Auckland Airport

Investing for growth

Interim Report 2017

Growing and supporting tourism

Auckland Airport connects Auckland with New Zealand and New Zealand with the world. We continue to focus on sustainably growing travel markets to increase our city and country's air connectivity – which is essential for an island nation that is reliant on tourism and trade to grow its economy.

We have continued to support the New Zealand tourism industry, especially the many operators that provide tourists with high-quality visitor experiences. In addition, we have played our part in leading the industry and encouraging the Government to develop new and innovative ways to upgrade tourism infrastructure throughout the country.

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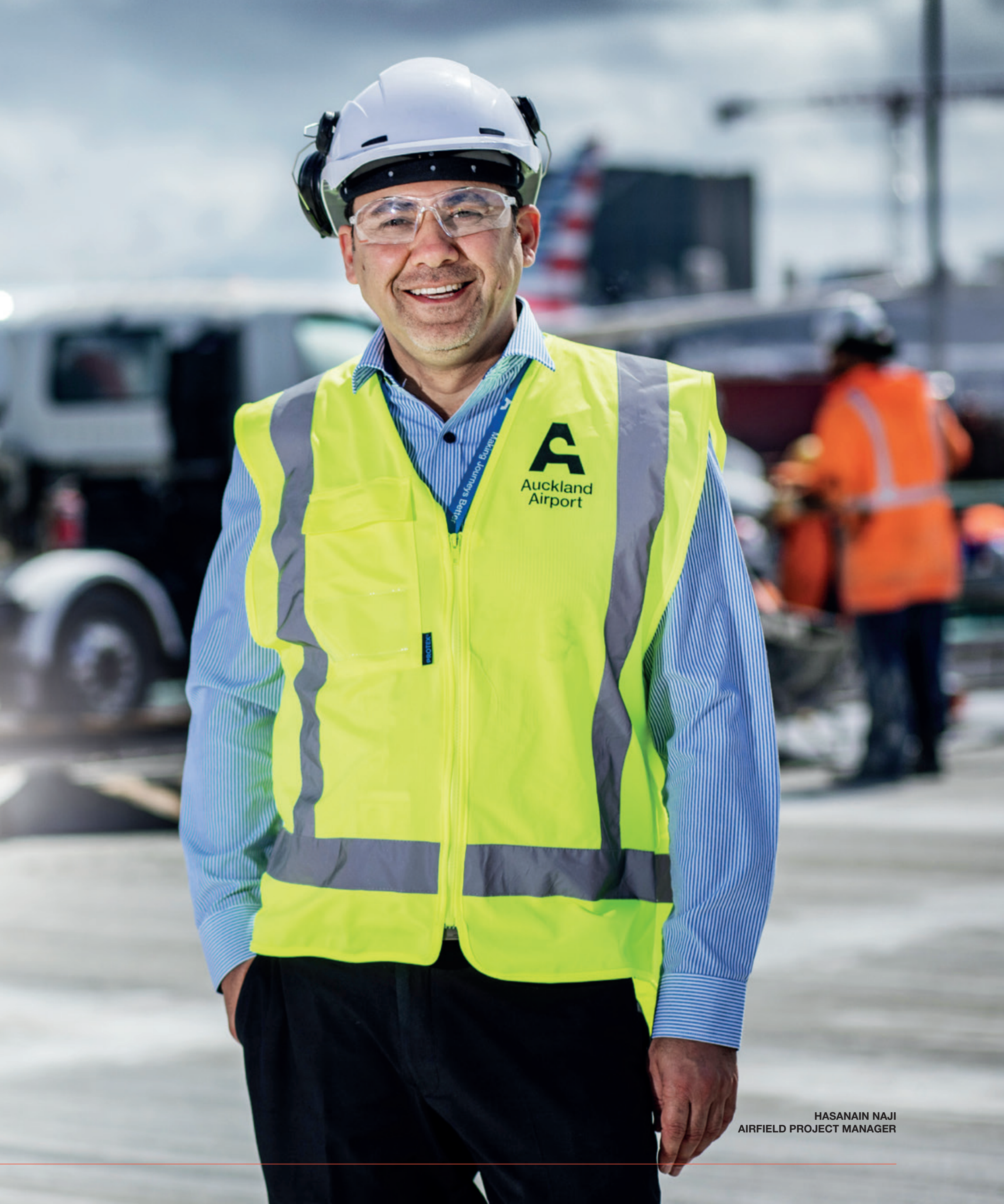
DEVONPORT, AUCKLAND

Upgrading our airport infrastructure

Recent New Zealand tourism growth has exceeded industry expectations and in response Auckland Airport is undertaking its most significant upgrade programme ever. We are currently investing more than $1 million every working day on our core airport infrastructure and expect this level of investment will likely continue into the near future.

The major upgrade of our international departure area is now well underway, as is the expansion of Pier B of the international terminal which will add two more gates that can each accommodate an A380 or two smaller aircraft. We are also progressing the design of the new domestic section of our future combined domestic and international terminal.

The strong and ongoing growth of Auckland is putting additional pressure on the city's transport infrastructure. At the same time, New Zealand's tourism industry is significantly exceeding growth forecasts made only a few years ago. Given the importance of air connectivity for New Zealand's travel, trade and tourism sectors, improving land transport access to Auckland Airport must remain a priority for central and local government transport agencies. We are working closely with the New Zealand Transport Agency and Auckland Transport to advance both short and longer-term transport solutions for South Auckland and the airport precinct. Auckland Airport has also fast-tracked a number of planned roading and transport upgrades on our own network.

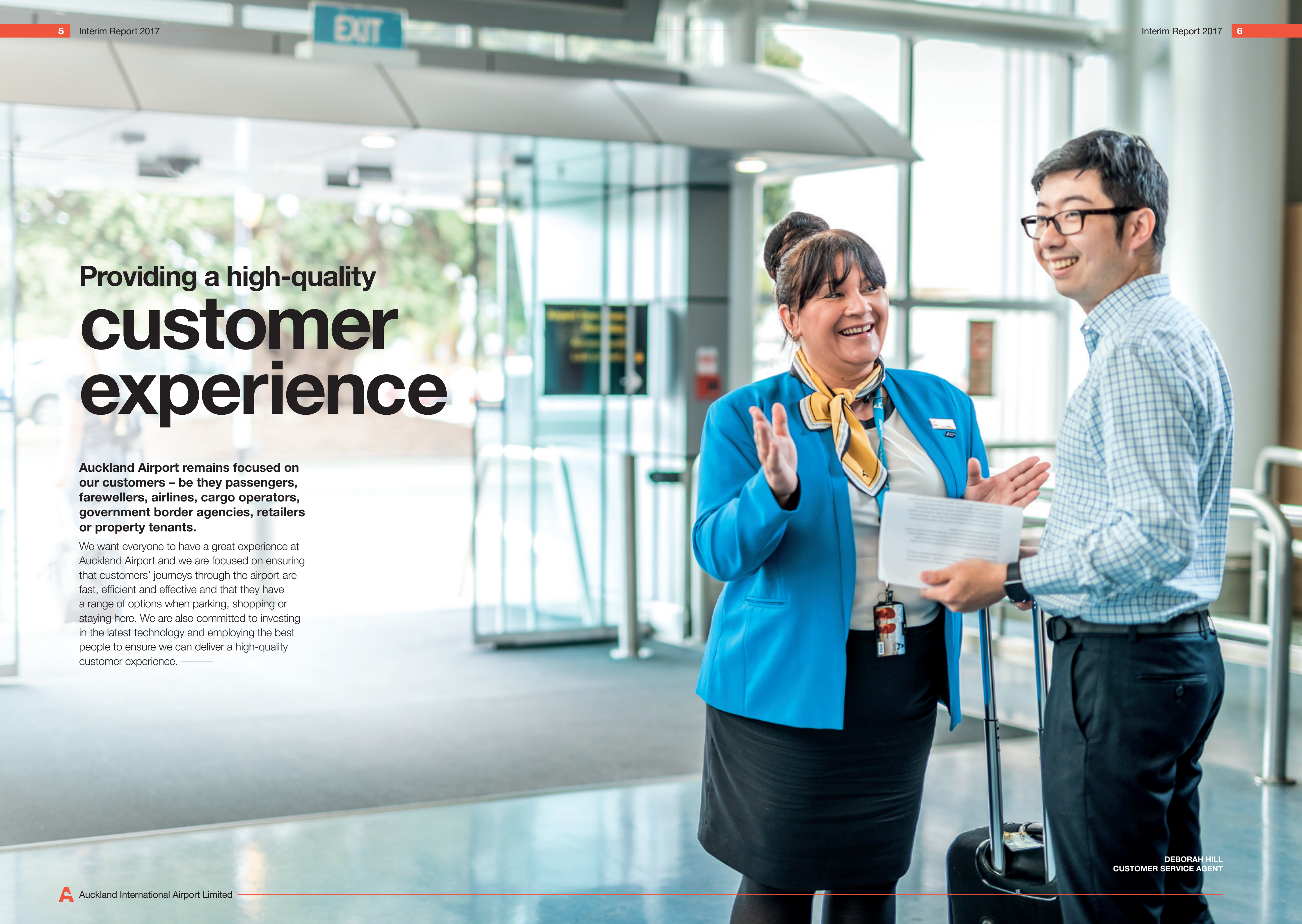


HASANAIN NAJI
AIRFIELD PROJECT MANAGER

Providing a high-quality customer experience

Auckland Airport remains focused on our customers – be they passengers, farewellers, airlines, cargo operators, government border agencies, retailers or property tenants.

