Market release | 18 August 2022

FY22 results: Auckland Airport sets its sights on the future as rebounding demand for travel fuels aviation’s recovery

Auckland Airport today announced its financial results for the 12 months to 30 June 2022, including incurring its second ever underlying loss.

Auckland Airport Chair Patrick Strange said: “The 2022 financial year has been a year of change and revival for Auckland Airport as we managed through the Covid-19 lockdowns, the gradual lifting of border restrictions and the restart of international travel.

“While the global aviation industry continues to experience ongoing operational challenges there is positive momentum with solid demand for travel to and from New Zealand supporting the recovery. We are in a global race to attract back visitors and international airline routes and services and New Zealand needs to work hard to ensure their return.

“We are now progressing our capital plan to build a stronger Auckland Airport, delivering on a world-class travel experience for travellers and fuelling our future success. As we look ahead, I offer my thanks to our employees who have continued to work through the challenges of the 2022 financial year to serve our customers, keep New Zealand connected and maintain the safe and secure operation of the airport.”

Key performance data for the 12 months to 30 June 2022:

- Total number of passengers decreased to 5.6 million, down 13%
- Domestic passenger numbers decreased 27% to 4.3 million, and international passenger numbers (including transits) increased 123% to 1.3 million
- Revenue was up 7% to $300.3 million
- Operating EBITDAFI was down 16% to $144.5 million
- Reported profit after tax was down 59% to $191.6 million,
- Earnings per share was down 59% to 13.0 cents

- Net underlying loss after tax of $11.6 million[1]
- Net underlying loss per share of 0.8 cents[1]
- No final dividend will be paid

Chief Executive Carrie Hurihanganui said that although Auckland Airport's results continued to reflect the impact of the pandemic and the challenging operating conditions of the 2022 financial year, the reopening of the border to Australia in April had marked a turning point in the organisation's recovery.

"After two years of disruption, careful cost management and perseverance from the team at Auckland Airport our recovery is now well underway," said Ms Hurihanganui, who became Chief Executive in February.

"As aviation rebounds there continues to be some uncertainty about the shape of recovery ahead with global operational challenges, such as labour shortages, currently constraining the system's capacity. However, Auckland Airport continues to take a long-term view and we remain optimistic about the future with the strong global appetite that exists for travel alongside Auckland's position as a key aviation hub in the South Pacific."

Overall, there were 5.6 million international and domestic passengers at Auckland Airport in the 2022 financial year, down 13% on the 2021 financial year. Domestic passenger numbers were 27% down to 4.3 million while international passenger numbers (including transits) rose 123% to 1.3 million.

The gradual reopening of the border between February and June saw airlines like LATAM restore services, with 17 airlines flying to 28 destinations at Auckland Airport by 30 June 2022, up from 12 airlines and 21 destinations during the worst of the pandemic.

"International travel to and from New Zealand has made a spirited comeback in recent months as border restrictions have fallen away. With key parts of our network now reconnected and capacity returning, our sights are firmly set on the future as we progress key infrastructure projects and look to future improvements in transport, technology and operations."

Auckland Airport's investment property division continued to perform strongly, with the industrial property market proving resilient in the 2022 financial year. Investment property rent roll is now $127.5 million (up 9% year on year) and the investment portfolio is now valued at $2.9 billion, up 10% year on year.

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[1] We recognise that EBITDAFI and underlying loss are non-GAAP measures. Please refer to the table at the end of the release for the reconciliation of reported profit after tax to underlying loss after tax.

In the 2022 financial year, Auckland Airport continued to focus on climate change, developing a clear pathway to reduce scope 1 and 2 emissions to reach Net Zero by 2030.

“We are on a mission to drive down our emissions to tackle climate change. Alongside this we are working with airlines to support the decarbonisation of the wider aviation sector, ensuring the right ground infrastructure is in place to enable the adoption of future aircraft technologies and fuels as they become widely available,” said Ms Hurihanganui.

Infrastructure: Airline consultation continues

With fewer planes in the air in the 12 months to 30 June 2022, Auckland Airport focused on core maintenance projects and infrastructure upgrades that would support the recovery: airfield maintenance, pavement renewal, roading development and jet fuel line upgrades, with $98.7 million invested in these assets during the period.

With the gradual reopening of the border in the second half of the year, Auckland Airport focused on a range of other capital expenditure projects to take advantage of the low traffic environment, including progressing $82.4 million in works to enable development of a new purpose-built domestic facility to be merged into the eastern end of the existing international terminal. The development pathway was approved by the Auckland Airport Board in August 2021.

Ms Hurihanganui said Auckland Airport is working to ensure “the best possible outcome for the next 20-plus years of travel at Auckland Airport, with an initial focus on domestic travel”.

“As we look ahead, we are entering a period of investment to transform Auckland Airport into a world-class travel experience with seamless customer journeys and improvements to domestic travel as our first priorities,” said Ms Hurihanganui.

“When the current domestic terminal opened in the 1960s it was the dawn of the jet age. It’s now more than half a century old and while we have continued to reinvest in the facility to support growth in domestic travel and the needs of travellers, this infrastructure is now nearing the end of its life. It’s vitally important for Auckland and New Zealand’s economy that we invest for the future, creating a domestic travel experience Kiwis can be proud of.”

Ms Hurihanganui said Auckland Airport is currently in consultation with airlines regarding the design of the new $1 billion-plus combined terminal, to be delivered in stages in line with aviation’s recovery. Airlines currently pay some of the lowest domestic charges in Australasia to operate at Auckland Airport due to the age of the domestic terminal and the write down of assets.

“Ageing terminals all over the world are being modernised and rebuilt following 50 years of growth in air travel. We know from overseas experience that is both a huge challenge and an incredible opportunity for us.

“Auckland Airport’s asset investment creates opportunities for airlines to provide a quality experience for their customers and increases operational efficiency, with expanded terminal capacity also allowing airlines to grow and develop their aircraft fleet and networks.”

Ms Hurihanganui said as investments were made in new assets, the prices that airlines pay will have to increase over time.

“We look forward to working with our airline partners as we consult on the next stages of development for the combined terminal.”

Roading and commercial projects

In the 2022 financial year, Auckland Airport continued to focus on key road transport projects, completing a $160 million-plus upgrade of the core roading network and announcing the development of a $300 million world-class transport hub to be built at the front door of the international terminal. The project will transform how travellers arrive at and depart from the main airport terminal, while paving the way for any future mass rapid transit to deliver passengers direct to the airport terminal precinct. The project is also the critical initial step in enabling delivery of the future combined terminal.

“We are incredibly excited about this project as it will be another step towards creating a high-quality customer experience that equals some of the best airports in the world,” said Ms Hurihanganui.

Auckland Airport announced the development of Mānawa Bay to the east of the precinct. This is a $200 million-plus premium outlet shopping destination that will offer sought-after premium fashion, athleisure, lifestyle and homeware brands as well as food and dining options. With earthworks on the 150,000m^2 site and the building platform now complete, leasing is now underway for what will be New Zealand’s first ever premium purpose-built outlet centre.

Support for the community and our airport partners

Auckland Airport’s long-standing connections with the South Auckland community continued during the 2022 financial year.

“We were proud to offer our buses to be used as mobile health clinics delivering vaccinations direct into the South Auckland community, while converting our Park & Ride facility into a drive-through vaccination centre,” said Ms Hurihanganui.

Known as “Park & Vax” it ultimately became one of Auckland’s most successful drive-through vaccination centres, with health workers delivering 155,000 vaccines between September 2021 and January 2022.

Auckland Airport also continued to support tenants impacted by the pandemic, providing $173 million in rent reductions to tenants in the international terminal in the 2022 financial year, making a total contribution of $358 million in retail rent abatements over the past two financial years. Retailer lease occupancy across both terminals was 94% as at 30 June 2022.

Support for airlines included more than $8 million in relief for aircraft parking across the 2022 financial year as well as the introduction (in January 2022) of a price freeze to aeronautical charges for the 2023 financial year in response to continued uncertainty in the aviation market (FY23 is the first year of “Price Setting Event 4” which covers the period from FY22/23 to FY27/28).

“This has helped to support airline partners during the early phase of the Covid-19 recovery and was something the vast majority of airlines operating at Auckland Airport supported.”

Outlook

Auckland Airport continues to adopt more conversative planning assumptions than the International Air Travel Association (IATA), which predicted in its most recent report that the global industry would recover to pre-pandemic levels in the 2024 calendar year, with the Asia-Pacific region to follow at a later stage.

“While we are hopeful of a strong recovery over the next 18 months, our outlook remains conservative.”

Reflecting this, Auckland Airport is providing guidance of underlying profit after tax of between $50 million and $100 million for the 2023 financial year and capital expenditure of between $600 million and $700 million, reflecting a number of roading, airfield, investment property projects alongside progressing the design and enabling works for the combined domestic and international terminal ($130 million). Auckland Airport is currently consulting with substantial airline customers for Price Setting Event 4, with a decision on aeronautical prices scheduled to be made following this consultation in June 2023. The capital investment plan is considered within the consultation on aeronautical prices and may be subject to change as consultation with airlines is undertaken.

"After what has been another challenging year, I am thankful to our investors for their continued support and to our capable and passionate employees who make journeys possible at Auckland Airport. To our customers, thank you for your patience and support as we have ramped up activities alongside airlines and our aviation partners," said Ms Hurihanganui.

ENDS

Note 1. Underlying profit / (loss) reconciliation table

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2022 and 2021.

	2022			Restated 2021[1]		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[2]	144.5	-	144.5	171.1	-	171.1
Investment property fair value increase	204.4	(204.4)	-	527.3	(527.3)	-
Property, plant and equipment revaluation	(1.4)	1.4	-	(7.5)	7.5	-
Fixed asset write-offs, impairments and termination costs	-	6.9	6.9	-	2.5	2.5
Reversal of fixed asset impairments and termination costs	-	-	-	-	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	-	(0.5)	0.5	-
Share of profit of associate and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	-	(113.1)	(120.9)	-	(120.9)
Interest expense and other finance costs	(53.7)	-	(53.7)	(94.0)	-	(94.0)
Taxation expense	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

Notes

1. *The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.*
2. *2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9m. 2021 included a net reversal of $16.9 million.*

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:

- we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value.

However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy

- consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building class of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021.
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives
- we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years

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AKL OPEN

Auckland Airport

Annual Report 2022

Start your engines

Suddenly, travel is back. And as New Zealand welcomes and farewells more travellers, we're committed to ensuring that every customer who travels through Auckland Airport enjoys a seamless journey. More welcoming. More inspiring. Easier. The best possible start or finish to every customer's journey.


International arrivals


Not one

A world-class travel experience

We will be an airport that does right by Auckland and Aotearoa New Zealand. New roads with more to come. A vibrant precinct served by plenty of public transport. Terminals transformed. Retail and dining occasions that are the talk of the town. New digital capabilities. A thriving network of airlines and destinations. And a logistics and trade hub that powers how we do business with the world.

Proudly AKL – 4NZ

Our sustainability programme will see us stepping up as custodians. Doing our bit to protect the planet. Creating value for future generations by balancing our focus on community, the environment and the prosperity of New Zealand. Exciting careers. Diversity celebrated. Strong relationships and partnerships. An ambitious journey to Net Zero and decarbonisation.

Creating value for our business, shareholders, partners, customers and New Zealand

Creating value for future generations and protecting the planet

Creating value for our employees

Welcome

ABOUT THIS REPORT

Welcome to our 2022 annual report AKL — OPEN

Step into Auckland Airport's terminals today and you'll see in people's faces everything that makes travel special - the anticipation of adventure, the keenness to get back out into the global business community, the bubbling excitement of a well-earned break, the emotional ache of farewell, and the absolute joy of that first, long-awaited hug.

These are journeys that have been planned, hugely anticipated, possibly rescheduled, but are finally getting underway again with the reopening of the border.

Like our travellers, Auckland Airport is on its own journey - one that has also been planned, anticipated, rescheduled and is now once again underway. At the heart of this is our work to transform how our customers experience Auckland Airport, everyone from travellers to airlines to the partners in the airport community.

In this report AKL OPEN we share details about our organisation's restart and revival. From community initiatives, to property development to our construction sites, you'll hear all about our projects from our incredible team because without them, none of it would be possible.

As always, we welcome your feedback on this report. Please send any comments or suggestions to investors@aucklandairport.co.nz.

2022 Key numbers

Our performance in the 12 months to 30 June 2022

5.6m
Passengers

Domestic
4.3m
▼ 27%

International
1.3m
▲ 124%

International transits
0.1m
▲ 105%

Revenue
$300.3m
▲ 7%

Operating EBITDAFI
$144.5m
▼ 16%

Reported profit
$191.6m
▼ 59%

Final dividend per share
0.0¢
Interim 0.0¢
Final 0.0¢

Underlying profit /(loss)
$(11.6)m
▲ 71%

Underlying earnings / (loss) per share
(0.8)¢

Five-year average annual shareholder return
1.3%

Net capex additions[1]
$253.1m

1. Net capital expenditure additions after $6.9 million of write-offs and impairments

Health and safety

2,156

safety observations and hazards reported

100%

of Auckland Airport's 271 front-line employees in the workplace vaccinated by the government deadline for mandatory vaccinations (30 September 2021)

100%

of Auckland Airport's employees vaccinated (as at 4 February 2022)

Diversity

38%

of overall workforce is female

43%

of senior leaders[1] are female

50%

of Board is female

5%

of people leaders[2] self-identify as Māori or Pasifika

38%

of leadership team is female

Community

$368,605

granted to community projects by the Auckland Airport Community Trust to support learning, literacy and life skills in South Auckland

Environment[3]

Scope 1 and 2 carbon emissions

5,279 (tonnes CO_2e)

▼ 38% reduction from 2019 baseline

Water Usage

169,138 (m^3 of potable water)

▼ 55% reduction from 2019 baseline

Waste to landfill

722 (tonnes)

▼ 64% reduction from 2019 baseline

1. Direct reports to the leadership team with substantive roles
2. People leaders with at least one direct report

3. Significant reductions in water, waste and carbon emissions were achieved against the 2019 baseline largely due to the much lower passenger numbers in the 2022 financial year compared to 2019 levels

Nau mai & welcome

From the arrival of the Tainui Waka into the Manukau Harbour to the earliest flights of the Auckland Aero Club in 1928, Auckland Airport has always been a place of journeys. Every year since then aviation has evolved and grown, bringing New Zealanders closer to each other and the world, until 11.59pm on 19 March 2020 when New Zealand's border closed.

Nobody was prepared for the impact of Covid-19. Its speed. How it would upend lives and cut off New Zealand from the world.

Patrick Strange
Chair

It took a false start and over 750 days, but as the border reopened in April 2022 to visitors from Australia, Auckland Airport was truly able to celebrate its restart and revival. Domestic travel has surged back. International travel is now more than 50% of what it was before the pandemic and by the time summer arrives, international seat capacity will be back to about 70% of pre-pandemic levels.

That's why I'm so pleased to present this year's annual report AKL – OPEN. It's been a long time coming, especially for our team at Auckland Airport, who have shown us what it truly means to be adaptable, community-minded and steadfast as the pandemic changed us and the world. They have continued to maintain the highest standards of safety and security, keeping our country safely connected. My sincere thanks to them.

Financial results

Overall, our financial performance for 2022 reflects a year of two halves, with travel restrictions and the Auckland community lockdown in place during the first six months and the gradual restart of international travel during the second half.

In the year to 30 June, revenue was up 7% to $300.3 million, while earnings before interest, expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) was down 16% to $144.5 million. Total reported profit after tax was down 59% to $191.6 million and underlying net profit after tax was up by $27.8 million to a loss of $11.6 million, resulting in an underlying loss per share of 0.8 cents for the 2022 financial year.

Our property investment business was a strong performer with the industrial property market proving resilient in the 2022 financial year. Investment property rent roll is now $127.5 million (up 9% year on year) and the investment portfolio is now valued at $2.9 billion, up 10% year on year.

No final dividend will be paid.

While our aviation business has been severely hit by Covid-19, we acknowledge the strong support of our shareholders throughout the pandemic and their recognition of the underlying strength of and outlook for Auckland Airport.

New leadership

In February 2022, we were pleased to welcome Carrie Hurihanganui to Auckland Airport as Chief Executive, replacing Adrian Littlewood who finished last year after almost nine years in the role. Auckland Airport's first ever female chief executive, Carrie joined us from Air New Zealand where she had worked for 21 years, most recently in the role of Chief Operating Officer.

I would like to thank Carrie for her leadership as she has steered the organisation through the reopening of the border, the recovery of international travel and the restart of our infrastructure development programme. I know Carrie's leadership, aviation knowledge and unfailing focus on delivering a quality experience for customers will serve us well as we set our sights on the future. We also acknowledge the huge contribution Adrian made, from the strong growth of the company over nearly a decade to the decisive response to the outbreak of Covid-19.

In June 2022, we were pleased to also appoint a new independent director to the Board, Mark Cairns, who retired last year as Chief Executive of Port of Tauranga following 16 years in the role. With his background in logistics, infrastructure, large scale engineering construction projects and capital markets, I know Mark will make a valuable contribution. As a new director Mark will stand for election at the Auckland Airport Annual Shareholders' Meeting in October 2022.

Mark replaces Justine Smyth who finished as a director in October 2021 following nine years on the Board. I would like to thank Justine for her outstanding contribution.

Moving our strategy forward

Two years ago we outlined a three-stage plan (Respond, Recover, Accelerate) for managing through the pandemic and beyond. In the 2022 financial year it continued to guide us through the recovery phase in what has been a year of two halves – starting with a long list of challenges and ending with a renewed focus on the future.

In the first six months, we experienced Auckland's extended lockdown, border closures and the community outbreak of Covid-19, halting the recovery and impacting our ability to restart aeronautical infrastructure projects. In the second half of the year, the gradual easing of border restrictions brought international travel back – first returning Kiwis, then Australians, followed by visitors from visa waiver countries.

The recovery is now well underway and we are positioning the business for the future. The foundation of this will be a new strategy currently under development by the Board, Carrie and the rest of the leadership team to create a strong and sustainable Auckland Airport.

A major challenge and opportunity for Auckland Airport is the redevelopment of the infrastructure that supports domestic travel. The current domestic terminal was built 57 years ago. It is near end-of-life and while we have continued to invest in the facility to meet growth in travel, the needs of travellers and changes in security and baggage requirements, we now face the need for a generational reinvestment to position Auckland Airport and New Zealand for the future.

Our masterplan includes expanding our international operation to create a combined domestic and international jet terminal – a pathway supported by Air New Zealand and the Board of Airline Representatives. We are currently in consultation with our airline customers about development of the new facility, along with the upgrade of associated baggage systems and other airside and landside systems and infrastructure. Capital enabling works are already underway to support this development.

The renewal of Auckland Airport is a huge undertaking but it is vital for Auckland Airport and New Zealand. Currently, airlines pay some of the lowest domestic charges in Australasia to operate at Auckland Airport due to the age of the domestic terminal and the write down of assets.

This period of investment will have an impact on these charges, something that is a matter for consultation with our airline partners.

Offering our support

Airports are ecosystems, supporting everything from airlines and restaurants to fashion stores and coffee shops.

In the 2022 financial year, Auckland Airport continued supporting tenants most impacted by the reduction of passenger numbers, particularly those within the international terminal. In the 12 months to 30 June 2022, we provided $173 million in rent reductions and abatements to retail tenants, $5 million of property rental abatements, $1 million of aeronautical rental relief and $8 million of aircraft parking relief to airlines, allowing non-operating aircraft to park free of charge. This, together with that undertaken in 2021 equates to total financial support of $388 million across the 2022 and 2021 financial years.

In January 2022 we responded to continued uncertainty in the aviation market by introducing a price freeze to aeronautical charges for the 2023 financial year. This decision to freeze prices is helping to support airline partners during the early phase of the Covid-19 recovery and follows consultation with airlines since June 2021 on the timing of the Price Setting Event 4 (PSE4) price reset. Prices were previously due to be reset for PSE4 from 1 July 2022 for a five-year period. Auckland Airport is now consulting with airlines to determine prices for the financial years 2024 to 2027.

Legislative update

Following many years of engagement with officials from the Ministry of Transport, we made written and oral submissions to Parliament on the Civil Aviation Bill during the 2022 financial year. This Bill repeals and replaces the Civil Aviation Act 1990 and the Airport Authorities Act 1966 to create a single, modern piece of legislation that regulates the aviation industry.

We support much of the Bill and a modern regulatory regime for aviation is long overdue. The Bill remains on the Parliamentary Order Paper and is likely to be passed sometime in the 2023 financial year.

Looking ahead

With the return of international travel, it's an exciting time to be at Auckland Airport. Airlines are rebuilding their services, the airfield's buzzing once again, and projects are restarting. On behalf of the Board and senior management I would like to thank our people for their efforts during the 2022 financial year.

Patrick Strange
Chair of the Board

Kia ora koutou katoa

Carrie Hurihanganui
Chief Executive

It's been seven months since I joined Auckland Airport as Chief Executive and I'm very proud to be leading an iconic Kiwi company with such an important role to play in our country's future.

New Zealand's borders reopened within weeks of me taking up this role, marking a turning point in Auckland Airport's path to recovery following two years of upheaval for our team.

I know aviation and its people. But in my short time here I've been in awe of the perseverance and determination that the people of Auckland Airport have shown, collaborating alongside our airline and border agency partners to hold the virus at bay and ensure the safe reopening of the border. Care, integrity and collaboration are values that are ingrained in Auckland Airport's culture. They have seen the team through the worst of the pandemic and I know they will underpin our recovery as we look to the future.

I'm pleased to say that future is now beginning to unfold.

It was wonderful to be standing in the international arrivals' hall back in March and to see the terminal coming back to life again with visitors and friends and family reuniting.

Since then, the shape of the recovery has been encouraging, with travellers returning to the skies with the protection now offered by vaccines and boosters, and airlines ramping up their schedules to New Zealand. Overall, there were 5.6 million international and domestic passengers at Auckland Airport in the 2022 financial year, down 13% on the 2021 financial year. With the recovery journey still ahead of us, we can take confidence that we are finally moving ahead in the right direction.

Early considerations

My first priorities in coming into this role were managing through the impact of changing border settings, working with our team to ensure the ongoing safe operation of the airport, and planning the restart of our infrastructure programme with a refined pathway for development that will create the platform for our business and customers for decades to come.

I wanted to learn more about the organisation's approach to sustainability, and to understand how we can accelerate the tremendous work that has been done so far to reflect the greater emphasis sustainability now plays in people's lives, as well as Auckland Airport's role in New Zealand.

I've also worked to understand the quality of the experience we're delivering to customers and how we can build a resilient business for the future that delivers the products, services and seamless modern travel experience that our customers value and deserve.

These observations are contributing to the development of a new vision and five-year business strategy for Auckland Airport. We have many aspirations: revitalising our core aeronautical business; putting customers at the heart of what we do; working smarter through innovation and being more efficient; and accelerating sustainable and inclusive growth.

To help drive this work forward we announced two changes to the leadership team in June focused on customer transformation and infrastructure strategy. I was delighted to appoint Scott Tasker to the role of General Manager Customer, expanding his existing role overseeing Aeronautical Commercial and our airline relationships. Scott will take responsibility for our organisation-wide customer strategy, defining the standards and expectations for delivering a quality customer experience, from our retail and property businesses through to terminal facilities and the Strata Lounge.

I was also pleased to appoint Mary-Liz Tuck to the position of General Manager Strategic Infrastructure Planning and Transformation, leading the centralisation and co-ordination of our approach to infrastructure planning, capital investment, and aeronautical forecasting.

Both Mary-Liz and Scott have been at the heart of our organisation's strategy and response to the turbulence of the past couple of years and bring a strong set of skills, experience and ambition to their new roles.

We are also developing new aspirations for sustainability, recognising our unique location on the Mangere peninsula and the cultural significance of this area to tangata whenua. As custodians, it is essential that we protect the environment we are privileged to work in. We have signed up to the latest Climate Leaders Coalition Statement of Ambition. We are on a mission to drive down our emissions to tackle climate change, significantly reducing our scope 1 and 2 emissions, with a clear pathway to reaching Net Zero by 2030. We are also minimising the scope 3 emissions that are within our control. Alongside this we are working with airlines to support the decarbonisation of the wider aviation sector, ensuring the right ground infrastructure is in place to enable the adoption of future aircraft technologies and fuels as they become widely available.

At Auckland Airport, we also want to lead the way with a highly engaged workforce which reflects the diversity of our community, while working in partnership with tangata whenua to ensure they grow and prosper alongside us.

A world-class travel experience

Throughout the pandemic, Auckland Airport's goal has been to be match fit for the restart, while keeping a careful watch on operating expenditure. With fewer planes travelling in the 2022 financial year, we focused on core maintenance projects and upgrades that would support the recovery: airfield maintenance, pavement renewal, roading development and jet fuel line upgrades, investing a total of $98.7 million in these assets during the period.

We also looked ahead and worked in partnership with the aviation industry and government border agencies to support the safe reopening and future management of the border as well as the restart of international routes. Our work also extended to advocating for the introduction of Rapid Antigen Testing (RAT) alongside other New Zealand businesses to help protect the continuity of critical worksites as Covid-19 began to spread through the community.

While the border gradually reopened, we triggered a suite of capital expenditure projects across technology, transport

Carrie and family welcomed onto Te Manukanuka o Hoturoa Marae at Auckland Airport and terminals that will transform Auckland Airport into a world-class travel experience with seamless customer journeys as our top priority. This included advancing the combined domestic and international jet terminal project, with $82.4 million design and enabling activity in the 2022 financial year. These enabling works are huge projects in their own right – all designed to clear the path for major phases of construction and to minimise future disruption to travellers (read more on pg 30).

In March 2022, we announced the development of Mānawa Bay, a $200 million-plus premium outlet shopping destination planned for the north-eastern edge of the precinct. With 100 stores planned to create over 500 jobs, it will be New Zealand's first ever purpose-built outlet centre, showcasing the best international and local brands and offering an unrivalled shopping experience to customers.

Two months later we announced the start of another key project – a $300 million world-class transport hub to be developed at the front door of the international terminal. We are incredibly excited about this project as it will create seamless connections for travellers arriving by road to their flight and pave the way for future mass transit to deliver passengers direct into the heart of the airport precinct (read more on pg 34).

More broadly, we have refined and advanced our future infrastructure development programme to ensure we achieve the best possible outcome for the next 20-plus years of travel at Auckland Airport, with an initial focus on domestic and regional travel. Airline consultation is currently underway in relation to this, and I look forward to sharing more during the year ahead.

Auckland Airport is an organisation with big ambitions and we are focused on building strong partnerships within our airport eco-system to ensure a strong and sustainable future for our customers, employees, investors, tangata whenua, the community and New Zealand.

As the border gradually reopened, we triggered a suite of capital expenditure projects across technology, transport and terminals that will transform Auckland Airport into a world-class travel experience with seamless customer journeys as our top priority.

The runway ahead

Auckland Airport is an organisation with big ambitions and we are focused on building strong partnerships within our airport eco-system to ensure a strong and sustainable future for our customers, employees, investors, tangata whenua, the community and New Zealand.

As we look to the future, the International Air Travel Association (IATA) is predicting in its most recent report that the global industry will recover to pre-pandemic levels in the 2024 calendar year with the Asia-Pacific region to follow at a later stage. While we are hopeful of a strong recovery over the next 18 months, our outlook remains conservative.

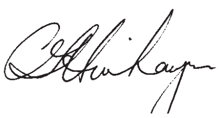
Reflecting this, Auckland Airport is providing guidance of underlying profit after tax between $50 million and $100 million for the 2023 financial year and capital expenditure of between $600 million and $700 million, reflecting a number of roading, airfield and investment property projects alongside progressing the design and enabling works for the combined domestic and international terminal. Included in the capital guidance are projects that are currently the subject of consultation between Auckland Airport and our airline partners, such as the development and gradual delivery of domestic infrastructure. We will update investors once final decisions are made on those projects.

After what has been another challenging year, I am especially thankful to our capable and passionate employees who continue to make your journeys possible at Auckland Airport. To our customers, we know the restart of travel hasn't been perfect. Thank you for your patience and support as we have ramped up activities alongside airlines and our aviation partners.

I would also like to take this opportunity to thank our investors for continuing to support Auckland Airport despite the difficulties we have faced in recent years, along with the Board for their unwavering commitment and support.

As the recovery continues, I look forward to leading us into a new chapter.

E mahi ana mātou mō Aotearoa.
We are working for New Zealand.



Carrie Hurihanganui
Chief Executive
Auckland Airport

Underlying net profit / (loss) after tax

$(11.6)m

An improvement of

+71%

compared to the $39.4m loss in 2021

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons against different companies can be made with confidence and that there is integrity in our reporting approach. However, we believe that an underlying profit measurement can also assist investors to understand what is happening in a business like 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 profit alongside reported results. We do so 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).

In referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result. The reconciliation between underlying profit and reported profit for the current reporting period can be found on pg 73.

How we think about sustainability

The decisions Auckland Airport makes today have a long-term and enduring impact, not just for our customers and aviation partners but also for the community, the environment and for the prosperity of Aotearoa New Zealand

At Auckland Airport, sustainability is embedded into everything we do. Our sustainability strategy is framed by four key pillars:

Purpose | Kaupapa

Creating value for our business, shareholders, partners, customers and New Zealand

Place | Kaitiakitanga

Creating value for future generations and protecting the planet

People | Whānau

Creating value for our employees

Community | Hapori

Creating value for Auckland and our local community

What matters most

Every three years we undertake a comprehensive materiality assessment, including interviews with stakeholders, to identify the sustainability issues and topics that are most significant for our business. This year we reconfirmed that our previously identified material issues are still relevant for Auckland Airport. We continue to progress activities to address our material issues.

