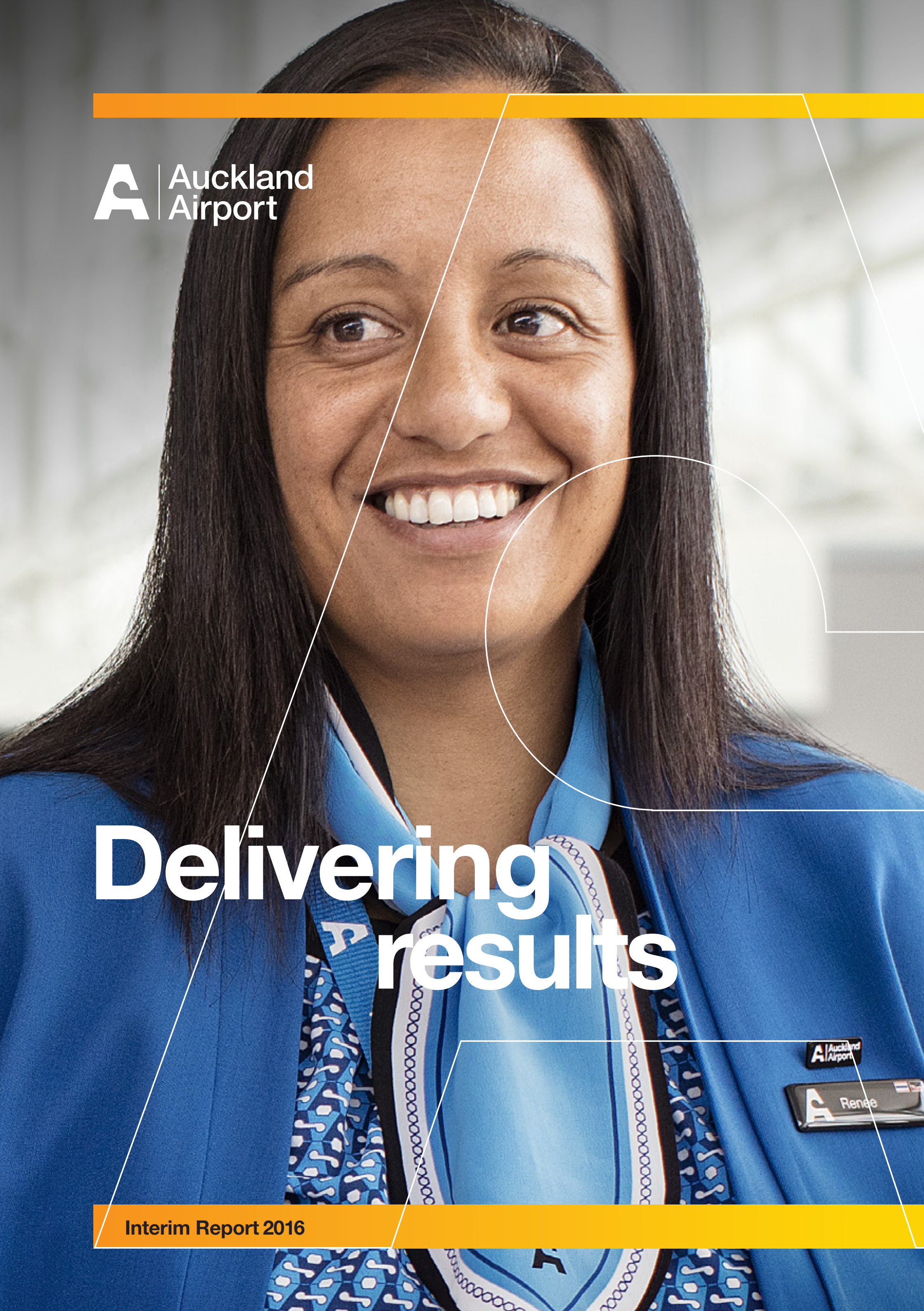
Auckland Airport



Delivering results

Interim Report 2016

Performance through commitment and hard work.

Online report

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

Renee Awa
Operations Project Delivery Manager, Security, Passenger and Terminal Operations – Aeronautical Operations

Contents

Welcome

Welcome to Auckland Airport's interim report for the first half of the 2016 financial year. We are delighted to announce that the company has delivered a strong set of results for the six months to 31 December 2015.

We have continued to see growth right across our business, which has been underpinned by new routes, new airlines and increasing passenger numbers.

This growth pleasingly occurs at a time when we have lifted our capital investment programme, ensuring we can upgrade and expand our terminals and airfield capacity for passengers and airlines, in turn delivering real benefits to the travelling public and continuing our intent of building an important regional hub for Asia Pacific aviation.

This performance has only been possible through the commitment and hard work of Auckland Airport's staff, contractors and consultants, as well as the ongoing efforts of our airline and tourism partners, the Government's border agencies and everyone else who works at the airport.

In the six months to 31 December 2015 the total number of passenger movements was up 6.7% to 8.4 million. International passengers (excluding transits) were up 7.2% to 4.3 million and domestic passengers were up 6.2% to 3.9 million.

Revenue was up 11.6% to $280.6 million, while expenses were up 7.5% to $67.1 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 13% to $213.5 million. Total profit after tax was up 24.8% to $115.8 million, while underlying profit was up 18.6% to $104.1 million.

We have continued to see growth right across our business

As a result, our underlying earnings per share is up 18.6% to 8.7 cents and our interim dividend for the 2016 financial year is lifted to 8.5 cents per share.

At the beginning of the 2016 financial year, we outlined our expectation that the net profit after tax (excluding any fair value changes and other one-off items) would be between $183 million and $191 million.

In consideration of our strong growth and performance in the first six months of this financial year, Auckland Airport is now lifting and tightening its guidance for the full year to be between $200 million and $206 million. This updated guidance would deliver an increase in underlying earnings per share of between 13.4% and 16.8%.

The above 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

$104.1m

18.6%

Underlying profit

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors may be assured that comparisons between different companies can be made with confidence and that there is integrity in our reporting approach. However, we also believe that an underlying profit measurement 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 make it difficult to compare profits between years.

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 19.

The numbers

Passenger movements

↑ 6.7% 8.4m

International 4.3m Up 7.2% | International transits 0.3m Up 4.5% | Domestic 3.9m Up 6.2%

Revenue

↑ 11.6% $280.6m

Operating EBITDAFI

↑ 13% $213.5m

Total profit

↑ 24.8% $115.8m

Recent Awards

Best investor relations by a company in the ASX ‘Mid-Cap 200’

Australasian Investor Relations Association, 2015

Best airport Oceania

Future Travel Experience Asia Awards, 2015

Underlying profit

↑ 18.6%

$104.1m

Underlying earnings per share

↑ 18.6%

8.7c

Interim dividend per share

8.5c

Auckland Airport strives to be a leader in growing travel, trade and tourism. To achieve this we are focused on four themes:

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

In delivering on each of these priorities we must also concentrate on being both a good employer and a good neighbour.

