

# From

**A50YEARS**

Delivering results  
from 1966 – 2016





# Auckland

📍 Auckland 1969



# Beyond

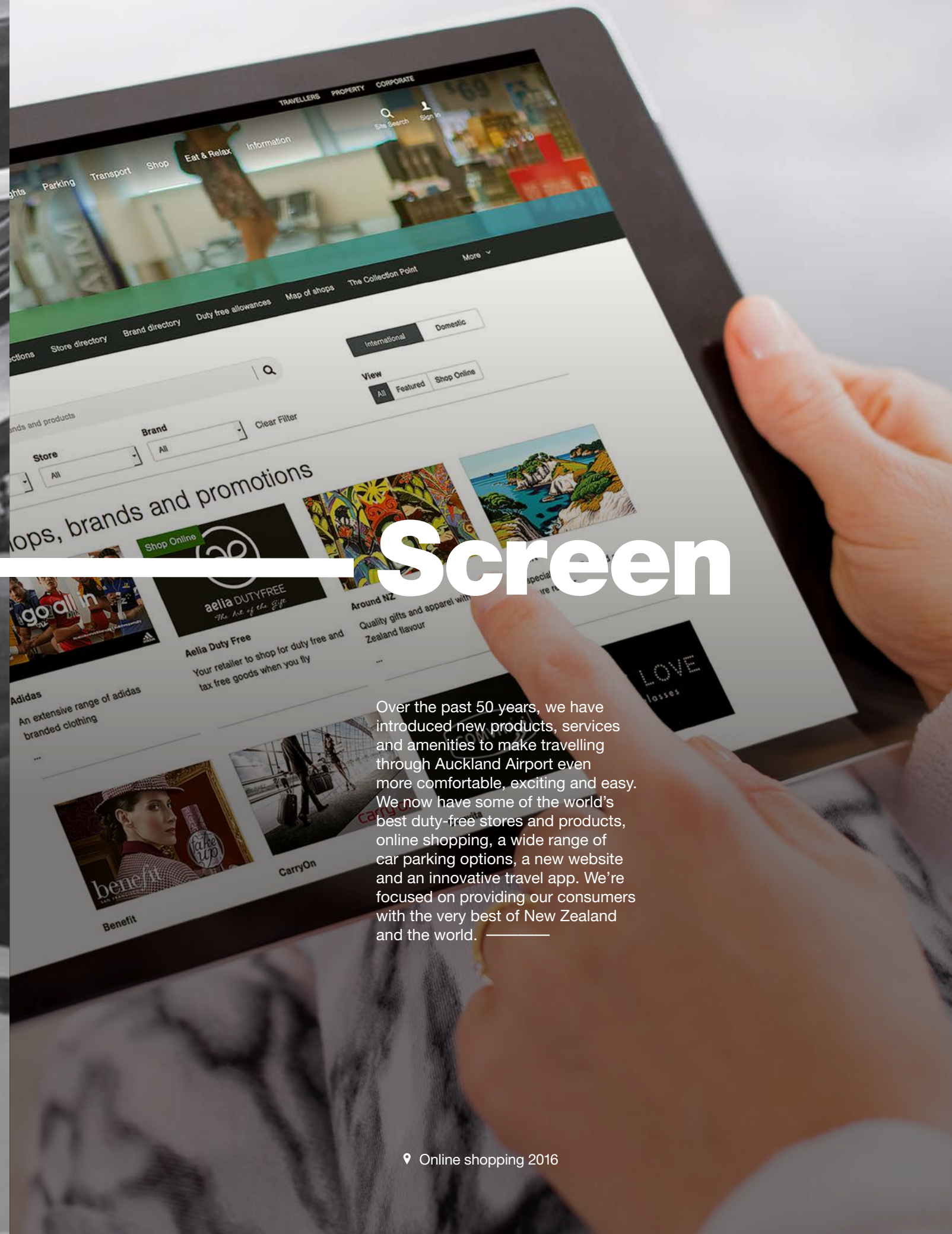
Our focus on increasing air connectivity and working closely with airlines has helped us to grow passenger numbers from 700,000 in 1966 to 17.3 million in 2016 – that's an average of 6.6% growth every year. We now welcome travellers from established, emerging and new destinations like Buenos Aires, Dubai, Shanghai, Houston and Ho Chi Minh City.

📍 Shanghai 2016





# Shop



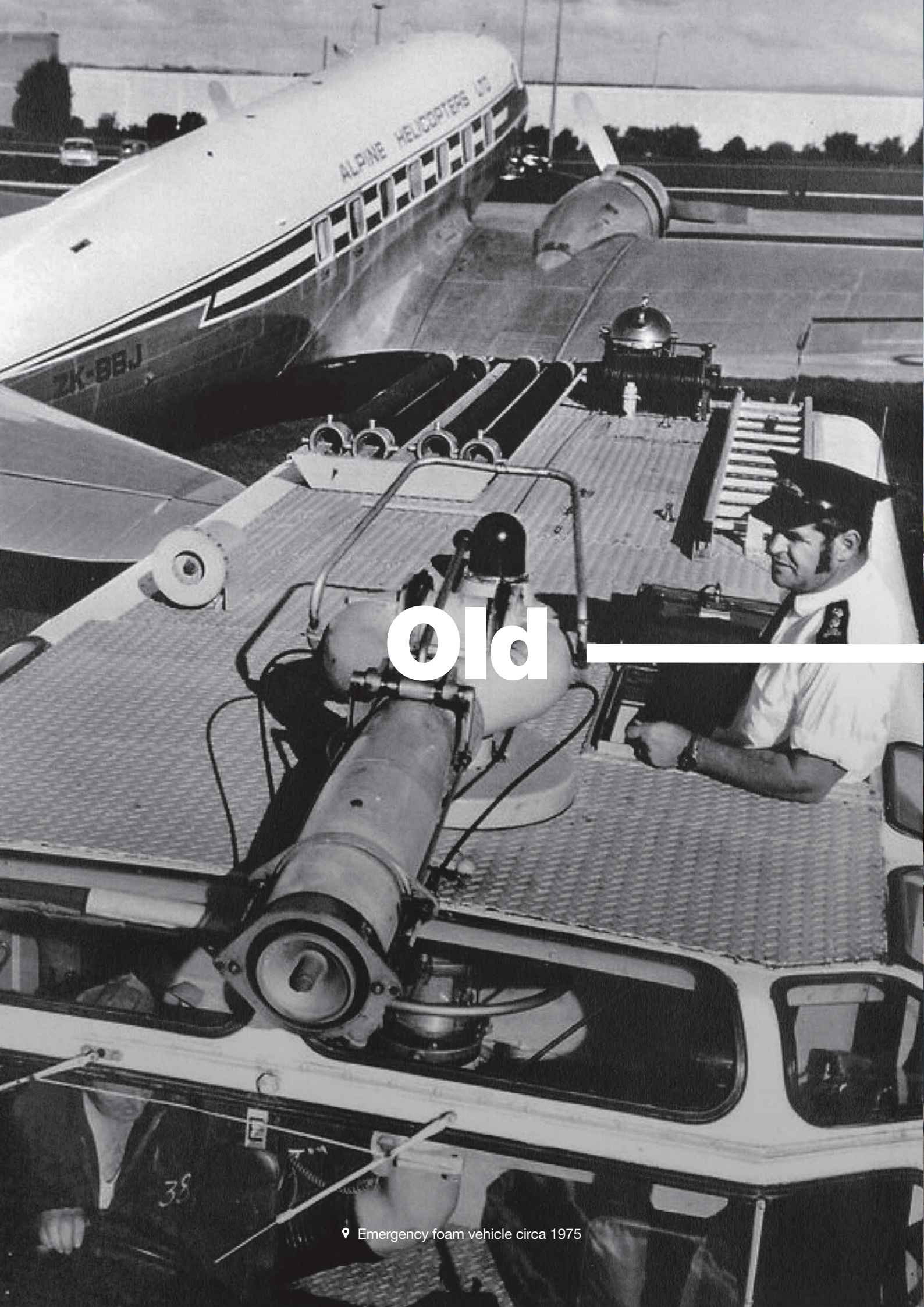
# Screen

Over the past 50 years, we have introduced new products, services and amenities to make travelling through Auckland Airport even more comfortable, exciting and easy. We now have some of the world's best duty-free stores and products, online shopping, a wide range of car parking options, a new website and an innovative travel app. We're focused on providing our consumers with the very best of New Zealand and the world.