These material issues and our sustainability strategy align with the objectives of the United Nations' Sustainable Development Goals. The ones we can contribute to the most are:

Our eight material issues

Material issue | **Progress in the 2022 financial year**

Safety, health, wellbeing and security

Auckland Airport is a Port of First Arrival and major infrastructure operator; therefore, the health, safety, wellbeing and security of our people, airport workers, customers and visitors to the precinct is our first priority. We have a key role to play in protecting New Zealand and its people from diseases and biosecurity threats

We continued to foster a culture of health, safety, wellbeing and security in our workplace:

- Completed Critical Risk Bowties for critical operational risks including an aircraft incident, aerodrome security breaches, vehicle vs pedestrian safety risks, along with other non-major risks
- Carried out safety-focused events throughout the year to keep health, safety and wellbeing top of mind (including the annual Safety Week, a summer "Back to Work Safely" campaign, and a Safety Management System (SMS) awareness quiz)
- Extended the Mates in Construction "Applied Suicide Intervention Skills Training" to selected employees
- Reviewed procedures including Fatigue Management Plans and the Permit to Work System
- Conducted biosecurity awareness training for Auckland Airport and other precinct workers (reaching a milestone of 10,000 people having completed our online Biosecurity Awareness training) and sharing our biosecurity collateral with other businesses
- We were honoured to be recognised as a finalist in the Ministry for Primary Industries (MPI) 2021 Biosecurity Awards in the Industry category for our efforts in building a strong biosecurity culture

Wider economic contribution

As New Zealand's largest international airport we are a key driver of travel, trade and tourism, boosting the country's economy as well as employment in the Auckland region. With the reopening of the border we will play a vital role in helping the economy and community to rebuild.

- Participated in New Zealand Aviation Coalition Chief Executives' Forum and other aviation/government agency forums to support the safe reopening and future management of the border as well as the restart of international routes
- Advocated alongside other New Zealand businesses for the introduction of Rapid Antigen Testing (RAT) to protect critical worksites as an additional layer of defence. Worked in partnership with the Ministry of Business, Innovation and Employment (MBIE) as part of the RAT pilot scheme
- Supported the country's vaccination drive by providing supporting infrastructure, transport vehicles, promotional activities and staff expertise

Material issue | **Progress in the 2022 financial year**

Customer experience

The welcome experience travellers receive when they arrive in or depart from New Zealand is overseen by Auckland Airport. We are committed to making journeys better for our customers; listening to and responding to their needs; and delivering infrastructure in the right place at the right time.

- Offered valet services to mobility customers at no extra charge
- Introduced the sunflower lanyard system to assist people with hidden disabilities
- Restarted our airport concierge (escorted airport journeys) service
- Launched a campaign called "Looking Beyond" aimed at keeping customers well informed about changes taking place at Auckland Airport

Aircraft noise

We continue to work with our airline and air navigation partners to manage aircraft noise and the impact it has on the community. Although aviation activity has decreased in the past two years, the impact of aircraft noise on people living and working beneath flight paths is ongoing and this was amplified by the return of flights in the second half of the 2022 financial year. Auckland Airport funds a comprehensive noise mitigation programme to reduce the impact of aircraft noise on the community.

- Despite reduced aircraft noise in 2022, Auckland Airport continued to offer noise mitigation packages above and beyond our statutory requirements in the ethos of being a good neighbour. We installed heat pumps, insulation and extraction fans in 20 homes during the 2022 financial year

Responsible employer

We strive to be a good employer. We work hard to create a diverse and inclusive environment where people want to work, providing new opportunities to develop, support and empower our people.

- As part of our Annual Performance and Remuneration round, we further reduced our gender pay gap[1] from 14.06% to 13.22% and moved all of our employees to the 2022 Living Wage on 1 July (before the Government's 1 September date)
- Gifted shares to all permanent employees to recognise their contribution and impact during the pandemic
- Offered the Manu Ao Māori leadership development programme for the second consecutive year, including extending it to Pasifika
- Continued to provide Mental Health First Aid training
- Introduced Midday Mindfulness sessions
- Health offerings including free flu vaccinations for staff and discretionary paid sick leave in relation to Covid-19 for all employees
- Established paid volunteer leave for all permanent employees
- Introduced a hybrid working policy

Climate change mitigation and adaptation

We acknowledge that the aviation sector contributes to climate change and are working with our aviation partners to reduce this impact. The effects of climate change, including rising sea levels and unpredictable weather patterns will impact our business, community and country and the planet.

- Undertook precinct-wide modelling of flooding and inundation for three emissions scenarios
- Carried out seawall integrity investigations including the ability to respond to future sea level rise and extreme weather events
- Signatories to the latest Climate Leaders Coalition Statement of Ambition
- Engaged with airlines to ensure the right ground infrastructure will be in place to enable the adoption of future aircraft technologies and fuels to support the decarbonisation of aviation

1. The average hourly pay gap between male and female employees

Material issue	Progress in the 2022 financial year

Minimising our environmental footprint

As a large-scale business, we work hard to reduce the impact our operations have on the surrounding environment by implementing best-practice environmental controls and ongoing monitoring of our environmental performance. In addition, we implement resource use efficiency and waste minimisation measures. For new infrastructure we draw on sustainable design principles to guide our decision-making through the planning, design and construction phases.

- Defined a decarbonisation pathway for scope 1 and 2 emissions as outlined in the Place section of this report (see pages 38–43)
- Developed a waste minimisation pathway for the domestic terminal
- Integrated waste minimisation requirements in construction contracts
- Installed additional e-charging stations for ground servicing equipment to support conversion from diesel to electric

Community and tangata whenua involvement

Auckland Airport's location is of historical and cultural significance to Māori. Building strong and enduring relationships with tangata whenua is important to us. We also strive to be a good neighbour and play an active part in creating value for the whole community.

- Transformed Auckland Airport's Park & Ride facility into a drive-through vaccination centre, delivering more than 155,000 Covid-19 vaccinations. Airport employees contributed more than 350 hours of volunteering at the Park & Ride vaccination centre
- Worked alongside local iwi on a monthly basis to share information and identify opportunities for iwi involvement across resource management processes, future airport operations and precinct development
- Worked alongside local iwi on the design of projects across the precinct, including the Transport Hub, terminal development and Mānawa Bay
- Established a community volunteer programme for all employees
- Provided financial and in-kind support to:
  - Leukaemia & Blood Cancer New Zealand's annual Firefighter Stair Challenge
  - ASB Polyfest, a cultural and youth performance celebration
  - Life Education Trust Counties Manukau to support maintenance of their mobile classrooms
  - Ara Education Charitable Trust, providing staff volunteers and land for their house renovation project with the Auckland Airport Community Trust

The Wildlife team surveying the airfield

About us

Piki mai, kake mai, tauti mai

From the arrival of the Tainui Waka into the Manukau Harbour, Auckland Airport has always been a place of journeys.

We stand proudly as the gateway to Aotearoa New Zealand, welcoming travellers beginning their journeys, farewelling Kiwis to new destinations, connecting businesses and workers to new opportunities, and celebrating partners and investors who back us along the way.

Our aviation infrastructure and services support the movement of aircraft, passengers and cargo. Before the Covid-19 pandemic more than 75% of international passengers (92% of international passengers who arrived into New Zealand off a long-haul service) arrived at or departed from New Zealand through Auckland Airport, accounting for approximately 50% of the company's total revenue. Overall, 21 million international and domestic travellers passed through Auckland Airport annually before the outbreak of Covid-19.

Today Auckland Airport is still the largest and busiest airport in the country with 5.6 million passenger movements over the 2022 financial year. Domestic travellers made up the majority of those passengers with international travel just beginning to recover.

Auckland Airport's retail and commercial operation provides high quality premises and services for retail businesses inside the terminals as well as within the surrounding precinct. It also includes the operation of a range of car parking facilities including a valet service, two hotels - the Ibis and Novotel Auckland Airport (a joint venture with Tainui Group Holdings) – and digital channels including The Mall, Auckland Airport's online shopping site. The Collection Point service means off-airport and online tax and duty free purchases can be collected by travellers when they arrive at the terminals.

The property portfolio has grown strongly in recent years, through developing and managing in excess of 522,588m^2 of facilities ranging from logistics and distribution warehouses to aircraft and freight facilities. This property portfolio is now valued at $3.28 billion, with an annual rent roll of $127.5 million. Auckland Airport has 153 hectares of land available for investment property development.

We own and operate Auckland Airport

17 airlines

servicing 28 international destinations in FY22
29 airlines servicing 43 international destinations pre-pandemic in FY19

86,063

aircraft movements in FY22
178,771 in FY19

5.6 million

passenger movements overall in FY22
21.1 million in FY19

180,941 tonnes

of international cargo in FY22
190,888 tonnes in FY19

32%

of total revenue from aeronautical income

22km of public roads

1.4 million m^2 of runway and pavement

Two terminals with over **170,000m^2** of floor area

We provide important services to customers

24/7

service providing aviation, fire, medical and marine search and rescue services

114 retail

tenants – terminal-based

150 business

tenants outside the terminal

Enhanced

digital shopping services introduced in response to Covid-19

Two operating hotels

and two more under construction

12,085+

car parks in the car-parking facilities

We are a property developer and owner

$3.28b

of logistics and distribution warehouses, office buildings, shopping centres, and aircraft and freight real estate.

$112.9m

rental income per annum

99%[1]

real estate average occupancy rate

$1.0b

of assets currently under development

153ha available for development

We are a substantial employer and enabler of employment

468

employees with diverse skills and capabilities

Ara

Auckland Airport Jobs and Skills Hub, connects South Auckland people with jobs and training opportunities

20,000

people typically employed on precinct

1. Landside property portfolio

Our business model

Our business model reflects our key inputs, business activities and strategy and how they collectively influence our ability to create value and support our outputs and outcomes. Without question, Auckland Airport's success is linked to how we ensure our aviation, commercial and community partners are successful.

Inputs

Our financial capital

- Debt, equity
- Profit
- Credit rating

Our assets

- Airfield and associated aeronautical buildings
- Commercial property
- Roading, transport and utilities

Our skills and knowledge

- Established governance framework and operating model
- Project delivery methodology
- Data and business intelligence systems, involving IT infrastructure crisis recovery systems

Our employees

- 468 employees with diverse skills and capability
- Training for all staff
- Values-based culture

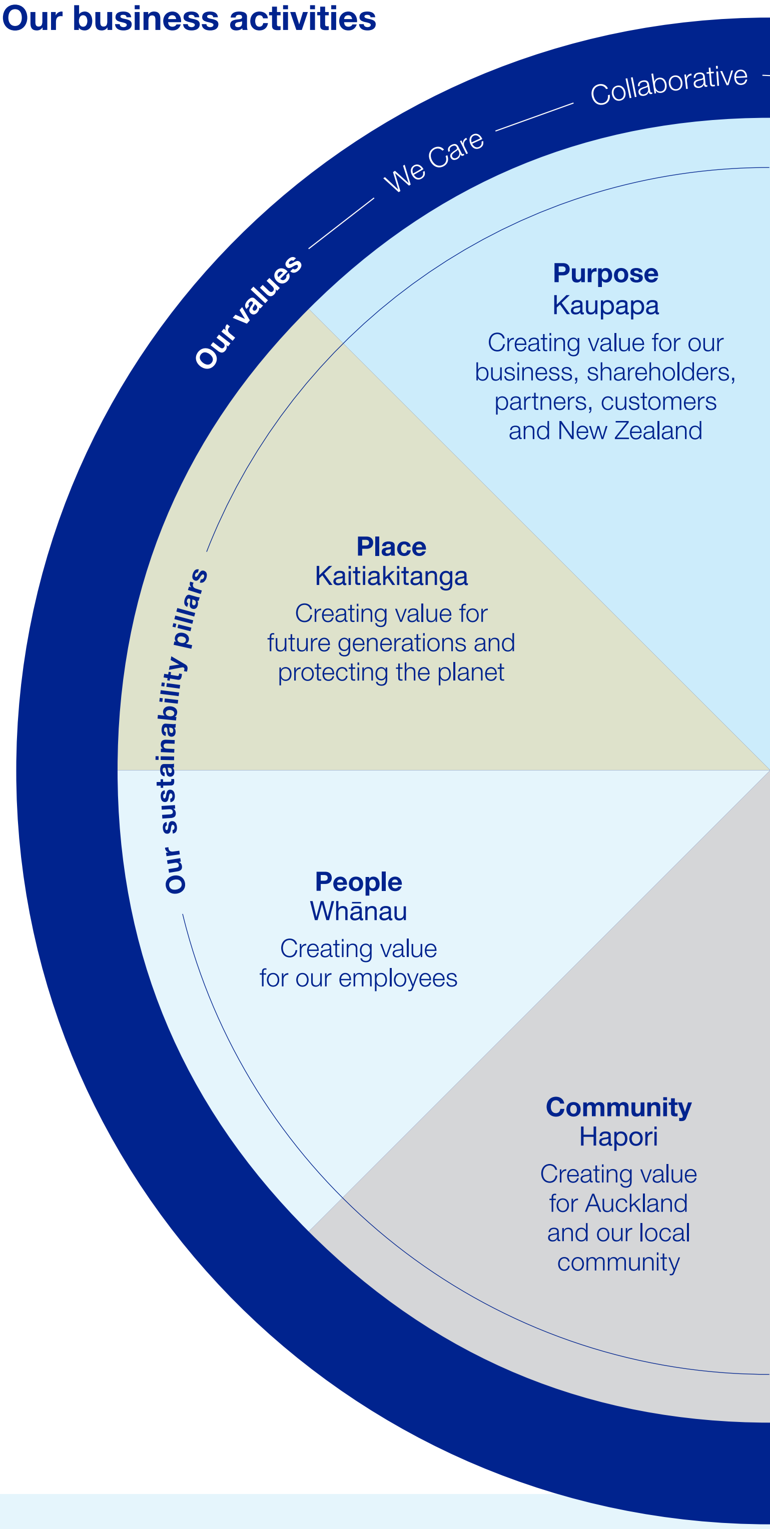
Our community and relationships

- Relationships with broad range of stakeholders
- Brand and reputation
- Recognition of mana whenua values

Our environment

- Land for current and future growth
- Airspace
- Water, renewable and non-renewable energy utilised

Our business activities



External environment

The risks and opportunities in our operating environment shape the way we conduct our business

Recovery of aviation post COVID-19

Capacity limits of the infrastructure sector

Global aviation pressures

Outputs and outcomes

Value delivered for shareholders

- Financial performance, return on investment and dividends

Enduring value for New Zealand

- Active engagement in boosting New Zealand travel, trade and tourism
- Trigger-based infrastructure development plan in place to ensure sufficient capacity when required
- Attracting airlines servicing a variety of ports
- Keeping our country safe from biosecurity and health risks
- Supporting sustainable airline routes

Win-win relationships with our customers and stakeholders

- Being our passengers' favourite airport
- High occupancy and tenure in our property portfolio
- Constructive partnerships with mana whenua

A proud, safe, diverse and motivated workforce

- Zero Harm health, safety and wellbeing culture
- Strong employer proposition including remuneration, benefits and development
- High calibre, diverse workforce with a variety of skills, thoughts and capability

Improving the wellbeing of our local community

- Constructive partnerships focused on education, employment and the environment
- In kind and financial support for local community initiatives
- Recognition of mana whenua values

Kaitiakitanga for the environment

- Reduced footprint across waste, water, energy and carbon
- Aircraft noise impact on the local community, mitigated with noise abatement packages
- No environmental breaches which result in prosecution under the relevant legislation

Physical and transitional climate change risks	Ongoing regulatory oversight	Increasing stakeholder expectations	Global economic pressures	Technological advancements	Globalisation

Purpose
Kaupapa

Creating value for our business, shareholders, partners, customers and New Zealand

Travel takes off

At Auckland Airport, travel is back.

Spring and summer travel bookings are on the rise; retailers are reopening their doors; and the international arrivals hall is once again humming with travellers, trolleys, and Kiwis welcoming friends and family home after too long apart.

For the airport team, it's been an incredible turnaround from last spring, when fewer travellers passed through the precinct in September 2021 than the year the Auckland Airport opened in 1966.

"After such a tough start to the financial year, it's so heartening for our team and the airport community to be where we are today, with demand for domestic travel as robust as it has ever been and positive signs of the recovery in international travel," said Scott Tasker, General Manager Customer and Aeronautical Commercial. "With the current pressures in the global economy and the operational challenges being experienced across the aviation industry, there is still uncertainty about the shape of the recovery in the near-term. But we remain very optimistic about the recovery ahead." Scott's been working at Auckland Airport long enough to have experienced the astonishing rise in international airlines flying to New Zealand, only to witness them fall away to less than a third during the worst days of the pandemic.

Over the past two and a half years, it's been the aeronautical commercial team's job to support airlines and help coax international routes back to life, reminding carriers why New Zealand is such a fantastic destination to fly to as the border reopened in the second half of the 2022 financial year.

"Keeping New Zealand on the radar of international airlines and supporting them to relaunch services has been our team's number one goal," Scott said. "It's a competitive market out there globally with travel volumes skyrocketing in other parts of the world, but we've seen New Zealand make a spirited comeback in recent months as border restrictions have fallen away."

In the six months to 30 June, the recovery of international travel ramped up, with passenger numbers reaching one million, 147% up on the corresponding period in the 2021 financial year. The gradual reopening of the border between February and June saw airlines like LATAM restore services, with 17 airlines flying to 28 destinations at Auckland Airport

Capacity & connections increased

30 June 2022

17 airlines

28 destinations

by 30 June 2022, up from 12 airlines and 21 destinations during the worst of the pandemic.

"We now have key parts of our network reconnected and the task ahead is to ramp up international capacity to meet the positive demand recovery for travel to and from New Zealand. Constraints such as rising operating costs for airlines and shortages in labour supply have slowed the recovery in some markets, but we have high levels of optimism with the strong global appetite that exists for travel along with Auckland's position as a key aviation hub in the South Pacific."

Crossing the Tasman, there were 648,000 passengers in the 12 months to 30 June 2022, 80% up on the previous year. Scott said while demand has returned to and from Australia, the market dynamics have shifted, with two main airlines operating instead of three in the 2020 financial year. Capacity was at 43% in June 2022 compared with pre-Covid-19 levels, with the average airfare across the Tasman between 40% and 60% higher against pre-pandemic levels in the current capacity-constrained environment.

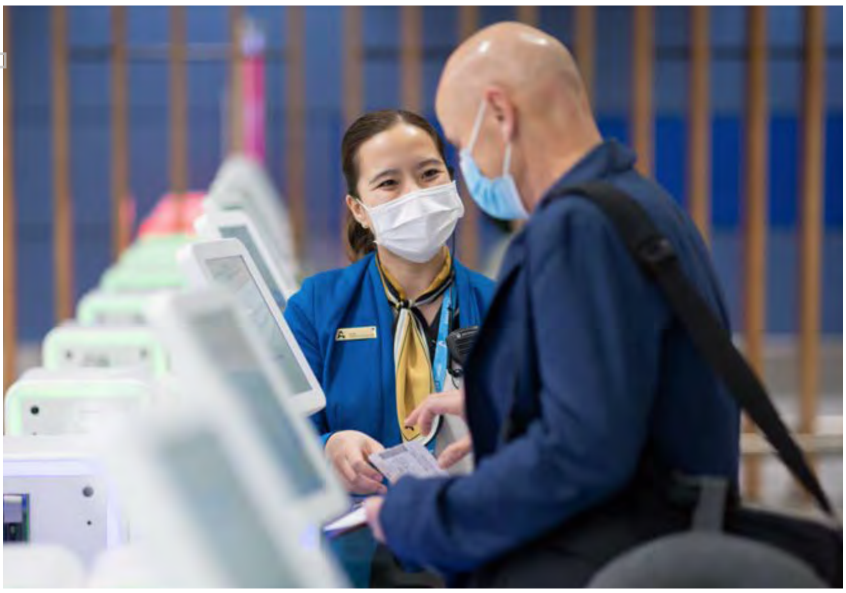
In the domestic market, traveller numbers fell to a fraction of normal volumes with just 15,000 in September 2021 during Auckland's extended lockdown. However demand rebounded quickly during the six months to 30 June, with Air New Zealand's domestic seat capacity operating at 77% of its normal schedule, while Jetstar was operating at about half of its usual seat capacity. Overall, domestic passenger numbers reached 4.3 million in the 2022 financial year, 27% down on the previous year.

Cargo was also a solid performer with 180,941 tonnes of international cargo passing through Auckland Airport in the 2022 financial year, an increase of 9% year on year and representing 90% of New Zealand's airfreight cargo.

A look ahead: The new world of travel

As vaccination levels rise and Covid-19 restrictions recede, destinations that have long been closed will soon open up for Kiwi travellers ready for a spring or summer getaway. By Christmas, 23 airlines connecting to 37 destinations are expected to be flying to Auckland, bringing international seat capacity to around 70% of pre-Covid-19 levels.

The start of the 2023 financial year has already seen the restart of Hawaiian Airlines and Air New Zealand's relaunch of eight destinations from Auckland during July. Air New Zealand has also announced plans for a long-haul, flagship connection to New York which will launch in September and Air Canada will also relaunch services from Vancouver in November. In the South Pacific, Fiji Airways, boosted capacity between March and July. Air Calin and Air Tahiti Nui restarted and boosted services between May and July, with strong demand for outbound travel in July.



Connections increasing for Christmas

December 2022

23 airlines

37 destinations

Scott said the airport is delighted to also be welcoming back American Airlines services to New Zealand between October 2022 and March 2023, flying daily, non-stop to Dallas Fort Worth. This means Auckland Airport will offer the most non-stop connections to the United States and Canada in Australasia. "This will be great news for Kiwi travellers but also for the thousands of North Americans wanting to take a holiday in New Zealand," he said.

In addition, United Airlines has reconfirmed that services from San Francisco to Auckland will resume in October, while Singapore Airlines, Emirates and Qatar Airways are rebuilding connectivity via their global hubs, providing improved access to and from Europe and the United Kingdom.

Looking ahead, Scott said uncertainty remains about the reopening pathway for the Chinese market, however Auckland Airport continues to maintain our market presence in China and is still deeply engaged with our Chinese airline partners. He said Air New Zealand, China Eastern and China Southern continue to operate a combination of passenger and cargo services to/from Guangzhou and Shanghai, crucial services ensuring high-value exports reach the Chinese market. Cathay Pacific is ramping up its services via Hong Kong, while China Airlines continues to provide significant cargo capacity and connectivity to Asia via its hub in Taiwan.

Navigating change together

In an interconnected ecosystem like aviation, no one is isolated from major change and disruption. At Auckland Airport, it was strong partnerships and plenty of goodwill that saw the airport operations community through the toughest days of the pandemic. Now, they're underpinning the recovery.

"The airport community was pulled in every direction over the 2022 financial year, from hard lockdowns to a series of border reopenings," said General Manager Operations Anna Cassels-Brown. "It's taken a huge effort by everyone from government border agencies to airlines, service providers and ground handlers to get us through, and I couldn't be prouder of the airport team and the way we've worked together."

One of the biggest jobs has been to stitch the international terminal back into one seamless operation again. In April 2021 the international terminal was split into two separate self-contained terminals to ensure higher-risk travellers could be processed safely on arrival into New Zealand prior to transferring to a managed isolation quarantine (MIQ). This was critical to protect low-risk travellers and the wider community from Covid-19, and the arrangement was reversed a year later on 30 April 2022.

"Reunifying the international terminal was another milestone and a real morale boost for the airport team as it was one of the first visible signs at the airport that international travel was making a start towards returning to normal again," Anna said.

Supporting airport partners to thrive again

Before the pandemic 30,000 people would stream through the international terminal each day, filling up eateries and shops as excited travellers waited for their flights.

Then, in the summer of 2020, people suddenly stopped coming, stripping retailers and food and beverage operators of their livelihoods and forcing many stores into hibernation.

Reunifying the international terminal was another milestone and a real morale boost for the airport team as it was one of the first visible signs at the airport that international travel was making a start towards returning to normal again.

Anna Cassels-Brown
General Manager Operations

Making the airport more accessible for everyone

With noise, navigation, and flights to catch, airports can sometimes create feelings of stress and anxiety and leave people overwhelmed.

This year, Auckland Airport and Disabilities New Zealand teamed up to introduce the Sunflower Hidden Disabilities programme to make it easier for people with hidden disabilities to move through the airport.

With its cheerful sunflower emblem, the Hidden Disabilities Sunflower lanyard is a discreet way people can indicate a non-visible disability and the need for some additional support or more time as they journey through the terminal.

"We were delighted to introduce the sunflower lanyards to Auckland Airport. We want to do the best we can to support people with non-visible disabilities whose particular requirements aren't immediately obvious – including, for example, people with autism, dementia, anxiety, or conditions that cause chronic pain," said Anna Cassels-Brown, General Manager Operations.

"For customers wearing a sunflower lanyard our customer service team and workers throughout the terminals will understand you have a hidden disability and know that you might need a bit of extra support or time. They will help you to have a more seamless and less stressful travel experience."

First introduced at Gatwick Airport in 2016, the Hidden Disabilities Sunflower is recognised globally at more than 140 airports including Wellington Airport and Queenstown Airport.

Grounds and wildlife team manager Lucy Hawley

Our wildlife team are crucial to the safe operation of Auckland Airport, while doing the right thing for the environment.

Auckland Airport's unique location on the Manukau Harbour, surrounded by water on both sides, means we operate in close proximity to a large population of coastal birds.

The inner harbour is one of New Zealand's most popular destinations for migratory wading birds such as kuaka (bar-tailed godwits) and tōrea (South Island pied oyster catchers). Numbers of kakīānau (black swan) alone can swell to 14,000 over the summer months.

"Our dedicated wildlife management team play a crucial role in the safe operation of our airport, mitigating the risks to aircraft posed by bird strike, while importantly doing the right thing by the environment in which we operate," said Lucy Hawley, who leads the wildlife team.

Auckland Airport monitors all birds within a 6km radius of the airport, assessing for risk and looking at their size, frequency and flocking behaviour. Lucy said GPS trackers help her team learn more about the behaviour, flight altitude and speed of certain bird species, providing insights to help them with prevention activities before the species can create a risk.

"Passive management of birdlife is really crucial too - ensuring lawns are mowed and sprayed to prevent wild flowers and the seeds that birds feed on, as well as keeping all areas of the airport swept and clean and free of any rubbish that might attract birds."

The team works hard to keep the apron area around the airfield free from rodents and stoats, which could attract larger, predatory birds with a greater bird strike risk.

Innovative, non-lethal techniques are used to inhibit breeding of the high-risk bird colonies nearby, and to relocate other birds from the aerodrome where possible.

A future programme to reduce numbers of kāhu (swamp harrier) that are high-risk to aircraft, around our airport has seen us work with Fish & Game New Zealand on a programme that uses live traps to capture the birds for re-release 100km away in a protected park.

A safe haven for tūturiwhatu (New Zealand dotterel)

The tūturiwhatu (New Zealand dotterel) is one species of bird that is not discouraged from taking up residence at the airport, and where the creation of a successful breeding ground has been a conservation success story for the team.

"The predator-free environment around the apron area and the grass islands of the airfield has created a safe sanctuary for these endangered birds to nest in winter, and we were really delighted to have 12 pairs and nests recorded in the 2021 calendar year," Lucy said.

Given the tūturiwhatu is not a threat to aircraft, encouraging and protecting this breeding ground is an essential part of Auckland Airport's wildlife management programme. The airport works in partnership with the Department of Conservation to monitor pairing and nesting activity as well as to establish a banding scheme to see whether offspring are returning to the nesting area. This work will help ensure Auckland Airport continues to be a safe haven for tūturiwhatu.

"Right from the start we have pulled out all the stops to support retailers and food and beverage operators, from lockdowns and border closures, to now reopening again," said Lucy Thomas, Head of Retail.

"It's been incredibly challenging for retailers and eateries to get up and running again after two years of closure, especially finding new employees in a very tight labour market and sourcing stock from offshore. We are really thankful for their efforts and I was pleased to have about 55% of our international operators open again to welcome travellers back by the end of June, just ahead of the school holidays."

In the 2022 financial year, Auckland Airport provided $173 million in rent reductions to tenants in the international terminal, making a total contribution of $358 million in retail rent abatements over the past two financial years. Retailer occupancy across both terminals was 94% as at 30 June, 2022, including two new tenants, Swarovski and PB Tech, which opened in the second half of the year at the international terminal.

"We supported international operators by offering rent reductions and abatements during the 2022 financial year that were in line with the recovery of passenger numbers. We also recognise that some retailers are facing staff shortages, so we've been providing flexibility on opening hours as they secure new employees.

"I'd like to thank the retailers and food and beverage operators and their dedicated employees who have stayed open throughout the pandemic to serve customers, even when passenger numbers were very low," Lucy said.

Over at the domestic terminal, Auckland Airport continued to support tenants with rent reductions and abatements in line with passenger numbers. "The domestic business has been really robust and we've seen ongoing demand for shopping and dining inside the terminal."

Aeronautical charges frozen for the 2023 financial year

In January, Auckland Airport announced a 12-month delay in the price reset for aeronautical charges. Usually, aeronautical charges would have been reset effective from 1 July 2022, for the five years through to 30 June 2027, known as Price Setting Event 4 (PSE4).

This decision was made following consultation with airlines that started in June 2021, which considered the timing of the next price reset of aeronautical charges. This decision was made to support airlines during the early phase of the COVID-recovery, and in response to continued uncertainty due to the pandemic. During this consultation, Auckland Airport proposed introducing a price freeze period where:

- Prices for the 2023 financial year would be held the same as 2022 (with the possibility of extension)
- Prices for the 2024 financial year onwards would be determined following airline consultation during the 2023 financial year
- Those prices would be based on then forecast passenger volumes and set to achieve Auckland Airport's target return on aeronautical capital for the full 5-year pricing period (in-line with the input methodologies specified by the Commerce Commission)

Chief Financial Officer Phil Neutze said the vast majority of airlines operating at Auckland Airport, including those represented by the Board of Airline Representatives of New Zealand (BARNZ), had responded in favour of the proposal.

"This has been an extremely challenging time for everyone in aviation, and Auckland Airport has worked hard to support our airline partners when the recovery trajectory remained highly uncertain."

Phil said the only change to aeronautical prices for the 2023 financial year was the removal of the $2 + GST charge per international and transit passengers which applied for part of the 2022 financial year. This small adjustment (made under the Regulatory and Requested Policy) was introduced to cover a portion of the costs involved with segregating the international terminal, which enable quarantine free travel.

Auckland Airport is now consulting with airlines ahead of setting prices out to 30 June 2027, with a decision to be made on the completion of this process scheduled for June 2023.

Kia ora

As New Zealand reopened to tourists from more than 50 countries in May 2022, New Zealand's unique culture and manaakitanga were on display at Auckland Airport with the first arrivals receiving a special welcome.

Flights arriving from the east were greeted by the words 'Kia Ora' which were painted in giant letters on the grass at the end of the runway as part of a partnership between Auckland Airport and Tourism New Zealand (TNZ). Alongside this, a special video featuring New Zealand's unique culture and beautiful landscapes was created to welcome travellers back, featuring a karanga (welcome) from Whaea Dolly Paul (her voice can be heard each day by visitors walking through the carved Māori arch in the international arrivals area).