FASTER HIGHER STRONGER

jou

8.4m

In the first six months of the 2016 financial year the total number of passenger movements was up by 6.7% to 8.4 million.

HO CHI MINH CITY

Air New Zealand announced that it will commence direct flights between Auckland and Ho Chi Minh City in June 2016.

Grow travel markets

We remain focused on sustainably growing air connectivity. In the first six months of the 2016 financial year the total number of passenger movements was up by 6.7% to 8.4 million. International passengers (excluding transits) were up 7.2% to 4.3 million, and domestic passengers were up by 6.2% to 3.9 million.

Already this financial year we have seen new routes, services and capacity on both the international and domestic networks.

- China Southern Airlines began its twice-a-day, year-round service between Auckland and Guangzhou in October 2015.
- Air Asia X announced that it will begin a new daily Kuala Lumpur–Auckland service via the Gold Coast from March 2016.
- Air New Zealand announced that it will commence direct flights between Auckland and Ho Chi Minh City in June 2016.

Continuing our

rney

In the past 12 months alone, we have seen six new airlines either launch or announce new services to Auckland.

International

Strong growth in passenger numbers has been maintained across new, established and emerging markets.

The Asian market continues to grow, with passenger volume up 11.4% in the first six months of the 2016 financial year:

- China Eastern Airlines launched a direct Shanghai–Auckland service in September 2015.
- Air China launched a daily Auckland–Beijing service using an A330 aircraft in December 2015.

North and South American markets are experiencing significant growth too, with passenger volume up 9%:

- Air New Zealand started a three-flights-per-week service to Buenos Aires and a five-flights-per-week service to Houston in December 2015.
- LAN Airlines introduced its newest aircraft, the B787-9, on its daily Sydney–Auckland–Santiago route in September 2015.
- United Airlines will launch a new service between San Francisco and Auckland from July 2016; initially it will operate three flights per week before moving to daily in October 2016.

- American Airlines will launch a new daily non-stop service between Los Angeles and Auckland in June 2016.

Travel between Australia and New Zealand also remains strong, with trans-Tasman passenger volume up 5.7%:

- Philippine Airlines started a Manila–Cairns–Auckland flight four times per week in November 2015.
- 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 has reintroduced a B787-8 aircraft to its Sydney and Melbourne flights from December 2015 to March 2016.

In January 2016, Emirates announced that it would operate the world's longest commercial passenger flight, a non-stop service connecting Auckland Airport with Dubai. The flight is estimated to take 17 hours and 15 minutes and will start on 2 March 2016.

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

Domestic

The first six months of the 2016 financial year has seen more than 900,000 seats added to the domestic network, with over a third of new seats servicing regional New Zealand. Growth in the capacity of regional services is welcome and plays a critical role in distributing the strong tourism growth nationwide.

In December 2015, Jetstar commenced regional services to Nelson and Napier using a 50-seat Q300 aircraft and from February 2016 it commenced regional 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.

Unfortunately, Barrier Air suspended its daily service between Auckland and Kaitaia from January 2016, a route it introduced following Air New Zealand's withdrawal of this service in 2015.

900,000+

seats have been added to the domestic network in the first six months of the 2016 financial year

DUBAI

In January 2016, Emirates announced that it would operate the world's longest commercial passenger flight, a non-stop service connecting Auckland Airport with Dubai.

Strengthen our consumer business

Auckland Airport continues to enhance our retail business. We have delivered greater choice for passengers by introducing a number of new speciality stores in our international departure area, including New Zealand's first Victoria's Secret lingerie and cosmetics store, Kiwi fashion store Ruby and Kiehl's, the international skincare, hair and beauty product brand. As a result of the excellent performance of these new speciality stores and our recent retail leasing and development programme, total retail income is up 21% on the first six months of the previous financial year.

Since the arrival in July 2015 of our two new anchor duty free operators, The Loop Duty Free and Aelia Duty Free, both outlets have been enhancing their in-store infrastructure and introducing new brands and products. The arrival of these two new duty free operators, renowned for their innovation, has seen a number of new initiatives at Auckland Airport in the six months to 31 December 2015. These included Australasia's first Johnnie Walker Whisky Boutique and the introduction of 'ACE' in Aelia Duty Free's international arrivals store – an in-store robot used by passengers to collect their pre-purchased 'click and collect' duty free items.

We have also continued to improve the consumer products portfolio at Auckland Airport, to ensure our passenger experience is both positive and memorable. Our popular Emperor Lounge is now used by eight airlines to accommodate their premium passengers and by other passengers who do not belong to lounge programmes.

We have retained our focus on improving transport options. The 24/7 city-to-airport commercial bus service changed operator in September 2015 to SkyBus. This service is popular with passengers and staff alike, and offers free Wi-Fi across its 15-strong fleet. Committed to running an efficient and on-time service – every 10 minutes during peak periods – SkyBus has already purchased two new buses and plans to invest in a further seven by the end of the financial year. In December 2015, we introduced The Wait Zone – a dedicated 30-minute free car park where family and friends can await the arrival of travellers. This innovative idea was used by 4,000 vehicles in December, reducing congestion at our international pick-up/drop-off forecourt and within the local roading network. We have also improved technology in our car parks, by providing drivers with better real-time information about the availability of parking spaces.

VICTORIA'S SECRET

New speciality stores in our international departure area include New Zealand's first Victoria's Secret lingerie and cosmetics store.

21%

Total retail income is up 21% on the first six months of the previous financial year.

Paul Divers
Manager – Retail
Retail and Commercial

Lauri Solecki
Retail Commercial Manager
– Practice and Operations
Retail and Commercial

A sustainable airport

Auckland Airport occupies a unique location on the Manukau Harbour and within our local community. We therefore have a duty to act responsibly while continuing to operate and develop the airport. Our sustainability action plans identify business targets, to the year 2020, for energy, waste and water minimisation.

Supported by the Government's Energy Efficiency and Conservation Authority (EECA), we are working in partnership with a number of our 100+ tenants to achieve ambitious energy-savings. This is the first collaboration of its type between a large scale commercial landlord and its tenants.

Auckland Airport is investing more than $3 million over three years in projects to measure, manage and reduce energy – with the goal of saving six gigawatt hours of energy, enough to power around 750 homes, and reducing carbon dioxide emissions by 1,000 tonnes each year.

To show our support for sustainable transport, in April 2015 we introduced plug-in hybrid vehicles into our fleet and installed electric vehicle charging stations in our service depots and valet parking car park facilities. In November 2015 we were involved in New Zealand's first trial of a hybrid diesel bus on our Park&Ride service.

We are proud that our focus on sustainability has resulted in Auckland Airport being listed by FTSE Russell on its FTSE4Good Global Index for demonstrating strong environmental, social and governance practices.

Be fast, efficient and effective

We have continued to work closely with our partners via our collaborative decision-making approach to continuously enhance the end-to-end performance of the airport and improve the customer experience. This objective has been supported by our ongoing investment in technology and new processes, in particular our Airport Operating System. This collaborative approach proved to be important in successfully managing the record-number of passengers who passed through the international terminal in December 2015.