📍 International terminal retail 1977

📍 Online shopping 2016





Old



New

We are committed to ensuring Auckland Airport has the technology and equipment to remain at the top of its game. From new firefighting and marine rescue fleets to introducing New Zealand's most sophisticated online flight tracking system and multi-airline check-in kiosks, we are focused on operating efficiently and effectively.

Emergency foam vehicle circa 1975

Panther firefighting fleet 2016





**Past**

📍 1973



**Future**

We have come a long way from the simple terminal building of 1966. From upgrading our new and expanded international departure area to adding more gates, airbridges and aircraft stands, and continuing the development of The Landing business park, we are now investing in the infrastructure we need to implement our 30-year vision to build the 'airport of the future'.

📍 Vision for 2044



Auckland Airport check-in 1966



# Looking back

# A50YEARS

In 2016, Auckland Airport celebrated its 50th anniversary. Our Māngere location has long been a hub for transport. For Māori, it is the place where Hoturoa landed the Tainui waka. For aviation enthusiasts, it was for many years the home of the Auckland Aero Club. The journey of our land has reflected the evolution of our nation – from native forest to Māori settlements, from rural farmland to an urban environment, aviation hub and business park.

In 1955, Māngere was selected to be the home of New Zealand's primary international airport, and on 29 January 1966, Auckland Airport was officially opened. The opening was commemorated with a Grand Air Pageant held over three days, attracting a crowd of more than 200,000 members of the public. The opening, according to Prime Minister Keith Holyoake, signified "Auckland's growing importance as a commercial centre and as a gateway to New Zealand".

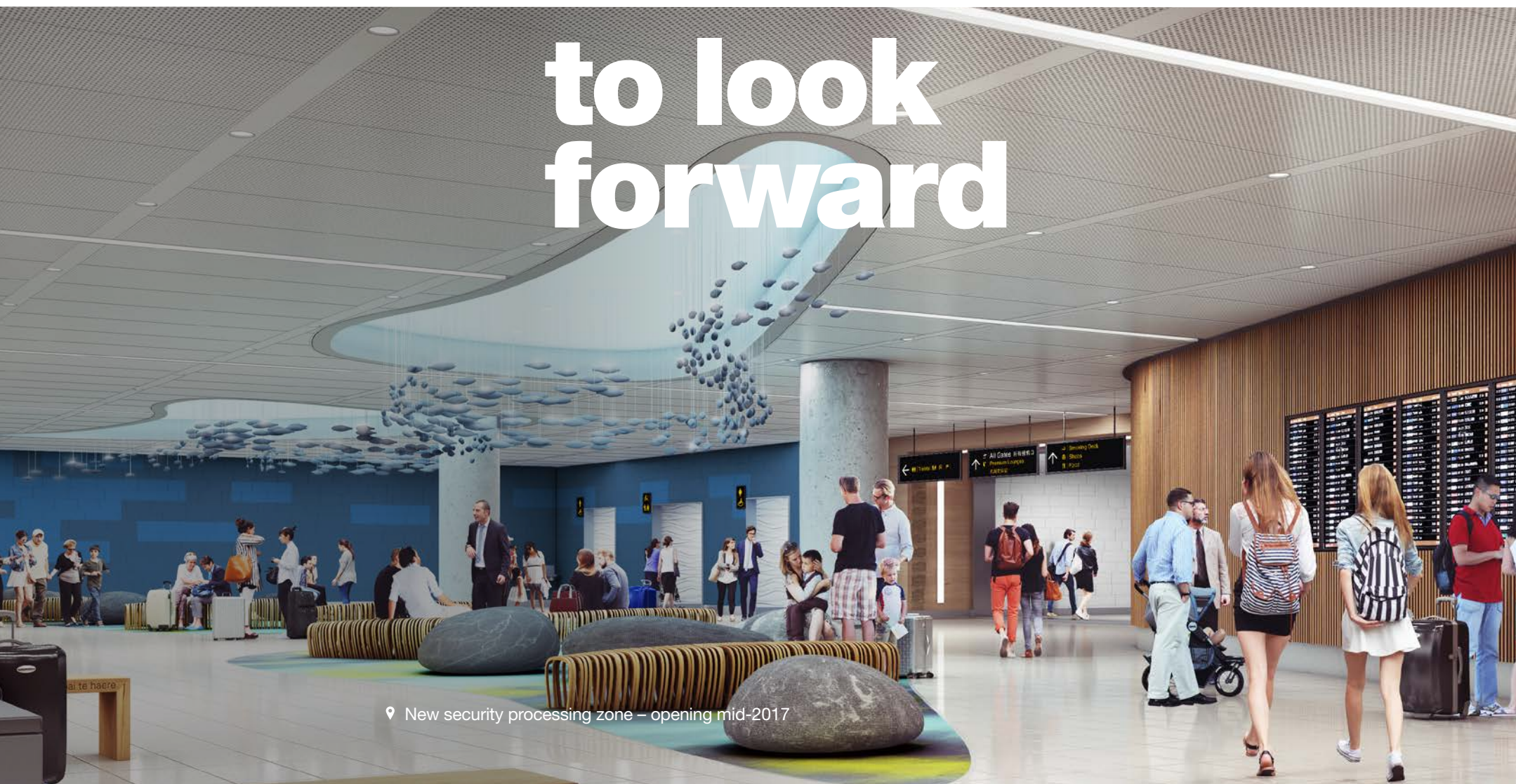
Since its official opening, Auckland Airport has brought our island nation closer than ever to the rest of the world and become a key driver of New Zealand's travel, trade and tourism sectors.

For the past 50 years, as our country and city have grown and changed, so too have we. We're now a hub of economic growth, home to hundreds of local and global businesses where around 30,000 people come to work every day.

We're incredibly proud of the role that we have played so far to connect Auckland to New Zealand and New Zealand to the world. We thank everyone in the community, our staff, passengers, the airlines and all our other partners for their support and contribution.

As we invest for the future of aviation and work hard to prepare for what the world will look like in another 50 years, we invite you all to come with us on a new journey.

# to look forward



New security processing zone – opening mid-2017

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### Online report

View our interactive report at [report.aucklandairport.co.nz](http://report.aucklandairport.co.nz). It has been designed for ease of online use, with tablets in mind.





