Auckland Airport

Interim Financial Statements 2021

Contents

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Notes	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Income			
Airfield income		30.8	60.8
Passenger services charge		9.5	91.1
Retail income		7.0	113.6
Rental income		55.4	57.0
Rates recoveries		3.8	3.8
Car park income		12.5	34.3
Interest income		3.1	0.7
Other income		9.4	13.4
Total income		131.5	374.7
Expenses			
Staff	5	21.0	30.6
Asset management, maintenance and airport operations		24.5	42.5
Rates and insurance		10.6	8.9
Marketing and promotions		0.2	5.6
Professional services and levies		1.5	2.8
Fixed asset impairment	3	0.9	-
Reversal of fixed asset termination costs	3	(14.9)	-
Other expenses		3.3	5.9
Reversal of expected credit losses		(3.8)	(0.8)
Total expenses		43.3	95.5
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		88.2	279.2
Investment property fair value change	10	29.8	9.1
Derivative fair value change		0.8	(0.4)
Share of profit of associate and joint ventures	7	3.2	5.0
Earnings before interest, taxation and depreciation (EBITDA)[1]		122.0	292.9
Depreciation		59.3	55.4
Earnings before interest and taxation (EBIT)[1]		62.7	237.5
Interest expense and other finance costs	5	35.0	34.7
Profit before taxation	4	27.7	202.8
Taxation expense		(0.4)	55.6
Profit after taxation, attributable to the owners of the parent		28.1	147.2

Earnings per share		Cents	Cents
Basic and diluted earnings per share		1.91	11.97

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures.

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2020 AND NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2019. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2020 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Profit for the period	28.1	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	14.4	0.4
Realised (gains)/losses transferred to the income statement	(0.5)	1.2
Tax effect of movements in the cash flow hedge reserve	(3.9)	(0.4)
Total cash flow hedge movement	10.0	1.2
Movement in cost of hedging reserve	(2.6)	2.2
Tax effect of movement in cost of hedging reserve	0.7	(0.6)
Items that may be reclassified subsequently to the income statement	8.1	2.8
Total other comprehensive income	8.1	2.8
Total comprehensive income for the period, net of tax, attributable to the owners of the parent	36.2	150.0

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2020 AND NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2019. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2020 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
Six months ended 31 December 2020 (unaudited)				
At 1 July 2020		1,678.6	(609.2)	4,333.7
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Reclassification to retained earnings		-	-	(3.6)
Shares issued	11	0.6	-	-
Long-term incentive plan		-	-	-
At 31 December 2020		1,679.2	(609.2)	4,330.1

	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 1 July 2019		468.2	(609.2)	4,968.8
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Shares issued	11	32.2	-	-
Dividend paid	8	-	-	-
At 31 December 2019		500.4	(609.2)	4,968.8

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2020 AND NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2019. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2020 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate and joint ventures $M	Retained earnings $M	Total $M
1.6	(100.7)	(3.9)	28.8	1,308.2	6,637.1
-	-	-	-	28.1	28.1
-	10.0	(1.9)	-	-	8.1
-	10.0	(1.9)	-	28.1	36.2
-	-	-	-	3.6	-
-	-	-	-	-	0.6
0.2	-	-	-	-	0.2
1.8	(90.7)	(5.8)	28.8	1,339.9	6,674.1
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

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2020

	Notes	Unaudited As at 31 Dec 2020 $M	Audited As at 30 Jun 2020 $M
Non-current assets			
Property, plant and equipment	9	6,066.5	6,060.8
Investment properties	10	2,094.0	2,042.7
Investment in associate and joint ventures	7	124.5	114.7
Derivative financial instruments		148.4	230.5
		8,433.4	8,448.7
Current assets			
Cash and cash equivalents		682.4	765.3
Trade and other receivables		48.7	46.2
Taxation receivable		21.0	21.6
Derivative financial instruments		12.1	15.4
		764.2	848.5
Total assets		9,197.6	9,297.2
Shareholders' equity			
Issued and paid-up capital	11	1,679.2	1,678.6
Reserves		3,655.0	3,650.3
Retained earnings		1,339.9	1,308.2
		6,674.1	6,637.1
Non-current liabilities			
Term borrowings	12	1,684.3	1,824.4
Derivative financial instruments		119.3	134.6
Deferred tax liability		233.4	231.7
Other term liabilities		2.2	2.1
		2,039.2	2,192.8
Current liabilities			
Accounts payable and accruals		92.7	106.3
Derivative financial instruments		4.9	3.0
Short-term borrowings	12	382.5	320.8
Provisions		4.2	37.2
		484.3	467.3
Total equity and liabilities		9,197.6	9,297.2