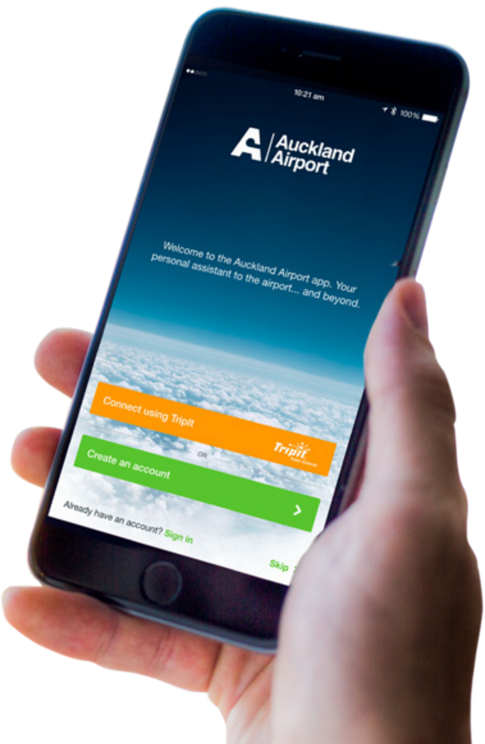
In November 2015, Auckland Airport unveiled a new online flight monitor and enquiry system to better inform the community about aircraft noise and flights above Auckland.

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 Schiphol Airport 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 first six months of 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.

To assist with wildlife management we have partnered with The University of Auckland to use Global Positioning System (GPS) locators to track the movement of black swans around Auckland Airport. The swans were tracked for more than 1,000 hours and the data collected from this trial enabled our wildlife team to better understand how the swans move around the airport and helped this team test the effectiveness of their management techniques to prevent bird strikes.

In addition, Auckland Airport released a new app incorporating TripIt from Concur, the world's highest-rated travel-organising app. The latest app, which is available for iOS and Android technology, integrates with TripIt and gives travellers an easy way to organise their travel plans, parking and lounge reservations, as well as duty free purchases – all in one place. We have also trialled real-time bag collection information displays in the terminal to further enhance the traveller experience.



Invest for future growth

Auckland Airport has continued to deliver new and upgraded infrastructure to accommodate the current growth in passenger numbers and air services and to further develop our property business. Following the completion of our 30-year masterplan in 2014, we have been able to lift the pace of investment in critical infrastructure, confident that our development plans align with Auckland Airport's longer-term requirements.

Infrastructure

In December 2015 we completed a new bus lounge on Pier B of the international terminal and the second of two additional baggage belts in the international baggage hall. We also finished the development of an extra 17,500 square metres of airfield in November 2015, to park the increasing number of international aircraft visiting Auckland Airport. In addition, we have continued to invest in the expansion of our domestic terminal, developing four new regional gates in the first half of this financial year, and, in February 2016, we opened a new departure lounge for use by Jetstar's new regional services.

In January 2016 we announced the details of a major upgrade of our international departure area, including a new security processing zone and a new passenger lounge and shopping hub.

The latest Auckland Airport app integrates with TripIt and gives travellers an easy way to organise their travel plans, parking and lounge reservations, as well as duty free purchases – all in one place.

Roger Mace
Project Manager
Airport Development and Delivery

This upgrade is expected to cost up to $180 million and is an exciting and major step forward in the ongoing implementation of our 30-year vision to build our airport of the future, which will eventually see us able to accommodate 40 million passengers a year by 2040, from 16 million today.

We have continued our work in partnership with the New Zealand Transport Agency, Auckland Transport and other transport stakeholders to improve land transport access to the airport.

In the remaining six months of the 2016 financial year, and into the first half of the 2017 financial year, we will maintain our focus on infrastructure. Work will continue on the design of the domestic component of our new combined domestic and international terminal building, and by December 2016 we plan to open the first of several new gates on Pier B of the international terminal.

Investment property

Our property business has continued to go from strength to strength in the first six months of the 2016 financial year. We are investing more than ever before to ensure we benefit from the strong market demand for commercial properties and we currently have more than $130 million of assets either under construction or recently completed.

In The Landing Business Park, two market-leading buildings for Hellmann Logistics and Fuji Xerox were completed to provide more than 18,000 square metres of office and warehouse space. Work also started on a 4,000-square-metre warehouse for Agility and we progressed the development of Coca-Cola Amatil's new processing plant, which is due for completion later this financial year. We commenced construction of Quad 7, a new high-quality 9,000-square-metre office building, due for completion in the next financial year and early interest from prospective tenants has been strong. Our wider speculative industrial property strategy continues to be a great success, with the majority of space being pre-let prior to completion.

The success of our industrial leasing programme has required Auckland Airport to develop more serviced land in The Landing Business Park. In October 2015 we completed a further eight hectares, which is ready for development and work has now started on a further 11 hectares.

Queenstown Airport and North Queensland Airports

Queenstown Airport continues to experience strong passenger volume growth, with international passenger numbers up 19.7% and domestic passenger numbers up 13.5% in the first six months of the 2016 financial year. To accommodate growth and to pave

THE LANDING BUSINESS PARK

Two market-leading buildings for Hellmann Logistics and Fuji Xerox were completed to provide more than 18,000 square metres of office and warehouse space.

$130m+

We currently have more than $130 million of assets either under construction or completed.

the way for evening flights in winter 2016, as well as to improve overall safety and operational efficiency, Queenstown Airport has started work on a $17 million airfield infrastructure enhancement programme.

Mackay Airport continues to be impacted by the softening of the Australian economy, with domestic passenger numbers down 14.4% in the first six months of the financial year; however, Cairns Airport has maintained strong performance, as a result of its introduction of new services and the increase in its number of total international passengers, up 19.8%.

Auckland Airport has continued to support Queenstown Airport and North Queensland Airports, across operational, infrastructure, property and route development matters.

Be a good employer

As Auckland Airport continues to grow, it is essential that we maintain our focus on being a good employer. We must ensure our people have access to the correct training, tools and resources, and as a company we must have the right systems and processes to support our employees to undertake their roles and responsibilities effectively.

Following the appointment of a new general manager people and safety at the end of the 2015 financial year, Auckland Airport has continued to grow the team responsible for supporting our employees.

We remain strongly committed to the health and safety of our employees, contractors, customers and visitors. Early results from our increased focus on health and safety have been promising; we have seen a 250% increase in health and safety incident reporting in the first six months of the 2016 financial year and the lost time injury frequency rate for employees has reduced by 25%. This is a positive indicator of a company culture focused on eliminating health and safety hazards before they cause injury.

We remain focused on diversity and inclusion as well, and recently Auckland Airport became a foundation partner of Champions for Change – a group of New Zealand companies across the public and private sectors which is committed to raising the value of diversity and inclusion within organisations and implementing strategies to actively promote the concept among peers.