# Memories

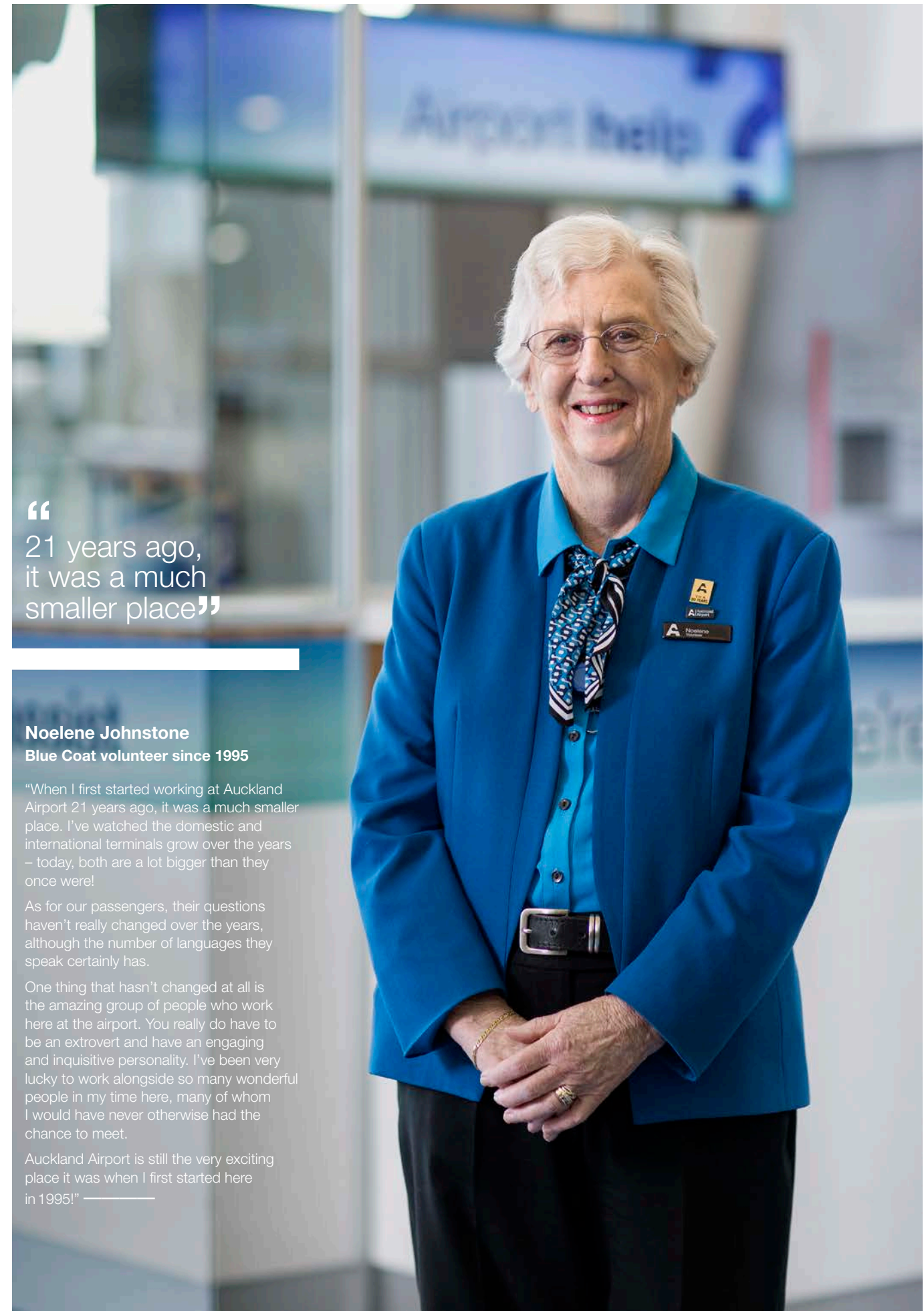
“ Back then, we were known as Crash Fire”

**Cedric Miers**  
Airport firefighter since 1971

“I was 22 when I started here and used to ride my bike along Puhinui Road until the road reached a dead end. I could only get to the unfenced airport using a bridge over the Puhinui Inlet, at the eastern end of the runway.

Back then, we were known as Crash Fire but the name changed to Rescue Fire and then recently Airport Emergency Services – far more appropriate!

In the early days, our equipment was very basic, and included two water tankers with pumps on the ends of them – nothing like today’s top-quality Panther firefighting machines. Also, our vehicles were so slow and the runway so long that we had to have a second fire station located at the western end of the airport to ensure we could respond in time!”



“ 21 years ago, it was a much smaller place”

**Noelene Johnstone**  
Blue Coat volunteer since 1995

“When I first started working at Auckland Airport 21 years ago, it was a much smaller place. I’ve watched the domestic and international terminals grow over the years – today, both are a lot bigger than they once were!

As for our passengers, their questions haven’t really changed over the years, although the number of languages they speak certainly has.

One thing that hasn’t changed at all is the amazing group of people who work here at the airport. You really do have to be an extrovert and have an engaging and inquisitive personality. I’ve been very lucky to work alongside so many wonderful people in my time here, many of whom I would have never otherwise had the chance to meet.

Auckland Airport is still the very exciting place it was when I first started here in 1995!”

# Our year in numbers

## Passenger movements

**17.3m** ↑ 9.1%

International 8.8m ↑ 8.1% | International transits 0.6m ↑ 17.2% | Domestic 7.9m ↑ 9.8%

## Revenue

**\$573.9m** | ↑ 12.9%

## Operating EBITDAFI

**\$430.3m** | ↑ 13.2%

## Total profit

**\$262.4m** | ↑ 17.4%

## Underlying profit

**\$212.7m** | ↑ 20.6%

## Total dividend per share

**17.5c**

Interim ↑ 8.5c | Final ↑ 9c

## Underlying earnings per share

**17.9c** | ↑ 20.6%

## Five-year average shareholder return (TSR)

↑ 26.1%

## Safety

Health and safety incident reporting ↑ 76%

Lost-time injury frequency rate ↓ 43%

## Ara – Airport Jobs and Skills Hub

Job placements 98

Trainees 525

Apprenticeships 22

## Environmental impact

Water use per passenger ↓ 14%

Waste to landfill per passenger ↓ 21%



# Nau mai & welcome

Welcome to Auckland Airport's annual report for the 2016 financial year. The company has had an excellent 12 months and delivered strong results for its community and city, its country and investors.

It has been another year of growth right across our business. We have seen a significant lift in the number of international airlines and capacity servicing Auckland. We have added new retailers and passenger products and we have also completed several large property developments this financial year. To support this growth, we have commenced a major upgrade of our international departure area, and have continued the planning and design work required to successfully construct our 30-year vision's combined domestic and international terminal building and second runway. Finally, we have continued to focus on playing a leadership role for New Zealand's tourism and aviation industries.

Our ongoing strong performance is a result of the commitment and hard work of Auckland Airport's people – staff, contractors and consultants – our greatest assets. It is also the result of the combined efforts of the people in our local community, our airline and other commercial partners, the government's border agencies and every other business that plays an important part in the airport's day-to-day operations.

In the 12 months to 30 June 2016, the total number of passenger movements was up 9.1% to 17.3 million. International passengers (excluding transits) were up 8.1% to 8.8 million, and domestic passengers were up 9.8% to 7.9 million.

Revenue was up 12.9% to \$573.9 million, while expenses were up 11.8% to \$143.6 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 13.2% to \$430.3 million.

Total profit after tax was up 17.4% to \$262.4 million, while underlying profit was up 20.6% to \$212.7 million.

As a result of this, our underlying earnings per share was up 20.6% to 17.9 cents for the 2016 financial year, and our final dividend is 9 cents per share.

Our continuing strong growth and performance means that we are confident that the company will continue to deliver strong financial results in the next 12 months. We expect underlying net profit after tax (excluding any fair value changes and other one-off items) for the 2017 financial year to be between \$230 million and \$240 million. This guidance would deliver an increase in underlying earnings per share of between 8.1% and 12.8%.

As always, this guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration as a result of global market conditions or other unforeseeable circumstances.



**Sir Henry van der Heyden**  
Chair



**Adrian Littlewood**  
Chief Executive



## \$212.7m

An increase of **20.6%**

### Underlying profit

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. However, due to the complexity of accounting standards, it may be difficult for investors to compare one financial year's results with another. Therefore, we also provide an underlying profit measure to help investors compare profits between years and to make comparisons between different companies with confidence. We also believe that an underlying profit measure can assist investors to understand what is happening in a business such as Auckland Airport where revaluation changes can distort financial results or where one-off transactions, both positive and negative, can occur.