We want everyone to have a great experience at Auckland Airport and we are focused on ensuring that customers' journeys through the airport are fast, efficient and effective and that they have a range of options when parking, shopping or staying here. We are also committed to investing in the latest technology and employing the best people to ensure we can deliver a high-quality customer experience.



DEBORAH HILL
CUSTOMER SERVICE AGENT

Nau mai & welcome

Nau mai and welcome to Auckland Airport's interim report for the first half of the 2017 financial year.

The first half of the 2017 financial year saw a continuation of the very strong growth in tourism to New Zealand. In response to this growth we have continued to invest significantly in our infrastructure, technology and operations to improve both capacity and the quality of passenger journeys through Auckland Airport. We have also focused on land transport access to, from and around the airport to improve traffic flows and travel times for our customers.

The implementation of our 30-year vision to build the airport of the future is now well underway and we are currently investing more than $1 million every working day on our core airport infrastructure. This investment is spread across many projects, with over 42 capital expenditure projects currently underway that are each valued at more than $1 million.

This investment is essential given the substantial growth in the number of passengers and also the number of airlines servicing Auckland – the number of international airlines at Auckland Airport has increased by 50% in only 18 months. This growth is now flowing throughout New Zealand and it is important our tourism sector adjusts quickly to ensure our country can sustain the growth and maintain the quality of its tourism product. To that end we have continued to play an important sector leadership role to ensure there is sufficient capacity to allow tourism to continue to sustainably grow over the next decade.

Construction is well underway on Auckland Airport's new international departure area and we will open a new and expanded security screening and processing area, as well as the first half of the new stores for our two anchor duty free operators, by the middle of this year.

The remainder of the new duty free stores and the first half of the new passenger lounge will be opened by the end of December 2017 with the project due for completion by mid-2018. Construction on the international terminal's Pier B extension is also well underway to provide additional gate lounges and airbridges to accommodate the increasing number of A380 and B787 aircraft using Auckland Airport. The first new gate lounge and airbridges – Gate 17 – will be opened prior to the 2017/18 summer peak season and the second gate lounge and airbridges – Gate 18 – will be completed by early-2018. This extension project will enable Pier B to accommodate four A380 or B787 aircraft at the same time. Alternatively, it could be used to accommodate eight smaller A320 international aircraft.

The strong and ongoing growth of Auckland is putting additional pressure on the city's transport infrastructure. At the same time, New Zealand's tourism industry is significantly exceeding growth forecasts made only a few years ago.

Given the importance of air connectivity for New Zealand's travel, trade and tourism sectors, improving land transport access to Auckland Airport must remain a priority for central and local government transport agencies. We look forward to this year's completion of the $1.4 billion Waterview Connection and the $146 million upgrade of the State Highway 20A/Kirkbride Road intersection – both of which should improve travel times to the airport.

Auckland Airport will continue to advocate for additional transport improvements, in particular an upgrade to State Highway 20B/Puhinui Road and improved public transport services. We are working closely with the New Zealand Transport Agency and Auckland Transport to advance both

ADRIAN LITTLEWOOD &
SIR HENRY VAN DER HEYDEN

short and longer-term transport solutions for South Auckland and the airport precinct.

Auckland Airport has also fast-tracked a number of planned roading and transport upgrades on our own network. Already in the first half of the 2017 financial year, we have:

- upgraded the Puhinui Road roundabout to help improve the eastern access to the airport from State Highway 20B/Puhinui Road
- added 1,400 more car parks to our Park&Ride facility, mostly for use by staff working at the international terminal to remove staff traffic from the inner airport roads
- upgraded the traffic light phasing and lane configurations at the airport's George Bolt Memorial Drive and Tom Pearce Drive intersection to improve traffic flows
- updated the lane configurations at the airport's George Bolt Memorial Drive and Laurence Stevens Drive roundabout to improve traffic flows
- developed new traffic management plans for use when the airport roading network is particularly busy.

Looking ahead, Auckland Airport has an ongoing programme to upgrade both its aeronautical and transport infrastructure and is currently consulting with its airline partners on that programme and the setting of aeronautical prices for the 2018 – 2022 financial years. This process is well underway and we will be announcing the revised pricing and infrastructure programme in the middle of this year once the consultation process has been completed.

In the six months to 31 December 2016 the total number of passengers using our airport increased by 12.4% to 9.4 million. Domestic passengers were up 11.7% to 4.3 million, international passengers (excluding transit passengers) were up 11.9% to 4.8 million and international transit passengers were up 28.6% to 353,978.

Our revenue was up 10.8% to $310.9 million, while expenses were up 11.8% to $75 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 10.5% to $235.9 million. Total profit after tax was up 22.5% to $141.8 million, while underlying profit was up 18.6% to $123.5 million.

As a result, our underlying earnings per share is up 18.6% to 10.4 cents and our interim dividend for the 2017 financial year is up 17.6% to 10 cents per share. The Board has also elected to reinstate our dividend reinvestment plan to provide funding flexibility to support our investment in new infrastructure and growth opportunities.

Reflecting the overall investment in infrastructure spend this financial year, we are lifting our capital expenditure guidance for the 2017 financial year to between $370 million and $400 million. At the beginning of the 2017 financial year, we outlined our expectation that net profit after tax (excluding any fair value changes and other one-off items) would be between $230 million and $240 million. In consideration of our financial performance during the past six months, Auckland Airport is now tightening our guidance for the full year to be between $235 million and $243 million; this would deliver an increase in underlying earnings per share of between 10.5% and 14.2% compared with 2016.

This updated 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

"The implementation of our 30-year vision to build the airport of the future is now well underway and we are currently investing more than $1 million every working day on our core airport infrastructure. This investment is spread across many projects, with over 42 capital expenditure projects currently underway that are each valued at more than $1 million."

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 short-term 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 underlying 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 results have been derived. The reconciliation for the current period can be found on page 26.

$123.5m

An increase of 18.6%

How we have gone in the six months to 31 December 2016

Passengers

9.4m ↑ 12.4%

Domestic	4.3m	↑ 11.7%
International	4.8m	↑ 11.9%
International transits	353,978	↑ 28.6%

Revenue	↑ 10.8%	$310.9m
Operating EBITDAFI	↑ 10.5%	$235.9m
Total profit	↑ 22.5%	$141.8m
Underlying profit	↑ 18.6%	$123.5m
Dividend per share	↑ 17.6%	10 cents
Underlying earnings per share	↑ 18.6%	10.4 cents

$346,000 awarded to community projects by the Auckland Airport Community Trust

$120,000 donated to charities on behalf of travellers in the 12 days leading up to Christmas 2016

$1,500 employee performance bonus to recognise the exceptional efforts of our team in FY16

Ara – Airport Jobs and Skills Hub

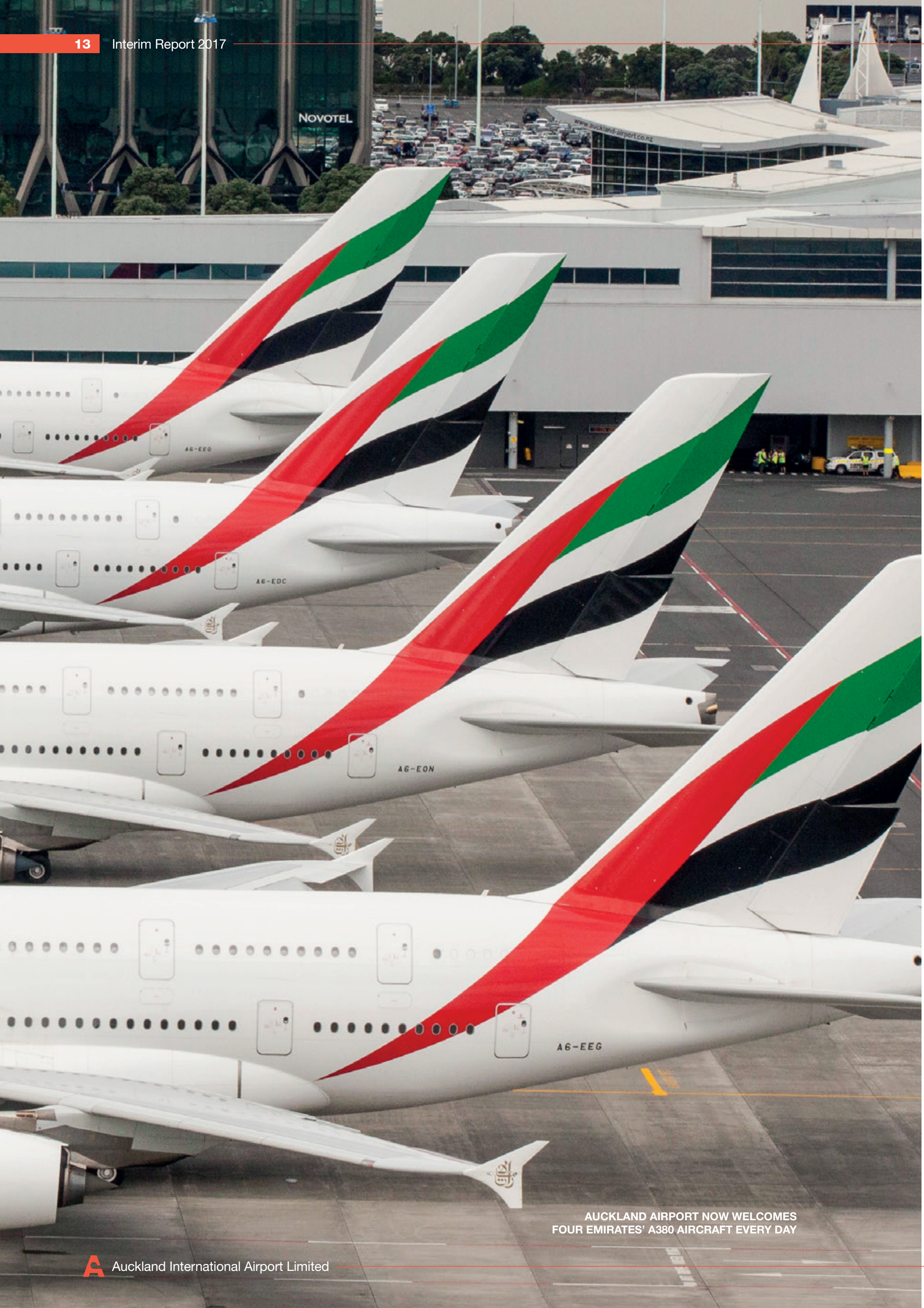
61 Job placements

746 Training opportunities

10 Apprenticeships

Environmental impact

47% of organic waste from the international terminal recycled



AUCKLAND AIRPORT NOW WELCOMES
FOUR EMIRATES' A380 AIRCRAFT EVERY DAY

Investing in tourism growth

Auckland Airport connects Auckland with New Zealand and New Zealand with the world. We continue to focus on sustainably growing travel markets to increase our city and country's air connectivity – which is essential for our long-term performance as a company.