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2020 AND NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2019. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2020 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Notes	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		133.8	358.6
Interest received		2.2	0.7
		136.0	359.3
Cash was applied to:			
Payments to suppliers and employees		(71.2)	(99.7)
Income tax paid		-	(56.3)
Interest paid		(33.7)	(34.3)
		(104.9)	(190.3)
Net cash flow from operating activities	6	31.1	169.0
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.1	-
Dividends from associate and joint ventures		-	8.9
		0.1	8.9
Cash was applied to:			
Purchase of property, plant and equipment		(76.2)	(120.9)
Interest paid – capitalised		(3.6)	(6.5)
Expenditure on investment properties		(32.7)	(92.8)
Investment in joint ventures		(6.6)	(15.4)
		(119.1)	(235.6)
Net cash flow applied to investing activities		(119.0)	(226.7)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		5.0	290.0
		5.0	290.0
Cash was applied to:			
Decrease in borrowings		-	(100.0)
Dividends paid	8	-	(104.4)
		-	(204.4)
Net cash flow from financing activities		5.0	85.6
Net (decrease)/increase in cash held		(82.9)	27.9
Opening cash brought forward		765.3	37.3
Ending cash carried forward		682.4	65.2

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2020 AND NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIOD TO 31 DECEMBER 2019. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2020 HAVE BEEN AUDITED.
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 18 February 2021.

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 Financial Report for the year ended 30 June 2020.

The accounting policies set out in the 2020 Financial Report have been applied consistently to all periods presented in these interim financial statements.

There are no 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. Changes in key estimates and judgements

The financial position and performance of the group continued to be affected by the COVID-19 pandemic during the period. The following key estimates and judgements, arising from COVID-19, were generated on the same basis as at 30 June 2020:

Abatements
The group continues to provide abatements to retailers, aeronautical and property tenants significantly affected by COVID-19. During the period ended 31 December 2020, the group recognised $97.8 million of abatments as negative variable lease payments. These abatements were consistent with expectations and were factored into revaluations and impairment assessments at 30 June 2020.

Fixed asset write-offs, impairment and termination costs
No fixed assets were written off during the period ended 31 December 2020.

At 30 June 2020, the group recognised a $39.7 million impairment of capital works in progress. During the period ended 31 December 2020, the group recognised a further impairment of $0.9 million.

The provision for contract termination costs as at 30 June 2020 was $36.3 million. The group successfully concluded negotiations with most contractors during the period ended 31 December 2020, resulting in $18.0 million being used in settlements, $14.9 milllion being reversed to the income statement and $3.4 million provisions remaining at period end.

Provision for expected credit losses
The provision for expected credit losses as at 30 June 2020 was $7.6 million. During the period ended 31 December 2020, the provision has decreased by $3.8 million reflecting the recovery of outstanding debt.

Fair value assessments of investment properties
The valuations of investment properties at 30 June 2020 were prepared on the basis of 'material valuation uncertainty'. The group has assessed that, as at 31 December 2020 there is no 'material valuation uncertainty' for investment properties (note 10).

Other balance sheet assessments
There have been no material changes in the assessments of the following items disclosed in the 30 June 2020 financial statements:

- Impairment of associate and joint ventures (note 7); and
- Fair value assessments of property, plant and equipment (note 9).

4. Segment information

(a) Identification of reportable segments

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

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive 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.

During the period ended 31 December 2020, New Zealand's international border remained closed for non-residents, significantly affecting airfield income and passenger services charges. Further information is available in the 2020 Financial Report.

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

The above-mentioned travel restrictions continued to affect retailers within the terminals and the group provided $94.8 million of abatements to retailers during the six-month period ended 31 December 2020. Refer to note 3 for further information.

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

The group provided $2.8 million of rent abatements to property tenants during the six-month period ended 31 December 2020, but this was offset by new tenancies, with no material impact on total property rental revenue due to COVID-19 during the period.