For several years, Auckland Airport has referred to underlying profits alongside reported results. We do so not only when we report our results but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 100% of net profit after tax, excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items. However, in referring to underlying profits, we acknowledge our obligation to show investors how such a result has been derived. The reconciliation can be found on page 30.



ADRIAN LITTLEWOOD & SIR HENRY VAN DER HEYDEN



# Faster Higher Stronger

In the 2013 financial year, we announced our strategic plan to grow faster, aim higher and become stronger. Our five-year business strategy – Faster, Higher, Stronger – focuses us on ‘making journeys better’ for all customers and partners of Auckland Airport and responding to the challenges we have identified ahead. These challenges include fast-changing aviation markets and changing customer expectations and competitive pressure in our retail and commercial property markets.

## We’re growing travel markets

We have an ambitious and innovative approach to help New Zealand sustainably unlock growth opportunities in travel, trade and tourism. Growing travel markets with our airline and industry partners makes journeys better by providing customers with greater choice, more-convenient flight schedules and better value for money for all customers and partners of Auckland Airport.

## We’re strengthening our consumer business

We are strengthening and extending our retail, transport and accommodation businesses to ensure we can respond to evolving customer needs. This means we are increasing the range of products and services we provide and making Auckland Airport more appealing to our customers – in short, we are making their journeys better.

## We’re being fast, efficient and effective

We are improving our performance by increasing the productivity of our assets, processes and operations. A fast, efficient and effective airport makes journeys better by saving time and money for airlines and passengers.

## We’re investing for future growth

We are building on our strong foundations for long-term, sustainable growth by investing continuously in infrastructure so it supports our long-term requirements. This makes journeys better both within the airport and around our vibrant business district.

Faster, Higher, Stronger embraces our objective of making journeys better and is a commitment to improvement in everything we do. The strategy set a number of new aspirations to drive our company’s performance. These high-level aspirations and our progress to date are not market guidance, and the results are likely to fluctuate from year to year. However, they provide the company with a sharp focus on important goals that underpin our long-term success. In the 2016 financial year, we continued to deliver on the aspirational goals of Faster, Higher, Stronger:

### Aspirations:

### How we tracked in FY16:



Double Chinese arrivals to 400,000 by FY17, up from 213,781 in FY13.



An increase of 66,835 in FY16.



Build property rent roll to \$60 million by FY17, up from \$44 million in FY13.



An increase of \$7 million in FY16.



Achieve 10 million international passengers by FY18, up from 7.3 million in FY13.



An increase of 0.7 million in FY16.



Reach 20 million total passengers by FY20, up from 14.5 million in FY13.



An increase of 1.5 million in FY16.



# Our continuing journey

Auckland Airport is committed to growing New Zealand's travel, trade and tourism. To achieve this goal, we are focused on four strategic themes:

- **Grow travel markets**
- **Strengthen our consumer business**
- **Be fast, efficient and effective**
- **Invest for future growth**

## Grow travel

Sustainably growing air connectivity is essential for our long-term performance, and the combination of new airlines, new services and new capacity provides the growth that underpins our ongoing success. In the 12 months to 30 June 2016, the total number of passenger movements was up 9.1% to 17.3 million. International passengers (excluding transits) were up 8.1% to 8.8 million, and domestic passengers were up 9.8% to 7.9 million.

The 2016 financial year was a success story for travel – eight new airlines either launched or announced services to Auckland Airport. There are now 23 international airlines operating from Auckland, servicing both established and emerging markets.

### Established markets

The 2016 financial year once again saw strong growth for Auckland Airport's established international passenger markets. Australian passengers, New Zealand's most important source of international visitors, continued to grow during the 2016 financial year, up 5.3%. The performance of our Asian markets in the 12 months to 30 June 2016 was outstanding, with Chinese passengers increasing by 22.9%, Japanese passengers increasing by 20.7% and Korean passengers increasing by 22.5%.

The 2016 financial year saw the following growth in air connectivity for our established markets:

- China Southern Airlines began a twice-a-day, year-round service between Auckland and Guangzhou in October 2015.
- China Eastern Airlines launched a direct Shanghai–Auckland service in September 2015.
- Air China launched a daily Auckland–Beijing peak season service using an A330 aircraft in December 2015, which reduced to four flights per week from April 2016.
- Air New Zealand started a five-flights-per-week service to Houston in December 2015.
- American Airlines launched a new daily non-stop B787-8 Dreamliner service between Los Angeles and Auckland in June 2016.
- Air Asia X commenced a new daily Kuala Lumpur–Auckland service via the Gold Coast in March 2016.
- Thai Airways started a fifth service per week to Bangkok in March 2016, adding 30,000 seats annually to the route.
- Air New Zealand commenced a second seasonal service between Auckland and Sunshine Coast from December 2015

and introduced three more flights per week between Perth and Auckland to better connect the airline with its North and South American services.

- Jetstar started a three-flights-per-week service to Rarotonga in March 2016 and reintroduced a B787-8 Dreamliner aircraft to several of its Sydney and Melbourne flights from December 2015.

Due to concerns about the condition of the Port Vila runway, Air New Zealand suspended its Auckland–Vanuatu service from January 2016.

### Emerging and new markets

Auckland Airport has also seen strong growth in its emerging and new passenger markets in the 12 months to 30 June 2016. Indian passengers increased by 7.7%, while Argentinian passengers increased by 159.9%, Brazilian passengers by 9.1% and Chilean passengers by 20.6%.

The 2016 financial year saw the following growth in air connectivity to emerging and new markets:

- LATAM Airlines introduced its newest aircraft, the B787-9 Dreamliner, on its daily Santiago–Auckland–Sydney route in September 2015.



↑ **5.3%**

Australian passenger growth of 5.3%.



**x8**

Eight new airlines launched or announced services to Auckland Airport.



MICHELLE NOORDERMEER & PEPPY ADI-PURNOMO

Short-haul and South East Asia/India Development Managers



HO CHI MINH CITY

## markets

- Air New Zealand started a three-flights-per-week service to Buenos Aires in December 2015 and commenced direct flights between Auckland and Ho Chi Minh City in June 2016.
- Philippine Airlines started a Manila–Cairns–Auckland flight four times per week in December 2015.
- In March 2016, Emirates started the world's longest commercial passenger flight – a non-stop daily B777 service that takes 17 hours and 15 minutes to connect Auckland Airport with Dubai. Emirates celebrated the inaugural flight by using one of its flagship A380 aircraft.

Our focus on increasing international air connectivity resulted in Auckland Airport being named the overall winner of the 2016 Routes Asia Marketing Awards. The Routes Marketing Awards annually recognise excellence in airport marketing. They are awarded to airports that provide the best marketing support and services to airlines, and the Asian edition of the awards is voted on by a panel of leading Asia-Pacific airlines.

### Domestic

The 2016 financial year was a very successful one for domestic air connectivity in New Zealand. In total, more than 630,000 seats were added to the country's domestic network, with over a half of the new seats servicing regional New Zealand. This strong growth in regional air connectivity plays an important role in providing competitive travel options for New Zealanders and in distributing the economic benefits of international tourism throughout the country.

In December 2015, Jetstar commenced new regional services to Nelson and Napier, and in February 2016 the airline started services to New Plymouth and Palmerston North. Air New Zealand increased its flight frequencies and continued its fleet modernisation programme. It has now retired its B737 domestic fleet and transitioned to the modern A320 aircraft. Air New Zealand stopped its Hamilton–Auckland service this financial year, however Barrier Air commenced a replacement service to this destination.