In the first six months of the 2017 financial year, the total number of passengers increased by 12.4% to 9.4 million. Domestic passengers were up 11.7% to 4.3 million, international passengers (excluding transit passengers) were up 11.9% to 4.8 million and international transit passengers were up 28.6% to 353,978.

Already the 2017 financial year has seen new routes, services and capacity, including four new international airlines launching new services to Auckland Airport:

- Air New Zealand has continued its international route expansion, adding a seasonal three-flights-per-week B787 service between Auckland and Osaka from November 2016. This is in addition to the new seat capacity delivered by its Ho Chi Minh City, Houston and Buenos Aires services, launched last financial year.
- In November 2016, Hong Kong Airlines commenced a daily A330 service between Hong Kong and Auckland, providing an estimated $137 million boost to the New Zealand tourism industry every year. The airline increased this service to ten-flights-per-week between December 2016 and February 2017.
- In December 2016, Tianjin Airlines commenced its first Australasian service, a year-round flight between Auckland and the Chinese cities of Tianjin and Chongqing. The three flights a week use an A330 aircraft and add 83,000 seats to the China–Auckland route annually.
- Hainan Airlines started a new direct service from Shenzhen, in Southern China, in December 2016. The airline, one of China's largest, flies to Auckland three times a week, adding 81,000 seats a year to and from China.
- In July 2016, United Airlines introduced a three-flights-per-week B787 Dreamliner service between Auckland and San Francisco. From October 2016 this service increased to a daily service using a larger B777 aircraft, however it will be placed on hold in April 2017, before recommencing as a seasonal service in October 2017.
- The success of the Emirates' Auckland to Dubai direct daily service, launched in the 2016 financial year, saw the airline replace its B777 aircraft with an A380 in October 2016. As a result, Auckland Airport now welcomes four Emirates' A380 aircraft every day, making us the second biggest hub in the world for Emirates' A380 aircraft, after Dubai.

We expect that air connectivity will continue to grow in the second half of the 2017 financial year, in part due to the start of Qatar Airways' new daily B777 service between Doha and Auckland in February 2017 – the world's longest-duration commercial passenger flight.

As a result of this strong growth in air connectivity, Auckland Airport now offers travellers the choice of flying direct to 45 international destinations, with 28 airlines – a 50% increase in the number of international airlines operating here only 18 months ago.

Domestically, the first six months of the 2017 financial year saw new and larger aircraft added to Air New Zealand's four main trunk services, including new evening flights into Queenstown. Regional capacity also continued to grow as a result of Jetstar's new regional turbo-prop services and Air New Zealand's ongoing fleet increases.

Auckland Airport continued to support this tourism growth through marketing activities in emerging and new markets, and our Four Seasons, Five Senses campaign continues to be successful in attracting Chinese visitors to New Zealand in the shoulder and off-peak seasons.

The first half of the 2017 financial year has also seen Auckland Airport maintain our support for the development of Queenstown Airport and North Queensland Airports, providing strategic and commercial advice in everything from master-planning to aeronautical operations and retail.

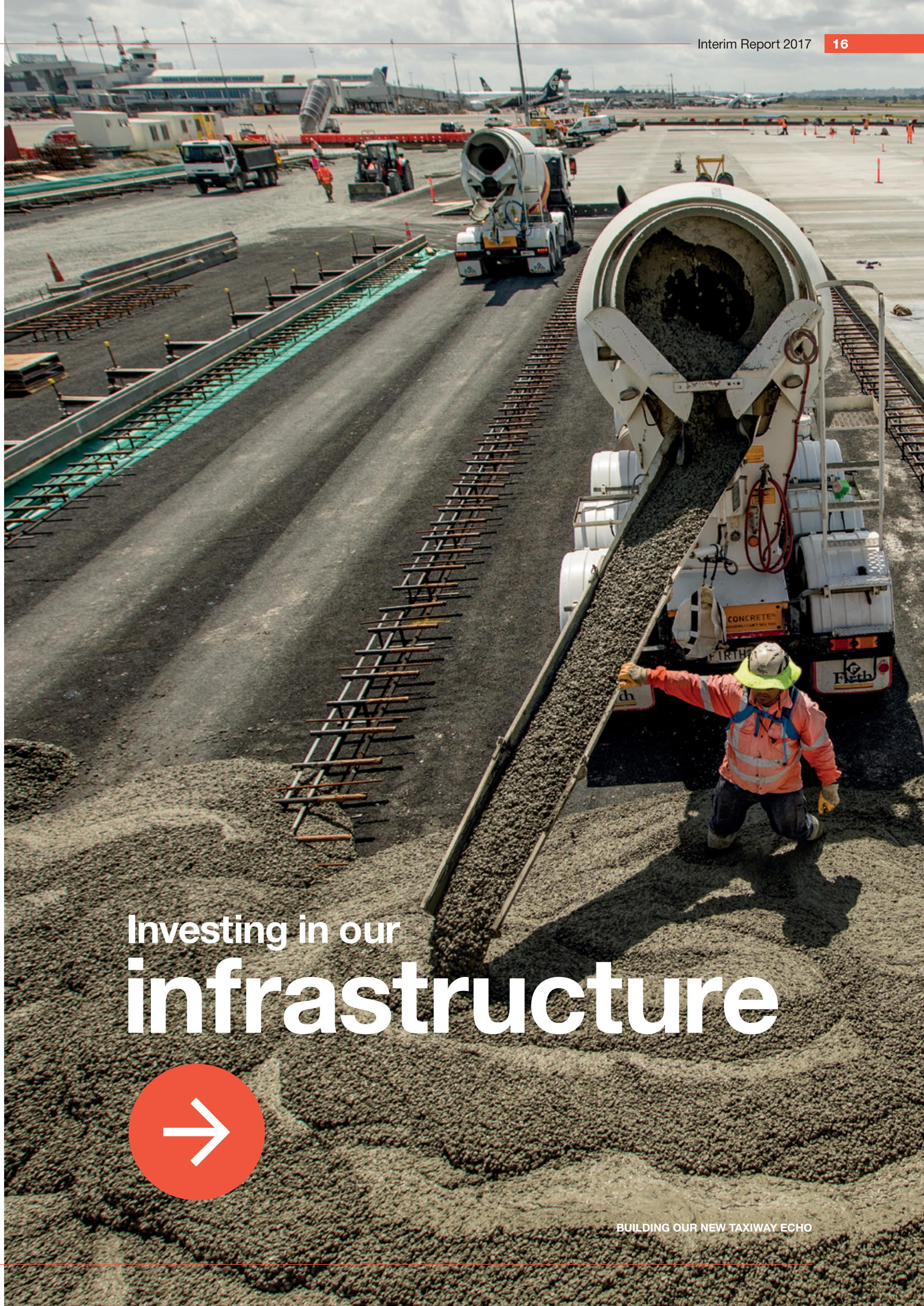
Queenstown Airport's passenger numbers continued to grow during this period. Its passenger numbers hit an all-time high in August 2016, with 1.7 million passengers in the previous 12-month period, and in November 2016 it set a new record for the number of domestic passengers in one day – 5,735 passengers. Also in November 2016, Queenstown Airport expanded its commercial transport operator pick-up and drop-off zone, and it extended its short and long-term car parking facilities to increase its car parking by more than 10%.

Pleasingly, Cairns Airport has continued to play its part in growing travel markets. In the first six months of the 2017 financial year, the number of international passengers using Cairns Airport increased 15.9% to 431,615 and the number of domestic passengers increased 4.3% to 2.2 million. Cairns Airport had its busiest day on record on 23 December 2016, with just under 18,200 passengers flying through it.

Given the significant recent growth in tourism to New Zealand, in the first half of the 2017 financial year we worked with Air New Zealand, Christchurch Airport and Tourism Holdings Limited to commission research on how best to fund New Zealand's public tourism related infrastructure. The project proposed that a new national tourism entity be created, focused on developing local and mixed-use infrastructure and funded by a targeted tourism infrastructure levy and new government funding. The project report has been provided to the Government to assist it with its policy development.

> "As a large tourism operation Te Puia continues to see the benefits of Auckland Airport's efforts to grow international inbound air capacity. The growth in air capacity has meant a significant increase in visitor numbers and revenue for Te Puia. This in turn has given us the confidence to invest over $20 million in new facilities that will enhance the visitor experience in the future. Auckland Airport's drive to grow air capacity is tangible for Te Puia and as such we look at increased air capacity as one of the most critical leading indicators in our business and investment planning."

