Auckland Airport

Interim Financial Statements 2024

Contents

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Notes	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Income			
Airfield income		75.3	40.9
Passenger services charge		119.5	60.6
Retail income		90.3	59.4
Rental income		87.4	78.8
Rates recoveries		6.5	6.4
Car park income		33.8	27.5
Interest income		2.5	1.0
Flood-related insurance recoveries	3	10.0	-
Other income		15.2	13.2
Total income		440.5	287.8
Expenses			
Staff	5	36.9	29.5
Asset management, maintenance and airport operations		51.9	40.8
Rates and insurance		17.5	17.4
Marketing and promotions		4.0	1.9
Professional services and levies		4.0	3.0
Fixed asset write-offs, impairment and termination costs		-	0.1
Flood-related expense	3	8.6	-
Other expenses		7.0	6.1
Expected credit losses		0.4	-
Total expenses		130.3	98.8
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		310.2	189.0
Investment property fair value change	10	(27.1)	(93.8)
Derivative fair value change		(0.3)	(0.3)
Share of profit of associate and joint ventures	7	4.7	3.0
Earnings before interest, taxation and depreciation (EBITDA)[1]		287.5	97.9
Depreciation		84.3	68.7
Earnings before interest and taxation (EBIT)[1]		203.2	29.2
Interest expense and other finance costs	5	33.1	30.7
Profit/(loss) before taxation	4	170.1	(1.5)
Taxation expense/(benefit)		51.4	(6.3)
Profit after taxation, attributable to the owners of the parent		118.7	4.8
Earnings per share		Cents	Cents
Basic earnings per share	11	8.05	0.33
Diluted earnings per share	11	8.05	0.33

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to the 2023 Financial Report, note 3(e).

The financial statements for the six-month periods have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Standard for Review Engagements 2410 (Revised) for the six-month periods to 31 December 2023 and 31 December 2022. The full-year financial statements to 30 June 2023 have been audited.
The accompanying notes form part of these financial statements.

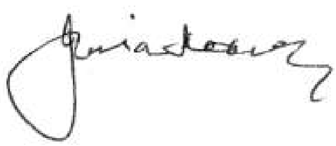
Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Profit for the period		118.7	4.8
Other comprehensive income			
Flood-related fixed asset impairment reversals	3	10.8	-
Tax on the property, plant and equipment revaluation reserve		(3.0)	-
Items that will not be reclassified to the income statement		7.8	-
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges:			
Fair value (losses)/gains recognised in the cash flow hedge reserve		(28.7)	22.7
Realised losses/(gains) transferred to the income statement		(3.0)	1.6
Tax effect of movements in the cash flow hedge reserve		8.9	(6.8)
Total cash flow hedge movement		(22.8)	17.5
Movement in cost of hedging reserve		(0.9)	(0.8)
Tax effect of movement in cost of hedging reserve		0.2	0.2
Items that may be reclassified subsequently to the income statement		(23.5)	16.9
Total other comprehensive income		(15.7)	16.9
Total comprehensive income for the period, net of tax, attributable to the owners of the parent		103.0	21.7

These interim financial statements were approved and adopted by the Board on 21 February 2024.

Signed on behalf of the Board by



Patrick Strange
Director, Chair of the Board

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

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Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M	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
Six months ended 31 December 2023 (unaudited)										
At 1 July 2023		1,680.8	(609.2)	5,187.3	2.0	31.6	(1.7)	62.1	2,024.6	8,377.5
Profit for the period		-	-	-	-	-	-	-	118.7	118.7
Other comprehensive income		-	-	7.8	-	(22.8)	(0.7)	-	-	(15.7)
Total comprehensive income		-	-	7.8	-	(22.8)	(0.7)	-	118.7	103.0
Reclassification to retained earnings		-	-	(5.8)	-	-	-	-	5.8	-
Shares issued	11	21.3	-	-	-	-	-	-	-	21.3
Long-term incentive plan		-	-	-	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-	-	(58.9)	(58.9)
At 31 December 2023		1,702.1	(609.2)	5,189.3	2.0	8.8	(2.4)	62.1	2,090.2	8,442.9
Six months ended 31 December 2022 (unaudited)										
At 1 July 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
Profit for the period		-	-	-	-	-	-	-	4.8	4.8
Other comprehensive income		-	-	-	-	17.5	(0.6)	-	-	16.9
Total comprehensive income		-	-	-	-	17.5	(0.6)	-	4.8	21.7
Reclassification to retained earnings		-	-	(0.2)	-	-	-	-	0.2	-
Shares issued	11	0.6	-	-	-	-	-	-	0.6	1.2
Long-term incentive plan		-	-	-	(0.1)	-	-	-	-	(0.1)
At 31 December 2022		1,680.8	(609.2)	5,040.0	2.0	35.2	(2.3)	50.9	1,976.3	8,173.7