The celebrations continued inside the arrivals' hall with waiata performed by Haka the Legend and Auckland Airport handing out welcome packs to travellers, containing products from some of New Zealand's most iconic brands: Proper Crisps, Whittaker's, Sanitarium, Pic's Peanut Butter, Wattie's, Ecostore and Pascall. Thank you to everyone for donating goods and to the New Zealand Food and Grocery Council for their wonderful support.

Auckland Airport and TNZ's tourism welcome campaign caught the attention of global media, with more than 280 international media stories generated including in top tier outlets such as CNN, Reuters and Travel + Leisure. The campaign reached an audience of over one billion. There were around 130,000 views of the video content across TNZ's social media platforms alone.

Place Kaitiakitanga

Creating value for future generations and protecting the planet

On the post-pandemic horizon, projects reawaken

There are no more obvious signs of the recovery taking place at Auckland Airport than the rumble of heavy machinery, scaffolding and fencing sprouting up, and the prevalence of workers in hard hats and high-viz safety gear.

For André Lovatt, it's been incredibly exciting to see activity return to worksites. As General Manager Infrastructure, he's seen the team through the disappointment of shelving projects due to the pandemic, to now bringing building plans back to life.

"I'm not sure there were many of us who thought we'd be ending the financial year in such a positive and hopeful space given where we started," André said.

"It's been a huge buzz for everyone in the infrastructure team to see international travel return and construction activity ramp up alongside this. It's brought a great energy, focus and momentum to the team."

Auckland Airport has a renewed vision to transform the airport into a world-class travel experience and at the heart of this is construction of a new combined domestic and international terminal, to deliver a more seamless journey for customers.

André said it's one of New Zealand's largest and most complex infrastructure projects – a $1 billion-plus programme of work that will take five years to complete once major construction starts. Project timing will be guided by the pace of New Zealand's international air travel recovery.

"The combined terminal is a really challenging project; it is a once-in-a-generation investment that is essential to improving the experience for travellers and workers. We want to create a terminal that is in line with the best airports in the world, that provides fast, easy connections between domestic and international flights, is efficient in how it operates and creates future capacity," says André.

"In the 2022 financial year we have really ramped up enabling works for this project, and while enabling work suggests minor activity, this is a significant programme of work in its own right that will really set us up for success as we move into the construction phases.

"All of the work we're doing around the roads, airfield, and car parks is linked to the future combined terminal, unlocking our ability to operate the airport and minimise disruption to travellers, and provide the capacity needed for the next 20 years of travel."

Groundwork laid for future phasing

When you're designing and building in a 24/7 operational airport environment there's definitely a challenge in sequencing projects, said Mark Tracy-Inglis, Project Director Terminal Enabling.

"It's like a puzzle where the pieces need to be placed in the right order to get to the solution quickly and easily, while minimising disruption and managing costs. The last thing we want is to be repeatedly going back into an area to complete a project in bits, so that means carefully working through options with our airport partners before we get on site."

Mark's leading the enabling work needed to successfully combine domestic travel into the existing international terminal. The future footprint of the building is currently being cleared, with existing services and facilities relocated to allow for construction of a dedicated domestic jet pier and headhouse containing baggage facilities, dwelling and retail space.

Demolition of the existing eastern baggage hall, a facility built in 2004 to provide additional capacity when air travel grew in popularity during the 2000s, is underway. The oversize baggage handling system in the eastern baggage hall has already been relocated and is now operational. Additional baggage handling equipment removed for the demolition is on track to be reinstated in the 2023 calendar year.

"This is a really good example of the resequencing planning work we've done over the past couple of years. We've been able to simplify and de-risk the programme by bringing forward the demolition project and rebuild ahead of a full recovery in travel and baggage handling capacity demand," said Mark.

Work to clear the site starts well below the ground with the relocation and renewal of the aircraft fuel network, water and electrical lines. Above ground, other facilities currently within the footprint of the planned domestic jet pier and headhouse are also being relocated including "Checkpoint Charlie" (the main vehicle access point onto the airfield), waste management facilities and livestock yards. Closer to the international terminal the Operations Control Centre, a delivery truck dock, and the main terminal power centre are all scheduled to be decommissioned, deconstructed and relocated.

Work at the western end of the terminal includes an expansion of MPI's border biosecurity processing zone for arriving international travellers, a project that will be delivered in three stages, the last of which will be completed late in the 2024 calendar year.

"Most of these moves won't be visible to travellers, but because some involve critical airport operations, these all need to be staged very carefully to ensure the airport continues to run smoothly. We couldn't do this without the support of our airport partners, particularly the organisations and teams who are most directly affected," Mark said.

New container walkway connecting the international terminal with carparking

Grab your bags

7.5km of conveyor belts

2,500 bag storage capacity for all-day check-in

3,700 bags processed each hour

Design work is well advanced on a new baggage handling process, which includes the use of automated, real-time data to track baggage as it journeys around the airport's back-of-house infrastructure. The introduction of an Individual Carrier System (ICS) will transform the way travellers' baggage is managed at the combined domestic and international terminal, ensuring bags continue to arrive at the right place at the right time.

"The ICS is a big step change in how Auckland Airport manages bags. It will bring speed and convenience to customers, but also to the airline baggage handlers. It will reduce manual handling and because it is modular it is expandable as well, making it future proofed. Also, it's a really energy efficient system, so there are benefits are across the board," said Jason Smith, Baggage Operations and Resiliency Manager.

Bags are loaded into intelligent carrier trays tagged with radio frequency identification devices that communicate their location as they travel through an elaborate conveyor network, speeding up the baggage journey between check-in and aircraft loading, creating resiliency, as well as reducing the risk of mishandled bags.

"It's been three years of work to get to this point, but we're now in a position to identify a partner who will work alongside us to complete the design work, build the system, and have it up and running ready and serving the needs of travellers departing via our future combined terminal.

"In future, a departing traveller at the combined terminal will be using a single check-in zone, regardless of whether they're jetting off to Christchurch or Chicago. They can self-drop their bags any time on the day of travel – a great feature for those with longer layovers in Auckland – with the ICS using its smart logic behind the scenes to ensure the right bags get to the right aircraft at the right time.

"It's an exciting project that will deliver a critical functional backbone of the combined terminal," said Jason.

Paul Columbus, General Manager Novotel

Warm welcome extends beyond pandemic

After two years providing a socially distanced welcome to more than 15,000 returning Kiwis as an MIQ facility, the Novotel Auckland Airport, a joint venture partnership between Auckland Airport and Tainui Group Holdings, has been transformed back to a full-service hotel.

Every one of the 4.5-star hotel's 263 bedrooms, across 12 levels as well as meeting rooms, has undergone a makeover, from a repaint to a complete refurbishment – all as part of the hotel's ongoing maintenance improvement programme.

Any item used by MIQ guests has been replaced. This includes 325 beds, 350 duvet inners, 1,700 pillows, 1,000 waste bins, 275 irons and ironing boards, and 275 hairdryers

These items have been donated to charitable causes in the local community, to local iwi, or further abroad, including half to the disaster effort in Tonga, where some of the Novotel team have family and wished items to be sent.

Paul Columbus, Novotel Auckland Airport General Manager, said operating as an MIQ facility allowed the hotel to retain a core group of skilled hospitality team members while playing an important role in keeping New Zealand safe.

"I'm enormously proud of how our team were able to provide a warm welcome to thousands of MIQ guests in what were really unusual circumstances. The personal touch is at the heart of hospitality, and we tried our best to maintain that within an environment where it was necessary to keep face-to-face interactions to a minimum," said Paul.

The Novotel's THIRTEEN50 Bistro & Bar area was fully refurbished immediately prior to the pandemic; however, it had never been used as a restaurant before, as the approximately 450,000 guest meals were delivered directly to rooms.

"We're ecstatic to reopen THIRTEEN50 and get back to normal hotel operations once again. We are ready and waiting to show the true spirit of manaakitanga as Aotearoa New Zealand reconnects with the world."

Transport Hub

2,150 car park spaces (plus 415 spaces at ground level immediately adjacent)

150 spaces for electric vehicle (EV) charging

400m of pick-up / drop-off curb

3 level, 4,000m^2
5-Star Green office space

Changes underway on the doorstep of the international terminal are bringing greater connectivity to the roading and public transport network.

Rising out of what was the main international terminal car park is a world class Transport Hub, which will provide a seamless arrival and departure experience into the international and future combined terminal once complete.

"Getting this project started now creates the future operational capacity needed for public transport, public pick-up and drop-off and short-stay parking," said Brook Myers, Manager Hotels and Commercial.

While Transport Hub construction is underway, high-quality, covered pedestrian connections and a dedicated shuttle bus are in place to take people from the nearest international car parks, Car Parks D and E.

"We definitely looked at how we could stage the construction in relation to the combined terminal programme, and by commencing the Transport Hub now we believe we can significantly reduce future disruption to travellers."

The Transport Hub project extends beyond transport and car parking upgrades, also providing new office space for the airport's operational teams and partner organisations together with pedestrian plazas connecting the terminal with the surrounding precinct activities. It will also pave the way for future mass rapid transit to deliver passengers into the heart of the airport. We are working closely with iwi to incorporate cultural elements into the design of the wider plaza area.

While the Transport Hub is the centrepiece of this project, we're really looking to regenerate the whole space in front of the international terminal so come 2024, anyone arriving at and departing from the terminal will have a great experience that's a real reflection of Auckland and Aotearoa New Zealand.

Brook Myers
Manager Hotels and Commercial

Artist impression of the new Transport Hub

Roading and airfield pavement upgrades continue

A major upgrade to Auckland Airport's core roading network was completed in the 2022 financial year. At just 22km, it's a relatively small roading network, however the upgrade has brought about significant improvements to traffic flows around the airport precinct.

Road users now travel along a significantly wider George Bolt Memorial Drive, which features high-occupancy vehicle lanes and improved pedestrian and cycle connections on a shared pathway. A new road, Terminal Exit Road, takes traffic from the international terminal to complete a loop-road configuration connecting back into George Bolt Memorial Drive. The final step was the reversal of Ray Emery Drive, the former exit from the international terminal, to allow for traffic access to terminal car parking and a temporary commercial transport pick-up zone.

Started in mid-2019, work on the roading system continued through the pandemic to minimise disruption during the upgrade of this heavily used road system.

On the airfield, Auckland Airport also made the most of reduced air traffic volumes, advancing a programme of pavement renewal that began in 2020. Around $32 million in upgrades to pavement and $23.9 million in upgrades to the fuel network were during the 2022 financial year. That's seen 420 concrete slabs and over 19,400m^2 of asphalt replaced across the airfield's runway, taxiways and apron in the 12 months to 30 June. The current programme of work has another 21 months to run, by which time it will have replaced a further 350 slabs and over 10,400m^2 of asphalt.

Renewal and upgrades

19,420m^2

of asphalt replaced across the airfield's runway, taxiways and apron in the 12 months to 30 June

Domestic screening upgrade

The Aviation Security screening point at the domestic terminal is undergoing an expansion, with Auckland Airport increasing the size of the area and taking the opportunity to upgrade building services. Not only will the project add around 135m^2, it will also enable Aviation Security to update its security technology, including the installation of body scanning equipment.

Aviation Security has been gradually introducing body scanners, known formally as 'advance imaging technology' or AIT, at New Zealand airports since mid-2019. The AIT body scanners are currently operating at Auckland Airport's international terminal, as well as at Wellington, Christchurch, Dunedin, and Queenstown airports.

"We undertook detailed planning together with Aviation Security, airlines and Auckland Airport's operations and customer services team to agree the construction approach and staging. Throughout the construction phase we've joined together to work through any issues that have arisen," said Project Manager Callum Thompson.

To allow construction work necessary for the technology upgrade to take place safely and securely, one of the five screening lanes is hoarded off for a period, reducing capacity to four lanes, with noisy and disruptive work restricted to after-hours only.

"Things can get tricky when something like bad weather causes travel delays. Any disruption like that can see peak traveller volumes turn up for security screening at a different time to what had been forecast, leading to longer queues. But generally, the lines move fast and clear quickly."

Despite the construction activity, around 85% of passengers are queueing for less than 9 minutes at the domestic screening point, with an average queue time of just over 5 minutes (between May and July).

Mānawa Bay

Development of Auckland Airport's $200 million-plus premium outlet shopping destination has reached another construction milestone, with earthworks to prepare the building platform now complete.

In March 2021 Auckland Airport announced it had started to develop a 150,000m^2 site in preparation for a new premium outlet shopping centre, offering sought-after premium fashion, athleisure, lifestyle and homeware brands as well as contemporary food and dining options. Earthworks to prepare the building platform are now complete, with the next phase of construction activity for the shopping centre planned to begin in spring.

"This will be New Zealand's first ever premium purpose-built outlet centre, focused on the best international and local brands and to offer an unrivalled shopping experience to customers," said Mark Thomson, Auckland Airport's General Manager Property and Commercial.

"We know from overseas airport fashion outlet centres that this is a proven and resilient retail model and a go-to destination for shoppers. We can't wait to open the doors in 2024."

Premium outlet shopping destination

24,000m^2

of retail space and stores. **Targeting** a 5-Star Green design and build.

The outlet centre has been named Mānawa Bay, reflecting the airport's unique location on the Māngere Peninsula and the historical and cultural significance of this area to tangata whenua. In te reo Māori, Mānawa means mangroves – a coastal plant species that has long featured in the waterways surrounding the land Auckland Airport sits on. Auckland Airport has worked closely with local iwi on all aspects of the project, including archaeological investigations and earthworks, landscaping and biodiversity enhancement, stormwater quality, the building's design and its name. We consulted on our approach to sustainability for the outlet centre development, which extends from sustainable design principles to opportunities for employment in the local community.

Mr Thomson said architects are now carrying out detailed design work for the interior of the building, which will provide 24,000m^2 of retail space and stores ranging in size from 50m^2 to 1,500m^2 once complete.

"We've been delighted by the positive market response we've had with strong interest from both local and international brands."

Mānawa Bay will be built with a strong emphasis on sustainable design principles and robust, long-lasting materials with minimal energy requirements. Auckland Airport is targeting 5-Star Green design and build with the development.

Built on the former Aviation Golf Course, Mānawa Bay will be easily accessible and accommodate many forms of transport including public transport. Over the past two years, Auckland Airport has carried out a major upgrade of its core roading network while traveller numbers are lower, investing more than $160 million in roads around the precinct to prioritise public transport and enable smooth journeys for people heading to and from the terminals.

Investment property

With earthworks completed for our new premium outlet shopping centre, the fitout well underway on the Te Ārikinui Pullman Hotel, and 9.2ha of land currently under development at The Landing to create income-generating assets, Auckland Airport's commercial property business performed strongly in the 2022 financial year.

Investment property rent roll increased 9% to $127.5 million, driven by the addition of new developments to the portfolio and by rental growth within existing tenancies. The commercial investment property portfolio is now valued at $2.9 billion, up 10% in the year to 30 June 2022, with the weighted average lease term strengthening to 9.41 years during the period.

"Investment property occupancy at the end of the 2022 financial year was 99%, which reflected a strong market and the ongoing support we've continued to offer retail tenants through the pandemic," said Mark.

"The industrial property market proved to be extremely resilient over the 2022 financial year and we expect this to continue through until December and into the 2023 calendar year, with ongoing development and leasing enquiries from our existing tenant base as well as new market enquiries."

Recently completed Hellmann property at the Landing Business Park

The property team has secured five pre-commitments for industrial developments, with 49,000m^2 currently under construction including 11,600m^2 for Reece. These developments are included in our $127.5 million existing rent roll and are expected to add about $9 million in rental income to the business once completed.

The Te Ārikinui Pullman Hotel has reached the second stage of its phased construction with the internal fitout underway, with Dominion Constructors engaged on construction.

"We are thrilled to advance the fit out of this hotel as part of our partnership with Tainui Group Holdings and to see the hotel's spectacular design emerge now that the exterior shell is completed. We know it's going to be a great addition to the airport and provide a fabulous customer experience with contemporary rooms and a bar and restaurant on the top floor, overlooking the airfield," Mark said.

Adjacent to the Te Ārikinui Pullman site, the Novotel, another Auckland Airport and Tainui Group Holdings joint venture, has resumed full hotel operations after two years as a managed isolation quarantine (MIQ) facility (see pg 33).

Creating space for a relaxing start to journeys

Travellers seeking some pre-flight calm, relaxation and refreshments can now visit Auckland Airport's Strata Lounge airside in the international terminal once again.

With the lounge completely closed for more than two years it was vitally important to make sure everything was operating to the high standards expected by premium lounge guests before reopening, according to Katrina Carr, Customer Product Manager.

"We're really pleased to once again be welcoming guests into this serene space. People will find all the things they loved about the Strata Lounge before, but we've taken the opportunity to also take a fresh look at what's on offer. As an independent lounge that caters for customers travelling with a wide range of airlines, we can do things differently and adapt our service to suit our individual guests and airline partners," Katrina said.

Travellers will be greeted by a revitalised menu showcasing fresh seasonal produce, artisanal food producers, and local wine offering a direct connection to New Zealand's food culture. Lounge guests have access to luxury bathrooms (two have fully accessible options), as well as bookable relaxation zones providing a peaceful private space to unwind away from the main lounge area.

With travellers flying solo making up more than half of Strata Lounge's guests and couples accounting for another large proportion, the furniture layout has been reconfigured to create more spaces for individuals and couples to settle down and relax.

"Combine all that with Strata Lounge's incredible outlook over the terminal and runway, it's an experience that's both world-class and grounded in the very best of Auckland."

Originally opened in 2017 as part of a major upgrade to the international departures area, the Strata Lounge was created to cater to travellers who don't belong to a dedicated lounge programme, as well as to lounge programme partners and premium passengers from a selection of partner airlines.

Following its temporary closure in March 2020, frozen and dry goods to the value of $23,000 were donated to the South Auckland Christian Foodbank.

AKL: Destination Net Zero

As aviation begins its recovery, Auckland Airport is making sure we're doing everything we can to reduce emissions. We have some big sustainability goals, including a 90% reduction in direct carbon emissions and achieving Net Zero by 2030. This means that Auckland Airport is changing how we work.

Target

90%

reduction in scope 1 and 2 emissions by 2030 from a 2019 baseline

What is Net Zero?

Net Zero is a scientific concept established by the Intergovernmental Panel on Climate Change (IPCC). It is the state where the amount of global emissions released into the atmosphere is equal to the amount of CO_2 removed.

The IPCC recommends limiting global warming to 1.5°C above pre-industrial levels by 2100 to avoid the worst impacts of climate change on people and the environment. The IPCC has established that Net Zero emissions must be reached globally by 2050 but relying on offsets is not enough. Global emissions must begin reducing today.

Eliminating our direct emissions

Auckland Airport's priority is to work towards Net Zero scope 1 and 2 emissions by reducing emissions created by our day-to-day business as much as we can, with any residual emissions neutralised through permanent carbon removals.

We are targeting a 90% reduction in scope 1 and 2 emissions by 2030 from a 2019 baseline, which is aligned with a best practice 1.5°C warming trajectory.

What are scope 1, 2 and 3 emissions?

Scope 1: Emissions from sources that are owned or controlled by Auckland Airport

Scope 2: Emissions from the generation of purchased electricity consumed by Auckland Airport

Scope 3: Emissions that occur as a consequence of Auckland Airport's activities but from sources not owned or controlled by Auckland Airport

Action 1: Phasing out natural gas from the terminal

Natural gas is used for space heating, water heating, and cooking in the international terminal. Auckland Airport's pathway to Net Zero will see gas completely replaced with electric alternatives by 2030.

During the 2022 financial year, we completed a comprehensive options analysis to find technologically feasible and efficient alternatives to natural gas. To minimise disruption to passenger processing and operations, the installation of some replacement technologies will be aligned with the timing of future development projects.

The first air-source heat pump to replace our natural gas boilers will be installed in the 2023 financial year as proof of concept of the chosen technology.

Action 2: Transitioning our vehicle fleet to EVs (or hybrids where required)

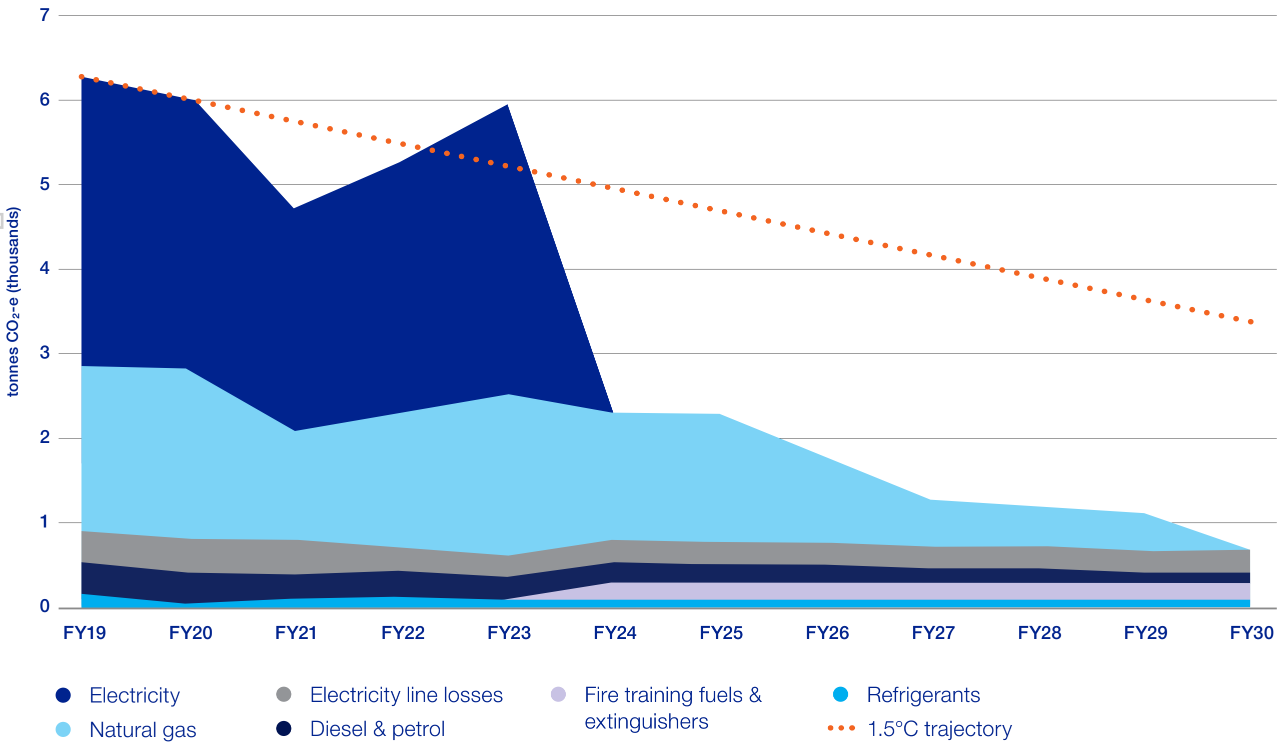
We require a range of vehicles to meet our various operational requirements, including emergency response, airside safety, off-road wildlife management, infrastructure development and maintenance, and corporate pool cars.

Auckland Airport will continue to purchase EVs where a fit-for-purpose model is available. Where electric models are not suitable, our preference will be hybrid vehicles. For example, a hybrid model is selected for airside vehicles because the specialist safety equipment required in these vehicles draws a significant electrical load.

Currently there is no suitable electric or hybrid options for the specialist vehicles used by Airport Emergency Services, such as the Rosenbauer Panthers (fire trucks), marine rescue vehicles and hovercraft. We will stay up to date with vehicle technology developments and switch to lower carbon options once available and proven in the airport emergency setting.

To successfully transition to an EV fleet, alongside the wider adoption of EVs by passengers and tenants, sufficient charging infrastructure needs to be installed. Auckland Airport's electrical network capacity has been assessed and is being future proofed.

Auckland Airport's planned scope 1 and 2 decarbonisation pathway to Net Zero (aligned with a 1.5°C trajectory)



Action 3:
Using refrigerants with the lowest Global Warming Potential (GWP) available

With the largest commercial air conditioning system in New Zealand, Auckland Airport holds significant quantities of refrigerants. Our major infrastructure development programme presents an excellent opportunity for the early replacement of air conditioning units that are based on older technology. Any replacements will adopt the lowest GWP refrigerant on the market. Currently, it's unknown when a zero emission alternative will be available, but Auckland Airport will be keeping an eye on developments in technologies and chemicals.

Action 4:
All electricity generated from renewable sources by 2030

New Zealand is fortunate to have an electricity supply with a high proportion of renewables (approximately 84%). Auckland Airport has an opportunity to use our size and position to introduce new renewable generation to New Zealand, contributing to the Government's aspiration for 100% renewable electricity use by 2035. In future, a mix of on- and off-site generation will likely be used to power Auckland Airport's operations.

Residual scope 1 and 2 emissions

We expect that approximately 10% of our 2019 scope 1 and 2 emissions will remain in 2030, from the following activities:

- Specific aviation fire training (LPG and extinguishers)
- Airport Emergency Services vehicles (diesel)
- Back-up generators (diesel)
- Refrigerant leakage from air conditioning.

These emissions will be neutralised through the purchase of permanent carbon removals. At present, the most widely available method of carbon removals is forestry, however technological solutions pose promising options for the future.

Auckland Airport will continue to explore other options to further reduce residual emissions.

Reducing our indirect emissions

As a consequence of the operation of New Zealand's largest airport, there is a wide range of activities which produce emissions. While these emissions are not within our operational control, it is important we take an active role to support our aviation partners to reduce these indirect (scope 3) emissions.

We are working with our airline, ground handling and air navigation partners to increase operational efficiency and reduce the impact of aviation on the environment. This includes:

- Provision of EV chargers on the airfield to enable ground handlers to adopt low-emissions ground support equipment
- Supply ground power units (GPUs) and pre-conditioned air (PCA) at all international gates so aircraft can connect to New Zealand's low-carbon electricity supply instead of burning jet fuel while at the gate. GPUs will be installed at all gates in our new domestic jet facility
- Ongoing work with Airways and airlines to reduce aircraft fuel burn by setting fuel-saving flight paths, allocating taxiways to minimise aircraft taxi time and just-in-time pushback allowing aircraft to delay engine use.

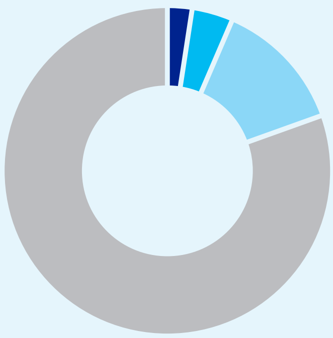
The most important role an airport can play in the decarbonisation of the wider aviation sector is to ensure the right ground infrastructure is in place to enable the adoption of future aircraft technologies and fuels as they become widely available, such as Sustainable Aviation Fuel (SAF), electric-powered aircraft and aviation hydrogen fuel cells. So-called certified 'drop-in' SAF is already able to be delivered to aircraft via Auckland Airport's refuelling hydrant system, and we are engaging with our airline partners to understand their future requirements for alternative aircraft fuels and technologies. We have ensured our 30-year masterplan anticipates and makes provision for these future needs.

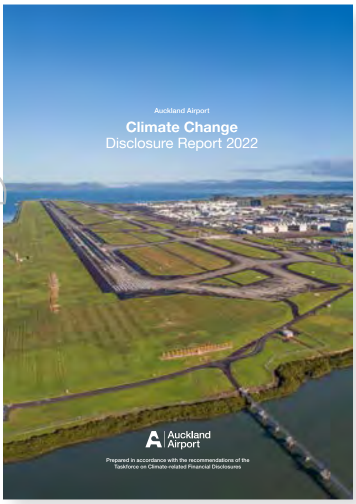
Similarly, we are future-proofing our transport network to enhance connectivity and provide for low-emission transport modes. Our 30-year masterplan accommodates a variety of transport options, including active modes such as cycling and walking, mass rapid transit (bus and light rail), and the anticipated increase in EVs.

Other scope 3 emissions are made up of potable water use and wastewater treatment, waste sent to landfill, staff business travel, and the carbon emitted in the manufacturing of the construction materials we use. During the 2022 financial year our focus has been on waste. We undertook a waste audit in the domestic terminal, collecting, sorting and analysing 250 kilograms of general waste and 185 kilograms of recycling. We have developed a strategy to decrease the volume of waste we generate and increase the proportion diverted from landfill, which will help us achieve our target of a 20% reduction in waste sent to landfill by 2030 from a 2019 baseline.

We are also actively addressing our construction emissions in the design of our development projects. The Transport Hub will be targeting 5-Star Green certification for the office building and a Gold Parksmart rating for the car park, the first parking building expected to achieve the Parksmart rating in New Zealand. Mānawa Bay is also targeting a 5-Star Green rating for its design and build with a number of other key sustainability initiatives underway including: optimising resources, reducing carbon emissions, supporting local communities and enhancing the environment.

Breakdown of carbon footprint (FY22)





Climate Change Disclosure

Auckland Airport has continued to advance our understanding of how climate change, including rising sea levels and temperatures, and unpredictable weather patterns will impact our operations and infrastructure.

A copy of Auckland Airport's full Climate Change Disclosure Report, in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), is available on our website at corporate.aucklandairport.co.nz/investors/results-and-reports.

Part 1: Governance and risk management

The Board considers climate change issues when reviewing and guiding business strategy, plans and budgets. The Safety and Operational Risk Committee (SORC) of the Board, responsible for risk oversight and monitoring, receives a quarterly update on enterprise-wide risks (including climate change), the controls in place to mitigate the risks and the planned actions to address them. The SORC also receives a detailed annual update from management on climate-related risks and opportunities, progress towards climate-related goals and the implementation of mitigation initiatives.

Our process for risk management is continuous and is designed to monitor and provide advanced warning of material risks before they eventuate. Climate-related risk identification and management are integrated into the whole-of-company risk management approach.

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of the climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Risk management
The process used by the organisation to identify, assess and manage climate-related risks

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Part 2: Strategy

Climate-related risks and opportunities are considered as part of Auckland Airport's strategic planning including our short-term asset management plans, medium-term infrastructure projects and longer-term masterplan for the whole of the airport precinct.

In the 12 months to 30 June 2022, Auckland Airport undertook further modelling of potential flooding and inundation risk across the airport precinct under three Representative Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. This modelling identified that under all pathways, without intervention, infrastructure close to or draining to the coastline will be subject to more frequent and severe flooding and inundation in the long-term (circa 2110). However, near term planned upgrades to the stormwater network and surrounding infrastructure and further long-term flood management responses will provide sufficient mitigation for this risk.