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 $1,200 payment before tax, for all permanent employees. This payment recognised the contribution of our staff to the strong ongoing performance of Auckland Airport and the successful implementation of our current business strategy, Faster, Higher, Stronger.

250%

We have seen a 250% increase in health and safety incident reporting in the first six months of the 2016 financial year.

QUEENSTOWN

We have continued to support Queenstown Airport across operational, infrastructure, property and route development matters.

Be a good neighbour

In the first six months of the 2016 financial year, Auckland Airport continued to invest in our local community with the objective of helping to lift the achievement of our community. This is being achieved by focusing on education and sporting initiatives and using our influence to help create better employment opportunities for the people of South Auckland.

In October 2015, we gave the Auckland Airport Community Trust an additional $328,415 to support learning, literacy and life skills in communities in the immediate vicinity of the airport.

Once again, we supported local sporting teams and youth initiatives through our $30,000 Auckland Airport Gold Medal Awards, and our ‘12 Days of Christmas’ programme, which provided $120,000 to 12 charities in the days leading up to Christmas 2015.

We extended our scholarship programme to three additional local schools to assist high-achieving students with their tertiary education and provided the successful scholars with summer employment at the airport. We also supported the artistic skills of local students through our youth art programme.

Ara

AIRPORT JOBS & SKILLS HUB

Auckland Airport is working closely with the Ministry of Social Development and the Ministry of Business, Innovation and Employment, education providers and our construction partners to develop ‘Ara’ – the Airport Jobs and Skills Hub. This is an initiative that creates a pathway for South Aucklanders to easily transition from job training through to work opportunities at Auckland Airport.

We are excited about this project, which is already delivering new jobs for people in our local communities and as we implement our 30-year vision to build the airport of the future, we hope Ara will lift the employment prospects of local people.

$120,000

Our ‘12 Days of Christmas’ programme provided $120,000 to 12 charities in the days leading up to Christmas 2015.

Financial summary

Our total profit after tax for the six months to 31 December 2015 was up 24.8% to $115.8 million, while underlying profit after tax increased 18.6% to $104.1 million.

Revenue increased 11.6% to $280.6 million. This was, in part, due to a strong retail performance, as well as favourable growth in aeronautical, property rental and transport income. Expenses increased 7.5% to $67.1 million, in part due to professional services related to our infrastructure projects and increased activity in out-sourced transport and hotel operations. As a result of revenue growth being higher than expenses growth in the first six months of the 2016 financial year, our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) has increased 13% to $213.5 million.

Our total share of profit from associates was $4.1 million for the first six months of the 2016 financial year, down 24.1%. The profit share from Queenstown Airport was up 25.8% to $1.5 million. The share from North Queensland Airports was down 50% to $1.8 million due to our share of an unfavourable fair value movement in derivative financial instruments of $2.7 million. After reversing that movement its underlying profit was up 25.5% to $4.5 million. Our profit share from the Novotel hotel was up 33.3% to $0.8 million.

The interim dividend for the six months to 31 December 2015 is lifted to 8.5 cents per share. It is imputed at the company tax rate of 28% and will be paid on 7 April 2016 to shareholders who are on the register at the close of business on 24 March 2016.

Our strong performance in the six months to 31 December 2015 means that underlying earnings per share have continued to increase, up 18.6% to 8.7 cents per share.

The table opposite shows how we reconcile reported profit after tax and underlying profit after tax for the six-month periods ended 31 December 2015 and 31 December 2014.

NOVOTEL

Our profit share from the Novotel hotel was up 33.3% to $0.8 million.

	H1 FY16			H1 FY15		
	Reported profit $m	Adjustments $m	Underlying earnings $m	Reported profit $m	Adjustments $m	Underlying earnings $m
EBITDAFI per income statement	213.5	–	213.5	189.0	–	189.0
Share of profit of associates	4.1	2.7	6.8	5.4	0.1	5.5
Derivative fair value decreases	(0.7)	0.7	–	(1.6)	1.6	–
Investment property fair value increase	16.0	(16.0)	–	6.3	(6.3)	–
Depreciation	(36.6)	–	(36.6)	(30.8)	–	(30.8)
Interest expense and other finance costs	(40.9)	–	(40.9)	(43.7)	–	(43.7)
Taxation expense	(39.6)	0.9	(38.7)	(31.8)	(0.4)	(32.2)
Profit after tax	**115.8**	**(11.7)**	**104.1**	**92.8**	**(5.0)**	**87.8**

We have made the following adjustments to show underlying profit:

- We have reversed out the impact of revaluations of investment property in the six months to 31 December 2015. 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.
- The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which 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 are expected to reverse out over the lives of the derivatives.
- 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 interim periods.
- We also allow for the taxation impacts of the above adjustments in both the 2016 and the 2015 interim periods.

“

Revenue increased 11.6% to $280.6 million. This was, in part, due to a strong retail performance, as well as favourable growth in aeronautical, property rental and transport income.

Governance

Dr Patrick Strange

New director

At the Annual Meeting in October 2015, Dr Patrick Strange was elected a director of the company. His significant experience in New Zealand governance and infrastructure – including his involvement in workplace health and safety – will greatly assist the Board, especially as it continues to focus on the implementation of the 30-year vision to build the airport of the future.

Patrick is currently chair of Chorus Limited and a director of Mighty River Power and NZX Limited. He is also on the joint board of Australia-based Ausgrid, Endeavour Energy and Essential Energy. Patrick has spent 30 years working as a senior executive and director in both private and listed companies. During his more than six years as chief executive of Transpower New Zealand Limited Patrick oversaw its $3.8 billion investment in the National Grid. He lives in Matapouri, Northland.

Singapore meeting

As part of its commitment to excellence and learning from the best, in November 2015 the Board met in Singapore so that it could visit the award-winning Changi Airport. Changi has been voted by air travellers as the best airport in the world six times, including in each of the last three years. Directors met with the airport's senior management and discussed Changi's business priorities. They also observed aeronautical and rescue fire service operations and inspected new infrastructure.

Long-term incentive plan

In light of Auckland Airport's continuing strong performance and growth in share price, in October 2015 the Board introduced a new long-term incentive plan for senior executives to provide greater cost certainty and market alignment. Under the new plan, shares are issued and then held in trust for participating executives for a three year vesting period and are subject to performance hurdles. The first grant was made in late 2015 and will vest from 2018 onwards. The new plan replaces the old phantom options plan. More information about the changes to the long-term incentive plan can be found on page 39.