TIM COSSAR, CHIEF EXECUTIVE – TE PUIA, ROTORUA



Investing in our infrastructure

BUILDING OUR NEW TAXIWAY ECHO

In the six months to 31 December 2016, we continued to increase our rate of investment in infrastructure to accommodate both the current and forecast passenger and aircraft growth over the next 30 years as well as the increasing traffic volumes being experienced in our part of Auckland and into the airport.

In the first half of the 2017 financial year Auckland Airport continued to invest in core aeronautical infrastructure. Prior to the 2016/17 summer peak season, we significantly expanded our airfield infrastructure to better service international aircraft during our busiest months. We built a new taxiway – Taxiway Echo – and we constructed a new international airfield stand, fully serviced with fuel and other utilities. We also upgraded two remote international airfield stands so they can each accommodate an A380 or B787, or two smaller aircraft. These airfield upgrade works increased our airfield pavement by 63,000m², or the equivalent of five rugby fields.

In the six months to 31 December 2016 we also further progressed the major upgrade of our international departure area. This upgrade includes a new security processing zone, a new passenger lounge and a new shopping hub. It will create a uniquely New Zealand departure experience and is themed a "haerenga", or journey, from sea to land to sky. The construction of this significant infrastructure project is well underway and we are on track to deliver our new international departure experience over three stages between mid-2017 and mid-2018.

Construction of the international terminal's Pier B extension commenced in the first six months of the 2017 financial year. This project will provide additional gate lounges and airbridges to accommodate the increasing number of A380 and B787 aircraft using our airport. The first new gate lounge and airbridges – Gate 17 – will be opened on Pier B prior to the 2017/18 summer peak season and the second gate lounge and airbridges – Gate 18 – will be completed by early-2018. This extension project will enable Pier B to accommodate four A380 or B787 aircraft at the same time. Alternatively, it could be used to accommodate eight smaller A320 international aircraft.

In the six months to 31 December 2016, we have also progressed the design and planning approvals needed to build our second runway, and have advanced the concept planning of the new domestic section of our future combined domestic and international terminal.

The strong and ongoing growth of Auckland is putting additional pressure on the city's transport infrastructure. At the same time, New Zealand's tourism industry is significantly exceeding growth forecasts made only a few years ago.

Given the importance of air connectivity for New Zealand's travel, trade and tourism sectors, improving land transport access to Auckland Airport must remain a priority for central and local government transport agencies. We look forward to this year's completion of the $1.4 billion Waterview Connection and the $146 million upgrade of the State Highway 20A/Kirkbride Road intersection – both of which should improve travel times to the airport.

> Auckland Airport is making a significant investment in its infrastructure which will both benefit and excite generations of Kiwis and international visitors. You can immediately tell from the number of cranes above the international terminal and the number of construction workers on site that this is one of the biggest infrastructure upgrades currently underway in New Zealand."

STEPHEN SELWOOD, CHIEF EXECUTIVE, INFRASTRUCTURE NEW ZEALAND

Auckland Airport will continue to advocate for additional transport improvements, in particular an upgrade to State Highway 20B/Puhinui Road and improved public transport services. We are working closely with the New Zealand Transport Agency and Auckland Transport to advance both short and longer-term transport solutions for South Auckland and the airport precinct.

Auckland Airport has also fast-tracked a number of planned roading and transport upgrades on our own network. Already in the first half of the 2017 financial year we have:

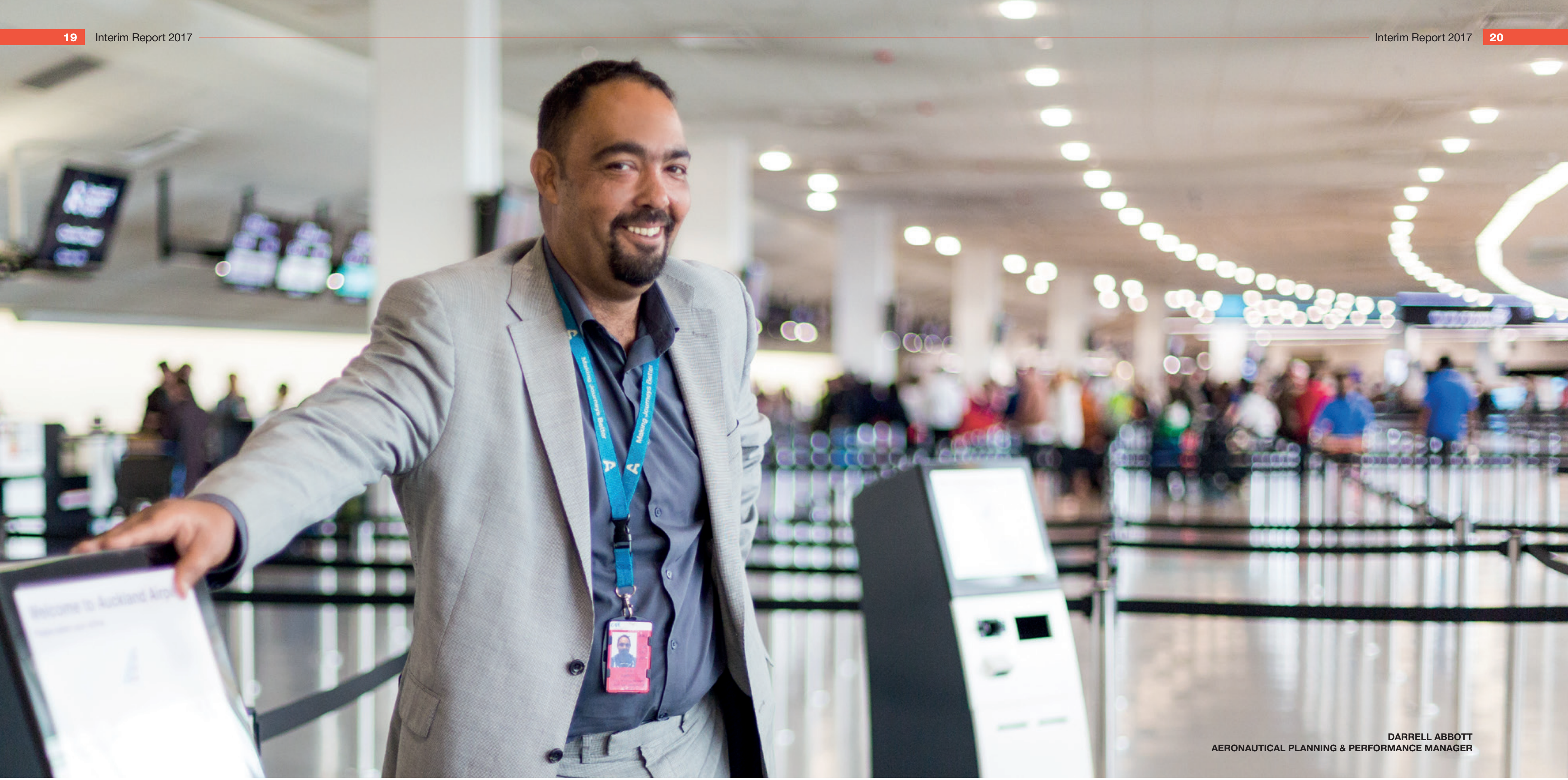
- upgraded the Puhinui Road roundabout to help improve the eastern access to the airport from State Highway 20B/Puhinui Road
- added 1,400 more car parks to our Park&Ride facility, mostly for use by staff working at the international terminal to remove staff traffic from the inner airport roads
- upgraded the traffic light phasing and lane configurations at the airport's George Bolt Memorial Drive and Tom Pearce Drive intersection to improve traffic flows
- updated the lane configurations at the airport's George Bolt Memorial Drive and Laurence Stevens Drive roundabout to improve traffic flows
- developed new traffic management plans for use when the airport roading network is particularly busy.

Looking ahead, Auckland Airport has an ongoing programme to upgrade both its aeronautical and transport infrastructure and is currently consulting with its airline partners on that programme and the setting of aeronautical prices for the 2018 – 2022 financial years. This process is well underway and we will be announcing the revised pricing and infrastructure programme in the middle of this year once the consultation process has been completed.

Investment property

Auckland Airport has also continued to invest in its property business in the first half of the 2017 financial year. Construction of our new Quad 7 office building continued and when completed it will provide 9,000m² of office space for both aeronautical and non-aeronautical tenants on Leonard Isitt Drive. Quad 7 will be completed before the end of this financial year. In September 2016, we announced that we would build a brand new 7,000m² warehouse and office facility for international freight-forwarding specialist Röhlig Logistics. The new facility will complete the Stage 2 development of our world-class business park, known as The Landing, and means we need to start preparing a further 12 hectares of land to ensure we can accommodate businesses wanting to move closer to the airport.

OUR NEW INTERNATIONAL SECURITY PROCESSING ZONE – OPENING MID-2017



DARRELL ABBOTT
AERONAUTICAL PLANNING & PERFORMANCE MANAGER

Investing in our customer experience

Auckland Airport remains focused on our customers and ensuring they have safe and enjoyable journeys.

While we have continued to invest in new infrastructure and capacity over the past six months, we have continued to roll-out other improvements to support a quality passenger experience. These projects included:

- the installation of 45 mobile international self-service check-in kiosks
- reconfiguring our international check-in area to provide 13 more service counters
- upgrading our back-of-house international baggage handling system
- adding new technology to monitor real-time traffic movements across the airport precinct so we can improve the journey time information that we provide through our mobile and digital channels
- installing new large scale 75-inch flight information display screens on the ground floor of the international terminal, to improve way-finding and to reduce congestion around smaller screens.