Auckland Airport's physical and transitional risks to the business due to climate change and the controls to mitigate them are outlined in more detail in our full Climate Change Disclosure Report.

Part 3: Metrics and targets

Auckland Airport occupies a unique place on the Māngere peninsula, looking out over the Manukau Harbour and to the Manukau Heads. Our activities are complex and have the potential to impact the natural environment, so protecting the natural assets under our control is where we will focus first.

Our three designations and various resource consents provide a solid foundation for the protection of the airport precinct and surrounding environment. We implement best-practice environmental controls, monitor our environmental performance on an ongoing basis to reduce pollution and protect local biodiversity and engage with local iwi on a monthly basis to provide updates on environmental compliance and resource management processes. We submit annual monitoring and compliance reports to Auckland Council.

In addition to our statutory obligations, Auckland Airport has a focus on carbon reduction, water conservation and waste minimisation. Our 2030 targets include:

Net Zero
scope 1 and 2 emissions

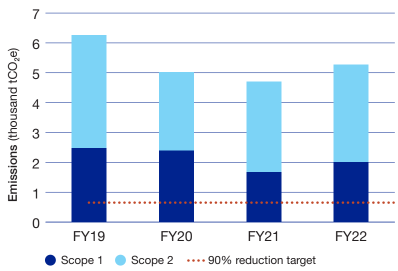
90% reduction
in scope 1 and 2 emissions*

20% reduction
in waste to landfill*

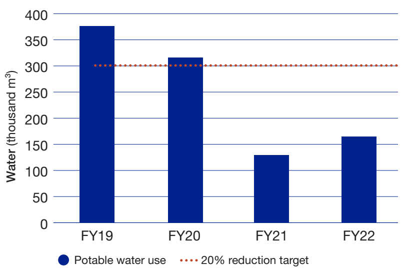
20% reduction
in potable water use*

*from 2019 levels

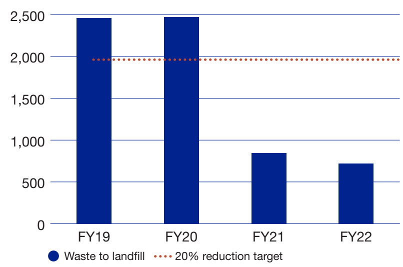
Scope 1 and 2 carbon emissions FY19 – FY22



Water consumption FY19 – FY22



Landfilled waste FY19 – FY22



Auckland Airport's environmental performance

		FY19	FY20	FY21	FY22
Scope 1 emissions	Tonnes CO_2-e	2,472	2,397	1,674	2,004
Scope 2 emissions	Tonnes CO_2-e	3,802	3,648	3,031	3,274
Scope 3 emissions – within control[1]	Tonnes CO_2-e	6,228	5,185	16,497	10,616
Scope 3 emissions – aircraft landing and take-off	Tonnes CO_2-e	N/A	N/A	N/A	66,059
Waste to landfill	kg	2462	2474	844	722
Potable water use	m^3	375,968	315,652	129,514	169,138

1. Scope 3 emissions within our control includes waste, water, staff business travel, electricity line losses and construction materials

For Auckland Airport's full 2022 financial year emissions profile, refer to our Greenhouse Gas Inventory Report on the company website: corporate.aucklandairport.co.nz/investors/results-and-reports.

Information within the report has been assured by Deloitte in accordance with ISO 14064-1 *Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, and the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (2004).

People
Whānau

Creating value for our employees

Lockdowns, then revival

When the border started to reopen in the summer of 2022, it not only spurred the return of travel and aviation. It also set in motion a new future for Auckland Airport, breathing life into construction projects that had stalled as Covid-19 swept the world, and opening up new employment opportunities within the Auckland Airport team.

"The first half of the 2022 financial year was all about managing through lockdowns and border closures but with the return of travel in the second half of the year we revitalised projects and are starting to rebuild the team to ensure we are well-positioned for the ongoing recovery," said Mary-Liz Tuck, the outgoing General Manager Corporate Services following her appointment as General Manager Strategic Infrastructure Planning and Transformation.

"All of our new roles are activity-driven to ensure we're taking a prudent approach and aligning closely with the recovery of aviation and our infrastructure programme. We are also focused on the roles that are critical to the continued safe and secure operation of the airport and maintaining experienced teams and numbers."

In the six months to 30 June 2022, 44 new roles opened up at Auckland Airport, with the majority accounting for infrastructure-related or operations roles. At the end of the 2022 financial year, there were 468 employees at Auckland Airport.

"We have a fantastic workforce that has persevered through two years of the pandemic, and while they remain fiercely loyal, they're weary.

"It's been really positive for everyone to see construction activity returning to the precinct and new employees coming on board to support the recovery. We've still got a long way to go, and yes the labour market's tight, but we're definitely moving in the right direction."

The great workplace reset

The pandemic's transformed the way people live and work, including for many in the Auckland Airport team.

"With our people split across different sites, and the introduction of lockdowns and work bubbles to protect our key operations teams, the way our people work and collaborate together has evolved and changed over the past two years," said Mary-Liz.

For several days a week, the coffee machines buzz and meeting rooms are booked up at head office, with employees spending at least three days a week in the office and the option of working from home two days a week. Refreshing Auckland Airport's ways of working has also extended to new principles and practical guidance around meeting and email etiquette, along with employees working together to define the behaviours they aspire to and are in line with our organisational values (Collaborative, Exceptional, Respectful, Integrity and We Care).

"Identifying our shared values in 2019 helped to set the tone for how we do things at Auckland Airport but there was still work to do. In the second half of the 2022 financial year we started the next important phase of work which was identifying the behaviours we most want to see to support a great culture here at Auckland Airport," Mary-Liz said.

All employees were invited to take part in a survey, with more than 2,000 comments submitted. Once these were consolidated into themes under each value, employees then voted (63%) for the behaviour statements that most resonated with them.

"The feedback and participation have brought further meaning to our values and sets a clear tone around who we are, what we stand for and the culture we're striving to achieve here together," said Tracy Ellis, Head of People and Capability.

> For those within the team able to do some of their work remotely, hybrid-working has been adopted at Auckland Airport and we know our people appreciate the flexibility this brings.
>
> **Mary-Liz Tuck**
> General Manager Corporate Services

Auckland Airport employees welcome travelers from Australia back as the border reopened

Building a better workplace, for everyone

Auckland Airport is on a mission to create value for our people, the community and for our country's long-term prosperity. An inclusive, diverse workplace is essential to that mission.

In the 2022 financial year, Auckland Airport supported Manu Ao (a leadership programme for Māori and Pasifika employees) with the programme now in its second year and involving employees of Pasifika heritage for the first time. Facilitated by Indigenous Growth Ltd and jointly funded by Auckland Airport and Te Puni Kōkiri, Manu Ao enables indigenous people to better understand their own potential, develop their leadership skills, and chart a career course in the corporate world.

Recognising the importance of creating a work environment where people of diverse gender and sexual identities are welcomed and valued is also a focus, with Auckland Airport currently reviewing its people policies and practices to ensure we meet the requirements for initial Rainbow Tick certification.

"For us, inclusion is all about creating an equitable workplace and culture where everyone can thrive, and one where others aspire to work," Tracy said.

In the 2022 financial year Auckland Airport's gender pay gap[2] reduced from 14.06% to 13.22%.

"We know there is much more to do and we remain committed to reducing the pay gap further over the upcoming period, with this work now a key focus as part of our annual performance and remuneration round."

2. The average hourly pay gap between male and female employees

Recruitment drive: emergency services

The Airport Emergency Service (AES) plays a key role at Auckland Airport, employing more than 50 firefighters who are responsible for providing and maintaining rescue and firefighting capability at the airport.

AES, the largest privately owned fire brigade in the country, responds to a huge range of emergency situations across the 1566 hectares that makes up the Auckland Airport precinct.

These activities include aviation firefighting, industrial firefighting, road, marine and medical emergency response, all undertaken to protect lives and property and maintain safe operations at the airport.

In early 2022, Auckland Airport took a fresh approach to recruiting firefighters, with the aim of reaching a diverse range of prospective AES recruits and helping applicants succeed through what is a physically demanding selection process.

Chief Emergency Services Officer Neil Swailes said: "Everyone who works in AES wants to serve their airport and wider community and the best way to do this is for AES itself to be representative of the community. While the proportion of women in the AES team is much higher at 13% here than national or international figures (3% and 4% respectively), we are focused on making further gains in this respect."

The 2022 recruitment campaign focused on raising awareness of what it is like to live and work at the fire station at Auckland Airport, and what working as part of AES entails day-to-day. The company set up a series of weekly boot camps leading up to selection day as a way of helping applicants prepare for the physical assessment component of the selection process.

"The physical test is a big hurdle and has been a barrier for some of our past applicants - they don't realise how physical the role is and therefore how difficult the assessments can be until they turn up on the day. So we set up boot camps to give applicants an opportunity to train and be better prepared for the assessment on the day.

"While we weren't able to recruit any females into this intake, we learned more about how to train and attract female talent. We are committed to our campaign to recruit more females into AES and will continue to target females in recruitment and build out our approach," Neil said.

By the end of the 2022 AES recruit intake 148 people had registered to take part in the bootcamps, 146 went on to formally apply for a role with AES, and finally six were selected to complete the 16-week AES recruitment course.

Health, safety and wellbeing

For two years Auckland Airport's front-line employees have grappled with an ever-changing environment, including working through the rise of the Covid-19 Delta and Omicron variants.

We have continued to respond quickly, with new health, safety and wellbeing protocols to protect our employees, particularly front-line and specialist emergency workers who are key to keeping the airport running safely.

Highlights for the 2022 financial year were:

- In August 2021 Auckland Airport took action following the spread of the Delta variant, bringing forward the mandatory requirement for our front-line workers to be vaccinated from 30 September to 31 August 2021
- As Covid-19 spread further into the community we drafted new employment contracts for any future employees joining the company to include a vaccine requirement, including those working in non-front-line roles
- From November 2021 contractors and visitors entering Auckland Airport's worksites were required to be vaccinated, with the policy to be reviewed on a regular basis
- We continued to offer paid time off work and sick days for anyone feeling unwell following receiving their vaccines, as well as introducing up to 14 days of paid additional sick leave for employees testing positive for Covid-19 in the 2022 financial year
- Auckland Airport teamed up with other New Zealand businesses to advocate for the introduction of Rapid Antigen Testing (RAT) into New Zealand to ensure the continuity of critical businesses and organisations. Daily RATs were subsequently introduced at Auckland Airport in a pilot scheme for Airport Emergency Services (AES) employees and contractors working on critical airfield infrastructure projects
- The testing regime for business-critical front-line staff was updated. Our people had the option to either undertake a fortnightly nasal pharyngeal PCR test or twice -weekly saliva testing between 12 August 2021 and 17 January 2022.

- Easy online tools to help manage positive staff Covid-19 cases were introduced and key information on requirements for border workers and critical and non-critical workers was regularly shared
- Auckland Airport continued to focus on providing our employees with the latest health information, with experts including Air New Zealand's chief medical officer Dr Ben Johnson, and mental health advocate Sir John Kirwan joining company-wide employee calls to share insights and answer questions

Given the challenging conditions, Auckland Airport was pleased to be able to recognise employees' commitment and hard work with $1,500 in shares to each of our permanent employees.

Looking ahead, Mary-Liz said Auckland Airport continued to review our approach to health measures in the workplace, with the Covid-19 vaccination requirement for all staff removed in July 2022 following the Government's decision to lift the Mandatory Vaccination Order (MVO) for front-line workers. All other infection prevention control measures remain in place, including daily RATs for frontline operational and maintenance staff, additional cleaning protocols, mask-wearing and ongoing good hygiene practices. Free seasonal flu vaccinations were also available for all staff.

"We want to move ahead and find a sustainable position that can carry us into the future while continuing to protect the health, safety and wellbeing of our people and their families.

"We continue to educate and provide support to our team so they can keep up to date with boosters and vaccinations which are so important to protecting the community against the virus."

Auckland Airport has refreshed its approach to health, safety and wellbeing too, with a new strategy to be launched in the 2023 financial year.

We want to move ahead and find a sustainable position that can carry us into the future while continuing to protect the health, safety and wellbeing of our people and their families.

Mary-Liz Tuck
General Manager Corporate Services

Safety performance targets

Communication is key when it comes to creating safe and healthy workplaces that support people's wellbeing and help them to thrive.

Auckland Airport is constantly looking for new ways to improve how we deliver health, safety and wellbeing messages across the company. We're making progress, and we will continue to improve in the year ahead.

Mary-Liz Tuck
General Manager Corporate Services

Our Safety Targets

Auckland Airport set new safety targets for the 2022 financial year:

2,508 High-Quality Safety Observations (based on the average number of recorded observations per worker in the previous year)

RESULT

2,156

13.7% below target

Maintain 75% awareness of our Safety Management System

RESULT

92%

23% above target

Have less than 5% of actions outstanding in our Risk Manager system (maintaining last year's excellent result)

RESULT

91%

4% below target

Highlights for the 2022 financial year were:

- We completed Critical Risk Bowties for critical operational risks including an aircraft incident, aerodrome security breaches, vehicle vs. pedestrian safety risks, along with other non-major risks. These risk assessments are a visual way to understand the things that can give rise to or worsen a critical incident, while checking there are effective barriers in place.
- Auckland Airport's annual Safety Week took place in October 2021 online during Auckland's 14 week wlockdown, and focussed on celebrating our people, mental health and wellbeing, fatigue management and airside safety practices.
- Building on earlier training in suicide prevention provided to frontline Auckland Airport staff, in the 2022 financial year, selected employees completed the Mates in Construction "Applied Suicide Intervention Skills Training" course focussed on assisting individuals experiencing suicidal thoughts and connecting them to support.

Our annual "Back to Work Safely" campaign took place over an extended fortnight in January 2022 with online workshops covering topics as diverse as overviews of the different elements of our Safety Management System through to sessions around Thriving not just Surviving, Fatigue Management in Real Life and awareness of the changes to our Permit to Work system.

Covid-19 restrictions and lockdowns limited Auckland Airport team members' ability to complete the planned 2,508 safety observations in the 2022 financial year, which need to be carried out on site at the airport. As a result, safety observations were 2,156 (13.7% below the target). Awareness of our Safety Management System among staff is however significant at 92% (23% above target, up 13% on the 2021 financial year) and reflects some great work from the team in translating our Safety Management System into simple language that can be easily referenced by all teams across the airport.

Our diversity numbers

38% of overall workforce is female

50% of Board is female

38% of leadership team is female

43% of senior leaders[1] are female

5% of people leaders[2] self-identify as Māori or Pasifika

1. Direct reports to the leadership team with substantive roles
2. Staff members with at least one direct report

Introducing paid volunteering

Supporting the South Auckland community is core to Auckland Airport's sustainability strategy.

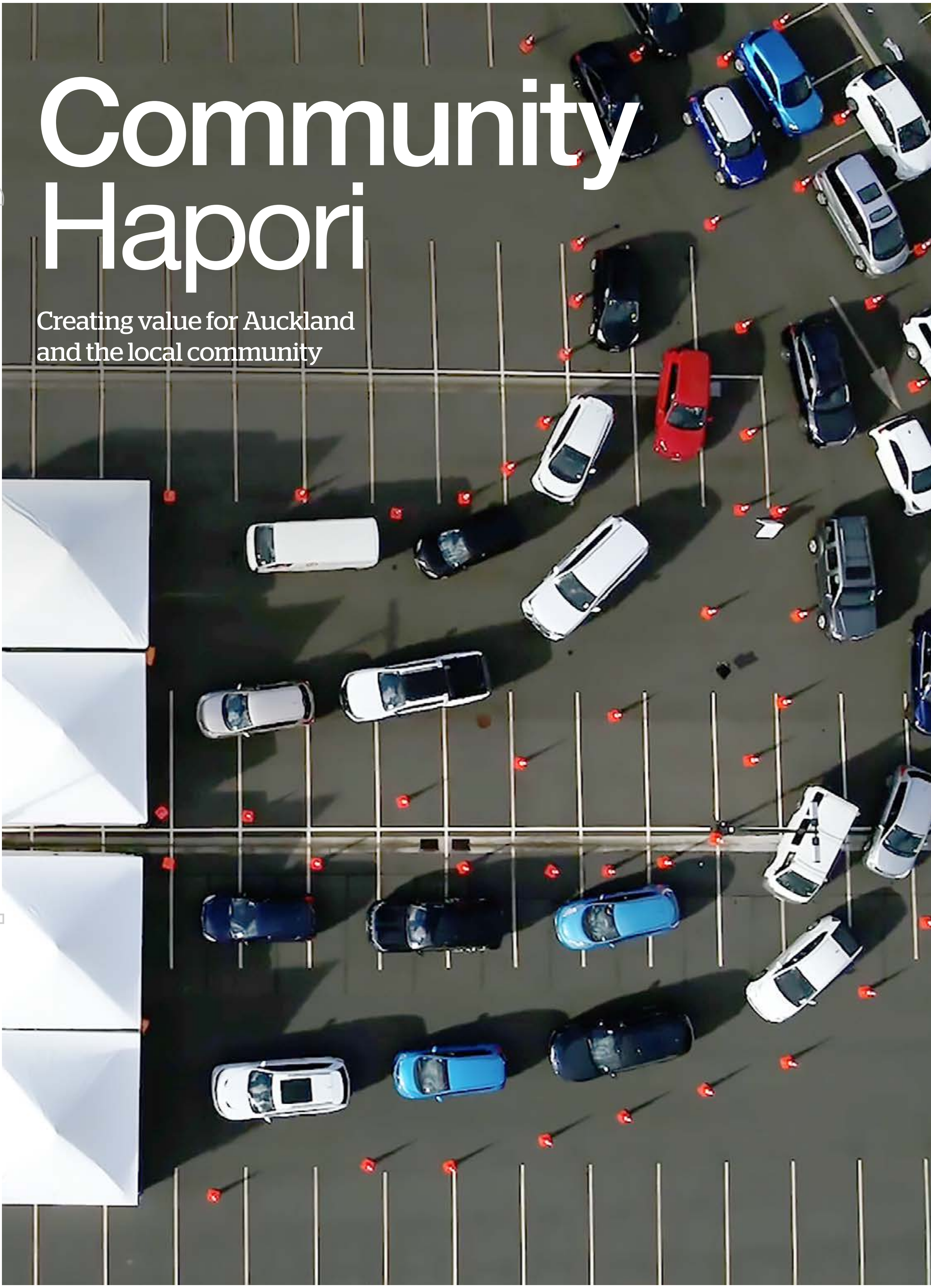
As travel resumed, Auckland Airport was able to restart not only its construction projects, but also initiatives to support the community and enable people in our community to connect with meaningful work.

During the 2022 financial year Auckland Airport introduced our first ever Paid Volunteer Leave policy, providing all permanent staff with one day of paid volunteer leave per year to work in a charitable organisation of their choice in South Auckland, with a broad preference for those involved in education, the environment and helping people to succeed in employment.

Our first volunteers stepped up to support the vaccination drive against Covid-19, offering their services at the Park & Ride vaccination centre and contributing more than 350 hours of service (see pg 51). While the community outbreak of Covid-19 created challenges and limited the range of volunteering opportunities in the 2022 financial year, some employees were able to use their paid Volunteer Leave, and Auckland Airport will be ramping up the programme during the 2023 financial year.

Community
Hapori

Creating value for Auckland and the local community



Lending a hand, in South Auckland and beyond

In a city that had become the epicentre of the pandemic in New Zealand, it was the moment many Aucklanders had been waiting for: the arrival of flights carrying enough vaccines for all eligible members of the community to get inoculated.

"Covid-19 vaccines had already been available to small groups of workers but these big shipments were what unlocked the mass community campaign to get every eligible person vaccinated. It was incredibly exciting to see those planes land at Auckland Airport and it did really feel like a bit of a turning point," said Mary-Liz Tuck, the outgoing General Manager Corporate Services.

It was September 2021. Auckland Airport, quieter than it had ever been. Batches of Pfizer-BioNTech vaccine arriving. The border shut. Auckland in hard lockdown.

"Despite how difficult it was for Auckland Airport at the time, this became a really bright moment for our team – the opportunity to get in behind something meaningful and support the vaccination drive, especially in South Auckland where we could support iwi and Māori health providers to carry out a door-to-door vaccination campaign."

Auckland Airport, empty of travellers and cars, offered our long-term parking facility 'Park & Ride' free of charge to be used as a drive-through vaccination centre, with more than 50 staff volunteers, including traffic management experts, supporting public health workers to get it up and running as quickly as possible.

Known as "Park & Vax", it ultimately became one of Auckland's most successful drive-through vaccination centres, with health workers delivering 155,000 vaccines between September 2021 and January 2022 – making it the second-biggest vaccination site in Auckland.

"Dozens of our employees proudly worked alongside health workers, doing everything from running vaccines around the site to thinking about the best way to manage the flow of cars entering the car park. Our team really got involved and it was a positive thing to be part of," said Mary-Liz.

With Park & Ride buses sitting idle, Auckland Airport also got behind the drive to take vaccines direct into the heart of the South Auckland community, offering the buses to be used a mobile health clinics. Six of our Park & Ride buses helped to make up the mobile vaccination fleet, with Auckland Airport working in partnership with the Northern Region Health Co-ordination Centre (NHRCC), iwi and Māori health providers to carry out a door-to-door vaccination campaign. The community got on board too, rising to the Prime Minister's challenge to find names for the mobile clinics (Shot Bro).

"It's not always easy for people to travel or find the time to get a vaccination, and misinformation or access to technology can also create barriers. This was another way we could help to make vaccines more accessible and support our local community," said Mary-Liz.

A health worker at the Park and Vax

The Auckland Airport team promotes the Doing it for Each Other campaign

"Doing it for Each Other" campaign

With the drive-through vaccination centre up and running, Auckland Airport looked to new initiatives to help support the success of the vaccination drive, while also doing something positive for the South Auckland community and local schools.

"The 'Doing it for Each Other' campaign was about collective action to engage the harder-to-reach 18 to 29-year-olds and support the Government's goal of getting 90% of the population vaccinated against Covid-19," said Libby Middlebrook, Head of Communications and External Relations.

Auckland Airport joined forces with a range of Kiwi businesses to create a $200,000-plus campaign, offering anyone getting vaccinated at the airport's Park & Ride facility the chance to win a prize for themselves, a South Auckland school and a charity.

Over three weeks, people voted for South Auckland schools to win one of three $20,000 prizes, with the winning schools (Flat Bush School, Alfriston College and Aorere College) each receiving a grant including $10,000 worth of stationery from Warehouse Stationery and $10,000 cash from money donated by travellers at Auckland Airport.

James Cook High School won a special $10,000 award ($5,000 cash from Auckland Airport and $5,000 in Haier whiteware) for the best "#vax4AKL" social media video, featuring students urging people to get vaccinated to help protect the community. Hundreds of spot prizes, including mobile phones and $100 gift cards, were given away to people who received their vaccination at Park & Vax.

"It was fantastic to see the business community and health providers rally together to bring 'Doing it for Each Other' to life and remove barriers to vaccination," Libby said.

Auckland Airport was delighted the "Doing it for Each Other" campaign was recognised by the by the Public Relations Institute of New Zealand (Prinz) with a Silver award in the Community Relations and Engagement category.

It was also about supporting our local neighbourhood, where many of our airport employees live and felt the full impact of the pandemic.

Libby Middlebrook
Head of Communications and External Relations

Thank you

The 'Doing it for Each Other' campaign was only possible thanks to the support of The Warehouse Group, Spark, Torpedo7, Noel Leeming, Warehouse Stationery, Pullman Rotorua, Vodafone, TheMarket.com, Haier, Facebook, 2degrees, Sky Television, Sofitel Wellington, Foodstuffs, Russell McVeagh, Fletcher Construction and Mountain Jade.

Launching Auckland Airport's mentoring programme

Following completion of Auckland Airport's Manu Ao Leadership Programme in the 2021 financial year, Board Administration Executive Erina Kent and the rōpū (team) made their proposed project a reality and launched a mentoring programme for Māori and Pasifika secondary school students from South Auckland.

"This programme is all about providing the students with an opportunity to explore career pathways, to build their confidence and to help them to reach their full potential, as well as providing our staff with an opportunity to volunteer within our local community," said Erina.

The Auckland Airport rōpū partnered with the NZ Youth Mentoring Network and Ara Education Charitable Trust to set up an eight-week programme for 16 mentor/student pairs.

To start, mentors completed a two-day, online training programme run by the NZ Youth Mentoring Network which covered topics including: the role of a mentor, cross-cultural communication, building resilience, goal setting and employability. This was followed by six weeks of group or one-to-one mentoring sessions with themes such as shadowing your mentor, goal setting, time management and career pathways.

Dr Sarah Redmond, School Engagement Manager for the Ara Education Charitable Trust based at Auckland Airport, said she had received nothing but positive feedback from both students and mentors.

"Together, we have created something really special. Providing students the chance to be exposed to such a diverse workplace helps open their eyes to the breadth of job opportunities available.

"This exposure and the focused support of a mentor will definitely help these students to successfully make that tricky transition from school to their next step in life – especially if that step is into the world of workplaces."

As Auckland Airport looks to the future, we want to grow our mentoring programme as a pathway to support young people into employment and develop a talent pipeline for our organisation.

This programme is all about providing the students with an opportunity to explore career pathways, to build their confidence and to help them to reach their full potential, as well as providing our staff with an opportunity to volunteer within our local community.

Erina Kent
Board Administration Executive

Longstanding support continues

Auckland Airport's community programme focuses on employment, education and the environment with the goal of the local community growing and prospering alongside Auckland Airport.

"We value good relationships with our neighbours and the wider South Auckland community and despite another challenging year, continuing to support our longstanding community partners has remained a top priority," said Mary-Liz.

Other community programme highlights for the 2022 financial year:

Partnered

- Auckland Airport proudly partnered with the Ministry of Social Development and the Auckland Business Chamber in supporting the Ara Jobs and Skills Hub operating at the airport precinct. Ara focuses on connecting local job seekers with a variety of employment and training opportunities

Provided

- We partnered with Ara Education Charitable Trust to provide land for secondary school students to hone their construction skills as part of a house renovation project. In addition, 16 staff volunteers participated in our new mentoring programme (see sidebar story pg 54)

Partnered

- We continued to support the Life Education Trust Counties Manukau, a not-for-profit organisation that aims to provide children with the education and support to make good choices and live healthy, happy lives. We've been in partnership with Life Education since 1988 and this year we contributed $35,000 and employee volunteers to support maintenance of the trust's mobile classrooms (including fixing a leaking roof).

AES Chief Crew Tony Scott at the Skytower Stair challenge

Granted

- Through the Auckland Airport Community Trust, $368,605 was granted to a range of community groups and projects focusing on supporting learning opportunities for children and young people, improving community health and wellbeing and bringing communities together

Celebrated

- With $8,500 support from Auckland Airport, ASB Polyfest a cultural and youth performance celebration, was delivered online in March 2022

Supported

- The Airport Emergency Services (AES) team continues to be a driving force behind Leukaemia and Blood Cancer New Zealand's Firefighter Sky Tower Stair Challenge, with Auckland Airport providing $15,000 of direct sponsorship support and our AES crew fundraising for the cause. AES is carrying out fundraising events between July and August 2022.

Risk management

Risk management is an integral part of the company's business. Auckland Airport has developed an enterprise risk management framework, designed to promote a culture which ensures a proactive and consistent approach to identifying, mitigating and managing risk on a company-wide basis.

Auckland Airport's risk management policy provides clarity on roles and responsibilities to minimise the impact of financial, operational and sustainability risk on our business. Under this policy, the Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed, maintained and implemented by management. The Board also sets the company's risk appetite on an annual basis and tracks the development of any existing risks and the emergence of new risks to the company.

Auckland Airport's risk management framework is underpinned by two committees which are in place to identify and mitigate potential financial and operational risks, the Audit and Financial Risk Committee and the Safety and Operational Risk Committee, respectively. The company also has mechanisms in place to recognise and manage sustainability risks, including environmental and social risks.

We have undertaken a robust risk assessment process to identify and minimise the impact of significant risks on our business. This process is continuous and is designed to provide advanced warning of material risks before they eventuate. The process includes:

- Significant risk identification
- Risk impact quantification
- Risk mitigation strategy development
- Reporting
- Compliance, monitoring and evaluation to ensure the ongoing integrity of the risk management process

Audit and financial risk

The Audit and Financial Risk Committee is responsible for financial risk management oversight with a core function of assisting the Board in performing its responsibilities, with particular reference to financial risk management, financial reporting and internal and external audit processes.

Each year the chief executive and the chief financial officer are required to confirm in writing to the Audit and Financial Risk Committee that:

- The company's financial statements are presented fairly, in all material respects, and in accordance with the relevant accounting standards
- The statement given in the preceding paragraph is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board
- The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

The Board has received assurance from the chief executive and chief financial officer that this confirmation is founded on a sound system of risk management and internal control, which is operating effectively in all respects relating to financial reporting.

Safety and operational risk

Auckland Airport has a commitment to zero harm and to ensure that health, safety and wellbeing risk management is embedded into our workplace culture.

The role of the Safety and Operational Risk Committee in relation to health and safety risks, performance and management includes specific responsibility to review and monitor the application of the company's enterprise-wide processes for identifying and managing critical and enterprise risks associated with:

- Health, safety and wellbeing
- Environmental issues including climate change
- Operational risk
- Human rights violation risk
- Compliance with applicable law and the company's own policies.

The Safety and Operational Risk Committee reviews the performance of the company's safety management system, and safety policy statements on an annual basis and provides guidance on the approach and targets for the following year.

As part of a continual review cycle, the Safety and Operational Risk Committee reviews the critical risks of the company and management reports to the Committee the results of the ongoing bow tie assessments on these identified critical risks and mitigating actions. Auckland Airport's critical risks cover the airfield, aerodrome, security, health, natural disasters, high risk works and asset failure.

The company has a crisis management team (CMT), made up of leadership team members and senior employees from across the company which has an established governance structure to effectively manage fast evolving risk situations in a robust and practical way. The CMT is responsible for making strategic, business response, emergency communications, staff health and welfare, and government relations decisions. During the 2022 financial year, the CMT held numerous meetings to respond to changes to the Government's Alert Levels and overall response to COVID-19.

Auckland Airport's business is also subject to other internal and external audit and review, including in particular the regular external audit by New Zealand's Civil Aviation Authority to ensure operational certification and verification of our Safety Management System.