Leadership team

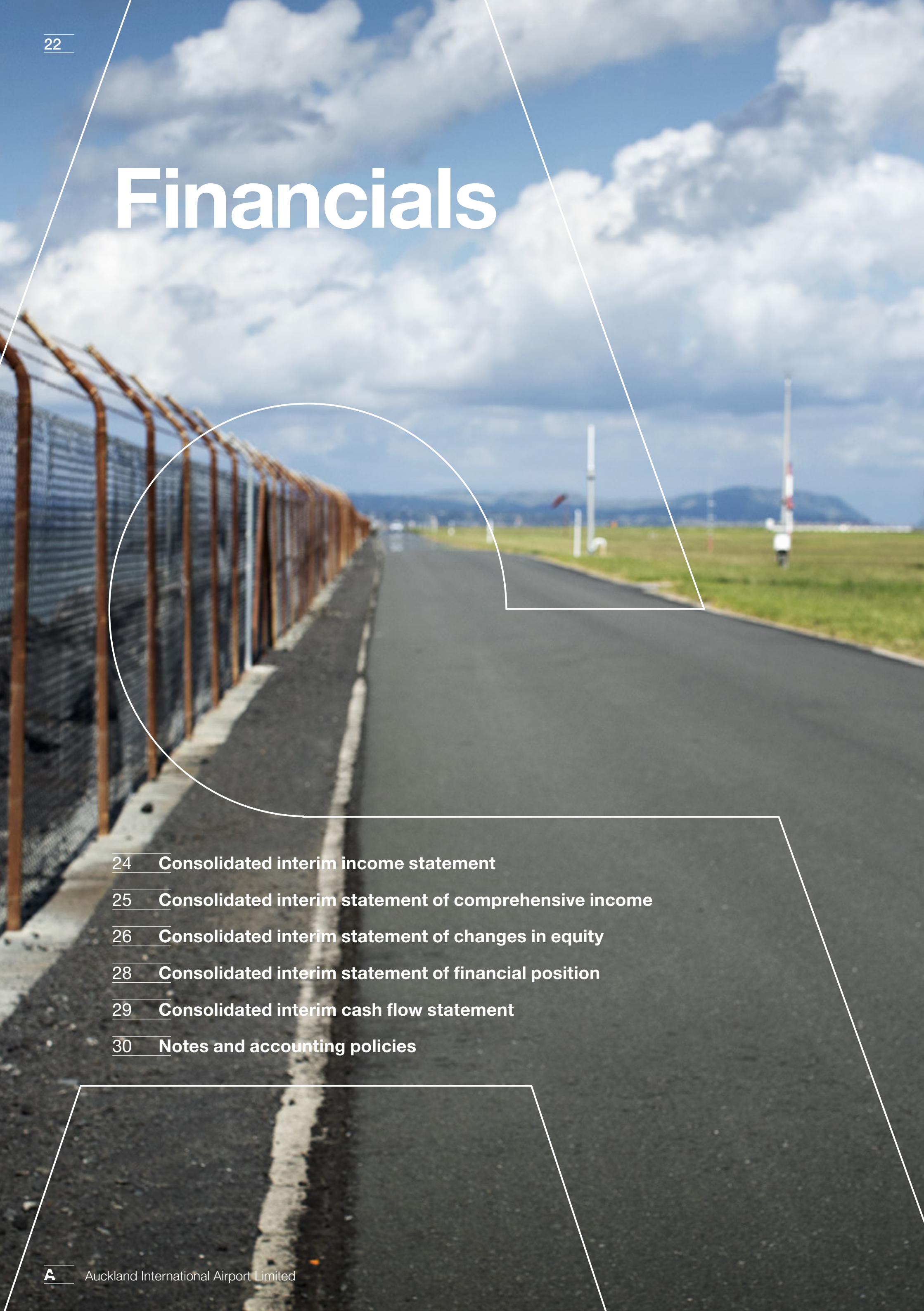
Phil Neutze

New chief financial officer

In December 2015, Phil Neutze was appointed chief financial officer, responsible for managing Auckland Airport's corporate strategy, financial affairs, procurement, legal, aeronautical pricing, risk management and insurance matters.

Phil joined Auckland Airport in March 2010 as the Head of Business Intelligence and he was the company's acting chief financial officer for three months in 2014 and five months in 2015. Phil is a certified practising accountant, holds an MBA with distinction and is a certified member of the Institute of Finance Professionals NZ Inc. In his decade-long investment banking career Phil held senior roles with Ord Minnett, J.P.Morgan and PwC assisting clients with mergers, acquisitions, divestments, funding and general corporate finance. Prior to his time in investment banking, he worked for the New Zealand Treasury advising the Minister of Finance on tax policy development and legislation.

> Phil is a certified practising accountant, holds an MBA with distinction and is a certified member of the Institute of Finance Professionals NZ Inc.



Financials

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	NOTES	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Income			
Airfield income		50.2	46.9
Passenger services charge		75.5	69.5
Retail income		78.6	64.8
Rental income		35.6	31.1
Rates recoveries		2.7	2.5
Car park income		26.0	23.4
Interest income		0.8	1.5
Other income		11.2	11.7
Total income		280.6	251.4
Expenses			
Staff	4	22.4	22.1
Asset management, maintenance and airport operations		23.5	21.6
Rates and insurance		5.7	5.4
Marketing and promotions		6.3	6.0
Professional services and levies		4.4	3.8
Other expenses		4.8	3.5
Total expenses		67.1	62.4
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		213.5	189.0
Share of profit of associates	6	4.1	5.4
Derivative fair value (decrease)/increase		(0.7)	(1.6)
Property, plant and equipment revaluation		–	–
Investment property fair value increase	9	16.0	6.3
Earnings before interest, taxation and depreciation (EBITDA)		232.9	199.1
Depreciation		36.6	30.8
Earnings before interest and taxation (EBIT)		196.3	168.3
Interest expense and other finance costs	4	40.9	43.7
Profit before taxation	3	155.4	124.6
Taxation expense		39.6	31.8
Profit after taxation attributable to owners of the parent		115.8	92.8

		Cents	Cents
Earnings per share:			
Basic and diluted earnings per share		9.73	7.80

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 EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2015 AND 31 DECEMBER 2014. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2015 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 2015

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Profit for the period	115.8	92.8
Other comprehensive income		
Items that will not be reclassified to the income statement:		
Tax on the property, plant and equipment revaluation reserve	1.4	–
Items that will not be reclassified to the income statement	1.4	–
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Fair value gains/(losses) recognised in the cash flow hedge reserve	(6.2)	(17.6)
Realised losses transferred to the income statement	3.3	4.8
Tax effect of movements in the cash flow hedge reserve	0.8	3.6
Total cash flow hedge movement	(2.1)	(9.2)
Movement in share of reserves of associates	0.8	(0.8)
Movement in foreign currency translation reserve	(2.2)	(1.4)
Items that may be reclassified subsequently to the income statement	(3.5)	(11.4)
Total other comprehensive income	(2.1)	(11.4)
Total comprehensive income for the period, net of tax attributable to the owners of the parent	113.7	81.4