### Focus for the year ahead

Auckland Airport's route development outlook for the 2017 financial year remains positive:

- In July 2016, United Airlines started a daily B787-8 Dreamliner service to San Francisco, adding 140,000 seats annually to the North American route.
- As a result of the success of Emirates' Auckland to Dubai direct daily service, in October 2016 the airline will replace its B777 aircraft with an A380. This means that Auckland Airport will welcome four Emirates A380s every day.
- In November 2016, Hong Kong Airlines will start a daily A330 service between Hong Kong and Auckland, providing an estimated \$137 million boost to the New Zealand tourism industry every year.
- In February 2017, Qatar Airlines is scheduled to commence a new daily B777 service between Doha and Auckland. This service will become the world's longest commercial passenger flight.





Specialty retail had very strong growth this financial year, driven by new stores such as Victoria's Secret

# Strengthen our

“...our retail income has grown at twice the rate of our passenger growth in the 2016 financial year.”

In the 2016 financial year, Auckland Airport has continued to focus on enhancing customer choice and improving the range of commercial products on offer for travellers.

### Retail and the Emperor Lounge

In the 2016 financial year, we had very strong growth in the core duty-free categories of liquor, wine and cosmetics, reinforcing our decision last year to select two of the world's leading duty-free companies to operate at Auckland Airport. Both these operators completed their store fit-outs in the 2016 financial year and are now delivering improved passenger spend rates. The 2016 financial year also had solid growth in food and beverage sales, reflecting the product improvements made in the previous financial year. Specialty retail had very strong growth this financial year, driven by new stores such as Victoria's Secret, Eye Love and Tech 2 Go, as well as very strong sales in the specialty stores that sell products popular with our Asian customers. As a result, our retail income has grown at twice the rate of our passenger growth in the 2016 financial year.

The number of passengers and airlines using the Emperor Lounge has continued to grow rapidly with patronage increasing 150% in the 2016 financial year. The lounge is owned

and operated by Auckland Airport for the use of travellers who do not belong to an airline lounge programme and the eight airlines that need to accommodate their premium passengers prior to boarding.

### Taxis

In May 2016, the company selected six taxi operators to provide passengers with better value and consistently high customer service for the next three years. As a result of this latest taxi tender, the average fare from Auckland Airport to the city centre has dropped by \$30 and the cost of the journey is now as low as \$38. Passengers can also now look forward to improved fare signage, being able to choose the taxi they prefer at the terminal and being confident in the price they will pay and the level of service they will enjoy. To further improve taxi journeys from the airport, we have relocated the domestic taxi rank to outside the Air New Zealand arrivals area.

### The Wait Zone

To assist drivers collecting passengers from the international terminal, Auckland Airport introduced a new parking area this financial year, known as The Wait Zone. Located just two minutes from the terminal, it has over 50 spaces where drivers can wait, free of

charge, for 30 minutes. The Wait Zone reduces traffic congestion on the terminal's forecourt and has been used by almost 27,000 drivers since December 2015.

### Digital enhancements

Auckland Airport has continued to strengthen its commitment to enhancing digital channels for service and sales. Ongoing improvements to our online channels have enabled more than \$20 million of sales of our consumer products (car parking, lounge and retail) to be purchased online, with eight retailers now using this online channel. Our mobile app was first launched in July 2013 and has now been downloaded more than 100,000 times. The mobile app was updated during the 2016 financial year, and its downloads increased by 22% in the 12 months to 30 June 2016. The use of the mobile app's travel and flight information has also significantly increased this financial year, up by 37% on the previous period. This shows the mobile app's value to customers as they travel through the airport.

In the 2016 financial year, Auckland Airport also upgraded its website to enhance its use as an online customer service and sales channel and to ensure it has the functionality required for our short-term

technology requirements. Our website [aucklandairport.co.nz](http://aucklandairport.co.nz) is now accessed more than 5,000,000 times annually, reinforcing the critical importance of this customer channel.

### Focus for the year ahead

- Auckland Airport's retail team is busy securing a number of new, high-quality specialty and food and beverage stores for the upgraded international departure area's retail hub. The names of the new retailers will be announced during the 2017 financial year.
- The ongoing success of our Emperor Lounge will see it relocated in the 2017 financial year. This relocation will enable us to almost double the size of the lounge, and we will also take the opportunity to rebrand the lounge to further improve its passenger facilities.
- Auckland Airport has introduced 24 digital touchscreens and kiosks in both the domestic and international terminals to facilitate customer feedback. The technology will be easy to use, and information will be able to be accessed in real time to ensure that we can capture feedback, understand it and act on it quickly.

# consumer business



x6

Six taxi operators selected to provide passengers with better value and consistently high customer service for the next three years.



MARTYN BREWER  
Commercial Transport Manager



150%

The Emperor Lounge's patronage increased 150% in the 2016 financial year.



JACKIE NEVILLE  
Passenger Products Manager





**MARIA IRONU**  
Domestic Terminal Coordinator

# Be fast, efficient

Auckland Airport has retained a strong focus on efficiency and effectiveness throughout the 2016 financial year.

### At the airport and overseas

The ongoing investment we have made in data collection and analysis this financial year has further improved both our Airport Operating System and collective decision-making processes. By enhancing our use of data, including passenger flow information, and sharing it across our airport partners, we have been able to work in a more informed and collaborative way. This has led to an improvement in the operation of the airfield and terminals as well as the on-time performance of airlines. It also enabled the airport to accommodate an 8.1% increase in international passengers (excluding transits) this financial year, while at the same time decreasing the international departure processing time by 4.1%.

The 2015/16 summer peak season set a record for the number of international passengers using the airport in one month. The 893,314 international passengers in January 2016 was 43,000 higher than the previous record set in December 2015. Planning and a real team effort ensured that Auckland Airport provided a quality passenger experience for these passengers.

Auckland Airport is committed to learning from the best airports in the world and using that knowledge to benefit our own passengers and partners. In November 2015, the Board of Auckland Airport visited the award-winning Changi Airport in Singapore to observe aeronautical and rescue fire service operations, inspect new infrastructure and learn about the airport's expansion plans. The Board also met with the airport's senior management to discuss the airport's strategic priorities. This financial year, Auckland Airport also commissioned a report from Fraport AG, the successful operator of Frankfurt Airport, to identify how we could further improve the management of our terminal operations. Implementation of the report's recommendations has already commenced.

### In the air

In November 2015, Auckland Airport unveiled a new online flight monitor and enquiry system to better inform the community about aircraft noise and flights above Auckland. The flight monitor and enquiry system uses world-leading real-time location-based monitoring and analysis technology. This system is also used by London Gatwick Airport, Amsterdam Airport Schiphol and many others. It is

the first time this technology has been used in New Zealand and reflects our ongoing commitment to managing aircraft noise.

Together with Airways New Zealand and the Board of Airline Representatives New Zealand (BARNZ), we have also continued to improve the management of airspace around Auckland Airport in the 2016 financial year. In September 2015, we commenced the trial of a third SMART flight path to the airport from the north. SMART Approaches use satellite-based navigation and enable aircraft to burn less fuel, emit less carbon dioxide and fly more quietly.