Sustainability (environmental and social) risk

Auckland Airport operates in a commercial environment where there is always potential for economic, environmental and social sustainability risks. The company recognises its unique role in protecting the New Zealand natural environment through its role at the border and the role that the visitor economy plays in all areas of sustainability.

Auckland Airport has in place appropriate mechanisms and controls to identify where these risks are material to the company and to manage these as required. Sustainability is a key responsibility of Auckland Airport's Board and leadership team. In identifying sustainability risks, the company assesses common risks across the business to determine the likelihood and severity of those risks and, subsequently, whether they are a concern for the company. In addition to managing the risks associated with sustainability, we are committed to external disclosure and benchmarking, and report on a number of sustainability performance indicators. In the 2022 financial year, Auckland Airport published its Sustainability Policy, outlining its commitment to its sustainability strategy.

Auckland Airport recognises the role it has to play in eradicating modern slavery. In the 2022 financial year, the company has undertaken work to identify and assess the risks of modern slavery in Auckland Airport's supply chain and has identified focus areas to enable the company to continue to progress eradicating modern slavery. In the last year the company has continued to engage with suppliers to understand the modern slavery risks present in their supply chains and has engaged a third-party advisor to undertake a thorough review of the company's modern slavery maturity. The company will not tolerate any form of modern slavery in its operations or supply chain and we are committed to building a supply chain that aligns with this approach. Auckland Airport's Modern Slavery Policy and Supplier Code of Conduct confirms our commitment to operate in a responsible and sustainable manner and our commitment to work with suppliers that share this value. In December 2021, Auckland Airport published its second modern slavery statement in accordance with the Modern Slavery Act 2018 (Cth) Australia.

The impacts of climate change, including rising sea levels and temperatures, and unpredictable weather patterns could have negative effects on the infrastructure and property assets of the company and is a key risk to our business. During the 2022 financial year, Auckland Airport undertook further modelling of physical climate change risk on the precinct under three Representative Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. The results of the analysis, as well as more detail on Auckland Airport's climate-related risks and opportunities, are outlined in our 2022 Climate Change Disclosure Report which is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the External Reporting Board (XRB) draft climate-related disclosures framework.

Being a responsible business is core to Auckland Airport. By respecting people, the community and the environment, we are able to grow our business sustainably and create value for all stakeholders in the long term. The airport is licenced by the Ministry of Primary Industries (MPI) as a Place of First Arrival for international arriving aircraft, people and cargo to New Zealand, which the company sees as a privilege, not a right, and with this comes significant responsibility. Auckland Airport's kaitiakitanga is beyond compliance. The company is very conscious of the important role Auckland Airport needs to play in having a strong border to help keep New Zealand free of any new exotic pests and diseases. Auckland Airport has created a strong biosecurity awareness culture and training regime over the past few years for both our own staff and all other stakeholders and workers based at the airport. Auckland Airport was recognised as a finalist in the 2021 MPI Biosecurity Awards for our efforts in Building a Biosecurity Culture.

Corporate governance

Auckland Airport's Board is responsible for the company's corporate governance. The Board are committed to undertaking this role in accordance with internationally accepted best practice appropriate to the company's business, as well as taking account of the company's listing on both the NZX and the ASX (Foreign Exempt Listing Category). The company's corporate governance practices fully reflect and satisfy the 'NZX Corporate Governance Code 2020' (NZX Code) and the Financial Markets Authority handbook *'Corporate Governance in New Zealand - Principles and Guidelines' (FMA Handbook). The company also has regard to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations'* (4th Edition) (ASX Principles) in designing its governance framework and practices, given its Foreign Exempt Listing on the ASX.

The Board confirms that in the year to 30 June 2022 the company's corporate governance practices complied with the NZX Code recommendations. The company's constitution, charters and policies are available on the corporate information section of the company's website at corporate.aucklandairport.co.nz.

Code of ethical behaviour

Ethics and code of conduct policy

Auckland Airport has always required the highest standards of honesty and integrity from its directors and employees. This commitment is reflected in the company's ethics and code of conduct policy, which clearly articulates the minimum standards of ethical behaviour that all directors, employees, contractors and consultants of the company are expected to adhere to.

The ethics and code of conduct policy covers a range of areas including the:

- Responsibility to act honestly and with personal integrity in all actions
- Responsibilities to shareholders, including protection of confidential information, restrictions on insider trading, rules for making of public statements on behalf of the company, accounting practices and cooperation with auditors
- Responsibilities to customers and suppliers of the company, and other persons using the airport, including rules regarding unacceptable payments and inducements, treatment of third parties, non-discriminatory treatment and tendering obligations
- Responsibilities to the community, including compliance with statutory and regulatory obligations, use of assets and resources and conflicts of interest

The ethics and code of conduct policy also sets out procedures to be followed for reporting any concerns regarding breaches of the policy and review of its content by the Board.

Securities trading policy

Auckland Airport also has a policy on share trading by directors, officers and employees, which sets out a fundamental prohibition on trading of the company's securities by any person with material information that is not generally available to the market and the obligation of confidentiality in dealing with any material information. The policy applies to ordinary shares and debt securities issued by the company, any other listed securities of the company or its subsidiaries and any listed derivatives in respect of such securities. Under the policy, there is also a prohibition on directors and senior employees trading in the company's shares during any black-out period.

The company's procedure for reporting and dealing with any concerns in respect of the conduct of its directors, employees and contractors is set out in its whistle-blower policy consistent with the requirements of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

Board composition and performance

The Board's charter recognises the respective roles of the Board and management. The charter reflects the sound base the Board has developed for providing strategic guidance for the company and the effective oversight of management. The Board's primary governance roles are to:

- Work with company management to ensure that the company's strategic goals are clearly established and communicated, that strategies are in place to achieve them and to monitor performance in strategy implementation
- Approve and monitor the company's financial statements and other reporting, including reporting to shareholders, and ensure that the company's obligations of continuous disclosure are met
- Approve the annual budget
- Ensure there are procedures and systems in place to safeguard the health and safety of people working at, or visiting, the Auckland Airport precinct
- Ensure that the company adheres to high ethical and corporate behaviour standards and achieves a high level of diversity
- Ensure that the company has appropriate risk management and regulatory compliance policies in place and monitors the appropriateness and implementation of those policies
- Approve remuneration policies via the People, Capability and Iwi Committee

The Board delegates the day-to-day operations of the company to management under the control of the chief executive. Day-to-day operations are required to be conducted in accordance with strategies set by the Board. The Board's charter records this delegation and promotes clear lines of communication between the chair and the chief executive.

Standing – from left: Dean Hamilton, Liz Savage, Tania Simpson, Mark Cairns
Seated – from left: Patrick Strange, Julia Hoare, Mark Binns
Absent: Christine Spring

The Auckland Airport Board

The number of directors is determined by the Board, in accordance with the company's constitution, to ensure it is large and diverse enough to provide a range of knowledge, views and experience relevant to the company's business. The constitution requires there to be no more than eight and no fewer than three directors.

The Board currently comprises eight directors, all of whom are considered by the Board to be 'independent' directors. In judging whether a director is 'independent', the Board has regard to whether or not the director is a Substantial Product Holder (or is an associated person to a Substantial Product Holder) and is free of any interest which may materially interfere with the exercise of independent judgement. The Board also has regard to whether or not the director has been employed by the company in an executive capacity, has been a material supplier or customer of the company, or has been engaged to provide material professional services to the company in the last three years.

The Board considers that the roles of chair of the Board and chief executive must be separate. The Board charter requires that the chair of the Board is an independent, non-executive director.

As at the date of this annual report, the directors, including the dates of their appointment and independence, are:

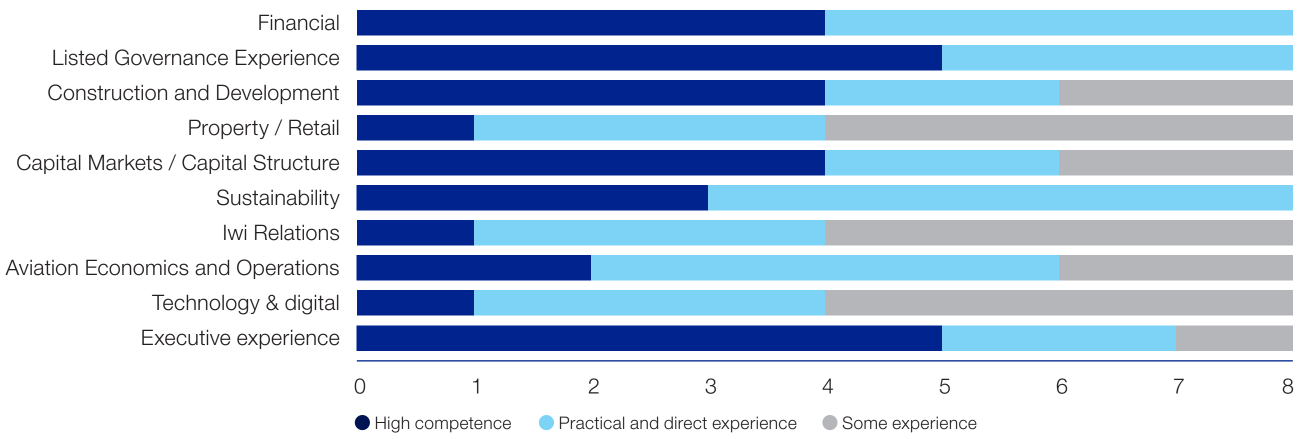
Director	Qualifications	Gender	Location	Date of appointment	Tenure (years)	Independence
Patrick Strange	BE (Hons), PhD, CFInstD	M	NZ	22 October 2015	6	Yes
Mark Binns	LLB	M	NZ	1 April 2018	3	Yes
Mark Cairns	BE (Hons), BBS, MMGT, FEngNZ	M	NZ	1 June 2022	<1	Yes
Dean Hamilton	BCA, CMInstD	M	NZ	1 November 2018	3	Yes
Julia Hoare	BCom, FCA, CMInstD	F	NZ	23 October 2017	4	Yes
Liz Savage	BEng, MSc, MAICD	F	AUS	23 October 2019	2	Yes
Tania Simpson	BA, MMM, CFInstD	F	NZ	1 November 2018	3	Yes
Christine Spring	BE, MSc Eng, MBA, CMInstD	F	NZ	23 October 2014	7	Yes

Subject to the prior approval of the chair of the Board, any director is entitled to obtain independent professional advice relating to the affairs of the company or to the director's responsibilities as a director, at the cost of the company.

Board skills matrix

The Board seeks to ensure that it has an appropriate mix of skills, experience and diversity to ensure it is well equipped to navigate the range of issues faced by the company. The Board reviews and evaluates on a regular basis the skill mix required and identifies where gaps exist. A definition of categories referred to below can be found on the company website at corporate.aucklandairport.co.nz/governance.

The skills and experience of the directors are set out in the Board's current skills matrix below.



Diversity

The company strongly values and supports diversity. However, we continue to recognise that there is further work to be done in this area, particularly in building our own diverse talent pipeline. Auckland Airport strives for the company and its leadership, management and employees to reflect the diverse range of individuals and groups within our society and this is reflected in our sustainability strategy and our Diversity and Inclusiveness Policy which applies to all employees, contractors and directors.

Auckland Airport is also a founding member of Champions for Change, a group of businesses seeking to raise the focus on diversity and inclusiveness in the New Zealand business community.

The Board, with guidance from the People, Capability and Iwi Committee, annually assesses the full set of objectives contained in the diversity and inclusiveness policy and measures the company's progress towards achieving them. Auckland Airport continues to make progress in delivering its objectives, in particular in relation to:

- Visible leadership commitment to promote diversity and lead diverse teams, including participating in the Leadership Shadow exercise supported by Champions for Change
- Eliminating systemic bias
- Annual pay equity reviews
- Ensuring people processes are equitable, inclusive and supportive of our diverse workforce
- Partnering with the community and its members to share their cultures, languages and capabilities
- Attracting and retaining diverse talent
- Having systems in place to enable employees to report discrimination concerns
- Providing opportunities for employees to showcase their unique talents and cultures, perspectives and life experiences including through programmes like the Manu Ao leadership development initiative

The People, Capability and Iwi Committee of the Board receives regular updates on diversity and inclusion activities and an annual diversity and inclusion report from management on diversity within the company. In addition, the senior management team receives regular reports on diversity and wider gender demographics (where available) to assess how the company is tracking against the policy at the end of each reporting period. Auckland Airport continues to make good progress in delivering its diversity and inclusion objectives although has several areas of focus to improve on.

The table below shows the gender balance and age range of people who work at Auckland Airport.

	FY22				FY21		
	Male	Female	% Female	Age range	Male	Female	% Female
Board	4	4	50.0%	45 - 70	3	5	62.5%
leadership team	5	3	37.5%	40 - 60	6	2	25.0%
senior leaders	17	13	43.3%	35 - 65	16	12	42.8%
all other employees	268	162	37.7%	20 - 80	259	146	36.0%

Female representation at the leadership team level has improved during the 2022 financial year with Carrie Hurihanganui commencing as Chief Executive Officer in February 2022. Auckland Airport has an equal representation of women and men on its Board with the chairs of three of its committees being women.

Another of the company's diversity objectives is attracting and retaining a diverse workforce with 44 different nationalities being represented across the organisation.

Nomination and appointment of directors

The Board has determined that it will not establish a separate Nominations Committee, but will have the full Board undertake this function. As such, the Board has responsibility for the selection of new directors, the induction of directors and to develop a succession plan for Board members. Appropriate checks of any potential new director are undertaken before any appointment or putting forward to shareholders for election.

The Board's policy is that directors shall not serve a term of longer than nine years unless the Board considers that any director serving longer than that period would be in the best interests of shareholders. Each year, any director who is required by the NZX Listing Rules or the company's constitution to retire, will retire from office and may offer themselves for re-election at the Annual Shareholders Meeting.

All directors enter into written agreements with the company in the form of a letter that sets out the terms and conditions of their appointment. A copy of the standard form of this letter is available on the company website at corporate.aucklandairport.co.nz/Governance. This letter may be changed with the agreement of the Board.

Directors and officers insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, Auckland Airport has continued to indemnify and insure its directors and officers against liability to other parties (except to the company or a related party to the company) that may arise from their position as directors and officers. The insurance does not cover liabilities arising from criminal actions.

Continuing development of directors

The Board is encouraged and provided with opportunities to engage with employees from all levels of business without executive management present. From the time that COVID-19 restrictions were removed for Auckland in December 2021, Board meetings have included either a safety walk, an engagement with a business unit of the company or tour of a particular construction project or infrastructure asset. To ensure directors and management remain current on how best to perform their duties, they are also encouraged and provided with resources to continue the development of their business skills and knowledge, including attending relevant courses, conferences and briefings.

Directors have unfettered access to the company's records and information as required for the performance of their duties. They also receive detailed information in Board papers to facilitate decision-making. New Board members take part in an induction programme to familiarise themselves with the company's business and facilities, and all directors have access to the advice and services of the general counsel for the purposes of the Board's affairs.

Review of the Board and director performance

The Board charter requires an annual review of the Board and committee composition, structure and succession to ensure its members are performing in line with their obligations and the company's values and strategy. The Board assesses its own performance and the chair of the Board continually monitors the dynamic of the directors to ensure it is working optimally at all times. The most recent formal external review was completed in August 2021.

Board committees

The Board has set up various committees to enhance the Board's effectiveness in key areas, while still retaining overall responsibility. Each committee has a charter which outlines its objectives, structure and responsibilities. All committees established by the Board must have a minimum of three members, all members must be non-executive directors, and the majority must be independent directors. The committees are chaired by an independent chair, who must not be the chair of the Board.

The Board has established the following standing committees.

Aeronautical Pricing Committee

Members: Dean Hamilton (Chair), Julia Hoare, Liz Savage, Christine Spring

The Aeronautical Pricing Committee was set up to assist the Board with the development of the company's aeronautical pricing strategy. The committee is responsible for reviewing and providing input into Auckland Airport's aeronautical pricing strategy and to make formal recommendations to the Board.

Audit and Financial Risk Committee

Members: Julia Hoare (Chair), Mark Cairns, Dean Hamilton, Christine Spring

The Audit and Financial Risk Committee is responsible for financial risk management oversight. The committee provides general assistance to the Board in performing its responsibilities, with particular reference to financial risk management, financial reporting and audit functions. It includes specific responsibility to review the company's processes for identifying and managing financial risk and financial reporting processes, systems of internal control and the internal and external audit process.

Infrastructure Development Committee

Members: Mark Binns (Chair), Mark Cairns, Julia Hoare, Christine Spring

The Infrastructure Development Committee is responsible for assisting the Board in meeting its governance responsibilities in relation to the company's ongoing infrastructure development. This committee provides general feedback to the Board on the overall development programme, procurement strategies, project planning and progress.

People, Capability and Iwi Committee

Members: Tania Simpson (Chair), Mark Binns, Liz Savage

The role of this committee was expanded in the 2022 financial year to include oversight of iwi matters and was renamed the People, Capability and Iwi Committee. This committee ensures that the company has sound remuneration policies and processes in place. provides oversight for the company's human resource practices as well as oversight of the company's iwi relationships. This committee's charter outlines the relative weightings and remuneration components, performance criteria and approach to reviewing iwi matters.

Safety and Operational Risk Committee

Members: Christine Spring (Chair), Dean Hamilton, Liz Savage, Tania Simpson

The Safety and Operational Risk Committee is responsible for oversight of the company's safety (including workplace health, safety and wellbeing) and operational risk management programme. The company reports to the Safety and Operational Risk Committee on a number of safety and operational matters including critical risk management, significant incident or near misses, training and awareness for the period, COVID-19 response, passenger injury rates, employee injury rates, comparisons of contractor and employee injury rates, safety observations conducted and the Security Performance, Emergency Planning and Audit Programme.

The table below outlines the number of meetings of the Board and its committees held and details the attendance by each director at the relevant Board and committee meetings for the period 1 July 2021 to 30 June 2022.

	Board	Audit and Financial Risk Commitee	Aeronautical Pricing Committee	Infrastructure Development Committee	Safety and Operational Risk Committee	People Capability and Iwi Comittee
Number of Meetings	11	5	4	8	4	5
Patrick Strange	11	5	4	8	4	5
Mark Binns	11	1		8		5
Dean Hamilton	10	5	4		4	
Julia Hoare	11	5	4	8		
Elizabeth Savage	11	1	4		4	4
Tania Simpson	11	1			4	5
Christine Spring	11	5	4	8	4	
Justine Smyth[1]	5	2	1			2
Mark Cairns[2]	1			1		

1. Justine Smyth retired as director on 21 October 2021
2. Mark Cairns was appointed as director on 1 June 2022

Takeover response manual

The Board has a takeover response manual which sets out the protocol to follow if there is an unsolicited takeover offer issued to Auckland Airport. The takeover response manual requires implementation of a separate committee of the Board as well as an Auckland Airport takeover response working group that would include key external advisors.

Director disclosure

Directors' holdings and disclosure of interests

Directors held interests in the following shares in the company as at 30 June 2022:

Patrick Strange	Held personally	15,614
	Held on behalf by other person	13,358
Mark Binns	Held personally	4,662
	Held jointly with other person	17,432
Mark Cairns	Held on behalf by other person	50,000
Dean Hamilton	Held personally	5,051
Julia Hoare	Held personally	8,061
Liz Savage	Held Personally	
	Held on behalf by other person	4,483
Tania Simpson	Held personally	5,052
Christine Spring	Held personally	15,445

No directors held any interests in debt securities (including listed bonds) in the company as at 30 June 2022.

Disclosure of interests by directors

The following general disclosures of interests have been made by the directors in terms of section 140(2) of the Companies Act 1993, as at 30 June 2022:

Patrick Strange

Chair, Chorus Limited (and subsidiary company)

Director, Mercury NZ Limited

Mark Binns

Chair, Crown Infrastructure Partners Limited

Chair, Hynds Limited (and subsidiary company)

Director, Downer EDI Limited

Director, Te Puia Tapapa GP Limited

Trustee, Fletcher Building Retirement Plan

Mark Cairns

Chair, Freightways Limited

Director, Meridian Energy Limited

Director, Sanford Limited

Dean Hamilton

Chair, Fulton Hogan Limited

Director, Tappenden Holdings Limited (and associated companies)

Director, The Warehouse Group Limited (and associated companies)

Julia Hoare

Director, The a2 Milk Company Limited (and subsidiary company)

Director, Port of Tauranga Limited[1]

Director, Meridian Energy Limited

Liz Savage

Chair, Queensland Government Tourism Recovery Action Plan (Industry Panel)

Director, Intrepid Group Limited, The Intrepid Foundation Limited (Australian company)

Director, North Queensland Airports (Australian group of companies)

Director, People Infrastructure Limited (Australian company)
Director, Tiger Holdco Pty Ltd (Australian company)

Tania Simpson

Deputy Chair, Reserve Bank of New Zealand[2]

Deputy Chair, Waitangi National Trust

Director, Tainui Group Holdings Limited (and related company)

Director, Meridian Energy Limited

Director, Ukaipo Limited

Member, Waitangi Tribunal

Christine Spring

Chair, Isthmus Group Limited

Director, Unison Networks Limited (and subsidiary company[3])

Director, Western Sydney Airport Limited (Australian company)

Director, NZ Windfarms Limited (and subsidiary companies)

1. As announced to the NZX on 24 February 2022, Julia Hoare will assume the role of Chair at Port of Tauranga, effective 1 August 2022
2. Tania Simpson vacated the role of Deputy Chair of the Reserve Bank of New Zealand, effective 1 July 2022
3. Christine Spring vacated the role of Director of Unison Networks Limited (and subsidiary company), effective 27 July 2022

Reporting and disclosure

The company is committed to promoting investor confidence by providing robust, timely, accurate, complete and equal access to information in accordance with the NZX and ASX Listing Rules. Auckland Airport has a written Continuous Disclosure and Communications Policy designed to ensure this occurs.

The general counsel is the company's market disclosure officer and is responsible for monitoring the company's business to ensure compliance with its disclosure obligations. Managers reporting to the chief executive and the chief financial officer are required to provide the general counsel with all relevant material information, to regularly confirm that they have done so and made all reasonable enquiries to ensure this has been achieved.

The leadership team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies and internal controls to ensure compliance with accounting standards and applicable laws and regulations.

While the Board retains overall responsibility for financial reporting, the company's external auditor, Deloitte, is responsible for planning and carrying out each external audit and review in line with applicable auditing and review standards. Deloitte is accountable to shareholders through the Audit and Financial Risk Committee and the Board respectively.

Both financial and non-financial disclosures are made at least annually, including material exposure to environmental, economic and social sustainability risks and other key risks. When these disclosures are made, the company explains how it plans to manage those risks and how operational or non-financial targets are measured.

Non-financial reporting

Auckland Airport discloses the impact of climate change on the business and the impact of the business on climate change by following the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) and the draft Climate-Related Disclosure standards by the New Zealand External Reporting Board (XRB).

The company's emissions profile is disclosed in a standalone greenhouse gas inventory report. Information within the greenhouse gas inventory report is stated in accordance with the requirements of International Standard ISO 14064-1 *Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') and the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).* Deloitte has provided third-party assurance across the information stated in the greenhouse gas inventory report.

The company also reports to and is part of the Dow Jones Sustainability Index, FTSE4Good and is a Participant Member of GRESB (the Global ESO Benchmark for Real Assets).

The general counsel is responsible for releasing any relevant information to the market once it has been approved. The release of financial information is approved by the Audit and Financial Risk Committee, while information released on other matters is approved by the chief executive.

Directors formally consider at each Board meeting whether there is relevant material information that should be disclosed to the market.

Auditors

External audit

The Audit and Financial Risk Committee is responsible for ensuring that the quality and independence of the external audit process and that the company's external financial reporting are highly reliable and credible.

The company has an External Auditor Independence Policy which establishes a framework for it's relationship with the external auditor and includes guidelines on the extent of non-audit works that can be carried out by an auditor, ongoing review of independence and reporting that is required and the tenure and reappointment of the external auditor. The external audit function is performed by Deloitte.

The external auditor is invited to attend meetings when it is considered appropriate by the committee. The company's external auditor also attends the annual meetings and is available to answer questions relating to the audit.

Internal audit

The Audit and Financial Risk Committee has established a formal internal audit function for the company. This function is performed by Ernst & Young, which undertook an international benchmarking exercise comparing the company with similar businesses to ensure that its internal audit programme covers all material risks. Ernst & Young regularly reports on its activities to the Audit and Financial Risk Committee.

Shareholder and company information

Shareholder rights and relations

The company's communications framework and strategy are designed to ensure that communications with shareholders and all other stakeholders are managed effectively. It is the company's policy that external communications will be accurate, verifiable, consistent and transparent to enable shareholders to actively engage with Auckland Airport and exercise their rights as a shareholder in an informed manner.

The chief executive and chief financial officer are appointed as the points of contact for analysts. The head of strategy, planning and performance is the point of contact for both analysts and shareholders and can be reached at investors@aucklandairport.co.nz.

The company currently keeps shareholders, as well as interested stakeholders, informed through:

- The corporate section of the company website
- The annual report
- The interim report
- The financial report
- The interim financial statements
- The annual meeting of shareholders
- Information provided to analysts during regular briefings
- Disclosure to the NZX and ASX in accordance with the company's continuous disclosure and communications policy
- Media releases

The Board considers the annual report to be an essential opportunity for communicating with shareholders. The company publishes all of its results and reports electronically on the company website. Investors may also request a hard copy of the annual report by contacting the company's share registrar, Link Market Services Limited.

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 company secretary at the registered office.

Annual meeting of shareholders and voting

The company's annual meetings provide an opportunity for shareholders to raise questions for their Board and to make comments about the company's operations and performance.

The company's annual meeting of shareholders will be held on 20 October 2022 at 10:00 am at Eden Park, 42 Reimer Ave, Kingsland, Auckland, 1024.

All investors have the right to vote on major decisions that might change the nature of the company and these decisions are presented as resolutions at the company's annual meeting. Each holder of ordinary shares is entitled to vote at any annual meeting of shareholders. On a show of hands, each holder of ordinary shares is entitled to one vote. On a poll, one vote is counted for every ordinary share. A person is not entitled to vote when disqualified by virtue of the restrictions contained in the company's constitution and the ASX and NZX Listing Rules.

Share information

Stock exchange listings

The company's shares were quoted on the NZX on 28 July 1998 and on the ASX effective 1 July 2002. On 22 April 2016 the company changed its admission category to an ASX Foreign Exempt Listing. For the purpose of ASX Listing Rule 1.15.3, the company confirms that it has complied with the NZX Listing Rules during the year ended 30 June 2022.

Limitations on the acquisition of the company's securities

The company is incorporated in New Zealand. Therefore, it is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law by way of the New Zealand Takeovers Code, the Overseas Investment Act 2005 and the Commerce Act 1986. The company does not otherwise have any additional restrictions.

Dividends

In the year to 30 June 2022, Auckland Airport reported as underlying loss after tax of $(11.6) million and as a result no dividend has been declared for the 2022 financial year. As no dividend is payable, the dividend reinvestment plan is not currently operating. Further details are available at corporate.aucklandairport.co.nz/investors/shares-and-bonds.

Earnings per share

Earnings in cents per ordinary share were 13.02 cents in 2022 compared with 31.70 cents in 2021.

Credit rating

As at 30 June 2022, Standard & Poor's long-term credit rating for the company was A- Stable Outlook.

Distribution of ordinary shares and shareholders

The distribution of shareholdings as at 30 June 2022 is below:

Size of holding	Number of shareholders	%	Number of shares	%
1 - 1,000	13,406	25.72	5,933,076	0.40
1,001 - 5,000	29,689	56.95	62,910,152	4.27
5,001 - 10,000	4,704	9.02	33,562,369	2.28
10,001 - 50,000	3,865	7.41	74,456,197	5.06
50,001 - 100,000	310	0.59	20,933,707	1.42
100,001 and over	160	0.31	1,274,890,346	86.57
Total	51,516	100%	1,472,685,847	100%

Substantial product holders

Pursuant to section 280 of the Financial Markets Conduct Act 2013, the following persons had given notice as at the balance date of 30 June 2022 that they were substantial product holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

Substantial product holder	Number of shares in which 'relevant interest' is held	Date of notice
Auckland Council	266,328,912	02.07.16

The total number of voting securities on issue as at 30 June 2022 was 1,472,685,847.

20 largest shareholders

The 20 largest shareholders of Auckland Airport as at 30 June 2022 are as follows:

Shareholders	Number of shares	% of capital
Auckland Council	266,328,912	18.09
HSBC Nominees (New Zealand) Limited[1]	166,534,174	11.31
HSBC Nominees (New Zealand) Limited[1]	142,322,550	9.66
JP Morgan Chase Bank[1]	102,536,703	6.96
Citibank Nominees (NZ) Limited[1]	87,225,822	5.92
JP Morgan Nominees Australia Limited	63,932,795	4.34
Custodial Services Limited	47,739,422	3.24
Accident Compensation Corporation[1]	36,124,624	2.45
BNP Paribas Nominees NZ Limited Bpss40[1]	36,051,998	2.45
HSBC Custody Nominees (Australia) Limited	33,248,944	2.26
Tea Custodians Limited[1]	30,633,294	2.08
BNP Paribas Nominees Pty Ltd	20,591,891	1.40
New Zealand Superannuation Fund Nominees Limited[1]	19,694,887	1.34
Premier Nominees Limited[1]	13,784,942	0.92
Citicorp Nominees Pty Limited	13,452,568	0.91
New Zealand Depository Nominee	13,341,446	0.91
BNP Paribas Nominees NZ Limited[1]	12,757,026	0.87
National Nominees New Zealand Limited[1]	10,481,155	0.71
Australian Foundation Investment Company Limited	10,299,845	0.70
Public Trust[1]	9,380,154	0.64

1. These shares are held through New Zealand Central Securities Depository Limited (NZCSD), a depository system which allows electronic trading of securities to members

Company Information

The company was incorporated on 20 January 1988, under the Companies Act 1955, and commenced trading on 1 April 1988. The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156) and was re-registered under the Companies Act 1993 on 6 June 1997. On 25 June 1998, the company adopted a revised constitution, approved as appropriate for a publicly listed company. Further revisions of the constitution were adopted on 21 November 2000, 18 November 2002, 23 November 2004 and 30 June 2019 to comply with NZX and ASX Listing Rule requirements.