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 EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2015 AND 31 DECEMBER 2014. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2015 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Six months ended 31 December 2015	NOTES	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
At 1 July 2015		332.3	(609.2)	2,958.5
Profit for the period		–	–	–
Other comprehensive income/(loss)		–	–	1.4
Total comprehensive income/(loss)		–	–	1.4
Reclassification to retained earnings		–	–	(4.9)
Shares issued	10	0.4	–	–
Dividend paid	7	–	–	–
At 31 December 2015		332.7	(609.2)	2,955.0
Six months ended 31 December 2014				
At 1 July 2014		332.3	(609.2)	2,880.6
Profit for the period		–	–	–
Other comprehensive income/(loss)		–	–	–
Total comprehensive income/(loss)		–	–	–
Reclassification to retained earnings		–	–	–
Shares issued		–	–	–
Dividend paid	7	–	–	–
At 31 December 2014		332.3	(609.2)	2,880.6

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 EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2015 AND 31 DECEMBER 2014. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2015 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Share-based payments reserve $M	Cash flow hedge reserve $M	Share of reserves of associates $M	Foreign currency translation reserve $M	Retained earnings $M	Total $M
0.9	(25.7)	(0.4)	(6.8)	393.3	3,042.9
–	–	–	–	115.8	115.8
–	(2.1)	0.8	(2.2)	–	(2.1)
–	(2.1)	0.8	(2.2)	115.8	113.7
–	–	–	–	4.9	–
–	–	–	–	–	0.4
–	–	–	–	(86.9)	(86.9)
0.9	(27.8)	0.4	(9.0)	427.1	3,070.1
0.9	(14.0)	(2.1)	(8.5)	338.7	2,918.7
–	–	–	–	92.8	92.8
–	(9.2)	(0.8)	(1.4)	–	(11.4)
–	(9.2)	(0.8)	(1.4)	92.8	81.4
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	(83.3)	(83.3)
0.9	(23.2)	(2.9)	(9.9)	348.2	2,916.8

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2015

	NOTES	As at 31 Dec 2015 $M	As at 30 June 2015 $M
Non-current assets			
Property, plant and equipment	8	3,888.1	3,884.1
Investment properties	9	920.1	848.1
Investment in associates	6	154.2	163.6
Derivative financial instruments		126.4	118.3
		5,088.8	5,014.1
Current assets			
Cash and cash equivalents		12.2	38.5
Inventories		0.1	–
Trade and other receivables		47.8	36.6
Dividend receivable		3.8	2.8
Taxation receivable		7.7	9.5
Derivative financial instruments		1.0	–
		72.6	87.4
Total assets		5,161.4	5,101.5
Shareholders' equity			
Issued and paid-up capital	10	332.7	332.3
Reserves		2,310.3	2,317.3
Retained earnings		427.1	393.3
		3,070.1	3,042.9
Non-current liabilities			
Term borrowings	11	1,529.4	1,504.9
Derivative financial instruments		26.6	22.2
Deferred tax liability		220.9	220.3
Other term liabilities		1.1	1.3
		1,778.0	1,748.7
Current liabilities			
Accounts payable and accruals		64.7	88.8
Taxation payable		–	–
Derivative financial instruments		0.5	1.7
Short-term borrowings	11	247.2	217.6
Provisions		0.9	1.8
		313.3	309.9
Total equity and liabilities		5,161.4	5,101.5

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 EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2015 AND 31 DECEMBER 2014. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2015 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim cash flow statement

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		272.6	246.0
Interest received		0.8	1.5
		273.4	247.5
Cash was applied to:			
Payments to suppliers and employees		(80.5)	(63.5)
Income tax paid		(36.2)	(41.8)
Interest paid		(41.2)	(43.8)
		(157.9)	(149.1)
Net cash flow from operating activities	5	115.5	98.4
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.1	0.3
Proceeds from sale of investment properties		–	0.5
Settlement of net investment hedge (payments)/proceeds		–	–
Intercompany loan repayment		–	–
Dividends from associate		8.1	5.6
		8.2	6.4
Cash was applied to:			
Purchase of property, plant and equipment		(57.7)	(44.2)
Interest paid – capitalised		(2.5)	(1.9)
Expenditure on investment properties		(51.9)	(19.5)
		(112.1)	(65.6)
Net cash flow applied to investing activities		(103.9)	(59.2)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		175.0	535.8
		175.0	535.8
Cash was applied to:			
Decrease in borrowings		(126.0)	(490.1)
Dividends paid	7	(86.9)	(83.3)
		(212.9)	(573.4)
Net cash flow applied to financing activities		(37.9)	(37.6)
Net increase/(decrease) in cash held		(26.3)	1.6
Opening cash brought forward		38.5	41.4
Ending cash carried forward		12.2	43.0

THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2015 AND 31 DECEMBER 2014. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2015 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

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 a Financial Markets Conduct 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 and associates (the group).

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 19 February 2016.

2. Basis of preparation and accounting policies

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

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

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report.

Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Annual Report for the year ended 30 June 2015 ('2015 Annual Report').

The accounting policies set out in the 2015 Annual Report have been applied consistently to all periods presented in these interim financial statements.

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

3. Segment information

(a) Identification of reportable segments

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

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

(b) Types of services provided

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

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

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

Six months ended 31 December 2015	Aeronautical $M	Retail $M	Property $M	Total $M
Total segment income	137.2	109.6	30.9	277.7
Total segment expenses	34.7	10.8	7.3	52.8
Segment earnings before interest, taxation and depreciation (Segment EBITDAFI)	102.5	98.8	23.6	224.9
Six months ended 31 December 2014				
Total segment income	127.8	93.3	26.8	247.9
Total segment expenses	32.4	10.0	5.8	48.2
Segment earnings before interest, taxation and depreciation (Segment EBITDAFI)	95.4	83.3	21.0	199.7

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2014: nil)

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

3. Segment information CONTINUED

(c) Segment reconciliation of segment EBITDAFI to income statement:

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Segment EBITDAFI	224.9	199.7
Unallocated external operating income	2.9	3.5
Unallocated external operating expenses	(14.3)	(14.2)
Share of profit of associates	4.1	5.4
Depreciation	(36.6)	(30.8)
Derivative fair value (decrease)/increase	(0.7)	(1.6)
Investment property fair value increase	16.0	6.3
Interest expense and other finance costs	(40.9)	(43.7)
Profit before taxation	155.4	124.6

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

4. Profit for the period

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Staff expenses comprise:		
Salaries and wages	17.4	14.9
Employee benefits	1.9	2.4
Share-based payment plans	0.1	2.3
Defined contribution superannuation	0.9	0.7
Other staff costs	2.1	1.8
	22.4	22.1
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	21.7	25.5
Interest on bank facilities and related hedging instruments	7.6	10.7
Interest on USPP notes and related hedging instruments	11.6	7.0
Interest on commercial paper and related hedging instruments	2.5	2.4
	43.4	45.6
Less capitalised borrowing costs	(2.5)	(1.9)
	40.9	43.7
Interest rate for capitalised borrowings costs	5.32%	5.88%

The gross interest costs of bonds, bank facilities, USPP and commercial paper excluding the impact of interest rate hedges was $41.1 million for the period ended 31 December 2015 (31 December 2014: $42.1 million).