	Aeronautical $M	Retail $M	Property $M	Total $M
Six months ended 31 December 2020 (unaudited)				
Total segment income	52.5	21.9	51.7	126.1
Total segment expenses	18.7	5.3	8.4	32.4
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	33.8	16.6	43.3	93.7
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

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2019: nil).

(c) Reconciliation of segment EBITDAFI to income statement

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Segment EBITDAFI	93.7	297.1
Unallocated external operating income	5.4	3.1
Unallocated external operating expenses	(10.9)	(21.0)
Total EBITDAFI as per income statement	88.2	279.2
Investment property fair value increase	29.8	9.1
Derivative fair value change	0.8	(0.4)
Share of profit of associate and joint ventures	3.2	5.0
Depreciation	(59.3)	(55.4)
Interest expense and other finance costs	(35.0)	(34.7)
Profit before taxation	27.7	202.8

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.

5. Profit for the period

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Staff expenses comprise:		
Salaries and wages	24.5	31.4
Capitalised salaries and wages	(2.8)	(7.2)
Employee benefits	(0.2)	2.4
Share-based payment plans	0.2	0.4
Defined contribution superannuation	0.9	0.9
Government wage subsidy	(2.2)	-
Other staff costs	0.6	2.7
	21.0	30.6
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	18.5	21.3
Interest on bank facilities and related hedging instruments	9.7	6.8
Interest on USPP notes and related hedging instruments	4.5	7.1
Interest on AMTN notes and related hedging instruments	4.4	4.4
Interest on commercial paper and related hedging instruments	1.5	1.6
	38.6	41.2
Less capitalised borrowing costs	(3.6)	(6.5)
	35.0	34.7
Interest rate for capitalised borrowings costs	4.04%	3.94%

As part of its response to COVID-19, the group reduced its workforce, affecting both employees involved in operational activities and employees whose time is predominantly capitalised to capital expenditure projects. Salaries and wages have previously been disclosed net of the capitalised amounts. To improve transparency and illustrate the impact of fewer project oriented employees and less time capitalised to projects, 'capitalised salaries and wages' has been disaggregated from 'salaries and wages' in both the current and comparative periods.

The interest expense amounts disclosed in the table above are net of the impact of interest rate hedges. The gross interest costs of bonds, bank facilities, USPP, AMTN and commercial paper, excluding the impact of interest rate hedges, was $35.1 million for the period ended 31 December 2020 (31 December 2019: $41.0 million).

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

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Profit after taxation	28.1	147.2
Adjustments for:		
Depreciation	59.3	55.4
Deferred taxation expense	(1.5)	2.2
Fixed asset impairment	0.9	-
Reversal of fixed asset termination costs	(14.9)	-
Share-based payments	0.2	0.4
Equity-accounted earnings from associate and joint ventures	(3.2)	(5.0)
Investment property fair value increase	(29.8)	(9.1)
Derivative fair value (increase)/decrease	(0.8)	0.4
Items not classified as operating activities:		
Loss on asset disposals	0.5	-
Decrease/(increase) in property, plant and equipment retentions and payables	34.9	(10.4)
Decrease/(increase) in investment property retentions and payables	5.0	(0.1)
Items recognised directly in equity	0.8	-
Movement in working capital:		
(Increase) in trade and other receivables	(2.5)	(22.0)
Decrease in taxation receivable/(payable)	0.6	(2.9)
(Decrease)/increase in accounts payable and provisions	(46.6)	13.0
Increase/(decrease) in other term liabilities	0.1	(0.1)
Net cash flow from operating activities	31.1	169.0

7. Associate and joint ventures

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

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
Movement in investment in associate and joint ventures continuing		
Investment in associate and joint ventures at the beginning of the period	114.7	105.7
Further investment in joint ventures	6.6	15.4
Share of profit after tax of associate and joint ventures	3.2	5.0
Share of dividends received and repayment of partner contribution	-	(8.9)
Investment in associate and joint ventures at the end of the period	124.5	117.2

Carrying value of investments in associate and joint ventures:

	Unaudited As at 31 Dec 2020 $M	Audited As at 30 Jun 2020 $M
Investment in associate and joint ventures continuing		
Tainui Auckland Airport Hotel Limited Partnership	23.1	20.5
Tainui Auckland Airport Hotel 2 Limited Partnership	28.3	21.7
Queenstown Airport Corporation Limited	73.1	72.5
Total	124.5	114.7

8. Distribution to shareholders

	Dividend payment date	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M
2019 final dividend of 11.25 cps	18 October 2019	-	136.3
2020 final dividend	N/A	-	-

As part of the capital restructure undertaken in April 2020 in response to COVID-19, Auckland Airport agreed financial covenant waivers with its bank lenders and USPP noteholders and agreed that no dividends will be paid while those waivers are in effect. Hence no final dividend was paid during the period ended 31 December 2020 (31 December 2019, $104.4 million dividends paid in cash and $31.9 million of dividends reinvested).