Regulatory environment

The company is regulated by, among other legislation, the Airport Authorities Act 1966 and the Civil Aviation Act 1990. The company is an "airport company" for the purposes of the Airport Authorities Act 1966. The company has consultation obligations under the Airport Authorities Act 1966.

The company is required to comply with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, with disclosure financial statements required to be published in November each year.

Disciplinary action taken by NZX, ASX or the Financial Markets Authority (FMA)

None of the NZX, the ASX or the FMA has taken any disciplinary action against the company during the financial year ending 30 June 2022.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Auckland Airport has during the year:

- Donated $58,500 to various charities including to Life Education Trust Counties Manukau, Leukaemia & Blood Cancer New Zealand and The Polyfest Trust
- Granted $368,605 to the Auckland Airport Community Trust. The Trust distributed these funds in the 2022 calendar year to residents and community groups living and working in the Trust's area of benefit
- Contributed $14,250 to the Ara Charitable Trust

The above figures do not include a further $30,000 in donations made by generous travellers into the charity globes in our terminals, which was then donated to three South Auckland schools as part of Auckland Airport's "Doing it for Each Other" Covid-19 vaccination campaign.

The company's subsidiaries did not make any donations during the year.

Entries recorded in the interests register

Except for disclosures made elsewhere in this annual report, there have been no entries in the interests register of the company or its subsidiaries made during the year.

Subsidiary company directors

All subsidiary companies in the group are 100% owned by the company. Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The group structure and appointments as at 30 June 2022 are below:

Auckland Airport Limited	Philip Neutze, Mark Thomson
Auckland Airport Holdings Limited	Philip Neutze, Mary-Elizabeth Tuck
Auckland Airport Holdings (No. 2) Limited	Philip Neutze, Mary-Elizabeth Tuck
Auckland Airport Holdings (No. 3) Limited	Mary-Elizabeth Tuck
Ara Charitable Trustee Limited	Mary-Elizabeth Tuck

Remuneration

Auckland Airport is committed to remuneration transparency. Accordingly, the company provides shareholders with detailed information about director and employee remuneration.

Director remuneration

The directors' remuneration is paid in the form of directors' fees. Additional fees are paid to the chair of the Board and in respect of work carried out by individual directors on various Board committees to reflect the additional responsibilities of these positions.

Review and approval

Each year, the People, Capability and Iwi Committee reviews the level of directors' remuneration. The committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review and is authorised to obtain independent advice on market conditions. After taking independent external advice, the committee makes recommendations to the Board on the appropriate allocation of fees to directors, and shareholders approve a fee pool for directors at the annual meeting.

Directors' share purchase plan

To align their incentives with shareholders, the directors have decided that they each will use a minimum 15% of their base fees to acquire shares in the company for an initial three-year term. If, at the time of being onboarded as a director of the company, or at the end of the initial three-year period, the aggregate holding of shares in the company by the director, is equal to, or above, their base fees, the director may elect to vary their contribution or, opt out of the plan. Directors have entered into a share purchase plan agreement and appointed Jarden to be the manager of the plan. Jarden acquires the shares required for the plan on behalf of directors after the company's half-year and full-year results announcements. Directors remain in their share purchase plan until one year after retirement from the Board.

2022 financial year

In light of the ongoing impact of COVID-19 on the company, at the 2021 annual meeting the directors resolved to not seek any change to the total directors' fee pool of $1,593,350. The last review of the directors fee pool occurred in 2019. The directors have resolved to not seek any change to the total directors' fee pool in 2022.

In the 2022 financial year, the directors received the following remuneration for their governance of Auckland Airport.

Remuneration received by directors by Board member

Name	Director's fee (excluding expenses)[1]
Patrick Strange	$260,350
Mark Binns	$164,650
Mark Cairns[2]	$13,571
Dean Hamilton	$168,925
Julia Hoare	$196,075
Liz Savage	$158,275
Tania Simpson	$160,433
Justine Smyth, CNZM[3]	$57,842
Christine Spring	$197,875

1. The above director remuneration includes the 15% of the base fees payable that are used to acquire shares in the company under the share purchase plan. All directors contribute at the 15% level with the exceptions of Mark Binns and Mark Cairns who do not participate and Elizabeth Savage who from 1 October 2020 has been contributing 20%
2. Mark Cairns was appointed with effect from 1 June 2022
3. Justine Smyth officially retired as a director as the company's 2021 annual shareholder meeting, held on 21 October 2021

Base fees of directors by position (from June 2022)

	Chair[1]	Member
Board	$260,350	$123,250
Aeronautical Pricing Committee (ad hoc)		$2,700
Audit and Financial Risk Committee	$51,600	$25,800
Safety and Operational Risk Committee	$27,600	$13,800
Development Committee	$27,600	$13,800
People, Capability and Iwi Committee	$27,600	$13,800
Ad hoc committee work (per day)	–	$2,700

1. The chair attends all subcommittee meetings of the board as an ex-officio member. The chair does not receive committee meeting fees

Employee remuneration

Remuneration philosophy

The company's remuneration philosophy is to ensure that:

- Staff are fairly and equitably remunerated relative to similar companies and positions within the New Zealand market
- Staff are strongly motivated to deliver shareholder value
- The company is able to attract and retain high-performing employees who will ensure the achievement of business objectives.
- Auckland Airport pays a minimum living wage for all permanent employees. We also provide a range of benefits to our employees including health and life insurance to eligible employees, enhanced parental leave provisions and the opportunity to purchase company shares at a discounted rate on an annual basis. Employees who are eligible to participate in KiwiSaver receive a company contribution of up to 3% of each employee's paid remuneration.

Performance, development and annual remuneration review

All employees participate in regular performance and development reviews, with end-of-year review outcomes informing decisions regarding remuneration adjustments in accordance with company policy. In addition, talent reviews are conducted regularly throughout each year to identify those employees with the potential to progress to more complex and/or senior roles, with outputs informing the company's succession planning approach.

Auckland Airport's philosophy is to set the mid-points of fixed annual remuneration ranges at the market median for employees who are fully competent in their roles. The remuneration review process involves the consideration of market information obtained from specialist advisors and, in the case of employees employed under Collective Employment Agreements, negotiations with unions.

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward performance fairly in a financial year.

The short-term incentive includes a 50% individual component target and a 50% company component target.

The individual component is based on the employee achieving key performance targets relevant to their role. These targets are agreed with the employee's manager at the start of the performance year or, in the case of the chief executive, agreed with the Board. The individual component includes stretch targets, as well as baseline objectives. Each participating employee has clear measures in place to determine achievement or non-achievement in any one year.

The company component is based on the company's achievement of targets set by the Board over three agreed components, being Purpose, Place, and Community. Each component has a clear measure in place to determine achievement or non-achievement in any one year.

The short-term incentive target range and above-target performance range for employees is set out in the table below.

	Short-term incentive target	For over-performance
Employee not on leadership team	10% to 20% of fixed annual remuneration	Up to 24% of fixed annual remuneration
Leadership Team	35% of fixed annual remuneration	Up to 49% of fixed annual remuneration
Chief Executive	50% of base salary	Up to 70% of base salary

Long-term incentive

Members of Auckland Airport's leadership team and the chief executive participate in the company's long-term incentive plan.

This scheme is a share-rights plan and share-rights are granted to participating leadership team members with a three-year vesting period. Share-rights, once vested and exercised, entitle the participating leadership team members to receive shares in Auckland Airport. All other vesting rules and performance hurdles that existed under the previous long-term incentive plan remain in place under the new long-term incentive plan.

Note 23(b) of the financial statements provides full details of the number of incentives granted, lapsed and exercised.

Remuneration of employees

Below is the number of employees of the company, excluding directors, who received remuneration and other benefits (such as short-term incentive payments and Kiwisaver contributions) that totalled $100,000 or more during the 2022 financial year

Amount of remuneration	Employees
$100,001 to $110,000	28
$110,001 to $120,000	42
$120,001 to $130,000	26
$130,001 to $140,000	32
$140,001 to $150,000	20
$150,001 to $160,000	14
$160,001 to $170,000	14
$170,001 to $180,000	14
$180,001 to $190,000	5
$190,001 to $200,000	3
$200,001 to $210,000	3
$210,001 to $220,000	3
$220,001 to $230,000	4
$230,001 to $240,000	3
$240,001 to $250,000	4
$250,001 to $260,000	1
$260,001 to $270,000	3
$270,001 to $280,000	3
$280,001 to $290,000	2
$310,001 to $320,000	3
$330,001 to $340,000	2
$340,001 to $350,000	1
$370,001 to $380,000	1
$500,001 to $510,000	1
$510,001 to $520,000	1
$540,001 to $550,000	1
$680,001 to $690,000	1
$700,001 to $720,000	1
$830,001 to $840,000	1
$860,001 to $870,000	1
$2,100,001 to $2,200,000	1

Chief executive remuneration

Chief executive, Carrie Hurihanganui, commenced her role on 8 February 2022. The disclosure for the 2022 financial year relates to the remuneration paid between 8 February 2022 and 30 June 2022. Adrian Littlewood finished his role as chief executive on 12 November 2021 and the disclosure for the 2022 financial year relates to the remuneration paid between 1 July 2021 and 12 November 2021.

CE Remuneration summary

Financial year	Chief executive	Salary	Benefits[1]	Fixed remuneration subtotal	STI earned	LTI	Subtotal	Total remuneration
FY22	Carrie Hurihanganui[2]	$481,529	$19,147	$500,676	$272,219[3]	$0[4]	$272,219	$772,875
FY22	Adrian Littlewood[5]	$598,561	$43,291	$641,852	$329,938	$351,836	$681,774	$1,323,626
FY21	Adrian Littlewood	$1,279,307	$86,120	$1,365,427	$835,843	$315,594[6]	$1,151,437	$2,516,864
FY20	Adrian Littlewood	$1,241,743	$80,382	$1,322,125	$0	$461,757[7]	$461,757	$1,783,882
FY19	Adrian Littlewood	$1,281,431	$82,347	$1,363,778	$560,574	$450,495[8]	$1,011,069	$2,374,847
FY18	Adrian Littlewood	$1,262,352	$117,377	$1,379,729	$585,862	$1,801,980[9]	$2,837,842	$3,767,751

1. Includes a Kiwisaver contribution of 3%, insurance and other statutory benefits
2. Carrie Hurihanganui, commenced her role in February 2022. The disclosure for the 2022 financial year relates to the remuneration paid between 8 February 2022 and 30 June 2022
3. The FY22 STI will be payable in the 2023 financial year
4. The Chief Executive received a pro-rata allocation under the FY22 long-term incentive plan
5. Adrian Littlewood resigned from his role on 12 November 2021, the disclosure for the 2022 financial year relates to the remuneration paid between 1 July 2021 and 12 November 2021
6. The FY21 long term incentive payment reflect the pre-tax value of the grant made in FY18
7. The FY20 long-term incentive payment reflects the pre-tax value of the grant made in FY17
8. The FY19 long-term incentive payment reflects the pre-tax value of the grant made in FY16
9. The final financial year in which a grant to phantom options made under the legacy long-term incentive scheme could be exercised was 2018. The exercise of the phantom options in the financial year was subject to a cap of 2 x his base salary for financial year 2015

Base Salary

The chief executive earns a fixed annual remuneration of $1,212,000.

Shares

The chief executive held 14,050 shares personally in the company as at 30 June 2022.

Short-term incentives

The annual value of the short-term incentive scheme for the chief executive is set at 50% of her base salary (provided all performance targets are achieved). If performance is unsatisfactory in a category, then no short-term incentive is payable for that criteria. A maximum of 1.4 x the target is payable for outstanding performance by the chief executive.

The criteria used to measure the chief executive's individual performance is based on meeting certain targets focused on border reopening and recovery, customer, financial market and infrastructure programme outcomes.

The 50% company component of the Chief Executives FY22 STI Scheme had the following weighting:

Category	Weighting
Purpose Compliance with meeting budgeted operational expenditure and interest coverage covenant	33.3%
Place Delivery of enabling works for the terminal integration programme	33.3%
Community Public and customer favourability and health and safety focus	33.3%

Long-term incentives

The chief executive participated (on a pro-rata basis) in the Auckland Airport long-term incentive plan in the 2022 financial year.

Financial summary

Covid-19 continued to have an adverse impact on the aviation industry throughout the year to 30 June 2022. The global spread of new Covid-19 variants and the associated imposition of travel restrictions to mitigate the impact of these on the community resulted in a second financial year of disruption for Auckland Airport.

With travel restrictions in place for a significant portion of the year, total passenger numbers fell 13% to 5.6 million. Despite the lower overall passenger numbers, the gradual reopening of the country's border from the end of February 2022 resulted in the return of international travel, driving an increase in total revenue for the year of 7% to $300.3 million. Reflecting the greater number of higher value international travellers, Aeronautical income increased by 7% to $94.7 million and retail income increased 28% to $22.7 million. The combined effects of completed property developments and rental growth in the existing portfolio resulted in property rental income continuing to increase, up 12% to $112.9 million in the year.

Operating costs increased to $155.8 million in the year to 30 June 2022, reflecting the planned ramp up in activity and headcount as the aviation recovery got underway. The higher operating costs to scale the business for the recovery resulted in EBITDAFI declining to $144.5 million in the year to 30 June 2022. Reported profit after tax of $191.6 million in the 2022 financial year was down 59% from the $466.6 million of the prior year, largely reflecting a smaller investment property revaluation gain of $204.4 million (2021: $527.3 million). After excluding this and other one-off & unrealised items, the underlying result was a loss of $11.6 million, an improvement on the underlying loss of $39.4 million in 2021.

	2022 $M	Restated 2021[1] $M	Change
Income	300.3	281.1	7%
Operating expenses	155.8	110.0	42%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	144.5	171.1	(16)%
Reported profit after tax	191.6	466.6	(59)%
Underlying profit after tax	(11.6)	(39.4)	71%
Earnings per share (cents)	13.0	31.7	(59)%
Underlying earnings per share (cents)	(0.8)	(2.7)	70%
Ordinary dividends for the full year			
– cents per share	–	–	n/a
– value distributed	–	–	n/a

1. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements

Net capital expenditure of $253.1 million (gross: $260.0 million) was spent in the year, prioritised on asset resilience and renewals to take advantage of the low demand environment to minimise disruption to customers. In addition, work continued on two strategic projects; the enabling works associated with the integration of the domestic and international terminals and the completion of a major upgrade to the precinct's roading network.

The company's balance sheet remains strong, with banking facilities extended and the interest coverage banking covenant amended to provide financial flexibility to manage through the uncertain recovery pathway.

As the company reported an underlying loss for the year to 30 June 2022, the Board has resolved not to pay a final dividend for the year.

The table on the next page shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2022 and 2021.

	2022			Restated 2021[1]		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[2]	144.5	–	144.5	171.1	–	171.1
Investment property fair value increase	204.4	(204.4)	–	527.3	(527.3)	–
Property, plant and equipment revaluation	(1.4)	1.4	–	(7.5)	7.5	–
Fixed asset write-offs, impairments and termination costs[2]	–	6.9	6.9	–	2.5	2.5
Reversal of fixed asset impairment and termination costs[2]	–	–	–	–	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	–	(0.5)	0.5	–
Share of profit of associate and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	–	(113.1)	(120.9)	–	(120.9)
Interest expense and other finance costs	(53.7)	–	(53.7)	(94.0)	–	(94.0)
Taxation expense	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

Notes

1. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements
2. 2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9m. 2021 included a net reversal of $16.9 million

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:

- we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building class of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

Corporate directory

Directors

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

Senior management

Carrie Hurihanganui, chief executive

Philip Neutze, chief financial officer

Anna Cassels-Brown, general manager operations

Jonathan Good, general manager technology and marketing

André Lovatt, general manager infrastructure

Scott Tasker, general manager customer and aeronautical commercial

Mark Thomson, general manager property and commercial

Mary-Liz Tuck, general manager corporate services and general counsel, general manager strategic infrastructure planning and transformation

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Manukau 2150
New Zealand

General Counsel and General Manager Corporate Services

Mary-Liz Tuck

Auditors

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

This annual report is dated 18 August 2022 and is signed on behalf of the Board by:

Patrick Strange
Chair of the Board

Julia Hoare
Director


AKL
WELCOME
BACK
ZK-OJO


AKL
OPEN
elcome
home
Auckland
Airport
Financial Report 2022

Financial Statements

This annual report covers the performance of Auckland International Airport Limited (Auckland Airport) from 1 July 2021 to 30 June 2022. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2022 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2022

Introduction

In a year characterised by disruption and resilience, recovery and then re-connection, Auckland Airport is pleased to present the financial results for the year to 30 June 2022.

The COVID-19 pandemic and the associated travel restrictions continued to adversely impact the company throughout the year. In August 2021, the inevitable Delta outbreak reached New Zealand resulting in the re-imposition of domestic travel restrictions from which Auckland only emerged 107 days later on 15 December 2021. On 23 January 2022, New Zealand went to the red traffic light setting following the outbreak of Omicron in the community.

Responding to the pandemic posed significant operational challenges throughout the year, particularly ensuring the airport could continue to operate while staff were required to isolate. Despite these disruptions, the safety and wellbeing of those who work at the airport, our customers and the thousands of passengers who continued to use the airport every day has been at the forefront of our operation.

Having responded to the arrival of the pandemic in the prior year, the 2022 financial year saw Auckland Airport focused on positioning itself for the reopening of the country's border and a progressive recovery in aviation.

During this time, considerable financial support was provided to our airline customers and commercial tenants, particularly retail, who were unable to trade for significant periods of the year. Despite the disruption, Auckland Airport utilised the low-demand environment to continue to prioritise capital expenditure on asset resilience and renewal, enabling a number of projects to be completed with minimal disruption to customers.

With the easing of international travel restrictions from late February 2022 and the gradual reopening of the country's border, the recovery in aviation is well underway. Thousands of passengers are now using the airport every day, travelling both domestically and internationally, undertaking business, going on holiday or reconnecting with friends, family or loved ones. The resumption of travel has reinvigorated the business and created new opportunities for people to explore New Zealand and the world.

This financial report analyses our results for the 2022 financial year and its key trends. It covers the following areas:

- 2022 Financial performance;
- 2022 Financial position; and
- 2022 Returns for shareholders.

2022 Financial performance

This financial summary provides an overview of the financial results and key trends for the year ended 30 June 2022 compared with those for the previous financial year. Readers should refer to the following financial statements, notes, and accounting policies for an understanding of the basis on which the financial results are determined.

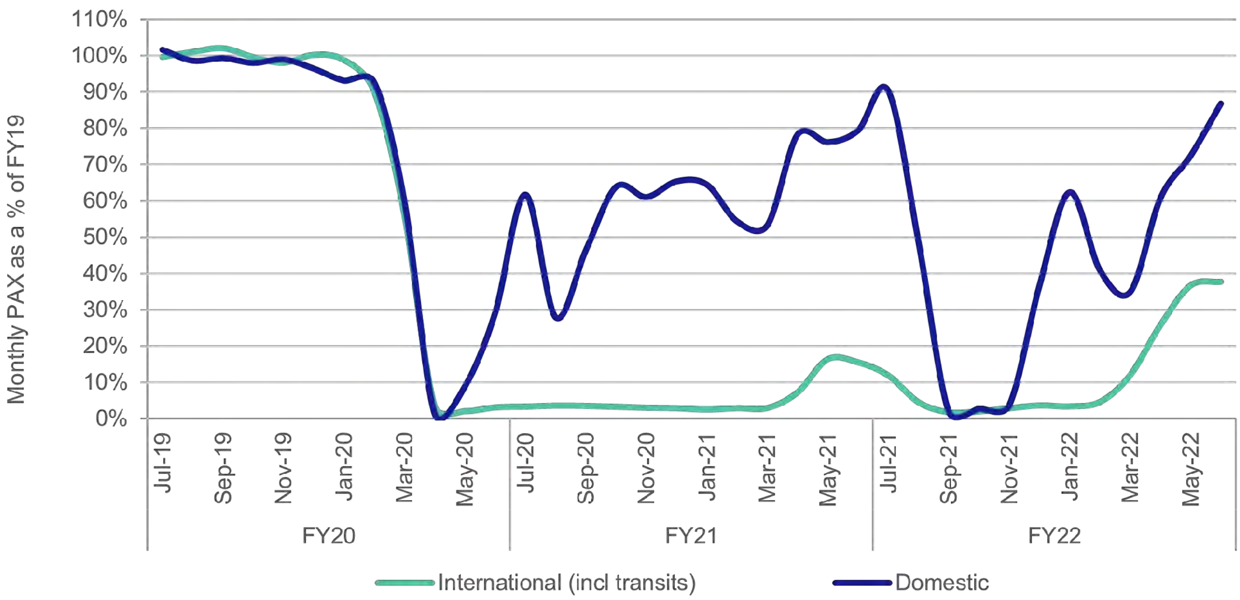
COVID-19

The COVID-19 pandemic continued to adversely impact the aviation industry throughout the year to 30 June 2022. The global spread of new COVID variants and the associated imposition of travel restrictions to mitigate the impact of these on the community resulted in a second full financial year of disruption for Auckland Airport.

Total passenger numbers during 2022 were down on those recorded in 2021, reaching levels not seen since the mid-1990s. The impact of lower passenger numbers was felt across all business segments, from aviation to transport, retail and hotels to commercial property.

The Delta outbreak in August 2021 and subsequent Omicron outbreak in February 2022 resulted in the closure of the country's border for a significant proportion of the year and the reimposition of domestic travel restrictions, particularly in Auckland. Between August and December 2021, there was restricted movement through Auckland's border with the rest of New Zealand, significantly impacting domestic travel. Following the relaxation of restrictions on 15 December 2021, it was pleasing to see a recovery in domestic activity.

With the reduction in Auckland's Alert Level from red to orange and the gradual reopening of the country's border from late February 2022, both domestic and international passenger numbers steadily increased as New Zealanders resumed travelling to undertake business, go on holidays or reconnect with friends, family or loved ones. The reopening of the border was a catalyst for the restart of our tourism industry with international visitors beginning to arrive in the country from 28 February 2022.



In the 2022 financial year, revenue increased by 7% on the prior year to $300.3 million. Aeronautical revenues increased 7% reflecting the increased volume of higher-value international passengers, offsetting the reduction in domestic passengers seen during the year.

2022 Financial performance CONTINUED

Retail revenues similarly increased 28% on the prior year to $22.7 million as a result of the gradual reopening of stores in the international terminal following the reopening of the country's border. Car parking revenues decreased 9% on the prior year following the reduction of domestic passenger movements arising from the COVID-19 travel restrictions in place during the year and some domestic travel reticence when the Omicron outbreak began to take hold. Property rental income delivered another year of strong growth, up 12% in the period, reflecting a mix of newly completed developments and rental growth from the existing portfolio.

Our reported profit after taxation for the 2022 financial year was $191.6 million, driven by $204.4 million of investment property revaluation gains. After removing the impact of all revaluation movements, Auckland Airport incurred an underlying loss after taxation of $11.6 million.

A summary of the financial results for the year to 30 June 2022 and the 2021 comparative is shown in the table below.

	2022 $M	Restated 2021[1] $M	Change
Income	300.3	281.1	7%
Operating expenses	155.8	110.0	42%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	**144.5**	**171.1**	**(16)%**
Reported profit after tax	191.6	466.6	(59)%
Underlying profit after tax	**(11.6)**	**(39.4)**	**71%**
Earnings per share (cents)	13.0	31.7	(59)%
Underlying earnings per share (cents)	(0.8)	(2.7)	70%
Ordinary dividends for the full year			
- cents per share	-	-	n/a
- value distributed	-	-	n/a

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

Underlying profit is how we measure our financial performance

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons can be made with confidence between different companies and that there is integrity in our reporting approach. However, we believe that an underlying profit measurement can also 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 profit alongside reported results. We do so when we report our results, but also when we give market earnings guidance (where we exclude fair value changes and other one-off items) and when we consider dividends. Our usual dividend policy (prior to the dividend restrictions in place until December 2022 as a result of more lenient lending covenants negotiated with our banking partners) is to pay out 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 we have derived this result.

2022 Financial performance CONTINUED

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2022 and 2021

	2022			Restated 2021[1]		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement[2]	144.5	-	144.5	171.1	-	171.1
Investment property fair value increase	204.4	(204.4)	-	527.3	(527.3)	-
Property, plant and equipment revaluation	(1.4)	1.4	-	(7.5)	7.5	-
Fixed asset write-offs, impairments and termination costs	-	6.9	6.9	-	2.5	2.5
Reversal of fixed asset impairments and termination costs	-	-	-	-	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	-	(0.5)	0.5	-
Share of profit of associate and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	-	(113.1)	(120.9)	-	(120.9)
Interest expense and other finance costs	(53.7)	-	(53.7)	(94.0)	-	(94.0)
Taxation (expense) / credit	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit / (loss) after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.
2 2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9m. 2021 included a net reversal of $16.9 million.

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:

- we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building class of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

2022 Financial performance CONTINUED

Key performance measures

Auckland Airport monitors a wide range of financial and non-financial performance measures. This year we have again considered the most relevant operational and financial measures to assess performance of the business over the longer term and outline these in the following table. Further commentary on these measures is included in the remainder of this Financial Report.

Measure	2022	Restated 2021 [1]	Change 2021-2022
Total aircraft seat capacity			
International aircraft seat capacity	2,385,277	1,834,995	30%
Domestic aircraft seat capacity	6,014,790	7,556,978	(20)%
Passenger movements			
International passengers	1,252,761	559,061	124%
International transit passengers	88,114	43,064	105%
Domestic passengers	4,261,271	5,844,734	(27)%
Maximum certified take-off weight (MCTOW)			
International MCTOW (tonnes)	2,115,128	1,771,014	19%
Domestic MCTOW (tonnes)	1,343,150	1,637,867	(18)%
Cargo volume			
Volume of international cargo movements (tonnes)	180,941	166,451	9%
Passenger spend rate (PSR)			
Change in International Terminal PSR			0%
Income per passenger (IPP)			
Retail IPP	$4.08	$2.77	47%
Average revenue per parking space (ARPS)			
Change in ARPS			(1)%
Airport Service Quality (ASQ)			
International	3.93 [2]	n/a	n/a
Domestic	4.03 [2]	4.20 [2]	(4)%
Rent roll			
Annual rent roll $m (property division)	127.5	117.0	9%
EBITDAFI			
EBITDAFI per passenger	$25.80	$26.50	(3)%
Environmental			
Scope 1 and 2 carbon emissions (tCO_2e)	5,279	4,705	12%
Water usage (m^3)	169,138	129,514	31%
Waste landfill (tonnes)	722	843	(14)%

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.
2 As a result of the COVID-19 restrictions, ASQ data was not available for the International Terminal between October 2021 to December 2021 and April 2020 to June 2021 and not available for the Domestic Terminal between October 2021 to December 2021, April 2020 and September 2020.

2022 Financial performance CONTINUED

Revenue

In the 2022 financial year, revenue increased by 7% to $300.3 million, with the resumption in international travel driving higher aeronautical revenue in the year, plus ongoing rental growth. Retail income was similarly higher on prior year, but parking income declined on the prior year reflecting the lower domestic passenger numbers.

The table below summarises revenue by line of business for the financial year to 30 June 2022 and the prior period comparative.

	2022 $M	2021 $M	Change
Operating revenue			
Airfield landing charges	46.5	45.8	2%
Aircraft parking charges	14.4	18.2	(21)%
Total airfield income	60.9	64.0	(5)%
Passenger services charge	33.8	24.2	40%
Total aeronautical income	94.7	88.2	7%
Retail income	22.7	17.8	28%
Car park income	26.2	28.7	(9)%
Total retail and car park income	48.9	46.5	5%
Rental income - Property	112.9	100.5	12%
Rental income - Aeronautical	16.0	14.4	11%
Rental income - Retail	0.8	0.3	167%
Total rental income	129.7	115.2	13%
Rates recoveries	8.6	7.8	10%
Interest income	0.3	4.9	(94)%
Other income	18.1	18.5	(2)%
Total revenue	**300.3**	**281.1**	**7%**

Airfield income

Airfield income comprises both airfield landing charges and aircraft parking charges. Airfield landing charges are based on the MCTOW of aircraft and parking charges are based on the time aircraft are parked on the airfield.

Total airfield income decreased by $3.1 million, or 5%, to $60.9 million with aircraft movements of 86,063, down 13% from the prior year reflecting the reduction in air services as a result of the imposition of travel restrictions.

Total MCTOW across both international and domestic landings increased by 1% in the year. The small increase in MCTOW relative to aircraft movements reflects the recovery of long-haul services in the second half of the financial year, which are provided by larger aircraft compared to smaller short-haul domestic equivalent.

	2022	2021	Change
Aircraft movements			
International	18,315	15,102	21%
Domestic	67,748	83,582	(19)%
Total aircraft movements	**86,063**	**98,684**	**(13)%**
MCTOW (tonnes)			
International MCTOW	2,115,128	1,771,014	19%
Domestic MCTOW	1,343,150	1,637,867	(18)%
Total MCTOW	**3,458,278**	**3,408,881**	**1%**

2022 Financial performance CONTINUED

In addition to responding to challenges in our own business, Auckland Airport recognises we are part of a wider community and that we continued to have a role to play in supporting our industry partners through the COVID-19 disruption. In support of airlines, Auckland Airport continued to suspend certain aircraft parking charges in the year, providing $8.2 million of relief to allow non-operating aircraft to park free of charge.

Airfield parking charges income was $14.4 million in the 2022 financial year, a decrease of 21% on the prior year, driven by fewer aircraft being parked on the airfield given increased flights combined with ongoing relief for the non-operating aircraft parked semi-permanently.

Passenger services charge

Passenger services charge (PSC) income increased by 40% to $33.8 million in the 2022 financial year as a result of increased international passenger movements.

Passenger movements are a significant driver of value for Auckland Airport, with the majority of aeronautical revenue pre-COVID-19 coming from PSCs. International passenger volumes have a greater impact on financial performance than domestic, with the revenue generated by an international passenger being between four and five times that of a domestic passenger.

	2022	2021	Change
Auckland Airport passenger movements			
International arrivals	596,104	261,469	128%
International departures	656,657	297,592	121%
International passengers excluding transits	**1,252,761**	**559,061**	**124%**
Transit passengers	88,114	43,064	105%
Total international passengers	**1,340,875**	**602,125**	**123%**
Domestic passengers	4,261,271	5,844,734	(27)%
Total passenger movements	**5,602,146**	**6,446,859**	**(13)%**

International passenger movements

International passenger numbers, excluding transits, increased by 124% or 693,700 passengers in the year to 30 June 2022. This reflects the gradual removal of international travel restrictions to New Zealand in the final quarter of the financial year.