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Consolidated interim statement of financial position

AS AT 31 DECEMBER 2023

	Notes	Unaudited As at 31 Dec 2023 $M	Audited As at 30 Jun 2023 $M
Non-current assets			
Property, plant and equipment	9	7,949.5	7,548.3
Investment properties	10	2,988.1	2,882.1
Investment in associate and joint ventures	7	191.1	193.1
Derivative financial instruments		58.3	45.0
		11,187.0	10,668.5
Current assets			
Cash and cash equivalents		57.9	106.2
Trade and other receivables		97.3	51.6
Taxation receivable		-	1.4
Derivative financial instruments		1.3	1.6
		156.5	160.8
Total assets		11,343.5	10,829.3
Shareholders' equity			
Issued and paid-up capital	11	1,702.1	1,680.8
Reserves		4,650.6	4,672.1
Retained earnings		2,090.2	2,024.6
		8,442.9	8,377.5
Non-current liabilities			
Term borrowings	12	1,864.6	1,388.3
Derivative financial instruments		32.2	25.3
Deferred tax liability		434.7	438.5
Other term liabilities		2.0	3.5
		2,333.5	1,855.6
Current liabilities			
Accounts payable and accruals		168.1	159.9
Taxation payable		25.1	-
Derivative financial instruments		0.1	-
Short-term borrowings	12	366.8	428.8
Provisions		7.0	7.5
		567.1	596.2
Total equity and liabilities		11,343.5	10,829.3

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Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Notes	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		399.3	262.3
Interest received		2.4	1.0
		401.7	263.3
Cash was applied to:			
Payments to suppliers and employees		(138.5)	(92.4)
Income tax paid		(22.4)	-
Interest paid		(31.7)	(30.6)
		(192.6)	(123.0)
Net cash flow from operating activities	6	209.1	140.3
Cash flow from investing activities			
Cash was provided from:			
Share of dividends received and repayment of partner contribution	7	6.7	0.3
		6.7	0.3
Cash was applied to:			
Property, plant and equipment additions		(451.5)	(205.1)
Interest paid – capitalised		(24.0)	(6.9)
Investment property additions		(125.9)	(36.4)
Investment in joint ventures		-	(6.1)
		(601.4)	(254.5)
Net cash flow applied to investing activities		(594.7)	(254.2)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		1,015.7	400.0
		1,015.7	400.0
Cash was applied to:			
Decrease in borrowings		(640.0)	(248.0)
Dividends paid	8	(38.4)	-
		(678.4)	(248.0)
Net cash flow from financing activities		337.3	152.0
Net (decrease)/increase in cash held		(48.3)	38.1
Opening cash brought forward		106.2	24.7
Ending cash carried forward		57.9	62.8

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The accompanying notes form part of these financial statements.

Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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 21 February 2024.

2. Basis of preparation and accounting policies

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

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

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Financial Report for the year ended 30 June 2023.

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

The accounting policies and methods of computation set out in the 2023 Financial Report have been applied consistently to all periods presented in these interim financial statements.

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

Climate-related disclosure standard

The New Zealand External Reporting Board (XRB) has published a suite of standards in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the global best-practice benchmark for climate-related reporting. The final standards were published in December 2022.

Aotearoa New Zealand Climate Standards (NZ CS) are effective for annual periods beginning on or after 1 January 2023. The group has applied the standard from 1 July 2023.

Application of this standard by the group has not materially affected any of the amounts recognised in these financial statements.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

3. Changes in key estimates and judgements

Flood-related insurance matters

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

Auckland Airport suffered flood damage to assets across its precinct. Auckland Airport has material damage, business interruption and construction works insurance policies in place. The group has engaged independent experts to estimate the likely extent and cost of damage and to support the insurance claim process. The experts do not yet have sufficient information to complete a full assessment.

As a result, these financial statements include a number of key estimates and judgements related to the flood event. It is possible that the actual financial impacts will differ from those included in these financial statements and these differences may be material.