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

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Profit after taxation	115.8	92.8
Non-cash items:		
Depreciation	36.6	30.8
Bad debts and doubtful debts	0.1	–
Deferred taxation expense	2.8	(1.2)
Equity accounted earnings from associates	(4.1)	(5.4)
Investment property fair value increase	(16.0)	(6.3)
Derivative fair value decrease/(increase)	0.7	1.6
Items not classified as operating activities:		
(Gain)/loss on asset disposals	-	(0.3)
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	8.3	6.8
(Increase)/decrease in investment property retentions and payables	7.2	1.1
Items recognised directly in equity	(1.2)	(0.7)
Movement in working capital:		
(Increase)/decrease in current assets	(11.4)	(13.5)
(Decrease)/increase in taxation payable	1.8	(8.1)
Increase in accounts payable	(24.9)	0.8
Increase/(decrease) in other term liabilities	(0.2)	–
Net cash flow from operating activities	115.5	98.4

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

6. Associates

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

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Investment in associates at beginning of period	163.6	158.4
Share of profit after tax of associates	4.1	5.4
Share of reserves of associates	0.8	(0.8)
Share of dividends received and repayment of partner contribution	(9.0)	(6.0)
Foreign currency translation	(5.3)	(3.2)
Investment in associates at end of the period	154.2	153.8

Carrying value of investments in associates:

	As at 31 Dec 2015 $M	As at 30 June 2015 $M
Tainui Auckland Airport Hotel Limited Partnership	13.0	12.9
Stapled Securities of North Queensland Airports Limited	101.3	111.3
Queenstown Airport Corporation Limited	39.9	39.4
Total	154.2	163.6

Transactions with associates

	North Queesnland Airports 6 months to December		Tainui Auckland Airport Hotel Partnership 6 months to December		Queenstown Airport 6 months to December	
	2015 $M	2014 $M	2015 $M	2014 $M	2015 $M	2014 $M
Directors fees	0.1	0.1	–	–	–	–
Rental income received and asset sales	–	–	0.4	0.3	0.1	–
Share of declared dividends or repayment of partner contribution	7.5	4.8	0.5	0.4	1.0	0.8

At 31 December 2015 AUD 3.6 million (NZD 3.8 million) was receivable from North Queensland Airport for dividends declared in the period (31 December 2014 AUD 2.9 million (NZD 3.1 million). Future minimum rentals receivable under the non-cancellable operating lease with Tainui Auckland Airport Hotel Limited Partnership as at 31 December 2015 are $10.2 million, (31 December 2014 $10.5 million).

7. Distribution to shareholders

	Dividend payment date	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
2014 final dividend of 7.00 cps	17 October 2014	–	83.3
2015 final dividend of 7.30 cps	16 October 2015	86.9	–
Total dividends paid		86.9	83.3

8. Property, plant and equipment

	As at 31 Dec 2015 $M	As at 30 Jun 2015 $M
At fair value	3,834.6	3,805.9
At cost	86.7	92.6
Work in progress at cost	95.6	92.7
Accumulated depreciation	(128.8)	(107.1)
Net carrying amount	3,888.1	3,884.1

The group carries land, buildings and services, infrastructure and runway, taxiways and aprons at fair value. The group last revalued buildings and services and runways, taxiways and aprons at 30 June 2015. The group last revalued land at 30 June 2014 and infrastructure at 30 June 2011. At 31 December 2015 the carrying amounts do not differ materially from fair value.

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

Additions to property, plant and equipment were $50.9 million for the six months ended 31 December 2015 (six months ended 31 December 2014: $38.6 million). Transfers to investment property were $10.3 million for the six months ended 31 December 2015 (six months ended 31 December 2014: nil)

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

9. Investment properties

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Balance at the beginning of the period	848.1	733.4
Additions – subsequent expenditure	1.6	0.7
Additions – acquisitions or development	44.1	17.8
Transfer from property, plant and equipment (note 8)	10.3	–
Change in net revaluations	16.0	6.3
Balance at end of period	920.1	758.2

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at least annually.

At 31 December 2015 and 31 December 2014 an assessment review was performed by Auckland Airport which comprised a review of recent comparable transactional evidence of market sales and leasing activity using market data provided by CBRE. The assessment reviews and market data provided by CBRE did not include full property inspections or the issue of new reports but examined the likely effect on property values of the investment environment applicable at the relevant time. Further, at 31 December 2015, a review of three investment properties recently constructed or in the latter stages of construction was performed by Savills and Jones Lang LaSalle.

The reviews and market data at 31 December 2015 concluded that there was a material movement in the fair value of three recently constructed investment properties since 30 June 2015 but no material fair value movements in the remainder of the portfolio. The valuation of recently constructed investment properties resulted in a $16.0 million increase in the fair value at 31 December 2015. The reviews in the prior period to 31 December 2014 resulted in a $6.3 million increase in the fair value of recently constructed investment properties but no material fair value movements in the remainder of the portfolio.

10. Issued and paid-up capital

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M	6 months to 31 Dec 2015 Shares	6 months to 31 Dec 2014 Shares
Opening issued and paid-up capital at 1 July	332.3	332.3	1,190,128,107	1,190,126,487
Shares fully paid and allocated to employees by employee share scheme	0.4	–	128,070	1,620
Closing issued and paid-up capital	332.7	332.3	1,190,256,177	1,190,128,107

11. Borrowings

	As at 31 Dec 2015 $M	As at 30 June 2015 $M
Current		
Commercial paper	91.8	117.6
Bonds	155.4	100.0
Total short-term borrowings	247.2	217.6
Non-current		
Bank facilities	230.3	234.6
Bonds	676.2	656.9
USPP notes	622.9	613.4
Total term borrowings	1,529.4	1,504.9
Total		
Commercial paper	91.8	117.6
Bank facilities	230.3	234.6
Bonds	831.6	756.9
USPP notes	622.9	613.4
Total borrowings	1,776.6	1,722.5

Bank facilities
In November 2015 an undrawn $25.0 million ANZ standby facility expired and was not replaced.

Bonds
In the period to 31 December 2015 the company undertook the following bond financing:

- The issuance of $75.0 million of 3 year floating rate notes in October 2015,
- The repayment of $100 million of 10 year, 7.25 percent fixed rate bonds maturing in November 2015, and
- The issuance of $100 million of 7 year, 4.28 percent fixed rate bonds in November 2015.

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

12. Financial risk management

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

The interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2015.

Further information on risk management is also contained in the corporate governance section of the 2015 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2015.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

13. Fair value of financial instruments

In the period to 31 December 2015 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities.

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 2015 (31 December 2014: nil)

The group's derivative financial instruments are all 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 various counterparties to the derivative financial instruments.