We also recruited extra employees, including more than 60 Passenger Experience Assistants, to help passengers at the airport during the busy December and January months, and additional Customer Service Agents have also been recruited to proactively assist passengers in need throughout the year.

We worked closely with the New Zealand Aviation Security Service to improve passenger processing times by installing a seventh security screening machine in the international departure area and by improving the international transit screening facility.

To improve the international arrival experience, in December 2016 the Ministry for Primary Industries (MPI) introduced an additional baggage X-ray machine, new detector dog teams and a new biosecurity area layout. MPI also opened a Green Lane, constructed by Auckland Airport, for New Zealand and Australian passport holders who arrive in the country and do not have any food or other biosecurity risk items to declare. Auckland Airport welcomes this positive biosecurity screening initiative, which has improved the international arrival experience for low-risk New Zealand and Australian travellers.

In addition, to further improve our customer experience before people reach the terminal buildings, we have provided an extra 700 public car parks closer to the international terminal and at our Park&Ride facility we have introduced a new valet parking service and a new Drop&Ride service.

Drop&Ride helps reduce traffic on the inner airport roads and in the drop-off/pick-up zones at the terminals, and is a quick and easy way to drop-off friends and family for their travel. We also introduced The Wait Zone for domestic customers, to help keep traffic moving in the domestic terminal's drop-off/pick-up zone. The Wait Zone is the easiest way to pick up travellers, with free parking for 30 minutes just two minutes away from the terminal. This new domestic parking service follows the very successful introduction of The Wait Zone at the international terminal in December 2015.

In the first half of the 2017 financial year, we continued our selection process to identify retailers that sell products representing the best of New Zealand and the world. These retailers will open their stores as part of the major upgrade of our international departure area, and will transform our duty free and tax free shopping experience in late-2017.

Customers can currently choose between two hotels at Auckland Airport, a 4-star Novotel hotel and a 3-star ibis budget hotel. Both hotels are popular with travellers and have high occupancy rates. In the first half of the 2017 financial year, together with Tainui Group Holdings, we progressed the design of a new 5-star, 250-room hotel and selected Accor to operate it as a Pullman hotel. This new luxury hotel will be located close to our international terminal and is scheduled to open by the end of the 2019 financial year. It will further increase the accommodation options at Auckland Airport. ——

> “Auckland Airport is such an incredible place to work – seeing the excitement of passengers heading off on their journey and the sense of joy from both first-time and returning travellers. As a team, we are 100% committed to ensuring an amazing experience every day of the year for all passengers who pass through our international and domestic terminals.”

TRISH COCHRANE, TERMINAL SERVICES MANAGER – AUCKLAND AIRPORT ——

Being a good employer and neighbour

TRISH COCHRANE
TERMINAL SERVICES MANAGER

Our people

Our ongoing strong performance is a result of the commitment and hard work of Auckland Airport's people, including our staff, contractors and consultants – our greatest assets. We have continued to invest in our people and focus on being a good employer in the first six months of the 2017 financial year.

A new professional development framework has been developed around core business skills, with eight priority programmes identified for either online or classroom delivery. Importantly, our new professional development framework will improve employees' ability to drive their own career development and help them to better be prepared to contest vacancies for more senior roles as and when they become available.

Pleasingly, the number of women employed as a proportion of employees has continued to increase in the first half of this financial year, from 35% to 39%, and the proportion of women in all management roles has increased from 26% to 29%. This reflects the company's ongoing commitment to increasing the gender diversity of our employees, especially the number of women in middle management roles. Flexible working arrangements play an important part in increasing employee diversity, especially in relation to gender.

We introduced an updated flexible working policy in December 2016 to further encourage and guide such arrangements.

In the first six months of the 2017 financial year, Auckland Airport has continued to focus on the health and safety of our employees, contractors, customers and visitors. Our health and safety culture is based on awareness of risks and action to eliminate them. We have increased the number of health and safety representatives in the company and provided those employees with training to assist them to undertake their responsibilities in this area. Our most recent health and safety culture survey, completed in July 2016, showed a 5% improvement to 67%, confirming that a proactive health and safety culture exists at Auckland Airport. We have been working with other employers to ensure we are co-ordinating our efforts to make Auckland Airport a safer place for workers, travellers and visitors.

To recognise the efforts of our team and their exceptional performance in the 2016 financial year, in August 2016 we announced that a performance bonus of $1,500 (before tax) would be paid to all permanent employees who do not participate in the company's short-term incentive scheme.

"

Aorere College and Auckland Airport have developed a very strong working partnership. I have greatly appreciated the company's focus on highlighting to our students the various vocational pathways that are now available at Auckland Airport. There has been a consistent programme of workshops and seminars presented to our senior school students, who have also experienced on-site vocational opportunities. Our students and teachers have also significantly benefited from the study opportunities offered by Auckland Airport's scholarship programme and its 50th anniversary teachers' professional development scholarships. I can only foresee our relationship developing further and the future is extremely exciting for both organisations."

GREG PIERCE, PRINCIPAL – AORERE COLLEGE, PAPATOETOE

Our neighbours

We have continued to invest in our local community in the first six months of the 2017 financial year, focusing on our three priorities of employment, education, and the environment.

Ara, the Auckland Airport Jobs and Skills Hub, has continued to make a significant contribution to improving employment in our local community. Ara is a pathway that connects South Aucklanders with job and training opportunities at Auckland Airport. In the past six months, Ara organised 746 training opportunities and placed 61 people into employment – 58 of them live in South Auckland and 35 came off a government benefit – and it registered ten new apprenticeships. We remain very encouraged by the success of Ara and we now have requests from many other companies operating around the Auckland Airport precinct to join Ara to help source both skilled and unskilled labour. In October 2016, Ara won Auckland Council's 2016 Young at Heart Award for Industry Leadership.

We have continued to work closely with 24 schools located close to the Auckland Airport precinct in the first half of the 2017 financial year. We helped 15 South Auckland secondary schools to prepare their students for work, our eight graduate scholarships provided work experience and tertiary education support for local students, and our ongoing sponsorship of the Counties Manukau Life Education Trust helped to provide children in 16 local primary and intermediate schools with the knowledge to make informed choices about their health, respect others and to learn to appreciate their uniqueness. We were honoured to also receive Auckland Council's 2016 Young at Heart Award for School Engagement and Work Experience.

On behalf of travellers, once again we donated $120,000 to 12 charities in the 12 days leading up to Christmas, including Diabetes New Zealand, Genesis Youth Trust and the Native Forest Restoration Trust. In addition, the Auckland Airport Community Trust awarded $346,000 to support learning, life skills and literacy projects, including to Youthline and The Parenting Place, within those communities most affected by aircraft noise.

Auckland Airport has remained committed to reducing our environmental impact. Over the first six months of the 2017 financial year we improved organic waste recycling facilities within the international terminal, ensuring that recycling is possible in all our food courts and passenger and gate lounges. As a result, we are now recycling 47% of our total waste from the international terminal.

GENESIS YOUTH TRUST RECEIVE THEIR 12 DAYS OF CHRISTMAS DONATION

Financial summary

Our total profit after tax for the six months to 31 December 2016 was up 22.5% to $141.8 million, while underlying profit after tax increased 18.6% to $123.5 million.

Revenue increased 10.8% to $310.9 million. This was, in part, due to ongoing strong growth in aeronautical and investment property revenues. Expenses increased 11.8% to $75 million, in part due to new airline and route marketing, operational resources and asset management and maintenance. Our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 10.5% to $235.9 million.

Our total share of the underlying profit from associates was $7.6 million for the first six months of the 2017 financial year, up 11.8%. The underlying profit share from Queenstown Airport remained at $1.5 million and the share from the Novotel hotel, in which we increased our shareholding to 50% after balance date, was up 25% to $1 million. Our underlying profit share from North Queensland Airports was up 13.3% to $5.1 million.

Auckland Airport has a long-term growth strategy and in the first half of the 2017 financial year we commenced a review of our 24.55% investment in North Queensland Airports. While we believe this to be a highly attractive asset, the review will ensure that our asset portfolio continues to match our strategic objectives.

The interim dividend for the six months to 31 December 2016 is lifted to 10 cents per share. It is imputed at the company tax rate of 28% and will be paid on 4 April 2017 to shareholders who are on the register at the close of business on 21 March 2017. As part of our strategic review, we have also elected to reinstate our dividend reinvestment plan to provide funding flexibility to support our investment in new infrastructure and growth.

Our performance in the six months to 31 December 2016 means that underlying earnings per share have continued to increase, up 18.6% to 10.4 cents per share.

The table opposite shows how we reconcile reported profit after tax and underlying profit after tax for the half-year periods ended 31 December 2016 and 31 December 2015.