The group recognises the expected insurance proceeds when they can be reliably estimated and the recovery is virtually certain. The insurers have acknowledged the flood event damage and agreed to a second payment of $10.0 million, which the group has recognised as income during the period ended 31 December 2023. This is in addition to the first payment of $5.0 million recognised during the year ended 30 June 2023.

The group recognised $8.6 million of flood-related expenses, predominantly related to repairs, during the period ended 31 December 2023. This is in addition to flood-related expenses of $8.4 million recognised in the year ended 30 June 2023.

At 31 December 2023, the group reduced its impairment of flood-damaged assets to reflect the above-mentioned repairs completed during the period. The group also reassessed the impairment for assets that remain damaged at 31 December 2023. Those adjustments resulted in a net $10.8 million reversal of impairments, which was recognised in the property, plant and equipment revaluation reserve through other comprehensive income. At 31 December 2023, the buildings and services class of property, plant and equipment remains impaired by $10.4 million (30 June 2023: $21.2 million).

The assessment of the full cost, and the work to remediate the damage associated with the flood event, is not yet complete. Further expenditure and any additional insurance proceeds will be recognised in this and subsequent financial years.

The interim financial statements do not include all financial disclosures and should be read in conjunction with note 3(f) of the 30 June 2023 Financial Statements.

4. Segment information

(a) Identification of reportable segments

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

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

(b) Types of services provided

Aeronautical

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

The group did not provide abatements to aeronautical customers during the six-month period ended 31 December 2023 (31 December 2022: nil).

Retail

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

The group did not provide abatements to retail customers during the six-month period ended 31 December 2023 (31 December 2022: $51.2 million).

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 did not provide abatements to property tenants during the six-month period ended 31 December 2023 (31 December 2022: $0.2 million).

	Aeronautical $M	Retail $M	Property $M	Total $M
Six months ended 31 December 2023 (unaudited)				
Total segment income	224.2	131.7	79.8	435.7
Total segment expenses	61.8	20.6	16.3	98.7
Segment EBITDAFI[1]	162.4	111.1	63.5	337.0
Six months ended 31 December 2022 (unaudited)				
Total segment income	121.7	90.4	72.0	284.1
Total segment expenses	38.4	16.1	13.0	67.5
Segment EBITDAFI[1]	83.3	74.3	59.0	216.6

1 EBITDAFI is a non-GAAP measure. Refer to the 2023 Financial Report, note 3(e).

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2022: nil).

(c) Reconciliation of segment EBITDAFI to income statement

	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Segment EBITDAFI[1]	337.0	216.6
Unallocated external operating income	4.8	3.7
Unallocated external operating expenses	(31.6)	(31.3)
Total EBITDAFI as per income statement[1]	310.2	189.0
Investment property fair value increase	(27.1)	(93.8)
Derivative fair value change	(0.3)	(0.3)
Share of profit/(loss) of associate and joint ventures	4.7	3.0
Depreciation	(84.3)	(68.7)
Interest expense and other finance costs	(33.1)	(30.7)
Profit/(loss) before taxation	170.1	(1.5)

1 EBITDAFI is a non-GAAP measure. Refer to the 2023 Financial Report, note 3(e).

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

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

5. Profit for the period

	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Staff expenses comprise:		
Salaries and wages	40.7	31.3
Capitalised salaries and wages	(10.3)	(7.0)
Employee benefits	2.9	2.8
Share-based payment plans	0.1	(0.2)
Defined contribution superannuation	1.2	0.9
Other staff costs	2.3	1.7
	36.9	29.5
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	29.3	18.0
Interest on bank facilities and related hedging instruments	10.9	9.6
Interest on AMTN notes and related hedging instruments	12.4	6.9
Interest on commercial paper and related hedging instruments	4.5	3.1
Total interest expense and other finance costs	57.1	37.6
Less capitalised borrowing costs	(24.0)	(6.9)
Interest expense and other finance costs as per income statement	33.1	30.7
Interest rate for capitalised borrowings costs	5.66%	4.77%

The total interest expense of $57.1 million (31 December 2022: $37.6 million) includes the effect of interest rate hedges. The gross interest costs of bonds, bank facilities, Australian Medium Term Notes ('AMTN') and commercial paper, excluding the impact of interest rate hedges, amounted to $56.6 million for the period ended 31 December 2023 (31 December 2022: $35.6 million).