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

9. Property, plant and equipment

	Unaudited As at 31 Dec 2020 $M	Audited As at 30 Jun 2020 $M
At fair value	5,719.2	5,675.2
At cost	214.7	202.1
Work in progress at cost	381.1	372.8
Accumulated depreciation	(248.5)	(189.3)
Net carrying amount	6,066.5	6,060.8

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

At 31 December 2020 and 31 December 2019 the group undertook a desktop review of the property, plant and equipment balances carried at fair value. For assets valued using the discounted cash flow approach, the 31 December 2020 desktop assessment considered expectations of the timing and shape of the recovery from COVID-19, which remains uncertain. The changes since the last valuations at 30 June 2020 include the expected delay in establishing quarantine free travel, offset by positive strides in vaccine development and rollout. For assets valued using the optimised depreciated replacement cost approach, the assessment considered movements in the capital goods price index provided by Beca Projects NZ Ltd (Beca). For assets valued using the market value alternative use and direct sales comparison approaches, the assessment considered the outcome of the investment property desktop review described in note 10. These assessments indicated that there was no material fair value movement in property, plant and equipment from 30 June 2020.

Impact of COVID 19
The impact as at 30 June 2020 of COVID 19 on the valuation of property, plant and equipment was set out in note 11 of the 2020 Financial Report. Given the circumstances, all of the valuations as at 30 June 2020, except for reclaimed land, were prepared on the basis of “significant market uncertainty” or “material valuation uncertainty”, and therefore the valuers advised that less certainty should be attached to their valuations than would normally be the case. Due to the ongoing impacts of COVID-19, including the considerable uncertainty as to the timing and shape of the recovery, the group and its valuers consider that the carrying values remain subject to 'significant market uncertainty' or 'material valuation uncertainty'.

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

Additions to property, plant and equipment were $57.2 million for the six months ended 31 December 2020 (six months ended 31 December 2019: $135.1 million).

Transfers from investment property were $8.4 million for the six months ended 31 December 2020 (six months ended 31 December 2019: $1.2 million). The transfers in both the current and comparative periods were to make land available for the international terminal exit road.

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 $216.0 million (30 June 2020: $216.0 million);
- Land associated with retail facilities within terminal buildings carried at $1,667.5 million (30 June 2020: $1,667.5 million); and
- Space within terminal buildings, being 13% of total floor area or $123.2 million (30 June 2020: 13% of total floor area or $113.7 million).

10. Investment properties

	Unaudited 6 months to 31 Dec 2020 $M	Audited 12 months to 30 Jun 2020 $M
Balance at the beginning of the period	2,042.7	1,745.4
Additions	29.9	138.6
Transfer to property, plant and equipment (note 9)	(8.4)	(9.5)
Write-offs	-	(0.4)
Change in net revaluations	29.8	168.6
Balance at the end of the period	2,094.0	2,042.7

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 2020 and 31 December 2019, 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 between 30 June and 31 December 2020.

Impact of COVID-19
As reported in the 2020 Financial Report, the group's overall investment property portfolio has remained stable despite COVID-19. There has been no material change in circumstances since 30 June 2020 and the portfolio continues to be supported by high quality tenants, with long leases in industrial properties. Although the group provided $2.8 million of rent abatements to property tenants during the six-month period, these were consistent with expectations at 30 June 2020. There was no material impact on overall property rental revenue during the period (refer to notes 3 and 4 for further information).

The group has assessed that, as at 31 December 2020, there is no 'material valuation uncertainty' for investment properties. This assessment is based on the aforementioned market data provided by Colliers and the continued stability of the investment property portfolio since 30 June 2020.

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 2020, a review of two new investment properties was performed by Colliers.

The valuation of these two investment properties resulted in a $29.8 million increase in the fair value at 31 December 2020 (31 December 2019: $9.1 million increase resulting from the valuation of four investment properties either recently constructed or in the latter stages of construction).