	Fair value As at 31 Dec 2015 $M	Fair value As at 30 June 2015 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates.
Assets	2.4	3.1	
Liabilities	(27.1)	(23.9)	
Interest basis swaps			Observable forward basis swap pricing and contract basis rates.
Assets	3.1	3.4	
Cross currency interest rate swaps			Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates.
Assets	121.9	111.8	
Liabilities		–	

The carrying value approximates the fair value of cash, trade and other receivables, accounts payable and accruals, provisions and other term liabilities. The carrying amount of the group's current and non-current borrowings issued at floating rates approximates their fair value.

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

	31 Dec 2015		30 Jun 2015	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Bonds	831.6	861.6	756.9	788.4
USPP Notes	622.9	608.4	613.4	610.1

14. Commitments

(a) Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for $25.8 million at balance date (30 June 2015: $4.6 million).

(b) Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for $28.6 million at balance date (30 June 2015: $65.6 million). The company has no further contractual obligations to tenants to purchase or develop investment property at balance date (30 June 2015: $17.5 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for $1.7 million at balance date (30 June 2015: $1.4 million).

15. Contingent liabilities

Noise insulation

The company has obligations to mitigate the impacts of aircraft noise on the local community in accordance with a 2001 Environment Court determination. It offers acoustic treatment to schools and existing houses within defined areas.

It is estimated that, overall, further costs associated with the 2001 Environment Court determination would not exceed $9.0 million (30 June 2015: $9.0 million).

16. Related party disclosures

All trading with related parties, including and not limited to rentals and other sundry charges, has been made on an arms-length commercial basis, without special privileges except for the provision of accounting and advisory services to Auckland International Airport Marae Limited at no charge.

No guarantees have been given or received.

Associates
Refer to note 6 for details of transactions with associates.

Auckland Council
Auckland Council is a significant shareholder of the company with a shareholding in excess of 20 percent.

Costs incurred for goods and services received from Auckland Council and its subsidiaries are as follows:

	6 months to 31 Dec 2015 $M	6 months to 31 Dec 2014 $M
Rates	4.7	4.3
Building consent costs and other local government regulatory obligations	0.8	0.5
Water, waste water and compliance services	1.0	0.8
Grounds maintenance	0.8	0.9

Key management personnel compensation
The company has provided long-term performance incentives to senior executives in the form of cash-settled phantom option plans for the calendar years 2011 to 2014. The phantom option plans will be phased out with the final 2014 tranche due to vest in August 2017 subject to the achievement of performance hurdles. In October 2015, the directors introduced a new equity-settled long term incentive plan that will vest from calendar year 2018 onwards.

The old phantom option plans involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options is three years from the date of issue. Once the phantom options become exercisable, they remain exercisable for the next two years, subject to a

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

total shareholder return hurdle being met. The gross amount payable is the volume-weighted average price of the shares over the previous 20 trading days less the initial share price for those phantom options on the day the phantom options were issued. The amount payable is subject to a cap, based on a multiple of an executive's fixed annual remuneration in the year the options are issued (three years prior to vesting).

Under the new long term incentive plan, shares are issued and then held in trust for participating executives for a three year vesting period. The receipt of the shares, or vesting, is subject to remaining employed by Auckland Airport during the vesting period and achievement of total shareholder return (TSR) performance hurdles. For 50% of the shares granted under the plan, all shares will vest if TSR equals or exceeds the company's cost of equity plus 1 percent. For the other 50% of shares granted, the proportion of shares that vest depends on Auckland Airport's TSR relative to a peer group. The peer group comprises the members of the Dow Jones Brookfield Airports Infrastructure Index (excluding Auckland Airport) at each grant date. To the extent that performance hurdles are met, the shares are transferred at nil exercise price to the executives and the executives are entitled to the dividends on the shares at vesting. To the extent that performance hurdles are not met, or executives leave Auckland Airport prior to vesting, the shares are forfeited.

149,182 shares were issued in October 2015 under the new long term incentive plan at a price of $5.02, being the volume weighted average price over the 10 trading days ending on 23 October 2015.

The cost to Auckland Airport of the new equity-settled long term incentive plan is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost is recognised in the income statement over the vesting period, together with a corresponding increase in the share-based payment reserve in equity.

17. Events subsequent to balance date

On 19 February 2016, the directors approved the payment of a fully imputed interim dividend of 8.5 cents per share amounting to $101.2 million to be paid on 7 April 2016.

On 3 February 2016, the directors of Queenstown Airport declared a dividend of $1.0 million. The group's share of the dividend is $0.2 million and payment was received on 4 February 2016.

Deloitte.

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

We have reviewed the condensed consolidated interim financial statements of Auckland International Airport Limited and its subsidiaries ("the Group") which comprise the statement of financial position as at 31 December 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 24 to 40.

Board of Directors' Responsibilities

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

Our Responsibilities

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Deloitte

19 February 2016
Chartered Accountants
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited condensed consolidated interim financial statements of Auckland International Airport Limited for the six months ended 31 December 2015 included on Auckland International Airport Limited's website. The Board of Directors is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 19 February 2016 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 and 23 November 2004 in order to comply with NZSX 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).

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 total number of voting securities on issue as at 31 December 2015 was 1,190,741,779.

Waivers granted by the NZX

The company was issued with a waiver of Listing Rule 5.2.3 by NZX on 21 October 2015 (for a period of six months from 10 November 2015) in respect of the company's November 2015 issue of $100 million of unsecured and unsubordinated fixed rate bonds ("Bonds").

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

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

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

Auditors

Deloitte has continued to act as auditors of the company, and has undertaken a review of the financial statements for the six months to 31 December 2015.

Credit rating

As at 31 December 2015, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

Company publications

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

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's corporate secretary at the registered office.

Share Registrars

New Zealand:

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010

PO Box 91976
Auckland 1142

Australia:

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

Locked Bag A14
Sydney South
NSW 1235

Shareholder information CONTINUED

Financial calendar	Half year	Year
Results announced	February	August
Reports published	March	September
Dividends paid	April	October
Annual meeting	–	October
Disclosure financial statements	–	November

Corporate directory

DIRECTORS

Sir Henry van der Heyden, chair
Richard Didsbury
Brett Godfrey
Michelle Guthrie
James Miller
Justine Smyth
Christine Spring
Patrick Strange

SENIOR MANAGEMENT

Adrian Littlewood
chief executive

Phil Neutze
chief financial officer

Richard Barker
general manager retail and commercial

Norris Carter
general manager aeronautical commercial

Anna Cassels-Brown
general manager people and safety

Jason Delamore
general manager marketing and technology

Graham Matthews
general manager airport development and delivery

Judy Nicholl
general manager aeronautical operations

Mark Thomson
general manager property

REGISTERED OFFICE NEW ZEALAND

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

Telephone: +64 9 275 0789
Facsimile: +64 9 275 4927
Email: tellus@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

REGISTERED OFFICE AUSTRALIA

c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia

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

MAILING ADDRESS

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

CORPORATE SECRETARY (ACTING)

Justine Hollows

AUDITORS

External auditor – Deloitte
Internal auditor – EY
Share registry auditor – Grant Thornton

Online Report

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

aucklandairport.co.nz

Please recycle me