### On the roads

We have continued to work in partnership with the New Zealand Transport Agency, Auckland Council and other transport stakeholders to improve land transport access to the airport. This financial year, Auckland Airport completed a transport strategy that focuses on roading and network improvements, increasing the use of public transport and introducing demand management measures. Implementation of the strategy has already started. We were also strongly focused on improving road safety as part of our commitment to health and safety. The company has also increased its focus on our own internal



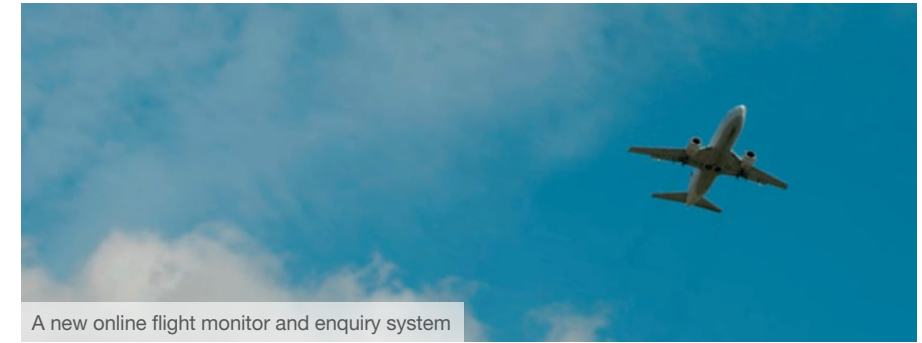
**893,314**

The 2015/16 summer peak season set a record for the number of international passengers using the airport in one month.



**\$1,200**

In August 2015, the Board and chief executive approved a special one-off discretionary \$1,200 payment (before tax) for all permanent employees.



A new online flight monitor and enquiry system



**STEPHANIE MURPHY**  
Land Transport & Utilities Planning Manager

# and effective

transport network, including improving traffic circulation on the two terminal forecourts.

### At work

Without doubt, the best way to make Auckland Airport fast, efficient and effective is to nurture and grow its most important resource – its people. As passenger and aircraft numbers continue to increase, the company must maintain its focus on being a good employer. We must ensure our people have access to the right training, tools and resources, and as a company we must have the right systems and processes to support our employees to fulfil their roles and responsibilities effectively.

Throughout the 2016 financial year, Auckland Airport has invested in the teams that are responsible for supporting our employees, in particular the people and capability team and the health and safety team. Auckland Airport has an unwavering commitment to the health and safety of its employees, contractors, customers and visitors.

A strong health and safety culture is based on awareness of risks and action to eliminate them. We are pleased to report that our people are more focused than ever on health and safety incident reporting, with a 76%

increase in employee reporting in the 2016 financial year, while the lost-time injury frequency rate for employees has reduced by 43%. We see these as encouraging signs that Auckland Airport has a company culture focused on addressing health and safety hazards before they cause injury.

Complementing our health and safety focus is a commitment to providing Auckland Airport's employees with ongoing development and rewarding and recognising hard work and achievement. In recognition of the important contribution of our employees to the ongoing success and growth of Auckland Airport, in August 2015, the Board and chief executive approved a special one-off discretionary \$1,200 payment (before tax) for all permanent employees.

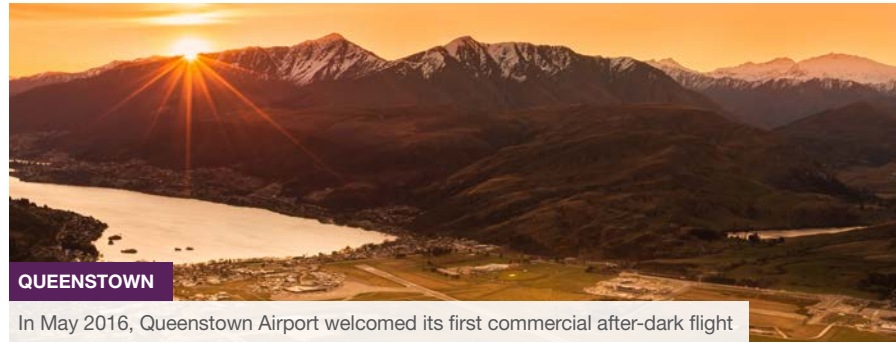
### Focus for the year ahead

- We will continue to focus on people, health and safety, prioritising harm reduction, learning from incidents and further improvements in internal communications. New learning and development programmes will be introduced to help grow the capabilities we need to achieve our business goals.
- We have introduced new self-check-in kiosks in our international terminal.

These kiosks provide passengers with a faster check-in process and have been welcomed by our airline customers.

- Auckland Airport has more than 800 closed-circuit television cameras to assist with security monitoring across the airport. In the 2017 financial year, we will be upgrading this camera network to ensure we have the very latest technology to monitor the airport environment and maintain the safety and wellbeing of our airport community.
- We will be enhancing our collaborative decision making by extending this approach beyond our airfield and terminals to include the adjacent land transport network. This partnership with Auckland Transport and the New Zealand Transport Agency and the additional information it will provide will help to improve transport management.
- Auckland Airport will work closely with local and central government to improve land transport access to the airport, with a special focus on improving the traffic flows on State Highway 20B and improving the local roads and intersections around the airport precinct.





QUEENSTOWN

In May 2016, Queenstown Airport welcomed its first commercial after-dark flight



STEVEN CROOK

Airport Development & Delivery Programme Manager

## Invest for

In the 2016 financial year, Auckland Airport increased the rate of investment in the infrastructure it needs to grow over the next 30 years. Building the aeronautical and property infrastructure that is needed for the airport of the future ensures that we can accommodate the ongoing growth in international and domestic passengers as well as aircraft and businesses that want to operate at the airport.

### Infrastructure

In the first half of the financial year, Auckland Airport completed a number of infrastructure projects to ensure that the airport could accommodate additional passengers and aircraft during the 2015/16 summer peak season. These projects included building an extra 17,500 square metres of airfield to park the increasing number of international aircraft using the airport, a second new international baggage belt and two new bus lounges – one on Pier B of the international terminal and the other for Jetstar's new domestic regional services.

In January 2016, Auckland Airport announced a major upgrade of its international departure area. The upgrade includes a new security processing zone, a new passenger lounge and a new shopping hub. Our new international

departure area has been designed by global airport design specialists Gensler in partnership with New Zealand architects Jasmx. We have tasked them with creating a uniquely New Zealand world-class airport experience.

Its theme is a haerenga (journey) from sea to land to sky. The sea will be represented by a water wall that marks the new farewell point for friends and family as passengers prepare to enter passport control. A journey through tidal pools, forest and other natural elements will then unfold as people make their way towards their gate. Construction has already begun on this significant international upgrade, which will be delivered in three stages between mid-2017 and mid-2018.

Auckland Airport has also progressed the design of the extension of Pier B of the international terminal this financial year. This extension will provide additional gate lounges and airbridges to accommodate the increasing number of A380 or B787 aircraft using the airport. Originally scheduled for a single gate to be opened by December 2016, we are currently consulting with our airline customers on this new infrastructure and now expect two airbridges to be completed by December 2017.

This financial year, we continued to prepare for designing and building the domestic section of the new combined domestic and international terminal building. The new domestic facility will replace the current domestic terminal building and provide passengers travelling to New Zealand destinations with a high-quality, fast and efficient domestic airport experience.

### Investment property

Auckland Airport has continued to build its property business this financial year.

Construction commenced on a state-of-the-art new distribution centre for Fonterra's New Zealand consumer business, Fonterra Brands New Zealand. The 11,000 square metre facility, which will enable Fonterra to consolidate multiple existing warehouses into a single, multi-temperature space, will be built on Timberly Road and occupied under a long-term lease from March 2017.

Construction also started on Quad 7, a new 9,000 square metre office building located on Leonard Isitt Drive. Due for completion in the 2017 financial year, Quad 7 will help the company meet demand for further high-quality office space at the airport.

In March 2016, we completed construction of Coca-Cola Amatil's new processing plant



New international passenger lounge – opening mid-2018

## future growth

– a purpose-built high-tech 12,000 square metre warehouse to enable one of the largest bottlers of non-alcoholic ready-to-drink beverages in Asia-Pacific to consolidate a number of its New Zealand operations into one South Auckland location. Earlier in the financial year, we completed two market-leading buildings for Hellmann Logistics and Fuji Xerox to provide more than 18,000 square metres of office and warehouse space for these leading companies. We also built a 4,000 square metre warehouse for Agility Logistics, a leading global logistics provider.