The start of the financial year saw international demand gradually building due to the operation of quarantine free travel with Australia and the Cook Islands. The outbreaks of Delta in the community resulted in the border being closed and effectively remaining so between August 2021 and February 2022 with international passenger numbers less than 5% of the FY19 equivalent. With the staged reopening of the border from late February 2022, international passenger demand gradually recovered, reaching 42% of the June 2019 equivalent in the final month of the financial year.

2022 Financial performance CONTINUED

The table below shows the top 20 volumes of passenger arrivals by country of last permanent residence to Auckland Airport in the 2022 financial year.

Country of last permanent residence	International passenger arrivals				
	2022	2021	Change	Share of total 2022 arrivals	Share of total 2021 arrivals
New Zealand	321,636	81,032	297%	54%	31%
Australia	151,179	110,782	36%	25%	42%
United Kingdom	18,461	14,235	30%	3%	5%
United States of America	14,712	9,130	61%	2%	3%
India	6,434	2,516	156%	1%	1%
China, People's Republic of	6,030	4,637	30%	1%	2%
Samoa	5,877	2,076	183%	1%	1%
Cook Islands	5,291	3,500	51%	1%	1%
Canada	4,476	2,316	93%	1%	1%
Singapore	3,990	1,561	156%	1%	1%
Hong Kong (Special Administrative Region)	2,739	1,659	65%	0%	1%
Fiji	2,715	1,039	161%	0%	0%
South Africa	2,578	1,424	81%	0%	1%
Korea, Republic of	2,152	864	149%	0%	0%
Germany	2,096	1,204	74%	0%	0%
Malaysia	1,980	676	193%	0%	0%
Japan	1,895	1,118	69%	0%	0%
Tonga	1,528	334	357%	0%	0%
France	1,442	807	79%	0%	0%
Netherlands	1,243	725	71%	0%	0%

Source: Statistics New Zealand

Visitor arrivals by purpose of visit

The most common purpose of international arrivals to New Zealand continued to be holidays (3%) and visiting friends and relatives (8%).

Purpose of visit		2022	2021	Change	Share of total
Foreign residents	Holiday/vacation	11,215	4,476	151%	3%
	Visit friends/relatives	30,688	20,963	46%	8%
	Business/conference	8,411	3,713	127%	2%
	Education/medical	614	331	85%	0%
	Other (Incl. not stated/not captured)	9,156	3,171	189%	2%
New Zealand residents		321,636	81,032	297%	84%

Source: Statistics New Zealand

2022 Financial performance CONTINUED

Domestic passenger movements

Domestic passenger numbers decreased by 27% or 1,583,463 passengers in the year to 30 June 2022. This reflects the extended domestic lockdown in the first half of the year and the impact of elevated Alert Levels in response to the Omicron outbreak.

Following the reduction in Alert Levels, the domestic travel market continues to steadily improve with domestic passenger movements in June 2022 recovering to 87% of the FY19 equivalent.

Aeronautical prices

The financial year to 30 June 2022 was the fifth and final year of the Price Setting Event 3 aeronautical pricing schedule. In response to continued uncertainty in the aviation market and to support airlines during the early phase of the COVID-19 recovery, in January 2022 Auckland Airport's Board agreed to hold aeronautical charges for the first year of Price Setting Event 4, being the year to 30 June 2023, flat with those in 2022. However, the $2.00 (plus GST) Regulatory and Requested Investment ("RRI") Policy in place from 1 October 2021 to 30 June 2022 to partially recover costs of segregating the International Terminal to enable quarantine free travel will not be charged to airlines during the year to 30 June 2023.

Auckland Airport has now begun consultation with our airline customers on aeronautical charges for the remainder of Price Setting Event 4.

	2021 ($)	2022 ($)	2022 price change	2023 ($)
International PSC[1]	15.21	15.49	2%	15.49
Domestic PSC[1]	2.86	3.10	8%	3.10
Regional PSC[1]	2.49	2.64	6%	2.64
Transits PSC[1]	5.66	6.24	10%	6.24

1 PSC charges applied to passengers two years and older.

Retail income

Auckland Airport earns concession revenue from retailers within the Domestic and International Terminals, including Duty Free, Speciality, Luxury and Destination stores, Food and Beverage outlets, Foreign Exchange and Advertising. In addition, retail income is generated through off-airport duty and tax-free sales collected by passengers from our International Terminal's collection points.

2022 Financial performance CONTINUED

Total retail income for the 2022 financial year was $22.7 million, an increase of 28% or $4.9 million on the previous financial year. Auckland Airport's total retail income per passenger was $4.08 for the 2022 financial year, up 47% on the prior year. This reflects the lift in international passengers at the end of the financial year, additional store openings and higher income from The Mall offering.

But with very low international passenger numbers for most of the financial year, the majority of retailers within the International Terminal remained closed. Given these circumstances, Auckland Airport continued to support retailers to manage through the ongoing COVID-19 disruption by providing $173 million of rental abatements in the year. The gradual reopening of the border from March 2022 saw stores begin to reopen, with 55% of stores trading by the end of June.

International passenger spend rates for Duty Free and Destination categories increased over the prior year; however, the total international passenger spend rate was flat as a result of the difficult operating environment including staffing shortages and reduced product supply.

The Mall is our online duty and tax-free shopping experience that allows passengers to purchase across multiple retailers in a single online transaction and collect at both our International and Domestic Terminals. Income lifted 79% over the prior year with an increased retail offering, albeit well below pre-COVID levels given limited international passengers.

Car parking income

Car parking income in the 2022 financial year was $26.2 million, a decrease of $2.5 million or 9% on the prior year.

Following the COVID-19 Delta variant lockdown from August to December 2021, domestic parking rebounded reflecting the resumption in domestic travel and an increased propensity to park relative to other transport options. Domestic exits were down 23% on the prior year, broadly consistent with the decline in domestic passengers.

In response to the increase in domestic car parking demand, Auckland Airport continued to optimise capacity, including repurposing spaces proximate to the International Terminal for public use, repurposing taxi parking areas, upgrading customers to Valet and utilising spare international parking capacity.

With the reopening of the country's border, international parking demand significantly increased in the final quarter of the year with full year exits up 123% on the 2021 financial year, broadly in-line with international passenger growth. All international parking products, including Valet, were opened in the final quarter of the year.

The average revenue per parking space decreased by 1% on the prior year as a result of reduced domestic passengers and capacity taken offline to enable certain physical capital works to commence.

On 8 June 2022, the main car park outside the International Terminal closed to allow enabling works for the new Transport Hub to begin, with the new covered public pick-up/drop-off facility expected to reopen in late 2023. There was an 8% decline in parking capacity in the 2022 financial year primarily from the Transport Hub development. No new carparks were built in the year to 30 June 2022.

Staff parking was moved to Park and Ride in the 2022 financial year which also reduced available public spaces.

2022 Financial performance CONTINUED

The table below outlines the number of car parking spaces available at 30 June 2022 and 30 June 2021.

Parking capacity as at 30 June	2022	2021	Change	Change
Domestic Terminal	2,918	3,118	(200)	(6)%
International Terminal	2,600	3,396	(796)	(23)%
Park and Ride	2,000	3,772	(1,772)	(47)%
Valet	1,995	1,995	-	-
Staff	2,572	800	1,772	222%
Total	**12,085**	**13,081**	**(996)**	**(8)%**

For transport operators that are still severely impacted by international border restrictions, Auckland Airport continued to provide tailored relief packages.

Rental income

Auckland Airport earns rental income from space leased in facilities, such as terminals, cargo buildings and from stand-alone investment properties. Total rental income in the financial year was $129.7 million, an increase of 13% on the prior year.

Property rental income (excluding aeronautical and retail rental income) was $112.9 million in 2022, an increase of $12.4 million, or 12%, on the prior year. Approximately 75% of revenue growth in the year reflected the completion of new property assets and the full-year impact of developments completed during the previous financial year, with the balance due to rent increases, partially offset by an extra $1 million of abatements versus the 2021 financial year for tenants still materially impacted by COVID-19.

Newly completed developments in the year included those for Hellmann Worldwide Logistics and Geodis Wilson, both second facilities for those tenants. Rental income is expected to continue to grow through 2023 and beyond with six industrial developments currently under construction, adding $9 million to investment property rent roll.

Auckland Airport continued to support property tenants in the financial year through $4.9 million of rental abatements, with a focus predominately on those tenants most strongly affected by a drop in passenger numbers.

Income from the ibis Budget Hotel increased $0.2 million, or 7%, compared to the previous financial year. Following the opening of quarantine-free travel, occupancy in the final four months of the year rose to 64% from 26% in the first eight months of the year.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, plus recoverable charges from tenants. Total income from these sources was $18.1 million, a decrease of $0.4 million, or 2%, on the previous financial year.

2022 Financial performance CONTINUED

Expenses

Total expenses including depreciation, interest and taxation were $300.6 million in the 2022 financial year, a decrease of $54.3 million, or 15%, on the prior year.

Operating expenses

A continuation of Auckland Airport's COVID-19 response strategy resulted in prudent management of operating costs during the year while travel restrictions were still in place. As the recovery began, additional operating costs have been incurred to scale the business for the recovery.

Total operating expenses (i.e. excluding depreciation, interest and taxation) were $155.8 million in the 2022 financial year, an increase of $45.8 million, or 42%, on the prior year.

	2022 $M	Restated 2021[1] $M	Change
Operating expenses			
Staff	50.0	45.6	10%
Asset management, maintenance and airport operations	66.7	53.4	25%
Rates and insurance	21.0	20.8	1%
Marketing and promotions	1.4	1.0	40%
Professional services and levies	4.3	4.0	8%
Fixed asset write-offs and termination costs	6.9	2.5	176%
Reversal of fixed asset impairment and termination costs	-	(19.4)	(100)%
Other expenses	6.1	6.3	(3)%
Expected credit losses	(0.6)	(4.2)	86%
Total operating expenses	**155.8**	**110.0**	**42%**
Depreciation	113.1	120.9	(6)%
Interest	53.7	94.0	(43)%
Taxation	(22.0)	30.0	(173)%
Total expenses	**300.6**	**354.9**	**(15)%**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

Staff costs increased by a net $4.4 million, or 10%, in the year. This primarily reflects the increased headcount to scale up the business for the recovery in aviation activity, partially offset by $4.3 million received from the Government wage subsidy scheme (2021: $2.0 million) and an increase in capitalised salaries of $2.5 million following the step up in capital works during the year.

Asset management, maintenance and airport operation expenses increased by $13.3 million, or 25% in the 2022 financial year. This increase similarly reflects a scaling up of activity-based costs such as outsourced operations including baggage handling, bus services supporting airside operations to accommodate Zone B and additional costs associated with Park and Ride and Valet parking to service recovering passenger numbers. Repairs and maintenance activities increased as a result of higher activity levels during the quieter period of the year.

Rates and insurance expenses increased by $0.2 million, or 1%, in 2022 reflecting higher insurance costs.

With the closure of New Zealand's borders for most of the financial year, marketing and promotional activity increased by $0.4 million. This reflects a modest increase of aeronautical marketing to support the recovery in aviation activity.

2022 Financial performance CONTINUED

Fees for professional services increased by $0.3 million, or 8%, to $4.3 million in the 2022 financial year, reflecting the additional consulting work required to support the recovery of the business.

During the 2022 financial year, Auckland Airport wrote-off or impaired $6.9 million of fixed assets associated with capital expenditure projects assessed as sufficiently uncertain to be able to deliver future benefit, or where the scope of the capital works is expected to change, rendering certain design expenditure obsolete. Examples include early design works for the Pukaki Bridge replacement, Park and Ride South, the northern runway and the domestic Strata Lounge.

Other expenses decreased by $0.2 million, or 3%, in the 2022 financial year. This included reduced office overheads, total payments to directors and other corporate expenditure. In addition, Auckland Airport subsequently recovered a net $0.6 million from debtors in the year that was provided as expected credit losses in the prior year.

Depreciation

Depreciation expense in the 2022 financial year was $113.1 million, a decrease of $7.8 million, or 6%, on the previous financial year. This was primarily due to the recent IFRIC accounting decision that no longer allows capitalisation of most configuration and customisation costs for software as a service applications (SaaS). This lowered 2022 depreciation by $4.2 million and increased 2022 operating costs by $0.1 million, the latter reflecting ongoing SaaS investment that is now immediately expensed. There were also lower depreciation charges from a number of assets reaching their end of life during the 2021 and 2022 financial years.

Interest

Interest expense fell in the 2022 financial year to $53.7 million, a decrease of $40.3 million, or 43%, on the prior year. The decrease was dominated by $23.5 million of one-off costs associated with the prepayment of USPP debt in June 2021 and the associated close-out of cross-currency and interest rate swap costs.

Excluding these one-off costs in the prior year, normalised interest expense in the 2022 financial year decreased 22% to $54.4 million. This reflected lower average debt levels in the current year.

Taxation

Taxation credit was $22.0 million in the 2022 financial year, a decrease in expense of $52.0 million on the previous year. This largely reflects the deferred tax impact of revaluation movements of the non-land component of investment property and financial derivatives. These fair value movements are excluded from underlying tax, which resulted in an underlying tax expense of $0.6 million, $16.5 million higher underlying tax expense than the $15.9 million underlying tax credit in 2021. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

Share of profit from associates

Our total share of the profit from associates in the 2022 financial year was a loss of $12.8 million, $33.9 million below our $21.1 million share of profit of associates in the 2021 financial year. This loss comprised our share of the Tainui Auckland Airport Hotel Limited Partnership (TAAH) profit of $7.4 million, our share of Queenstown Airport's profit of $0.3 million, and a revaluation loss from the Tainui Auckland Airport Hotel 2 Limited Partnership (TAAH2) of $20.5 million.

On an underlying basis, these fair value adjustments are excluded and this resulted in an underlying share of profit of associates of $4.4 million which comprised $4.1 million from TAAH, nil from TAAH2 and $0.3 million from Queenstown Airport. This was a $1.0 million reduction on the $5.4 million profit in the 2021 financial year.

2022 Financial performance CONTINUED

Queenstown Airport

Queenstown Airport's net profit after tax for the 2022 financial year decreased by 35% to $1.1 million. Auckland Airport's 24.99% share of Queenstown Airport's net profit after tax was $0.3 million, a $0.1 million decrease on the $0.4 million in the previous financial year.

	2022 $M	2021 $M	Change
Financial performance			
Total revenue	26.8	27.8	(4)%
EBITDAFI	14.0	17.1	(18)%
Total net profit after tax	1.1	1.7	(35)%
Passenger performance			
Domestic passenger volume	1,096,655	1,311,416	(16)%
International passenger volume	37,889	25,280	50%
Total passengers	**1,134,544**	**1,336,696**	**(15)%**

Queenstown Airport's passenger volumes were down 15% to 1,134,544 in the 2022 financial year with international passengers up 50% on the prior year due to the gradual relaxation of COVID-19 border restrictions in the last four months of the financial year. Domestic passengers were down by 16% on the 2021 financial year reflecting the protracted domestic travel restrictions from the COVID-19 Delta and Omicron outbreaks.

In the 2022 financial year, Auckland Airport did not receive a dividend from our investment in Queenstown Airport. On 16 August 2022, the directors of Queenstown Airport declared a final dividend of $1.3 million for the year ended 30 June 2022. The group's share of the dividend is $0.3 million.

Tainui Auckland Airport Hotel Limited Partnership

Auckland Airport has a 50% investment in the Novotel hotel joint venture with Tainui Group Holdings.

In the 2022 financial year, Auckland Airport's share of underlying profit from this investment was $4.1 million, a decrease of $0.9 million, or 18%, compared with the previous year. Auckland Airport's share of the joint venture's reported profit in the 2022 financial year was $7.3 million, which includes $2.0 million of property revaluation gains and $1.3 million of derivative fair value gains.

The Novotel hotel was used exclusively as a managed isolation facility for the entire 2022 financial year and, following an extensive refurbishment, was reopened to the public in July 2022.

Tainui Auckland Airport Hotel 2 Limited Partnership

Auckland Airport has a 50% investment in the Pullman Hotel joint venture with Tainui Group Holdings Limited.

The partnership continued construction the 311 room five-star Pullman Hotel during the year with construction broken into two phases, the first phase to complete the structure and full exterior so that the building is weather-tight. The second phase to complete the remaining interior fit-out works of the hotel commenced during the financial year.

Two of Auckland Airport's senior management team members are directors on the board of the partnership. No directors' fees are paid in relation to these appointments, but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

2022 Financial performance CONTINUED

In the 2022 financial year, Auckland Airport's share of underlying profit from this investment was nil. Auckland Airport's share of the joint venture's reported loss in the 2022 financial year was $20.5 million, entirely reflecting the revaluation loss.

Fair value changes

In the 2022 financial year, investment property fair value changes resulted in a gain in the income statement of $204.4 million. The main drivers of this fair value increase were a $119.0 million uplift for the industrial category driven by continued capitalisation rate compression and a $59.0 million uplift for vacant land driven by higher valuation rates per square metre.

The land asset class within property, plant and equipment was revalued as at 30 June 2022. These revaluations resulted in a combined $386.2 million decrease in the carrying value of this asset class, comprising of a $2.5 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a $383.7 million decrease in revaluation reserve (representing downwards revaluations limited to previous revaluations booked to reported revaluation reserve).

During the year, the buildings asset class within property, plant and equipment was revalued. The last occurrence was at the financial year ended 30 June 2019. The revaluation resulted in an increase of $460.6 million in the carrying value. There was an increase of $459.5 million to the revaluation reserve and net increase of $1.1 million that positively impacted the profit and loss.

2022 Financial position

As at 30 June	2022 $M	Restated 2021[1] $M	Change
Non-current assets	10,078.1	9,651.5	4%
Current assets	74.8	125.8	(41)%
Total assets	**10,152.9**	**9,777.3**	**4%**
Non-current liabilities	1,391.9	1,521.8	(9)%
Current liabilities	610.1	326.0	87%
Equity	8,150.9	7,929.5	3%
Total equity and liabilities	**10,152.9**	**9,777.3**	**4%**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

As at 30 June 2022, the book value of Auckland Airport's total assets was $10,152.9 million, an increase of $375.6 million, or 4%, on the prior financial year. The increase in total assets reflects the combined effects the $204.4 million investment property revaluation gain, the $1.4 million revaluation loss relating to land within the property, plant and equipment asset class and net capital expenditure in the year of $253.1 million after capital expenditure impairments.

Shareholders' equity as at 30 June 2022 increased by $221.4 million, or 3%, on 30 June 2021. The movement in equity largely reflects the investment property revaluation gains which are included in retained earnings and property, plant and equipment revaluation gains which are predominantly reflected in the property, plant and equipment revaluation reserve.

Gearing, measured as debt to debt plus the market value of shareholders' equity, increased to 15.6% as at 30 June 2022, from 15.3% as at 30 June 2021.

Capital expenditure

As part of our COVID response strategy, Auckland Airport suspended most of its aeronautical investment programme in 2020. In the 2021 financial year, Auckland Airport reset the infrastructure plan to align development activity with the expected recovery in aviation activity.

For the financial year to 30 June 2022, gross capital expenditure totalled $260.0 million (before impairments), up 32% on the prior year reflecting increased activities on aeronautical related projects. Adjusting for $6.9 million of write-offs and impairments, net capital expenditure for the year was $253.1 million. Consistent with the prior year, the majority of activity was focused on the completion of existing projects and asset resilience and renewal initiatives. Work also continued on two key strategic projects: the enabling works associated with the integration of the Domestic and International Terminals, and the completion of a major upgrade to the precinct's roading network.

2022 Financial position CONTINUED

The table below summarises capital expenditure in the year and the associated key projects.

Category	2022 Gross capex $M	2022 Write-offs and impairments $M	2022 Net capex $M	2021 Net capex $M	% change	Key 2022 projects
Aeronautical	125.6	(6.2)	119.4	47.0	154%	Activity in the year included airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishments and terminal renewals. In addition, design and enabling activity continued and construction commenced on elements of the terminal integration programme.
Infrastructure and other	67.7	(0.6)	67.1	74.1	(9)%	Activity in the year largely comprised the completion of the Northern Transport Network and the International Terminal landside enabling projects. These projects delivered a new exit road for the International Terminal, improved pedestrian facilities, upgrades to George Bolt Memorial Drive and infrastructure works to enable future terminal development. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	54.8	-	54.8	72.5	(24)%	Activity in the year included the completion of pre-leased developments for Hellmann Worldwide Logistics and Geodis Wilson, continuation of a pre-leased warehouse development scheduled for completion in 2023 and the commencement of design or construction activity on four pre-leased and one speculative warehouse developments which are scheduled for delivery across 2023 and 2024. In addition, construction activity commenced on the Mānawa Bay Outlet Centre and continued on the Te Ārikinui Pullman Auckland Airport Hotel.
Retail	0.4	-	0.4	1.1	(64)%	Retail capital expenditure in 2022 included the continued investment in The Mall, Auckland Airport's omni-channel retail platform.
Car parking	11.5	(0.1)	11.4	1.0	1,040%	Activity in the year primarily related to planning and enabling works for the new multi storey Transport Hub which is scheduled to become operational in the 2024 financial year.
Total	**260.0**	**(6.9)**	**253.1**	**195.7**	**29%**	

Capital expenditure outlook for FY23

Capital investment for the year to 30 June 2023 will primarily involve commencing or continuing delivery phases for strategic projects including terminal integration, development of a new Transport Hub opposite the International Terminal, development of the Mānawa Bay Outlet Centre and design work for regional services at the Domestic Terminal. In addition, design and construction activity on roading projects is planned to increase vehicle capacity on the southern and eastern roading networks.

The property development pipeline for the 2023 financial year remains strong with activity planned on four pre-leased and one speculative development. Also, investment in core airfield and terminal renewals such as runway slab / apron replacements, airfield ground lighting and fire system upgrades will be continued.

2022 Financial position CONTINUED

In view of the developments outlined, capital expenditure for the 2023 financial year is forecast to be between $600 million and $700 million.

		Forecast range
Category	Low	High
	$M	$M
Aeronautical	209.0	261.0
Infrastructure and other	66.0	78.0
Property development	185.0	205.0
Retail and car parking	140.0	156.0
Total capital expenditure	**600.0**	**700.0**

Aeronautical activity in the 2023 financial year will be primarily focused on progressing enabling and construction activity on several initiatives that form part of the terminal integration programme including the east bag hall at the International Terminal, relocation of some airside facilities and a new western truck dock. Upgrades to arrivals to accommodate increased screening requirements are also planned for 2023 alongside construction of the Transport Hub. In addition, design work will be progressed on increasing regional capacity at the current Domestic Terminal. Airfield and terminal renewal works will continue as well, but in 2023 there will be a stronger focus on asset renewals at the Domestic Terminal.

Infrastructure and other projects in the 2023 financial year include commencing delivery of upgrades to the eastern and southern roading networks, investment in core utility networks, core IT infrastructure including a major upgrade to the campus fibre network to ensure diversification and resilience of service, server upgrades and investment in cyber security.

Property projects planned for 2023 include the completion of a preleased warehouse development and the Kerry Logistics expansion, and progressing the design and construction activity on four pre-leased developments and one speculative warehouse development. Auckland Airport will also continue to explore opportunities for new pre-leased developments. In addition, construction activity will continue on the Mānawa Bay Outlet Centre and the Te Ārikinui Pullman Auckland Airport Hotel.

Aside from the development of the Transport Hub, Auckland Airport plans to recommence development of the Park and Ride South project which was placed on hold in 2020. This project will provide car parking capacity to offset the loss of parking spaces during the construction of the Transport Hub and provide laydown and contractor parking facilities which will be required for the large terminal integration works and other strategic development projects.

2022 Financial position CONTINUED

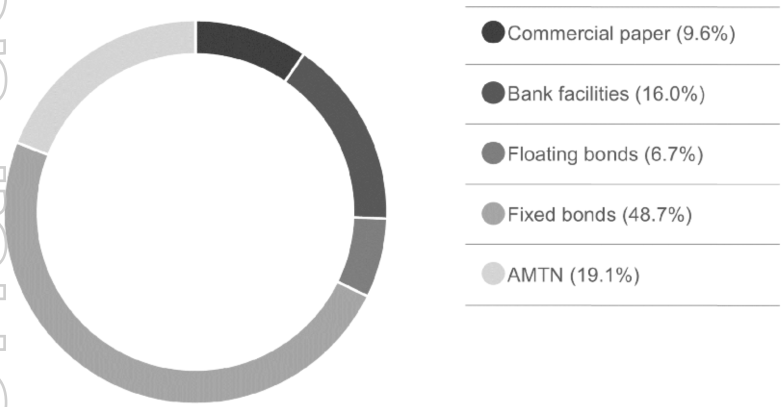
Borrowings

As at 30 June 2022, Auckland Airport's total borrowings were $1,476.7 million, an increase of $83.8 million or 6% on the previous year. The increase in borrowings reflects new borrowings during the year partially offset by decreases in the fair value of existing debt owing to increases in market interest rates.

As at 30 June 2022, Auckland Airport's borrowings comprised: AMTN notes totalling $279.8 million; New Zealand fixed rate bonds totalling $716.2 million; New Zealand floating rate bonds totalling $100.0 million; drawn bank facilities totalling $238.0 million; and commercial paper totalling $142.6 million.

Short-term borrowings with a maturity of one year or less totalled $515.6 million as at 30 June 2022 and comprised $142.6 million of commercial paper, $100m million of floating rate bonds, $200 of New Zealand fixed rate bonds and $73.0 million of drawn bank facilities.

Borrowings by type



The AMTN borrowings were revalued downwards at year-end reflecting higher interest rates. The AMTN debt carrying value decreased by $36.0 million. The interest rate movement was matched by equal and offsetting movements in the fair value of the associated cross-currency interest rate swaps.

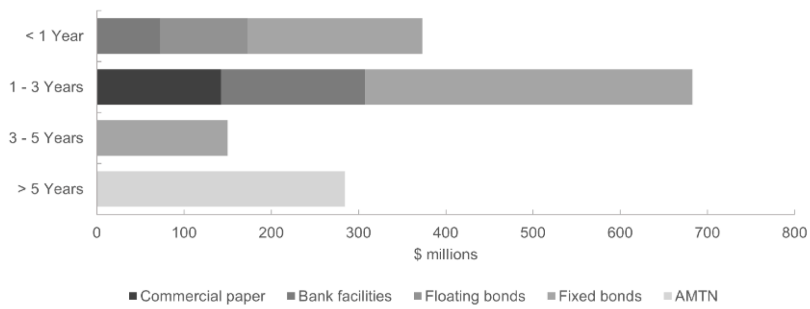
As at 30 June 2022, Auckland Airport had fixed rate bonds outstanding with a face value of $725.0 million and floating rate notes of $100.0 million. A new $150 million bond, issued in November 2021, has a matching fair value interest rate swap that converts the fixed interest payments to a floating rate exposure. This fair value relationship resulted in the carrying value of the new bonds being revalued down by $8.8 million at June 2022. As with the cross-currency swaps there was an equal and opposite movement in the carrying value of the associated financial derivative. A full breakdown of the maturities of these notes is available in note 18(a) of the Financial Statements.

As at 30 June 2022, Auckland Airport had total bank facilities of $1,192.5 million, of which $238.0 million was drawn and $954.5 million was available in a standby capacity. As at 30 June 2022, Auckland Airport had a mix of drawn and undrawn facilities with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

2022 Financial position CONTINUED

The commercial paper programme had a balance of $142.6 million at 30 June 2022. As the commercial paper is supported by undrawn facilities which mature in April 2025, they are included in the one-to-three year bracket for the purpose of the following debt maturity profile chart as at 30 June 2022, matching the maturity of the supporting bank facilities.

Debt maturity profile at 30 June 2022



Auckland Airport manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings across various interest rate reset and maturity dates, and entering into financial instruments, such as interest rate swaps, in accordance with defined treasury policy parameters.

In the past year, Auckland Airport managed the impact of interest rate fluctuations by maintaining a policy-mandated level of fixed-rate borrowings. Further details on Auckland Airport's financial risk management objectives and policies are set out in note 18(d) of the financial statements.

Credit metrics and key lending covenants	Covenant	2022	2021
Gearing	≤ 60%	15.6%	15.3%
Interest Coverage	≥ 1.25x	2.58x	2.07x
Debt to enterprise value		12.3%	11.6%
Net debt to enterprise value		12.1%	10.9%
Funds from operations interest cover	≥ 2.5x	2.6x	1.5x
Funds from operations to net debt	≥ 11.0%	6.4%	3.9%
Weighted average interest cost		4.32%	5.43%
Average debt term to maturity		2.29	2.92
Percentage of fixed borrowings		71.5%	80.4%

Credit rating

As at 30 June 2022, Standard & Poor's long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'.

2022 Financial position CONTINUED

Cash flow

Cash flow summary	2022 $m	2021 $m	Change
Net cash inflow from operating activities	101.2	60.6	67%
Net cash outflow from investing activities	(283.2)	(216.1)	(31)%
Net cash inflow / (outflow) from financing activities	127.2	(530.3)	124%
Net increase (decrease) in cash held	**(54.8)**	**(685.8)**	92%

Net cash inflow from operating activities was $101.2 million in the 2022 financial year, an increase of $40.6 million, or 67%, on the previous financial year. This reflected increased business activity following the relaxation of travel restrictions during the year.

Net cash outflow applied to investing activities was $283.2 million in the 2022 financial year, an increase of $67.1 million, or 31% reflecting increased capital expenditure on infrastructure and commercial property during the year.

Net cash inflow from financing activities was $127.2 million in the 2022 financial year, an increase of $657.5 million, on the previous financial year which included the prepayment of all USPP borrowings. The inflow for the current year was a result of additional borrowings undertaken in 2022, partially offset by a repayment of maturing facilities.

