVIEW REPORT
TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

We have reviewed the condensed consolidated interim financial statements of Auckland International Airport Limited ('the Company') and its subsidiaries ('the Group') which comprise the condensed consolidated interim statement of financial position as at 31 December 2019, and the condensed consolidated interim income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 2 to 19.

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

Board of Directors' Responsibilities

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

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Auckland International Airport Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm carries out other assignments for Auckland International Airport Limited in the area of taxation advice, AGM vote scrutineering assistance and assurance reporting for regulatory purposes. These services have not impaired our independence as auditor of the Group. In addition to this, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Deloitte Limited

20 February 2020
Chartered Accountants
AUCKLAND, NEW ZEALAND

Shareholder information

Reporting entity

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

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

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

The total number of voting securities on issue as at 31 December 2019 was 1,215,040,409.

Waivers granted by the NZX

Waiver dated 28 November 2012

NZX granted a waiver of the previous Listing Rule 11.1.1 in relation to the company's quoted bonds. This allowed the company to refuse a transfer of bonds if the transfer was not in multiples of $1,000 or would result in the transferor holding an aggregate principal amount of less than $10,000 of the relevant series of bonds (if not zero).

Waiver dated 12 September 2018

The company was issued with waivers of the previous Listing Rules 5.2.3 and 7.11.1 by NZX on 12 September 2018 (for a period of six months from 11 October 2018) in respect of the company's October 2018 issue of $150 million of unsecured, unsubordinated, fixed rate notes ('Bonds').

The previous Listing Rule 5.2.3 (as modified by NZX's ruling on Rule 5.2.3 issued on 29 September 2015) provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 100 members of the public, holding at least 25% of the number of securities in the class issued, with each member holding at least a minimum holding.

The waiver was granted on the conditions that (i) the waiver and its implications were disclosed in the terms sheet for the Bonds, (ii) the waiver, its conditions and their implications are disclosed in the company's half-year and annual reports, (iii) the terms sheet for the Bonds disclosed liquidity in the Bonds as a risk, and (iv) the company is to notify NZX Regulation if there is a material reduction in the total number of and/or percentage of the Bonds held by members of the public holding at least a minimum holding of the Bonds.

The effect of the waiver from the previous Listing Rule 5.2.3 is that the Bonds may not be widely held and there may be reduced liquidity in the Bonds.

The previous Listing Rule 7.11.1 provides that an issuer making an issue of debt securities quoted or to be quoted shall proceed to allotment within five business days after the latest date on which applications close. The company was given a waiver from Rule 7.11.1 to structure the offer so that the allotment date was ten business days after the closing date.

NZX's class ruling dated 19 November 2018

On November 2018, NZX granted a class ruling to all issuers transitioning to the new Listing Rules. Waivers granted prior to 1 January 2019 will continue to have effect from a transitioning issuer's transition date to 30 June 2020, in respect of the application of such waivers and/or rulings to the comparable new NZX Listing Rule.

During the transitional period, NZX Regulation will redocument the grandfathered waivers identified by the issuer to reflect updated Listing Rule references and language. Redocumented waivers will then continue to apply after 30 June 2020.

The effect of NZX's class ruling is that the waivers dated 12 September 2018 from the previous Listing Rules 5.2.3 and 7.11.1 continued to have effect until 11 April 2019, at which point they expired in accordance with the terms of the waivers above.

The company will not require an equivalent waiver under the new Listing Rules to the waiver dated 28 November 2012 from the previous Listing Rule 11.1.1. This is because the new Listing Rule 8.1.6(a) allows the company to refuse to transfer its quoted bonds if the transfer is not in multiples of $1,000 or would result in the transferor holding an aggregate principal amount of less than $10,000 of the relevant series of bonds (if not zero). The company considers that the new Listing Rule 8.1.6(a) fully covers the previous waiver and therefore the waiver is no longer required.

Shareholder information CONTINUED

Auditors

Deloitte has continued to act as external auditor of the company and has undertaken a review of the interim financial statements for the six months ended 31 December 2019. The external auditor is subject to a partner rotation policy.

Credit rating

As at 31 December 2019, the S&P Global Ratings' long-term credit rating for the company was A- Stable Outlook.

Company publications

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

Enquiries

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

Share Registrars

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Auckland 1142

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Locked Bag A14
Sydney South
NSW 1235

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

Corporate directory

DIRECTORS

Patrick Strange, chair
Mark Binns
Dean Hamilton
Julia Hoare
Elizabeth Savage
Tania Simpson
Justine Smyth
Christine Spring

SENIOR MANAGEMENT

Adrian Littlewood
chief executive

Philip Neutze
chief financial officer

Richard Barker
general manager retail and commercial

Anna Cassels-Brown
general manager operations

Jonathan Good
general manager technology and marketing

André Lovatt
general manager airport development and delivery

Scott Tasker
general manager aeronautical commercial

Mark Thomson
general manager property

Mary-Liz Tuck
general manager corporate services and
general counsel

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GENERAL COUNSEL & GENERAL MANAGER CORPORATE SERVICES

Mary-Liz Tuck

AUDITORS

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