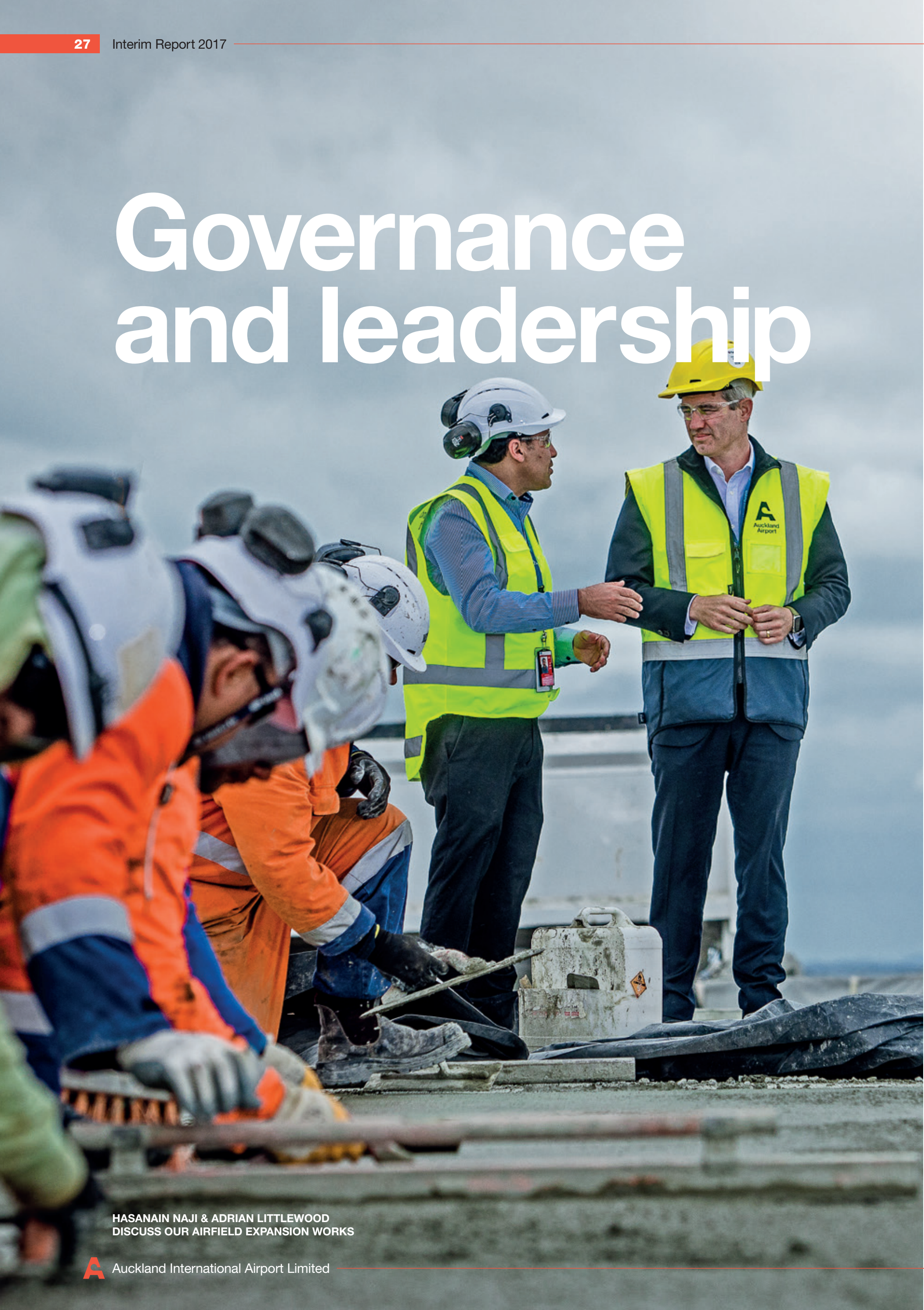
The following adjustments have been made to show underlying profit after tax for the six-month periods ended 31 December 2016 and 31 December 2015:

- We have reversed out the impact of revaluations of investment property and associates in the first six months of the 2017 and 2016 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 to 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.

	6 months ended 31 December 2016			6 months ended 31 December 2015		
	Reported profit $m	Adjustments $m	Underlying earnings $m	Reported profit $m	Adjustments $m	Underlying earnings $m
EBITDAFI per income statement	235.9	–	235.9	213.5	–	213.5
Share of profit of associates	10.0	(2.4)	7.6	4.1	2.7	6.8
Derivative fair value decreases	1.5	(1.5)	–	(0.7)	0.7	–
Investment property fair value increase	17.4	(17.4)	–	16.0	(16.0)	–
Depreciation	(37.4)	–	(37.4)	(36.6)	–	(36.6)
Interest expense and other finance costs	(36.8)	–	(36.8)	(40.9)	–	(40.9)
Taxation expense	(48.8)	3.0	(45.8)	(39.6)	0.9	(38.7)
Profit after tax	**141.8**	**(18.3)**	**123.5**	**115.8**	**(11.7)**	**104.1**

- 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 counter-party 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 first six months of the 2017 and 2016 financial years.
- We also allow for the taxation impacts of the above adjustments in the first six months of the 2017 and 2016 financial years.

Governance and leadership



HASANAIN NAJI & ADRIAN LITTLEWOOD
DISCUSS OUR AIRFIELD EXPANSION WORKS

New Future Director

Auckland Airport has benefited from the three Future Directors we have welcomed to date. The Future Director Programme seeks to identify talented young New Zealanders with strong potential to succeed in a governance role, and provide them with opportunities to observe and participate in Boardroom discussions. While the aspiring directors participate in real discussions, they do not have a role in Board decision-making, and Auckland Airport has protocols in place that prevent future director participants becoming "deemed directors".

The Board strongly believes in the value of the programme and it was proud to appoint New Zealand's inaugural participant in 2013. Our ongoing involvement in the programme helps to promote diversity of leadership and the development of governance talent.

In October 2016, the Board announced it had selected Kiriwaitingi Rei to participate in the Future Director Programme during the 2017 financial year. Kiriwaitingi is the chief executive officer of Maori Investments Limited and managing director of Tarawera Land Company. She has a legal background and extensive knowledge of the tourism, forestry, geothermal, agri-business and property sectors. Kiriwaitingi was previously the corporate affairs manager and company secretary at Te Arawa Group Holdings Limited, and has practised commercial law and litigation in Rotorua, where she lives.

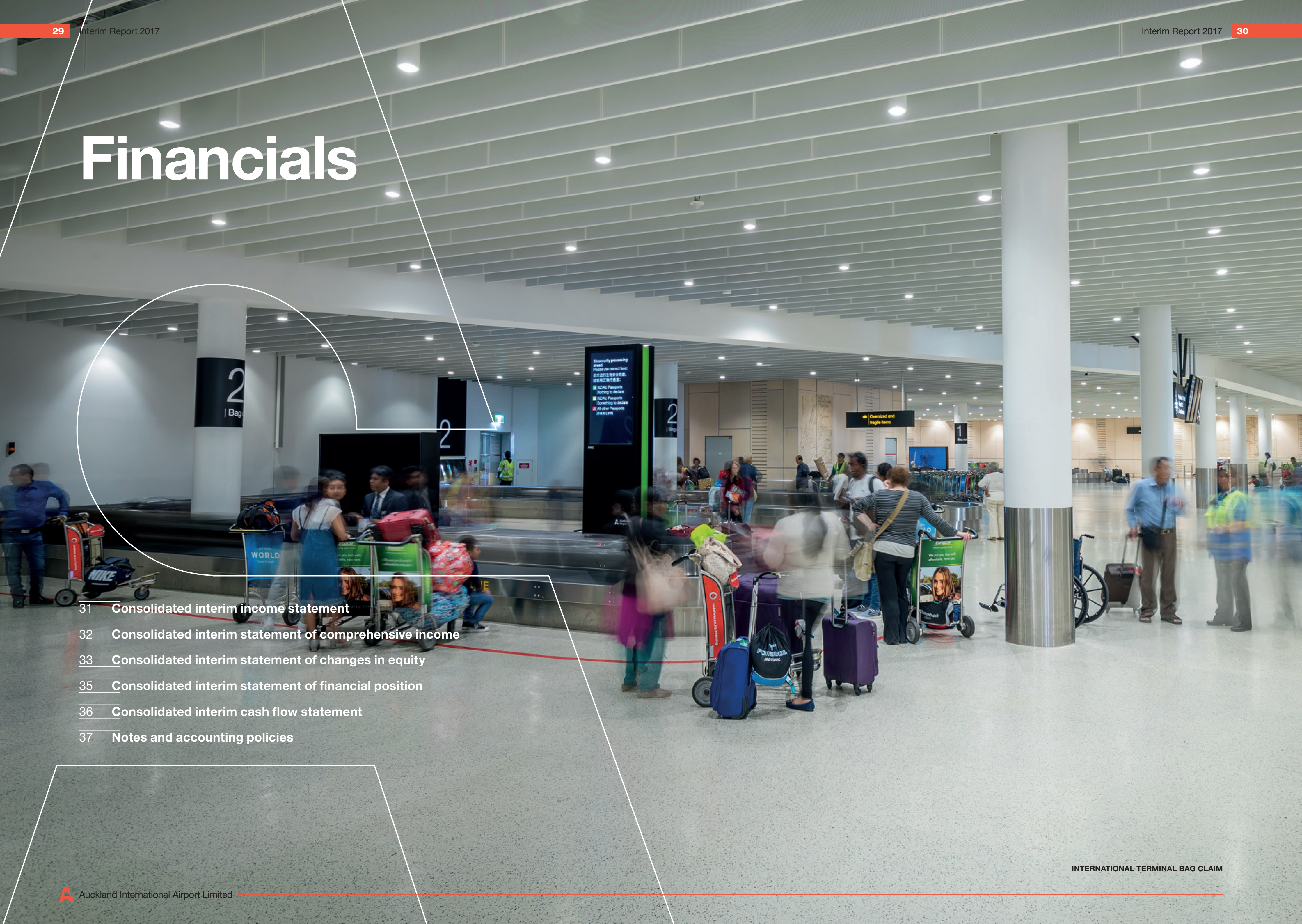
New General Manager Aeronautical Commercial

In November 2016, Shakeel Adam was appointed as Auckland Airport's new general manager aeronautical commercial, responsible for our route development and tourism strategies and our focus on sustainably growing airline services to New Zealand.