The ongoing shortage of high-quality commercial property in Auckland has seen Auckland Airport continue to develop serviced land in The Landing business park. This financial year, the company completed an additional 9 hectares, which is now ready for property development, and work began on a further 11 hectares.

### Queenstown Airport and North Queensland Airports

Auckland Airport provides both Queenstown Airport and North Queensland Airports with operational, infrastructure, property and route development support to

ensure they can continue to grow and deliver strong financial returns for the company.

Queenstown Airport continued to grow its passenger numbers in the 2016 financial year, with international passengers up 19.3% and domestic passengers up 17.5%. It is one of Australasia's fastest-growing airports and is now ranked the fourth busiest airport in New Zealand after Auckland, Christchurch and Wellington. In May 2016, Queenstown Airport welcomed its first commercial after-dark flight. The introduction of evening flights will maximise the airport's current consented operating hours of 6am to 10pm and provide more traveller flexibility and connectivity across airline networks. It will also reduce peak-time pressure on the airport's facilities and services, which have been experiencing sustained growth in passenger and traffic volumes.

Cairns Airport remains one of Australia's leading regional airports, providing air links to a range of domestic and international locations. In June 2016, Cairns Airport welcomed its 5 millionth passenger in a 12-month period for the first time, and its total international passenger numbers increased by 24.4% in the 2016 financial year.

### Focus for the year ahead

- Construction will commence on a new 17,000 square metre integrated office, storage, warehouse and 80-dog-kennel building for the Ministry for Primary Industries.
- In the 2017 financial year, we will select an operator and confirm the design for our new 5-star 250-room hotel. This will be Auckland Airport's third hotel and will be located close to the international terminal. It will provide further passenger accommodation and much-needed meeting rooms for the airport. We expect to open the hotel by the end of the 2019 financial year.





**MIRACLE FAASAVALA**  
Landside Operations Officer with students from Otahuhu College during a Coastal Clean Up

# Being a good neighbour

In the 2016 financial year, Auckland Airport developed and launched a new corporate social responsibility strategy to better support and lift achievement within our local community. The strategy focuses on education and employment initiatives as well as operating in an environmentally sustainable way.

Our focus on education this financial year saw the establishment of a \$150,000 professional development scholarship programme for local teachers. This programme was announced as part of our 50th anniversary celebrations in January 2016, and 19 South Auckland teachers were awarded scholarships. We also offered five scholarships for local students, which enabled them to pursue tertiary studies and provided them with summer work experience at the airport. In the 2016 financial year, Auckland Airport once again selected a local school (Sir Douglas Bader Intermediate School) to participate in Our Auckland – a community youth art programme that showcases the work of South Auckland student artists in our international terminal.

This financial year, we worked closely with central and local government agencies, education providers and our construction partners to establish Ara – Airport Jobs and Skills Hub. This initiative creates a pathway from job training through to employment in the Auckland Airport precinct. In the eight months since it began in November 2015, Ara provided training for 525 people and placed 98 South Aucklanders into employment, 22 of whom have started apprenticeships at the airport. We are very excited about Ara and what it means both for our local community and for the realisation of our 30-year vision to build the airport of the future.

In the 2016 financial year, Auckland Airport continued to invest in initiatives to ensure

we operate in an environmentally sustainable manner and to help us achieve our goal of reducing the environmental footprint per passenger by 20% by 2020. Pleasingly, in the 12 months to 30 June 2016, the amount of waste sent to landfill decreased by 21% per passenger, and water use reduced by 14% per passenger. Also, we are now two years into a three-year, \$3.4 million partnership agreement with the Energy Efficiency and Conservation Authority (EECA) to save 6 gigawatt hours of energy across the airport precinct – enough to power around 750 homes every year. This agreement will help us to realise the value of energy-efficient design reviews and help us to engage our tenants to understand how to further reduce their energy consumption.

With the assistance of money donated by passengers travelling through Auckland Airport, we again provided \$120,000 to 12 charities in the days leading up to Christmas. We also gave over \$300,000 to the Auckland Airport Community Trust in October 2015 to help them support learning, literacy and life skills in the South Auckland communities most affected by aircraft noise.

#### Focus for the year ahead

- In the 2017 financial year, Auckland Airport will be offering owners of those homes located closest to the airport and most affected by aircraft noise the opportunity to help reduce the impact of this noise inside their homes. The noise mitigation package we provide these owners includes a ventilation system to circulate

fresh air through their homes, a heat pump to provide heating or cooling and a kitchen extractor fan to remove cooking odours and steam. This package allows windows in a home to be closed, reducing the impact of aircraft noise on those inside.

- Our corporate social responsibility strategy has established a guide for our future social investment. In the 2017 financial year, we will begin to refocus our activities to more closely align with our focus on education, employment and the environment.



19

In 2016, 19 South Auckland teachers were awarded professional development scholarships.

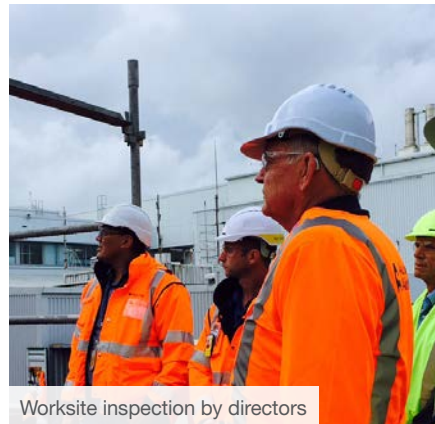


\$120,000

Provided to 12 charities in the days leading up to Christmas.



# Governance



Worksite inspection by directors



NICOLA GREER

2016 Future Director

## Health and safety governance

The Board continued to give priority to health and safety during the 2016 financial year and remains strongly committed to providing the governance leadership required to ensure the health and safety of the company's employees, contractors, customers and visitors. The Safety and Operational Risk Committee met three times in the 12 months to 30 June 2016 to review and support the company's health and safety initiatives, including approval of a new workplace drug and alcohol policy. The Committee's charter was reviewed in light of the Health and Safety at Work Act 2015, which took effect on 4 April 2016.

## Pricing governance

As the company focuses on setting its aeronautical charges for the financial years 2017–2022, the Board has increased its oversight of aeronautical pricing. An ad hoc Board sub-committee has been established this financial year to provide governance oversight of this important task that will conclude in May 2017 with the announcement of aeronautical prices for the next five years.

## Future Director

The Institute of Directors' Future Director programme helps to promote diversity of leadership and the development of governance talent in New Zealand. The Future Director is able to participate actively in all Board and committee meetings but does not take part in the actual decision making. Nicola Greer was Auckland Airport's Future Director in the 2016 financial year. Nicola has made a very positive contribution to Board discussions, and directors have greatly valued her commitment to the company. The Board believes that Nicola will play a leading role in New Zealand's corporate governance in the future. The Board is looking to appoint a new Future Director for the 2017 financial year.

## Richard Didsbury

The Board has agreed to defer the retirement of Richard Didsbury as a director of the company so that it can retain his skills and experience to support our current aeronautical and property infrastructure investment programme. The Board has extended Richard's tenure as a Board Member until our 2017 Annual Meeting.

## Remuneration reporting

Auckland Airport is committed to remuneration transparency. As a result, the company has decided to provide shareholders with more information about director and employee remuneration in this annual report than it has in previous financial years. The remuneration information can be found on page 78 in the corporate governance section of the accompanying financial results document.