The interest expense recognised in the income statement excludes capitalised borrowing costs of $24.0 million (31 December 2022: $6.9 million). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset. Capitalisation is suspended if active development of the qualifying asset is suspended for an extended period.

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

	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Profit after taxation	118.7	4.8
Adjustments for:		
Depreciation	84.3	68.7
Deferred taxation benefit	2.5	(6.5)
Fixed asset write-offs	-	0.1
Share-based payments	0.1	(0.2)
Equity-accounted loss/(earnings) from associate and joint ventures	(4.7)	(3.0)
Investment property fair value decrease/(increase)	27.1	93.8
Derivative fair value decrease	0.3	0.3
Items not classified as operating activities:		
(Increase)/decrease in property, plant and equipment retentions and payables	(2.0)	(4.9)
Increase in investment property retentions and payables	0.8	(3.9)
Increase in investment property lease incentives and receivables	(5.1)	(1.8)
Items recognised directly in equity	0.9	1.0
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(45.7)	(30.2)
Increase/(decrease) in taxation payable	26.5	(0.1)
Increase/(decrease) in accounts payable and provisions	6.9	22.3
Decrease in other term liabilities	(1.5)	(0.1)
Net cash flow from operating activities	209.1	140.3

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

7. Investment in associate and joint ventures

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

	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
Investment in associate and joint ventures at the beginning of the period	193.1	166.5
Further investment in joint ventures	-	6.1
Share of profit/(loss) after tax of associate and joint ventures	4.7	3.0
Share of dividends received and repayment of partner contribution	(6.7)	(0.3)
Investment in associate and joint ventures at the end of the period	191.1	175.3

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

The new Pullman Hotel was opened on 13 December 2023 (Tainui Auckland Airport Hotel 2 Limited Partnership).

The partnership between Tainui Group Holdings Limited and Auckland Airport was formed to build and operate a new Pullman Hotel at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The hotel is operated on the partnership's behalf by Accor Hospitality. The partnership has a balance date of 31 March.

Carrying value of investments in associate and joint ventures

	Unaudited As at 31 Dec 2023 $M	Audited As at 30 Jun 2023 $M
Tainui Auckland Airport Hotel Limited Partnership	42.7	45.0
Tainui Auckland Airport Hotel 2 Limited Partnership	37.3	37.7
Queenstown Airport Corporation Limited	111.1	110.3
Total	191.1	193.0

8. Distribution to shareholders

	Dividend payment date	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M
2022 final dividend	N/A	-	-
2023 final dividend	6 October 2023	58.9	-

The company has a dividend reinvestment plan. The 2023 final dividend was distributed during the period ended 31 December 2023, with $20.5 million being reinvested and $38.4 million being paid in cash (31 December 2022: no dividend).

9. Property, plant and equipment

	Unaudited As at 31 Dec 2023 $M	Audited As at 30 Jun 2023 $M
Carried at fair value	7,006.9	6,941.6
Carried at cost	239.6	246.0
Work in progress at cost	1,066.7	663.6
Accumulated depreciation	(363.7)	(302.9)
Net carrying amount	7,949.5	7,548.3

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

At 31 December 2023 and 31 December 2022 the group undertook a desktop review of the property, plant and equipment balances carried at fair value.

- For land assets previously formally revalued using the discounted cash flow approach, the 31 December 2023 desktop assessment compared retail and car parking performance with independent valuers' views at the last formal valuation as at 30 June 2023.
- For land assets previously formally revalued using the market value alternative use and direct sales comparison approaches, the desktop assessment considered the outcome of the investment property desktop review described in note 10, in particular the vacant land component.
- For all other assets previously formally revalued using the optimised depreciated replacement cost approach, the desktop assessment considered movements in the capital goods price index.

These assessments indicated that there was no material fair value movement in any class of property, plant and equipment from 30 June 2023.

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

During the period, the group reduced the useful lives for some building and infrastructure assets that were decommissioned as part of the enabling works for the terminal development programme. The effect of the change was a $10.5 million increase in depreciation for the period ended 31 December 2023.

Additions to property, plant and equipment, including work in progress, were $473.4 million for the six months ended 31 December 2023 (six months ended 31 December 2022: $214.5 million). These include enabling works associated with the integration of the domestic and international terminals, airfield renewals and expansion, the development of the new Transport Hub and Park & Ride South.