Shakeel has over 16 years' experience in airline, strategy and commercial management roles and a deep understanding of travel and trade markets. A licensed pilot, he started his aviation career as a design engineer at Bombardier Aerospace in Canada before moving into commercial leadership roles with airlines across the world, including as director operations innovations with Air Canada and later as the global head of the commercial consulting division of Lufthansa Group. Since 2009 Shakeel has led Aviado Partners, consulting to airlines across the world on network and fleet planning, revenue management, pricing and performance improvement, and restructuring.

Shakeel has developed a broad network of relationships with airlines worldwide and his extensive commercial and operational experience will be of great value to our company. He will start work at Auckland Airport in the second half of the 2017 financial year.

Financials



INTERNATIONAL TERMINAL BAG CLAIM

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	NOTES	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Income			
Airfield income		59.2	50.2
Passenger services charge		85.9	75.5
Retail income		80.7	78.6
Rental income		40.7	35.6
Rates recoveries		2.8	2.7
Car park income		28.9	26.0
Interest income		0.8	0.8
Other income		11.9	11.2
Total income		310.9	280.6
Expenses			
Staff	4	24.9	22.4
Asset management, maintenance and airport operations		26.1	23.5
Rates and insurance		6.1	5.7
Marketing and promotions		7.9	6.3
Professional services and levies		4.9	4.4
Other expenses		5.1	4.8
Total expenses		75.0	67.1
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		235.9	213.5
Share of profit of associates	6	10.0	4.1
Derivative fair value increase/(decrease)		1.5	(0.7)
Investment property fair value increase	9	17.4	16.0
Earnings before interest, taxation and depreciation (EBITDA)		264.8	232.9
Depreciation		37.4	36.6
Earnings before interest and taxation (EBIT)		227.4	196.3
Interest expense and other finance costs	4	36.8	40.9
Profit before taxation	3	190.6	155.4
Taxation expense		48.8	39.6
Profit after taxation attributable to owners of the parent		141.8	115.8

	Cents	Cents
Earnings per share:		
Basic and diluted earnings per share	11.91	9.73

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 2016 AND 31 DECEMBER 2015. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2016 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 2016

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Profit for the period	141.8	115.8
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	29.5	(6.2)
Realised losses transferred to the income statement	2.3	3.3
Tax effect of movements in the cash flow hedge reserve	(8.9)	0.8
Total cash flow hedge movement	22.9	(2.1)
Movement in share of reserves of associates	1.1	0.8
Movement in foreign currency translation reserve	–	(2.2)
Items that may be reclassified subsequently to the income statement	24.0	(3.5)
Total other comprehensive income	24.0	(2.1)
Total comprehensive income for the period, net of tax attributable to the owners of the parent	165.8	113.7

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 2016 AND 31 DECEMBER 2015. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2016 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 2016

Six months ended 31 December 2016 (unaudited)	NOTES	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M	Share-based payments reserve $M	Cash flow hedge reserve $M	Share of reserves of associates $M	Foreign currency translation reserve $M	Retained earnings $M	Total $M
At 1 July 2016		332.7	(609.2)	3,730.6	1.0	(47.7)	10.4	(9.5)	472.4	3,880.7
Profit for the period		–	–	–	–	–	–	–	141.8	141.8
Other comprehensive income		–	–	–	–	22.9	1.1	–	–	24.0
Total comprehensive income		–	–	–	–	22.9	1.1	–	141.8	165.8
Reclassification to retained earnings		–	–	(1.5)	–	–	–	–	1.5	–
Shares issued	10	0.1	–	–	–	–	–	–	–	0.1
Dividend paid	7	–	–	–	–	–	–	–	(107.2)	(107.2)
At 31 December 2016		332.8	(609.2)	3,729.1	1.0	(24.8)	11.5	(9.5)	508.5	3,939.4
Six months ended 31 December 2015 (unaudited)										
At 1 July 2015		332.3	(609.2)	2,958.5	0.9	(25.7)	(0.4)	(6.8)	393.3	3,042.9
Profit for the period		–	–	–	–	–	–	–	115.8	115.8
Other comprehensive income/(loss)		–	–	1.4	–	(2.1)	0.8	(2.2)	–	(2.1)
Total comprehensive income/(loss)		–	–	1.4	–	(2.1)	0.8	(2.2)	115.8	113.7
Reclassification to retained earnings		–	–	(4.9)	–	–	–	–	4.9	–
Shares issued	10	0.4	–	–	–	–	–	–	–	0.4
Dividend paid	7	–	–	–	–	–	–	–	(86.9)	(86.9)
At 31 December 2015		332.7	(609.2)	2,955.0	0.9	(27.8)	0.4	(9.0)	427.1	3,070.1

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 2016 AND 31 DECEMBER 2015. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2016 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2016

	NOTES	Unaudited As at 31 Dec 2016 $M	Audited As at 30 Jun 2016 $M
Non-current assets			
Property, plant and equipment	8	4,815.1	4,708.1
Investment properties	9	1,094.8	1,048.9
Investment in associates	6	144.3	142.8
Derivative financial instruments		116.0	138.8
		6,170.2	6,038.6
Current assets			
Cash and cash equivalents		28.5	52.6
Inventories		0.1	0.1
Trade and other receivables		55.5	42.3
Dividend receivable		3.6	3.3
Taxation receivable		-	3.9
Derivative financial instruments		1.1	0.7
		88.8	102.9
Total assets		6,259.0	6,141.5
Shareholders' equity			
Issued and paid-up capital	10	332.8	332.7
Reserves		3,098.0	3,075.6
Retained earnings		508.6	472.4
		3,939.4	3,880.7
Non-current liabilities			
Term borrowings	11	1,454.9	1,490.0
Derivative financial instruments		31.0	56.9
Deferred tax liability		231.8	220.4
Other term liabilities		1.4	1.3
		1,719.1	1,768.6
Current liabilities			
Accounts payable and accruals		92.0	94.3
Taxation payable		5.0	-
Derivative financial instruments		1.4	0.1
Short-term borrowings	11	500.9	396.9
Provisions		1.2	0.9
		600.5	492.2
Total equity and liabilities		6,259.0	6,141.5

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 2016 AND 31 DECEMBER 2015. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2016 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	NOTES	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		300.3	272.6
Interest received		0.7	0.8
		301.0	273.4
Cash was applied to:			
Payments to suppliers and employees		(81.5)	(80.5)
Income tax paid		(37.4)	(36.2)
Interest paid		(37.6)	(41.2)
		(156.5)	(157.9)
Net cash flow from operating activities	5	144.5	115.5
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		–	0.1
Dividends from associate		9.0	8.1
		9.0	8.2
Cash was applied to:			
Purchase of property, plant and equipment		(119.1)	(57.7)
Interest paid – capitalised		(4.7)	(2.5)
Expenditure on investment properties		(46.7)	(51.9)
		(170.5)	(112.1)
Net cash flow applied to investing activities		(161.5)	(103.9)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital		0.1	–
Increase in borrowings		255.0	175.0
		255.1	175.0
Cash was applied to:			
Decrease in borrowings		(155.0)	(126.0)
Dividends paid	7	(107.2)	(86.9)
		(262.2)	(212.9)
Net cash flow applied to financing activities		(7.1)	(37.9)
Net increase/(decrease) in cash held		(24.1)	(26.3)
Opening cash brought forward		52.6	38.5
Ending cash carried forward		28.5	12.2

THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO EXTERNAL REPORTING BOARD (XRB) REVIEW ENGAGEMENT STANDARD NZ SRE 2410 FOR THE SIX MONTH PERIODS TO 31 DECEMBER 2016 AND 31 DECEMBER 2015. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2016 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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 FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries and associates (the group).

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 17 February 2017.

2. Basis of preparation and accounting policies

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

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

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Annual Report for the year ended 30 June 2016 ('2016 Annual Report').

The accounting policies set out in the 2016 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 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 2016 (unaudited)	Aeronautical $M	Retail $M	Property $M	Total $M
Total segment income	157.3	114.8	35.7	307.8
Total segment expenses	38.4	12.1	7.6	58.1
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	118.9	102.7	28.1	249.7
Six months ended 31 December 2015 (unaudited)				
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 expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	102.5	98.8	23.6	224.9

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2015: nil).

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

3. Segment information CONTINUED

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

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Segment EBITDAFI	249.7	224.9
Unallocated external operating income	3.1	2.9
Unallocated external operating expenses	(16.9)	(14.3)
Share of profit of associates	10.0	4.1
Depreciation	(37.4)	(36.6)
Derivative fair value (decrease)/increase	1.5	(0.7)
Investment property fair value increase	17.4	16.0
Interest expense and other finance costs	(36.8)	(40.9)
Profit before taxation	190.6	155.4

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

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Staff expenses comprise:		
Salaries and wages	18.6	17.4
Employee benefits	2.1	1.9
Share-based payment plans	0.9	0.1
Defined contribution superannuation	0.8	0.9
Other staff costs	2.5	2.1
	24.9	22.4
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	20.8	21.7
Interest on bank facilities and related hedging instruments	9.2	7.6
Interest on USPP notes and related hedging instruments	9.4	11.6
Interest on commercial paper and related hedging instruments	2.1	2.5
	41.5	43.4
Less capitalised borrowing costs	(4.7)	(2.5)
	36.8	40.9
Interest rate for capitalised borrowings costs	4.63%	5.32%

The gross interest costs of bonds, bank facilities, USPP and commercial paper excluding the impact of interest rate hedges was $39.4 million for the period ended 31 December 2016 (31 December 2015: $41.1 million).