# Financial overview

As previously stated, our total profit after tax for the 2016 financial year was up by 17.4% to \$262.4 million, while underlying profit after tax increased by 20.6% to \$212.7 million.

Revenue increased by 12.9% to \$573.9 million. Revenue growth was achieved, once again, through strong performances by retail (up by 19.3% to \$157.5 million), aeronautical (landing and passenger charges up by 10.3% to \$258.3 million) and transport (up by 11.8% to \$52.1 million). The strong growth in retail revenue this financial year provides the company with confidence to construct a new international retail hub, part of the upgrade of our international departure area.

Operating expenses increased by 11.8% to \$143.6 million this financial year, in part due to professional services related to our infrastructure projects, airline marketing and increased outsourced transport and hotel activity.

As with last financial year, the growth in revenue was higher than the growth in expenses. As a result, our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 13.2% to \$430.3 million.

After adjusting for non-cash valuation impacts, the total share of underlying earnings from our associates was \$11.5 million this financial year, an increase of 7.5% on the previous year. Our share of underlying earnings from North Queensland Airports increased by 8.2% to \$7.9 million. Our underlying earnings share from Queenstown Airport was down by 6.0% to \$1.9 million due to the settlement of its Inland Revenue litigation. Our underlying earnings share from Novotel Auckland Airport was up by 30.8% to \$1.7 million.

Including the impact of valuation changes, our share of profit from associates was a loss of \$8.4 million. This included our share of North Queensland Airports' asset impairment of \$16.0 million, its fair valuation loss on financial instruments of \$8.1 million and its investment property revaluation gain of \$1.7 million, as well as our share of Novotel Auckland Airport's gain on investment property of \$2.3 million and its fair valuation loss on financial instruments of \$100,000.

“The strong growth in retail revenue this financial year provides the company with confidence to construct a new international retail hub, part of the upgrade of our international departure area.”



The final dividend is 9 cents per share. This results in a total dividend this financial year of 17.5 cents per share – representing an increase of 19.9% compared with last year.

The final dividend is imputed at the company tax rate of 28% and will be paid on 13 October 2016 to shareholders who are on the register at the close of business on 29 September 2016.

The underlying profit table below shows how we reconcile reported profit after tax and underlying profit after tax for the 12 months ending 30 June 2016.

We have made the following adjustments to show underlying profit after tax for the

12-month periods ended 30 June 2016 and 30 June 2015:

- We have reversed out the impact of revaluations of investment property and associates in the 2016 and 2015 financial years. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular period can be too short for the purposes of measuring performance. Changes between periods can be volatile and, consequently, will have an impact on comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.

- We recognise gains or losses in the income statement arising from valuation movements in interest rate derivatives that are not hedge accounted and where the counterparty credit risk on derivatives has an impact on accounting hedging relationships. These gains or losses, as in the case of investment property, are unrealised and derivative gains or losses are expected to reverse out over their lives.
- To be consistent, we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in the 2016 and 2015 periods.
- We also allow for the taxation impacts of the above adjustments in both the 2016 and the 2015 periods.

### Underlying profit

	FY16			FY15		
	Reported profit \$m	Adjustments \$m	Underlying earnings \$m	Reported profit \$m	Adjustments \$m	Underlying earnings \$m
EBITDAFI per income statement	430.3	–	430.3	380.0	–	380.0
Share of profit of associates	(8.4)	19.9	11.5	12.5	(1.8)	10.7
Gain on sale of an associate	–	–	–	–	–	–
Derivative fair value decreases	(2.6)	2.6	–	(0.7)	0.7	–
Investment property fair value increase	87.1	(87.1)	–	57.2	(57.2)	–
Property, plant and equipment revaluation	(16.5)	16.5	–	(11.9)	11.9	–
Depreciation	(73.0)	–	(73.0)	(64.8)	–	(64.8)
Interest expense and other finance costs	(79.1)	–	(79.1)	(86.0)	–	(86.0)
Taxation expense	(75.4)	(1.6)	(77.0)	(62.8)	(0.7)	(63.5)
<b>Profit after tax</b>	<b>262.4</b>	<b>(49.7)</b>	<b>212.7</b>	<b>223.5</b>	<b>(47.1)</b>	<b>176.4</b>

### Cash flows

	2016 \$m	2015 \$m
Opening cash brought forward	38.5	41.4
Cash flow from operating activities	270.5	222.2
Cash flow from investing activities	(217.7)	(130.6)
Cash flow from financing activities	(38.7)	(94.5)
<b>Net increase/(decrease) in cash held</b>	<b>14.1</b>	<b>(2.9)</b>
<b>Ending cash carried forward</b>	<b>52.6</b>	<b>38.5</b>

### Financial performance

	2016 \$m	2015 \$m
<b>Income</b>		
Airfield income	103.4	93.3
Passenger services charge	154.9	140.9
Retail income	157.5	132.0
Rental income	74.7	64.6
Rates recoveries	5.4	5.1
Car park income	52.1	46.6
Interest income	1.7	3.3
Other income	24.2	22.7
<b>Total income</b>	<b>573.9</b>	<b>508.5</b>
<b>Expenses</b>		
Staff	46.8	46.3
Asset management, maintenance and airport operations	49.1	44.2
Rates and insurance	11.5	10.7
Marketing and promotions	16.3	13.2
Professional services and levies	9.7	7.3
Other expenses	10.2	6.8
<b>Total expenses</b>	<b>143.6</b>	<b>128.5</b>
<b>Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)</b>	<b>430.3</b>	<b>380.0</b>
Share of profit of associates	(8.4)	12.5
Derivative fair value (decrease) / increase	(2.6)	(0.7)
Property, plant and equipment fair value revaluation	(16.5)	(11.9)
Investment property fair value increase	87.1	57.2
<b>Earnings before interest, taxation and depreciation (EBITDA)</b>	<b>489.9</b>	<b>437.1</b>
Depreciation	73.0	64.8
<b>Earnings before interest and taxation (EBIT)</b>	<b>416.9</b>	<b>372.3</b>
Interest expense and other finance costs	79.1	86.0
<b>Profit before taxation</b>	<b>337.8</b>	<b>286.3</b>
Taxation expense	75.4	62.8
<b>Profit after taxation attributable to owners of the parent</b>	<b>262.4</b>	<b>223.5</b>

### Financial position

As at 30 June	2016 \$m	2015 \$m	Change %
<b>Non-current assets</b>	<b>6,038.6</b>	<b>5,014.1</b>	<b>20.4</b>
Current assets	102.9	87.4	17.7
<b>Total assets</b>	<b>6,141.5</b>	<b>5,101.5</b>	<b>20.4</b>
Non-current liabilities	1,768.6	1,748.7	1.1
Current liabilities	492.2	309.9	58.8
Equity	3,880.7	3,042.9	27.5
<b>Total equity and liabilities</b>	<b>6,141.5</b>	<b>5,101.5</b>	<b>20.4</b>

The above summary financial information has been sourced from, and should be read in conjunction with, the audited Auckland International Airport Limited 2016 financial statements dated 29 August 2016, which are available at [report.aucklandairport.co.nz](http://report.aucklandairport.co.nz)

The above summary financial information does not provide as complete an understanding as provided by the 2016 financial statements. The accounting policies used in these financial statements are attached in the notes to the 2016 financial statements.





In the 2016 financial year, we completed a market-leading building for Hellmann Logistics

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#### 2016 financial statements

The 2016 financial statements are available on our website [report.aucklandairport.co.nz](http://report.aucklandairport.co.nz) or you may elect to have a copy sent to you by contacting our investor relations team.

#### Electronic shareholder communication

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

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Reference to photo:

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### Online report

View our interactive report at  
**[report.aucklandairport.co.nz](http://report.aucklandairport.co.nz)**  
It has been designed for ease of  
online use, with tablets in mind.

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