There were transfers from investment property of $1.4 million during the six months ended 31 December 2023 (transfers to investment property during the six months ended 31 December 2022: $1.6 million).

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 $344.7 million (30 June 2023: $344.7 million);
- Land associated with retail facilities within terminal buildings carried at $1,661.0 million (30 June 2023: $1,661.0 million); and
- Terminal building premises (within buildings and services), being 15% of total floor area and carried at $249.7 million (30 June 2023: 15% of total floor area or $224.0 million).

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

10. Investment properties

	Unaudited 6 months to 31 Dec 2023 $M	Audited 12 months to 30 Jun 2023 $M
Balance at the beginning of the period	2,882.1	2,897.4
Additions	129.4	125.9
Transfers to property, plant and equipment (note 9)	(1.4)	(14.0)
Change in net revaluations	(27.1)	(139.7)
Lease incentives capitalised	2.8	1.7
Lease incentives amortised	(0.3)	(0.7)
Spreading of fixed rental increases	2.6	11.5
Balance at the end of the period	2,988.1	2,882.1

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

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.

The desktop revaluations were performed by Colliers, Savills and JLL based on key valuation metrics. The valuers did not re-inspect the properties but undertook relevant investigations, including considering any tenant changes, assessing market rentals and reviewing capitalisation rates in order to determine the desktop value of the group's investment properties. The desktop revaluations have been reviewed and assessed by management and subsequently adopted by the group. This has resulted in a fair value decrease of $27.1 million or 0.9% for the overall portfolio for the six months ended 31 December 2023 (31 December 2022: decrease of $93.8 million or 3.2%).

The following categories of investment property are leased to tenants:

- Retail and service carried at $468.6 million (30 June 2023: $406.4 million);
- Industrial carried at $1,946.7 million (30 June 2023: $1,886.1 million); and
- Other investment property carried at $174.6 million (30 June 2023: $173.8 million).

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

	Unaudited 6 months to 31 Dec 2023 $M	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2023 Shares	Unaudited 6 months to 31 Dec 2022 Shares
Opening issued and paid-up capital	1,680.8	1,680.2	1,472,279,341	1,472,195,131
Shares fully paid and allocated to employees by employee share scheme	0.5	0.6	86,000	74,470
Shares vested to employees participating in long-term incentive plans	0.3	-	86,561	-
Shares issued under the dividend reinvestment plan	20.5	-	2,664,882	-
Closing issued and paid-up capital	1,702.1	1,680.8	1,475,116,784	1,472,269,601

Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $118.7 million (six months ended 31 December 2022: $4.8 million).

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

	Unaudited 6 months to 31 Dec 2023 Shares	Unaudited 6 months to 31 Dec 2022 Shares
For basic earnings per share	1,473,866,245	1,472,220,223
Dilution effect of share options	256,448	60,776
For diluted earnings per share	1,474,122,693	1,472,280,999

The reported basic earnings per share for the six months ended 31 December 2023 is 8.05 cents (six months ended 31 December 2022: 0.33 cents).

The reported diluted earnings per share for the six months ended 31 December 2023 is 8.05 cents (six months ended 31 December 2022: 0.33 cents).

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

12. Borrowings

	Unaudited As at 31 Dec 2023 $M	Audited As at 30 Jun 2023 $M
Current		
Commercial paper	166.8	166.8
Bank facilities	50.0	37.0
Bonds	150.0	225.0
Total short-term borrowings	366.8	428.8
Non-current		
Bank facilities	162.0	203.0
Bonds	1,032.1	914.2
AMTN notes	670.5	271.1
Total term borrowings	1,864.6	1,388.3
Total		
Commercial paper	166.8	166.8
Bank facilities	212.0	240.0
Bonds	1,182.1	1,139.2
AMTN notes	670.5	271.1
Total borrowings	2,231.4	1,817.1

In the six-month period to 31 December 2023, the company undertook the following bank and financing activity:

- The issuance of $250 million of six-year, 6.22% fixed rate bonds in November 2023, which was used to refinance the maturing $225 million fixed rate bonds and provide additional liquidity;
- The issuance of AU$350.0 million of 10-year, 6.482% AMTN notes in November 2023, which was used to provide additional liquidity; and
- In August 2023 the company entered into the following new bank facilities:
  - a $40 million three-year facility with ANZ Bank;
  - a $95 million three-year facility with Commonweath Bank of Australia;
  - a $70 million three-year facility with Mizuho Bank;
  - a $40 million three-year facility with Westpac New Zealand Limited;
  - a $110 million four-year facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd.;and
  - a $90 million five-year facility with Industrial and Commercial Bank of China Limited, Auckland Branch.
- In September 2023 the company entered into a $85 million five-year facility with Bank of China (New Zealand) Limited.