The following categories of investment property are leased to tenants:

- Retail and service carried at $323.0 million (30 June 2020: $279.1 million);
- Industrial carried at $1,295.7 million (30 June 2020: $1,240.9 million); and
- Other investment property carried at $164.3 million (30 June 2020: $192.5 million).

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

	Unaudited 6 months to 31 Dec 2020 $M	Unaudited 6 months to 31 Dec 2019 $M	Unaudited 6 months to 31 Dec 2020 Shares	Unaudited 6 months to 31 Dec 2019 Shares
Opening issued and paid-up capital[1]	1,678.6	468.2	1,471,916,791	1,210,674,696
Shares fully paid and allocated to employees by employee share scheme	0.3	0.1	52,400	10,300
Shares vested to employees participating in long-term incentive plans	0.3	0.2	61,546	89,379
Shares issued under the dividend reinvestment plan	-	31.9	-	3,620,888
Closing issued and paid-up capital[1]	1,679.2	500.4	1,472,030,737	1,214,395,263

1 During April 2020, the company issued an additional 257,510,728 shares as part of a $1.2 billion capital raise (refer to the 2020 Financial Report for further details).

Earnings per share
The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $28.1 million (31 December 2019: $147.2 million).

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

	Unaudited 6 months to 31 Dec 2020 Shares	Restated 6 months to 31 Dec 2019 Shares
For basic earnings per share	1,471,966,206	1,229,278,684
Effect of dilution of share options	-	-
For diluted earnings per share	1,471,966,206	1,229,278,684

The company has restated the prior period basic and diluted earnings per share to reflect the small dilution that arose because the new shares issued at $4.66 under both the institutional share placement on 15 April 2020 and the share purchase plan on 1 May 2020 were priced at a 7.5% discount to the $5.04 closing price on the NZX on 3 April 2020, immediately before the equity raise was announced. Technically, the extra shares allotted because of the issue discount versus the number required if there was no discount is referred to as the “implied bonus” element. The prior period comparatives have been adjusted downwards to reflect those extra bonus shares. There is no adjustment required for the current period.

The reported basic and diluted earnings per share for the six months ended 31 December 2020 is 1.91 cents (six months ended 31 December 2019: 11.97 cents).

12. Borrowings

	Unaudited As at 31 Dec 2020 $M	Audited As at 30 Jun 2020 $M
Current		
Commercial paper	91.9	91.9
Bonds	150.0	150.0
USPP notes	140.6	78.9
Total short-term borrowings	382.5	320.8
Non-current		
Bank facilities	210.0	205.0
Bonds	675.0	675.0
USPP notes	471.5	613.5
AMTN notes	327.8	330.9
Total term borrowings	1,684.3	1,824.4
Total		
Commercial paper	91.9	91.9
Bank facilities	210.0	205.0
Bonds	825.0	825.0
USPP notes	612.1	692.4
AMTN notes	327.8	330.9
Total borrowings	2,066.8	2,145.2

In the six-month period to 31 December 2020, the company did not issue or repay any bonds or notes but did draw down $5 million on existing bank facilities.

The financial covenant waivers, granted by bank and USPP lenders remain in place until December 2021 (inclusive). During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities.

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

13. Financial risk management

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

The interim financial statements do not include all financial risk management information and disclosures and should be read in conjunction with note 18 of the 2020 Financial Report.

Further information on risk management is contained in the corporate governance section of the 2020 Financial Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2020.

14. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2020 (30 June 2020: 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; and
- The group's AMTN notes are classified as level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	Unaudited 31 Dec 2020		Audited 30 Jun 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	825.0	873.4	825.0	878.9
USPP notes	612.1	625.3	692.4	697.3
AMTN notes	327.8	326.8	330.9	316.0

14. Fair value of financial instruments CONTINUED

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

	Unaudited Fair value As at 31 Dec 2020 $M	Audited Fair value As at 30 Jun 2020 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates
Liabilities	(124.2)	(137.6)	
Interest basis swaps			Observable forward basis swap pricing and contract basis rates
Assets	1.1	1.2	
Cross-currency interest rate swaps			Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates
Assets	159.4	244.8	

15. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $37.1 million at 31 December 2020 (30 June 2020: $91.9 million).