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

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Profit after taxation	141.8	115.8
Non-cash items:		
Depreciation	37.4	36.6
Bad debts and doubtful debts	(0.1)	0.1
Deferred taxation expense	2.5	2.8
Equity accounted earnings from associates	(10.0)	(4.1)
Investment property fair value increase	(17.4)	(16.0)
Derivative fair value (increase)/decrease	(1.5)	0.7
Items not classified as operating activities:		
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	(6.6)	8.3
Decrease in investment property retentions and payables	4.1	7.2
Items recognised directly in equity	0.6	(1.2)
Movement in working capital:		
(Increase) in trade and other receivables	(13.2)	(11.4)
Increase in taxation payable	8.9	1.8
(Decrease) in accounts payable	(2.0)	(24.9)
Increase/(decrease) in other term liabilities	0.1	(0.2)
Net cash flow from operating activities	144.5	115.5

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

6. Associates

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

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
Investment in associates at beginning of period	142.8	163.6
Share of profit after tax of associates	10.0	4.1
Share of reserves of associates	1.1	0.8
Share of dividends received and repayment of partner contribution	(9.2)	(9.0)
Foreign currency translation	(0.4)	(5.3)
Investment in associates at end of the period	144.3	154.2

Carrying value of investments in associates:

	Unaudited As at 31 Dec 2016 $M	Audited As at 30 Jun 2016 $M
Tainui Auckland Airport Hotel Limited Partnership	15.6	15.3
Stapled Securities of North Queensland Airports Limited	79.8	78.8
Queenstown Airport Corporation Limited	48.9	48.7
Total	144.3	142.8

Transactions with associates

On 14 February 2017, the group agreed to invest an additional $23.0 million in the Tainui Auckland Airport Hotel Partnership by purchasing the stake owned by AAPC Properties Pty Limited (Accor Hospitality) and a portion of the stake owned by Tainui Group Holdings Limited, subject to certain conditions. When the transactions are completed, the group will own 50% of the investment in the 263-room Novotel hotel adjacent to the international terminal and Tainui Group Holdings Limited will own the remaining 50%. The group also agreed to enter into a new partnership with Tainui Group Holdings Limited to build and operate a new hotel at Auckland Airport. The group and Tainui Group Holdings Limited will each hold a 50% investment in the new hotel.

7. Distribution to shareholders

	Dividend payment date	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M
2015 final dividend of 7.30 cps	16 October 2015	–	86.9
2016 final dividend of 9.00 cps	13 October 2016	107.2	–
Total dividends paid		107.2	86.9

8. Property, plant and equipment

	Unaudited As at 31 Dec 2016 $M	Audited As at 30 Jun 2016 $M
At fair value	4,620.9	4,570.0
At cost	97.2	95.1
Work in progress at cost	243.4	154.8
Accumulated depreciation	(146.4)	(111.8)
Net carrying amount	4,815.1	4,708.1

The group carries land, buildings and services, infrastructure and runway, taxiways and aprons at fair value. The group last revalued land and infrastructure at 30 June 2016. The group last revalued buildings, services, runways, taxiways and aprons at 30 June 2015. At 31 December 2016 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 $129.0 million for the six months ended 31 December 2016 (six months ended 31 December 2015: $50.9 million). Transfers from investment property were $15.3 million for the six months ended 31 December 2016 (transfers to investment property for the six months ended 31 December 2015: $10.3 million). The transfers from investment property related to a re-designation of undeveloped land for future roads.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

9. Investment properties

	Unaudited 6 months to 31 Dec 2016 $M	Audited As at 30 Jun 2016 $M
Balance at the beginning of the period	1,048.9	848.1
Additions - acquisitions or development	0.4	67.3
Additions - subsequent expenditure	43.4	38.7
Transfer from/(to) property, plant and equipment (note 8)	(15.3)	7.7
Change in net revaluations	17.4	87.1
Balance at end of period	1,094.8	1,048.9

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 2016 and 31 December 2015 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 Colliers. The assessment reviews and market data provided by Colliers 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.

At 31 December 2016, a further review of two investment properties in the latter stages of construction was performed by Savills and JLL. The reviews and market data at 31 December 2016 concluded that there was a material movement in the fair value of these two properties but no material fair value movements in the remainder of the portfolio.

The valuation of the two investment properties in the latter stages of construction resulted in a $17.4 million increase in the fair value at 31 December 2016 (31 December 2015: $16.0 million increase).

10. Issued and paid-up capital

	Unaudited 6 months to 31 Dec 2016 $M	Unaudited 6 months to 31 Dec 2015 $M	Unaudited 6 months to 31 Dec 2016 Shares	Unaudited 6 months to 31 Dec 2015 Shares
Opening issued and paid-up capital at 1 July	332.7	332.3	1,190,128,107	1,190,128,107
Shares fully paid and allocated to employees by employee share scheme	0.1	0.4	17,560	128,070
Closing issued and paid-up capital	332.8	332.7	1,190,145,667	1,190,256,177

11. Borrowings

	Unaudited As at 31 Dec 2016 $M	Audited As at 30 Jun 2016 $M
Current		
Commercial paper	121.7	91.8
Bank facilities	128.3	–
Bonds	250.9	305.1
Total short-term borrowings	500.9	396.9
Non-current		
Bank facilities	200.0	328.8
Bonds	650.0	526.2
USPP notes	604.9	635.0
Total term borrowings	1,454.9	1,490.0
Total		
Commercial paper	121.7	91.8
Bank facilities	328.3	328.8
Bonds	900.9	831.3
USPP notes	604.9	635.0
Total borrowings	1,955.8	1,886.9

Bank facilities

In August 2016 new undrawn facilities of $150.0 million and $100.0 million were established with Westpac Banking Corporation and Australian and New Zealand Banking Group Corporation (ANZ) respectively. These facilities were established to support the company's 2017 financial year borrowing programme. These are in addition to the $280.0 million undrawn facilities in place at 30 June 2016 and reported in the 2016 Annual Report. The total undrawn facilities at 31 December 2016 of $530.0 million will reduce by $250 million when the Westpac and ANZ undrawn facilities are cancelled upon completion of the 2017 financial year borrowing programme.

Bonds

In the period to 31 December 2016 the company undertook the following bond financing:

- The repayment of $25.0 million of seven year fixed rate notes in August 2016,
- The repayment of $130.0 million of eight year fixed rate notes in November 2016,
- The issuance of $225 million of 7 year, 3.97 percent fixed rate bonds in November 2016

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 2016.

Further information on risk management is also contained in the corporate governance section of the 2016 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2016.

Notes and accounting policies CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

13. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2016 (31 December 2015: 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.

	Unaudited Fair value As at 31 Dec 2016 $M	Audited Fair value As at 30 June 2016 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates.
Assets	2.7	2.2	
Liabilities	(32.4)	(57.0)	
Interest basis swaps			Observable forward basis swap pricing and contract basis rates.
Assets	2.6	3.0	
Cross currency interest rate swaps			Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates.
Assets	111.7	134.3	

The carrying value approximates the fair value of cash, trade and other receivables, accounts payable and accruals 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.

	Unaudited 31 Dec 2016		Audited 30 Jun 2016	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Bonds	900.9	916.4	831.3	869.3
USPP Notes	604.9	611.8	635.0	627.6

14. Commitments

(a) Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for $184.0 million at balance date (30 June 2016: $157.0 million).

(b) Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for $61.3 million at balance date (30 June 2016: $83.8 million). The company had contractual obligations to tenants to purchase or develop investment property at balance date for $2.9 million (30 June 2016: $3.0 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for $1.7 million at balance date (30 June 2016: $1.6 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.

The last offers were made in June 2016 and 96 homeowners accepted these offers during the period and the group recorded a provision for the estimated cost of fulfilling its obligation to those homeowners.

It is estimated that, overall, further costs associated with the 2001 Environment Court determination would not exceed $9.0 million (30 June 2016: $9.0 million).

16. Events subsequent to balance date

On 17 February 2017, the directors approved the payment of a fully imputed interim dividend of 10.0 cents per share amounting to $119.1 million to be paid on 4 April 2017.

On 17 February 2017, the directors of Queenstown Airport declared a dividend of $1.0 million. The group's share of the dividend is $0.2 million to be paid on 20 February 2017.

On 14 February 2017, the group agreed to invest an additional $23.0 million in the Tainui Auckland Airport Hotel Partnership by purchasing the stake owned by AAPC Properties Pty Limited (Accor Hospitality) and a portion of the stake owned by Tainui Group Holdings Limited. The group also agreed to enter into a new partnership with Tainui Group Holdings Limited to build and operate a new hotel at Auckland Airport. Further information is provided in note 6.

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 2016, 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 explanatory information in the notes to the condensed consolidated interim financial statements on pages 31 to 46.

Board of Directors' Responsibilities

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

Our Responsibilities

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

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

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

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

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 2016 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

17 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 2016 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 17 February 2017 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) and was granted Foreign Exempt Listing entity status by ASX on 22 April 2016.

The company's shares were quoted on the NZX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002. The company has established an American Depository Receipts (ADR) program, under which each ADR represents five ordinary shares in the company. The ADRs are traded over the counter in the United States.

The total number of voting securities on issue as at 31 December 2016 was 1,190,892,349.

Waivers granted by the NZX

The company was issued with a waiver of Listing Rule 5.2.3 by NZX on 13 October 2016 (for a period of six months from 3 November 2016) in respect of the company's October 2016 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 and any other offering document relating to an offer of 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 2016.

Credit rating

As at 31 December 2016, 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

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Auckland 1010

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Auckland 1142

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Sydney South
NSW 1235

Shareholder information CONTINUED

Financial calendar	Half year	Year
Results announced	February	August
Reports published	February	August
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

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

Scott Tasker
general manager aeronautical commercial (acting)

Mark Thomson
general manager property

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 or contact them directly (details on page 48)

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GENERAL COUNSEL & COMPANY SECRETARY

Scott Weenink

AUDITORS

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

Online report

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

aucklandairport.co.nz

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