The following facilities either matured or were cancelled:

- The $100 million facility with ANZ Bank matured in July 2023.
- The $28 million facility with Bank of China (New Zealand) Limited matured in July 2023.
- The $80 million facility with Westpac New Zealand Limited matured in July 2023.
- The $70 million facility with Mizuho Bank that was set to mature in October 2023 was cancelled.
- The $110 million facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd that was set to mature in October 2023 was cancelled.
- The $110 million facility with Westpac New Zealand Limited that was set to mature in October 2023 was cancelled.
- The $30 million facility with China Construction Bank that was set to mature in April 2024 was cancelled.

As at 31 December 2023, the company had undrawn bank facilities of $993.0 million (30 June 2023: $963.0 million).

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

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 2023 Financial Report.

Further information is also contained in the risk management section of the 2023 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2023.

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 2023 (30 June 2023: nil).

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

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

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

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

	Unaudited		Audited	
	31 Dec 2023		30 Jun 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	1,182.1	1,196.9	1,139.2	1,145.2
AMTN notes	670.5	686.8	271.1	277.7

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	Audited	
	Fair value As at 31 Dec 2023	Fair value As at 30 Jun 2023	
	$M	$M	**Valuation key inputs**
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates
Assets	42.7	46.5	
Liabilities	(21.1)	(11.6)	
Cross-currency interest rate swaps			
Assets	16.9	-	Forward interest and foreign exchange rates (from observable yield curves and forward foreign exchange rates) and contract rates
Liabilities	(10.8)	(13.7)	
Forward foreign currency contracts			
Liabilities	(0.4)	-	Forward foreign exchange rates and contract rates

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

15. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $652.9 million at 31 December 2023 (30 June 2023: $560.3 million).

(b) Investment property

The group had contractual obligations to purchase, develop, repair or maintain investment property for $143.3 million at 31 December 2023 (30 June 2023: $215.4 million).

(c) Joint ventures

At 31 December 2023, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) had completed the construction of the Pullman Hotel and no further contractual obligation existed (30 June 2023: $12.7 million and the group's share of those commitments was $6.4 million).

16. Contingent liabilities

Noise insulation

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

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

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $7.3 million (30 June 2023: $7.6 million).

Contractor claims

The group had a historical contingent liability arising from a contractor claim that was initially disclosed in 2020. During the period the group reached a settlement agreement of $2.0 million with the contractor and as a result, the contingent liability from the contractor claim was extinguished (30 June 2023: $4.6 million).

17. Events subsequent to balance date

On 20 February 2024, the directors of Queenstown Airport declared an interim dividend of $5.3 million for the period ended 31 December 2023. The group’s share of the dividend is $1.3 million.

On 21 February 2024, the directors approved the payment of a fully imputed interim dividend of 6.75 cents per share amounting to $99.6 million to be paid on 5 April 2024.

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') on pages 2 to 18 which comprise the consolidated interim statement of financial position as at 31 December 2023, 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 notes to the interim financial statements, including material accounting policy information.

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 2023 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*.

Basis for Conclusion

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

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

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

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the 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
21 February 2024

Shareholder information

Reporting entity

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

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

Stock exchange listings

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

The total number of voting securities on issue as at 31 December 2022 was 1,475,485,829.

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 2023. The external auditor is subject to a partner rotation policy.

Credit rating

As at 31 December 2023, 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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NSW 1235

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

Corporate directory

DIRECTORS

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

SENIOR MANAGEMENT

Carrie Hurihanganui
chief executive

Stewart Reynolds
acting chief financial officer

Melanie Dooney
chief corporate services officer

Darren Evans
chief safety and risk officer

Chloe Surridge
chief operations officer

Scott Tasker
chief customer officer

Mark Thomson
chief commercial officer

Mary-Liz Tuck
chief sustainability and masterplanning officer

Richard Wilkinson
chief digital officer

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COMPANY SECRETARY

Louise Martin

AUDITORS

External auditor – Deloitte Limited
Internal auditor – PwC
Share registry auditor – Grant Thornton