(b) Investment property

The group had contractual obligations to purchase, develop, repair or maintain investment property for $64.9 million at 31 December 2020 (30 June 2020: $64.6 million).

16. Contingent liabilities

Noise insulation

Auckland Airport Designation 1100, contained in the Auckland Unitary Plan, sets out the requirements for noise mitigation for neighbouring 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 individual landowners whether they accept a noise mitigation package.

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $8.1 million (30 June 2020: $8.2 million).

Contractor claims

A contingent liability of $11.6 million (30 June 2020: $10.4 million) is estimated for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a highly conservative view by including all known uncertified contractor claims as part of this estimate.

17. Events subsequent to balance date

On 12 February 2021, the directors of Queenstown Airport resolved that no interim dividend would be declared for the period ended 31 December 2020.

On 17 February 2021, the directors of Auckland Airport resolved that no interim dividend would be declared for the period ended 31 December 2020.

Deloitte.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Auckland International Airport Limited ('the Company') and its subsidiaries ('the Group') which comprise the consolidated interim statement of financial position as at 31 December 2020, and the consolidated interim income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 2 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020 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*.

Emphasis of Matter – Significant market uncertainty or material valuation uncertainty related to the carrying values of property, plant and equipment

We draw your attention to note 9 in the condensed consolidated interim financial statements, where the Group discloses that due to the ongoing impacts of COVID-19, including the considerable uncertainty as to the timing and shape of the recovery, the Group and its independent registered valuers consider that the carrying values of the property, plant and equipment, except for reclaimed land, remain subject to "significant market uncertainty" or "material valuation uncertainty" as at 31 December 2020 and therefore less certainty should be attached to the valuations than would normally be the case. Our opinion is not modified in respect of this matter.

Basis for Conclusion

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

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

Our firm carries out other assignments for 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.

Directors' responsibilities for the interim financial statements

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

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

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

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

Restriction on use

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

Deloitte Limited

Andrew Dick
Partner
for Deloitte Limited
Auckland, New Zealand
18 February 2021

Shareholder information

Reporting entity

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

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

Stock exchange listings

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

The total number of voting securities on issue as at 31 December 2020 was 1,472,647,437.

Waivers granted by NZX

NZX class waiver and ruling dated 19 March 2020
On 19 March 2020 NZX issued a class waiver and ruling in relation to Section 4 of the NZX Listing Rules. The company relied upon the class waiver in respect of Listing Rule 4.5.1 in relation to the April 2020 $1 billion equity raise (**Equity Raise**) and Listing Rule 4.3.1 in relation to the April 2020 $200 million Share Purchase Plan (**SPP**).

Under the class waiver, the placement cap under Listing Rule 4.5.1 was increased from 15% to 25%, and the cap per registered holder under Listing Rule 4.3.1 for issues under a Share Purchase Plan was increased from $15,000 to $50,000 and the total cap from 5% to 30% of equity securities of that class at the time of offer.

The Equity Raise involved the issuance of 17.66% of the total equity securities at the time of the offer. The SPP was offered to all eligible existing shareholders of the company, enabling them to each subscribe for up to a maximum of NZ$50,000 of new company shares and had an average application of approximately NZ$15,000.

Auditors

Deloitte Limited has continued to act as external auditor of the company and has undertaken a review of the interim financial statements for the six months ended 31 December 2020. The external auditor is subject to a partner rotation policy.

Credit rating

As at 31 December 2020, the S&P Global Ratings' long-term credit rating for the company was A- Stable Outlook.

Company publications

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

Enquiries

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

Share Registrars

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

PO Box 91976
Auckland 1142

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

Locked Bag A14
Sydney South
NSW 1235

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

Corporate directory

DIRECTORS

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

SENIOR MANAGEMENT

Adrian Littlewood
chief executive

Philip Neutze
chief financial officer

Anna Cassels-Brown
general manager operations

Jonathan Good
general manager technology and marketing

André Lovatt
general manager infrastructure

Scott Tasker
general manager aeronautical commercial

Mark Thomson
general manager property and commercial

Mary-Liz Tuck
general manager corporate services and
general counsel

REGISTERED OFFICE NEW ZEALAND

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

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

REGISTERED OFFICE AUSTRALIA

c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia

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

MAILING ADDRESS

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

GENERAL COUNSEL & GENERAL MANAGER CORPORATE SERVICES

Mary-Liz Tuck

AUDITORS

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