2022 Returns for shareholders

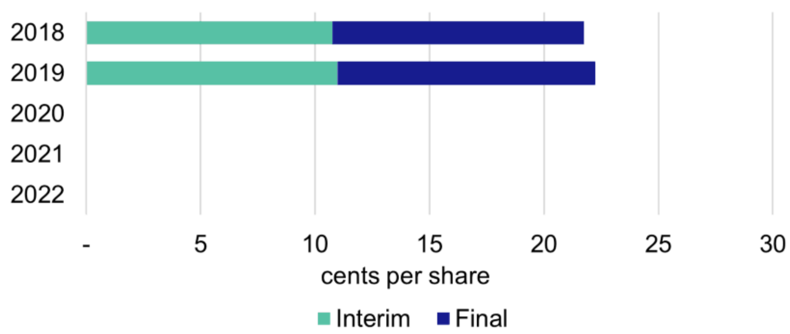
Dividend policy

Auckland Airport's usual dividend policy (prior to the dividend restrictions in place until 31 December 2022 as a result of more lenient lending covenants negotiated with our banking partners in July 2021 and February 2022) is to pay out 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items), noting that, in special circumstances, the directors may consider the payment of ordinary dividends above or below this level, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

In accordance with the banking covenant agreements negotiated in February 2022, Auckland Airport will not be able to pay any dividends until the final dividend for the 2023 financial year, which is usually paid in October. Therefore, no dividend has been declared for the 2022 financial year. In line with the same agreements, until Auckland Airport reports EBITDA interest coverage of at least 3.0 times for a 12 month measurement period ended either 30 June or 31 December, any dividend payments must not exceed underlying profit for the period.

The dividend policy is reviewed annually.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price at 30 June 2022 was $7.18, a nine cent decrease on the 30 June 2021 equivalent.

Total shareholder return over the five-year period to 30 June 2022 was 1.3%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	$	$	$	$	
1 July 2017 to 30 June 2022	7.13	7.18	0.44	0.49	1.3%

Financial statements

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Income			
Airfield income		60.9	64.0
Passenger services charge		33.8	24.2
Retail income		22.7	17.8
Rental income		129.7	115.2
Rates recoveries		8.6	7.8
Car park income		26.2	28.7
Interest income		0.3	4.9
Other income		18.1	18.5
Total income		300.3	281.1
Expenses			
Staff	5	50.0	45.6
Asset management, maintenance and airport operations		66.7	53.4
Rates and insurance		21.0	20.8
Marketing and promotions		1.4	1.0
Professional services and levies		4.3	4.0
Fixed asset write-offs, impairment and termination costs	5	6.9	2.5
Reversal of fixed asset impairment and termination costs	5	-	(19.4)
Other expenses		6.1	6.3
Expected credit losses/(release)		(0.6)	(4.2)
Total expenses		155.8	110.0
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[2]		144.5	171.1
Investment property fair value change	12	204.4	527.3
Property, plant and equipment fair value change	11(a)	(1.4)	(7.5)
Derivative fair value change	18(b)	1.7	(0.5)
Share of profit of associate and joint ventures	8	(12.8)	21.1
Earnings before interest, taxation and depreciation (EBITDA)[2]		336.4	711.5
Depreciation	11(a)	113.1	120.9
Earnings before interest and taxation (EBIT)[2]		223.3	590.6
Interest expense and other finance costs	5	53.7	94.0
Profit before taxation		169.6	496.6
Taxation expense/(benefit)	7(a)	(22.0)	30.0
Profit after taxation attributable to the owners of the parent		191.6	466.6

		Cents	Cents
Earnings per share			
Basic earnings per share	10	13.02	31.70
Diluted earnings per share	10	13.01	31.69

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.
2 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Profit for the year		191.6	466.6
Other comprehensive income			
Items that will not be reclassified to the income statement			
Net property, plant and equipment revaluation movement	11(a), 16(b)	75.8	769.9
Tax on the property, plant and equipment revaluation reserve	16(b)	(128.5)	-
Movement in share of reserves of associate and joint ventures	8, 16(f)	13.9	8.2
Items that will not be reclassified to the income statement		(38.8)	778.1
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges			
Fair value losses/(gains) recognised in the cash flow hedge reserve	16(d)	85.5	57.7
Realised gains transferred to the income statement	16(d)	9.1	12.1
Tax effect of movements in the cash flow hedge reserve	16(d)	(26.5)	(19.5)
Total cash flow hedge movement		68.1	50.3
Movement in cost of hedging reserve	16(e)	(0.8)	3.9
Tax effect of movement in cost of hedging reserve	16(e)	0.2	(1.1)
Items that may be reclassified subsequently to the income statement		67.5	53.1
Total other comprehensive income		28.7	831.2
Total comprehensive income for the year, net of tax attributable to the owners of the parent		220.3	1,297.8

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M	Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate and joint ventures $M	Retained earnings $M	Total $M
For the year ended 30 June 2022										
At 1 July 2021 (restated)		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5
Profit for the year		-	-	-	-	-	-	-	191.6	191.6
Other comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	-	28.7
Total comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	191.6	220.3
Reclassification to retained earnings	16(b)	-	-	(7.0)	-	-	-	-	7.0	-
Shares issued	15	1.0	-	-	-	-	-	-	-	1.0
Long-term incentive plan	16(c)	-	-	-	0.1	-	-	-	-	0.1
At 30 June 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
For the year ended 30 June 2021										
At 1 July 2020 (restated)		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,301.8	6,630.7
Profit for the year (restated)		-	-	-	-	-	-	-	466.6	466.6
Other comprehensive income		-	-	769.9	-	50.3	2.8	8.2	-	831.2
Total comprehensive income (restated)		-	-	769.9	-	50.3	2.8	8.2	466.6	1,297.8
Reclassification to retained earnings	16(b)	-	-	(3.7)	-	-	-	-	3.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.4	-	-	-	-	0.4
At 30 June 2021 (restated)		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Non-current assets			
Property, plant and equipment	11(a)	6,986.1	6,826.5
Investment properties	12	2,897.4	2,641.4
Investment in associate and joint ventures	8	166.5	154.4
Derivative financial instruments	18	28.1	29.2
		10,078.1	9,651.5
Current assets			
Cash and cash equivalents	13	24.7	79.5
Trade and other receivables	14	28.5	25.4
Taxation receivable		21.6	20.9
		74.8	125.8
Total assets		10,152.9	9,777.3

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

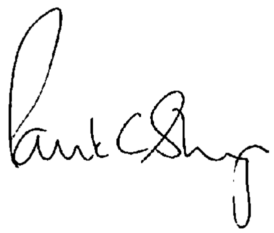
The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

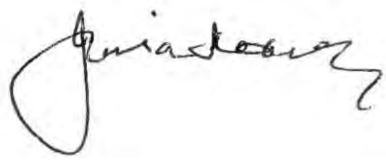
	Notes	2022 $M	Restated[1] 2021 $M
Shareholders' equity			
Issued and paid-up capital	15	1,680.2	1,679.2
Reserves	16	4,500.0	4,478.2
Retained earnings		1,970.7	1,772.1
		8,150.9	7,929.5
Non-current liabilities			
Term borrowings	18(a)	961.0	1,172.8
Derivative financial instruments	18	15.7	67.9
Deferred tax liability	7(c)	411.9	278.3
Other term liabilities		3.3	2.8
		1,391.9	1,521.8
Current liabilities			
Accounts payable and accruals	17	87.1	103.4
Derivative financial instruments	18	0.9	1.9
Short-term borrowings	18(a)	515.6	220.0
Provisions	21	6.5	0.7
		610.1	326.0
Total equity and liabilities		10,152.9	9,777.3

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

These financial statements were approved and adopted by the Board on 18 August 2022.

Signed on behalf of the Board by





Patrick Strange
Director, Chair of the Board

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

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		287.0	271.2
Interest received		0.3	4.9
		287.3	276.1
Cash was applied to:			
Payments to suppliers and employees		(134.6)	(116.9)
Income tax paid/(received)		-	(0.6)
Interest paid		(51.5)	(98.0)
		(186.1)	(215.5)
Net cash flow from operating activities	6	101.2	60.6
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.4	0.4
Repayment of partner contribution/dividends received from associate and joint ventures	8	3.0	5.0
		3.4	5.4
Cash was applied to:			
Property, plant and equipment additions		(224.8)	(141.5)
Interest paid - capitalised	11(a), 12	(8.0)	(6.5)
Investment property additions		(39.8)	(58.1)
Investment in joint ventures	8	(14.0)	(15.4)
		(286.6)	(221.5)
Net cash flow applied to investing activities		(283.2)	(216.1)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings	18(a)	200.6	105.0
Settlement of cross-currency interest rate swaps		(1.4)	79.6
		199.2	184.6
Cash was applied to:			
Decrease in borrowings	18(a)	(72.0)	(714.9)
		(72.0)	(714.9)
Net cash flow applied to financing activities		127.2	(530.3)
Net (decrease)/increase in cash held		(54.8)	(685.8)
Opening cash brought forward		79.5	765.3
Ending cash carried forward	13	24.7	79.5

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2022

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

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 original assets of Auckland Airport were vested in the company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The company commenced trading on 1 April 1988. The company was re-registered under the *Companies Act 1993* on 6 June 1997. The company is an FMC reporting entity under Part 7 of the *Financial Markets Conduct Act 2013*.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries, associate and joint ventures (the group). There are five active subsidiaries in the group. Auckland Airport Limited holds the group's investment in Queenstown Airport in New Zealand. Auckland Airport Holdings (No. 2) Limited holds the group's investment in the Tainui Auckland Airport Hotel Limited Partnership, which operates the Novotel hotel at Auckland Airport and the Tainui Auckland Airport Hotel 2 Limited Partnership, which is constructing a new Pullman hotel at Auckland Airport.

A third subsidiary, Auckland Airport Holdings (No. 3) Limited, wholly owns Ara Charitable Trustee Limited, which operates the Ara Charitable Trust (the Auckland Airport Jobs and Skills Hub). The other two subsidiaries are the Auckland International Airport Limited Share Purchase Plan and the Auckland Airport Limited Executive Long-Term Incentive Plan, which are consolidated because the company has control of the plans (refer note 23).

All the subsidiaries are incorporated in New Zealand.

Auckland Airport provides airport facilities, supporting infrastructure and aeronautical services in Auckland, New Zealand. The group earns revenue from aeronautical activities, on-airport retail concessions and car parking facilities, stand-alone investment properties and other charges and rents associated with operating an airport.

These financial statements were authorised for issue in accordance with a resolution of the directors on 18 August 2022.

2. Summary of significant accounting policies

(a) Basis of preparation

Statutory base

These financial statements have been prepared in accordance with the requirements of Part 7 of the *Financial Markets Conduct Act 2013* and the NZX *Main Board and Debt Market Listing Rules*.

Measurement base

The financial statements have been prepared on a historical cost basis, except for investment properties, land, buildings and services, runway, taxiways and aprons, infrastructural assets and derivative financial instruments, which have been measured at fair value.

When the group applies fair value hedges to borrowings, the carrying value of the borrowings are adjusted for fair value changes attributable to the risk being hedged.

Presentation currency

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.

(b) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS). Refer to note 3(e) for disclosure of non-GAAP financial information presented in these financial statements. These financial statements are prepared on a going concern basis.

(c) New accounting standards and interpretations

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with cloud computing arrangements. The new interpretation only permits capitalisation in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense. The group previously capitalised configuration and customisation costs for cloud computing arrangements.

In response to this interpretation, the group has now completed its analysis of configuration and customisation costs associated with cloud computing arrangements, resulting in retrospective restatements of the following historical financial information:

- The statement of financial position as at 30 June 2020;
- The income statement for the year ended 30 June 2021;
- The cash flow statement for the year ended 30 June 2021; and
- The statement of financial position as at 30 June 2021.

The adjusted amounts presented in these financial statements are as follows:

30 June 2021	Audited 30 Jun $M	Adjustment 30 Jun $M	Restated 30 Jun $M
Items from the income statement			
Professional services and levies	3.6	0.4	4.0
Depreciation	124.7	(3.8)	120.9
Taxation expense/(benefit)	29.0	1.0	30.0
Profit after taxation	**464.2**	**(2.4)**	**466.6**
Items from the statement of financial position			
Property, plant and equipment	6,832.0	(5.5)	6,826.5
Retained earnings	1,776.1	(4.0)	1,772.1
Deferred tax liability	279.8	(1.5)	278.3
Items from the cash flow statement			
Payments to suppliers and employees	(116.5)	(0.4)	(116.9)
Property, plant and equipment additions	(141.9)	0.4	(141.5)

30 June 2020	Audited 30 Jun $M	Adjustment 30 Jun $M	Restated 30 Jun $M
Items from the statement of financial position:			
Property, plant and equipment	6,060.8	(8.9)	6,051.9
Retained earnings	1,308.2	(6.4)	1,301.8
Deferred tax liability	231.7	(2.5)	229.2

The group has applied the new interpretation during the year ended 30 June 2022. Operating costs are higher by $0.1 million and depreciation is lower by $4.2 million than would have been reported under the group's previous policy. The group has revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing cloud computing arrangements. The new accounting policy is as follows:

Cloud computing arrangements

Cloud computing arrangements include software as a service, platform as a service, infrastructure as a service and other similar hosting arrangements (i.e. an arrangement in which an end-user of the software does not take possession of the software). The group applies judgement to assess whether there is sufficient control in a cloud computing arrangement to permit capitalisation of the configuration and customisation costs. The group considers the following indicators:

- The group has the contractual right to take possession of the software at any time during the hosting period without significant penalty;
- The group can run software on its own hardware or can contract with another vendor to host the software;
- The group can control who can use any software modifications and the vendor cannot make them available to other customers; and
- The group can control the frequency and acceptance of software updates.

If the cloud computing arrangement meets the definition and recognition criteria, then the cost of configuration and customisation is recognised as an asset. If the recognition criteria and definition are not met, the cost of configuration and customisation is recognised as an operating expense. However, if the configuration and customisation were performed by the software supplier, the group also considers whether that upfront service is distinct from the cloud computing arrangement. If it is not distinct, then the operating expense may be initially treated as a prepayment and expensed over the term of the cloud computing arrangement.

Climate-related disclosure standard

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to review how the financial sector can take account of climate-related issues.

In 2017, the TCFD released recommendations for climate-related financial disclosures which promote transparency leading to better climate-risk management. The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These are intended to interlink and inform each other.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. Summary of significant accounting policies CONTINUED

In 2021, the New Zealand Government passed legislation to enable mandatory climate-related disclosures for large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers. This means that from 1 July 2023, Auckland Airport will be required by law to publish annual disclosures on the impact climate change has on the business. The New Zealand External Reporting Board (XRB) has published a suite of draft standards in line with the recommendations of the TCFD, the global best practice benchmark for climate-related reporting. The final standards are expected to be published in December 2022.

This year Auckland Airport published its second voluntary Climate Change Disclosure Repoert following the recommendations of the TCFD. Advancements from the 2021 disclosure include:

- Escalation of climate-related risk classification, subjecting it to greater oversight from the chief executive and Board .
- Expansion of transitional climate-related risks and controls, and climate-related opportunities.
- Further flooding and inundation modelling across the airport precinct, which identified that without intervention, infrastructure close to or draining to the coastline will be subject to more frequent and severe flooding and inundation in the long-term (circa 2110). However, planned upgrades to the stormwater network and surrounding infrastructure in the near term and further long term flood management responses will mitigate this risk. This additional modelling was conducted under three Representative Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.

These advancements are also in accordance with the XRB's draft climate-related disclosure standards. Auckland Airport will continue to mature its Climate Change Disclosure and intends to apply the XRB's standards from 1 July 2022, a year ahead of the mandatory requirement.

There are no other new or amended standards that are issued but not yet effective that are expected to have a material impact on the group.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries over which the group has control. On consolidation, all inter-company balances and transactions, income and expenses, and profit and losses resulting from transactions within the group have been eliminated in full.

(e) Investments in associate and joint ventures

The equity method of accounting is used for the investment over which the group has significant influence but not a controlling interest, as well as the investments classified as joint ventures, where the group maintains joint control.

Under the equity method, the investment is carried at cost plus post-acquisition changes in the group's share of net assets of the associate less impairment losses. Goodwill relating to the associate is included in the carrying amount of the investment.

The group's share of the associate and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves and the property, plant and equipment revaluation reserve is recognised in other comprehensive income and accumulated as a separate component of equity in the share of reserves of associate and joint ventures. The post-acquisition movements are included after adjustments to align the accounting policies with those of the group.

(f) Property, plant and equipment

Properties held for airport operations purposes are classified as property, plant and equipment.

Property, plant and equipment are initially recognised at cost.

Vehicles, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Land, buildings and services, runway, taxiways and aprons and infrastructural assets are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance date.

Revaluations

Revaluation increases are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Revaluation decreases are recognised in the income statement, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Land (including reclaimed land)	Indefinite
Buildings and services	5 - 50 years
Infrastructural assets	5 - 80 years
Runway, taxiways and aprons	12 - 40 years
Vehicles, plant and equipment	3 - 10 years

Leased assets
Space within the terminals and certain properties used for aeronautical purposes, where the group acts as a lessor, are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and adjustments to rentals depending on the passenger numbers.

To manage credit risk exposure where considered necessary, the group may obtain bank guarantees for the term of the lease.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(g) Investment properties

Investment properties are properties held by the group to earn rental income, for capital appreciation or both (including property being constructed or developed for future use as investment property). Land held for a currently undetermined future use is classified as investment property.

Investment properties are measured initially at cost and then subsequent to that initial measurement are stated at fair value. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement.

If the fair value of investment property under construction cannot be reliably determined but it is expected that the fair value of the property can be reliably determined when construction is complete, then investment property under construction will be measured at cost until either its fair value can be reliably determined or construction is complete.

Transfers are made to investment property when there is a change in use. This may be evidenced by ending of owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

A property transfer from investment property to property, plant and equipment or inventory has a deemed cost for subsequent accounting at its fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the group accounts for such property as an investment property only subsequent to the date of change in use.

Investment properties where the group acts as a lessor are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and other adjustments to rentals, with any credit risk being managed in the same way as described for property, plant and equipment leased assets (refer to note 2(f)).

Lease incentives are initially recognised at value of the incentive and amortised over the term of the lease. Other lease receivables may arise when fixed future retail or rental revenue increases are recognised on a straight-line basis over the term of the lease (refer to note 2(l)). The group assesses lease incentives and receivables for impairment at each reporting date and recognises impairment losses as prescribed by NZ IFRS 9.

(h) Impairment of non-financial assets

Property, plant and equipment and investments in associate and joint ventures are assessed for indicators of impairment at each reporting date. For further information, refer to note 8 and note 11(c).

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation is suspended if active development of the qualifying asset is suspended for an extended period. Other borrowing costs are expensed as incurred.

(j) Financial instruments

The group’s financial assets comprise cash and cash equivalents, accounts receivable and dividends receivable (classified as financial assets at amortised cost) and derivatives (classified as financial assets at fair value through profit and loss or designated as a hedge).

The group's financial liabilities comprise accounts payable and accruals, borrowings, provisions, other liabilities (classified as financial liabilities at amortised cost) and derivatives (classified as financial liabilities at fair value through profit and loss or designated as a hedge).

Cash
Cash in the statement of financial position and the cash flow statement comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

Accounts receivable
Accounts receivable are recognised and carried at the original invoice amount less an allowance for impairment. Auckland Airport applies the "simplified approach" for including a general provision for expected credit losses as prescribed by NZ IFRS 9. This approach permits the use of lifetime expected loss provisions for all trade receivables. In addition, the collectability of individual debtors is reviewed on an ongoing basis and a specific provision for expected credit losses is made when there is evidence that Auckland Airport will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated.

Accounts payable and accruals
Accounts payable and accruals are not interest bearing and are initially stated at their fair value and subsequently carried at amortised cost.

Borrowings
All borrowings are initially recognised at the value of the consideration received. The carrying value is subsequently measured at amortised cost using the effective interest method, except borrowings subject to fair value hedges, which are adjusted for effective changes in the fair value of the hedging instrument.

The increase and decrease in borrowings are reported net in the cash flow statement for bank facilities and commercial paper where the turnover is frequent and the maturities are short.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. Summary of significant accounting policies CONTINUED

Derivative financial instruments
The group uses derivative financial instruments to hedge its risks associated with interest rates and foreign currency. Derivative financial instruments are recognised at fair value.

The group designates as fair value hedges derivative financial instruments on fixed-coupon debt where the fair value of the debt changes as a result of changes in market interest rates. The carrying amounts of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also remeasured to fair value. Gains and losses from both are taken to the income statement.

Cash flow hedges are currently applied to future interest cash flows on variable rate loans. The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income and accumulated as a separate component of equity in the cash flow hedge reserve, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

Changes in the fair value of the cost to convert foreign currency to New Zealand dollars (NZD) of cross-currency interest rate swaps are separately accounted for as a cost of hedging and recognised within a new reserve within equity (cost of hedging reserve).

(k) Issued and paid-up capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the group reacquires its own shares, those treasury shares are recognised as a reduction in shareholders' equity.

(l) Revenue recognition

Airfield income
Airfield income consisting of landing charges and aircraft parking charges is paid by the airlines and recognised as revenue when the airport facilities are used.

Passenger services charges
Passenger services charges relating to arriving, departing and transiting passengers are paid by the airlines and recognised as revenue when the airport facilities are used by the passengers.

Retail and rental income
Retail concession fees are recognised as revenue on an accrual basis based on the turnover of the concessionaires and in accordance with the related agreements. Rent abatements are recognised as an offset to revenue as negative variable lease payments when the group has an obligation to adjust fixed rent in response to significant reductions in passenger numbers or similar material adverse change. Fixed retail and rental income increases are recognised as revenue on a straight-line basis over the term of the leases, which may result in lease receivable balances. The group assesses lease receivable balances for impairment at each reporting period (refer note 2(j)).

Car park income
Revenue from public car parks is recognised when the car park utilisation has been completed. Revenue from staff car parks is recognised as revenue when the airport facilities are used.

Other income
Other income includes revenue from utilities provided to our tenants, such as electricity, water and gas. Revenue from utilities is recognised and billed based on customer consumption.

Interest income
Interest income is recognised as interest accrues using the effective interest method.

Dividend income
Dividends are recognised when the group's right to receive payment is established.

(m) Employee benefits

Employee benefits, including salaries and wages, superannuation and leave entitlements are expensed as the related service is provided.

The group also provides benefits to executives and employees of the group in the form of share-based payment transactions, whereby executives and employees render services in exchange for shares or rights over shares (equity-settled transactions) and/or cash settlements based on the price of the group's shares against performance targets (cash-settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity-settled transactions
The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

Cash-settled transactions
The fair value of cash-settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change in the employee entitlements liability.

(n) Income tax and other taxes

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income.

Deferred tax
Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Under NZ IAS 12, the measurement of deferred tax depends on whether an entity expects to recover an asset through use or by selling it and includes a rebuttable presumption that an investment property is recovered entirely through sale. The group has rebutted that presumption since it retains ownership in all investment property and recovers the value through use, being operating leases to tenants.

Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the income statement.

Goods and services tax (GST)
Revenue, expenses, assets and liabilities are stated exclusive of GST, except for receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the cash flow statement on a net basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating activities.

Commitments and contingencies are disclosed net of the amount of GST.

3. Significant accounting judgements, estimates and assumptions

In producing the financial statements, the group makes judgements, estimates and assumptions based on known facts at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements that have the most significant effect on the amounts recognised and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(a) Fair value of investment property

Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology are disclosed in note 12.

(b) Carrying value of property, plant and equipment

Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

The carrying value of property, plant and equipment and the valuation methodologies and assumptions are disclosed in note 11(c).

(c) Movements in the carrying value of property, plant and equipment

When revaluations are carried out by independent valuers, the valuer determines a value for individual assets. This may involve allocations to individual assets from projects and allocations to individual assets within a class of assets. The allocations to individual assets may be different to the allocations performed at the time a project was completed or different to the allocations to the individual asset made at the previous asset revaluation. These differences at an asset level may be material and can impact the income statement.

(d) COVID-19

During March 2020 the World Health Organization declared a global pandemic in relation to COVID-19. The New Zealand Government responded to COVID-19 by closing the international border for non-residents and introducing an alert level system with restrictions on business activity and societal interaction. This had a significant impact on Auckland Airport. Passenger numbers fell, both domestically and internationally, significantly impacting both the aeronautical and non-aeronautical business activities of the company. In response, Auckland Airport initiated a number of actions as reported in the 2020 and 2021 Financial Statements.

The following measures remained in place throughout the 2022 financial year:

- Suspension of dividends (see note 9);
- Reduced operating expenditure; and
- Suspension of some capital expenditure projects.

During February 2022, Auckland Airport renegotiated its banking facility interest coverage covenants for the measurement periods between June 2022 and June 2024. The following table sets out the new EBITDA-based interest coverage covenants, with the covenant for the 12 months to 31 December 2024 onwards remaining unchanged.

12 months ending	Interest coverage covenant
Jun 2022	1.25x
Dec 2022	1.25x
Jun 2023	2.00x
Dec 2023	2.00x
Jun 2024	2.50x
Dec 2024 onwards	3.00x

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting judgements, estimates and assumptions CONTINUED

Border closures and travel restrictions to keep New Zealand free of COVID-19 have severely impacted Auckland Airport since late in the 2020 financial year. In the second half of the 2022 financial year, the Omicron variant became widely established throughout New Zealand, and the New Zealand Government has as a result progressively removed border and travel restrictions. Now that COVID-19 is widespread, and the population widely vaccinated, the likelihood of the reimposition of border and travel restrictions has greatly reduced.

Auckland Airport's actual interest coverage for the 12 months ended 30 June 2022 was 2.58x. Given the New Zealand Government's progressive removal of border and travel restrictions over the second half of the 2022 financial year, and the strong rebound in international arrivals that this has enabled, Auckland Airport's 12-month interest coverage metrics are likely to progressively strengthen going forward.

The pandemic has continued to impact key estimates and judgements used in these financial statements, including:

- Recognition of rent abatements as negative variable rent (see note 2(l) and note 5);
- Impairment and write-off of capital works in progress (see note 11 and note 12);
- Provision for expected credit losses (see note 14); and
- Revaluations of property, plant and equipment and investment properties (see note 11 and note 12).

(e) Non-GAAP financial information

In reporting financial information, the group presents the following non-GAAP performance measures, which are not defined or specified under the requirements of NZ IFRS:

- EBITDAFI (Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures);
- EBITDA (Earnings before interest expense, taxation and depreciation); and
- EBIT (Earnings before interest expense and taxation).

The group believes that these non-GAAP measures, which are not considered to be a substitute for or superior to NZ IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The non-GAAP measures are consistent with how the group's financial performance is planned and reported to the Board and Audit and Financial Risk Committee. However, the non-GAAP measures may not be comparable to similarly titled amounts reported by other companies.

4. Segment information

(a) Identification of reportable segments

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

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

New Zealand's international border remained closed to non-residents for the majority of the year ended 30 June 2022, significantly affecting airfield income and passenger services charges. The group provided $1.3 million (2021: $3.4 million) of abatements to aeronautical customers during the year ended 30 June 2022. Refer to note 3 for further information.

Retail

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

The above-mentioned travel restrictions continued to affect retailers within the terminals and the group provided $172.5 million (2021: $185.4 million) of abatements to retailers during the year ended 30 June 2022. Refer to note 3 for further information.

Property

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

The group provided $4.9 million (2021: $4.0 million) of rent abatements to property tenants during the year ended 30 June 2022, but this was offset by new tenancies and rent reviews, with no material impact on total property rental revenue due to COVID-19 during the year.

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2022 financial year accounted for 30% of external revenue (2021: 31%). The revenue from this customer is included in all three operating segments.

(d) Geographical areas

Revenue from the reportable segments is derived in New Zealand, it being the location where the sale occurred. Property, plant and equipment and investment property of the reportable segments are located in New Zealand. The investments in associates are not part of the reportable segments of the group.

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2022				
Income from external customers				
Airfield income	60.9	-	-	60.9
Passenger services charge	33.8	-	-	33.8
Retail income	-	22.7	-	22.7
Rental income	16.0	0.8	112.9	129.7
Rates recoveries	0.8	1.7	6.1	8.6
Car park income	-	26.2	-	26.2
Other income	7.3	2.8	4.3	14.4
Total segment income	118.8	54.2	123.3	296.3
Expenses				
Staff	28.9	3.4	3.6	35.9
Asset management, maintenance and airport operations	41.7	7.8	4.6	54.1
Rates and insurance	5.5	3.5	10.0	19.0
Marketing and promotions	0.4	0.7	0.1	1.2
Professional services and levies	0.7	0.1	0.9	1.7
Fixed asset write-offs, impairment and termination costs	6.8	-	-	6.8
Other expenses	1.9	0.6	1.1	3.6
Total segment expenses	85.9	16.1	20.3	122.3
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	32.9	38.1	103.0	174.0

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. Segment information CONTINUED

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2021				
Income from external customers				
Airfield income	64.0	-	-	64.0
Passenger services charge	24.2	-	-	24.2
Retail income	-	17.8	-	17.8
Rental income	14.4	0.3	100.5	115.2
Rates recoveries	0.8	1.6	5.4	7.8
Car park income	-	28.7	-	28.7
Other income	6.7	3.8	3.8	14.3
Total segment income	110.1	52.2	109.7	272.0
Expenses				
Staff	29.1	3.4	2.8	35.3
Asset management, maintenance and airport operations	29.1	5.4	4.3	38.8
Rates and insurance	5.8	3.3	9.4	18.5
Marketing and promotions	0.3	0.5	0.1	0.9
Professional services and levies	0.5	0.2	0.7	1.4
Fixed asset write-offs, impairment and termination costs	1.8	0.3	0.1	2.2
Reversal of fixed asset impairment and termination costs	(17.8)	(1.6)	-	(19.4)
Other expenses	1.0	0.6	1.0	2.6
Total segment expenses	49.8	12.1	18.4	80.3
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	60.3	40.1	91.3	191.7

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

(e) Reconciliation of segment income to income statement

	2022 $M	2021 $M
Segment income	296.3	272.0
Interest income	0.3	4.9
Other revenue	3.7	4.2
Total income	300.3	281.1

(f) Reconciliation of segment EBITDAFI to income statement

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

	2022 $M	Restated 2021 $M
Segment EBITDAFI[1]	174.0	191.7
Unallocated external operating income	4.0	9.1
Unallocated external operating expenses	(33.5)	(29.7)
Total EBITDAFI as per income statement[1]	144.5	171.1
Investment property fair value increase	204.4	527.3
Property, plant and equipment revaluation	(1.4)	(7.5)
Derivative fair value increase/(decrease)	1.7	(0.5)
Share of profit of associate and joint ventures	(12.8)	21.1
Depreciation	(113.1)	(120.9)
Interest expense and other finance costs	(53.7)	(94.0)
Profit before taxation	169.6	496.6

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

5. Profit for the year

	Notes	2022 $M	2021 $M
Retail and rental income includes:			
Variable lease payments		15.7	15.3
Rent abatements		(178.7)	(192.8)
Staff expenses comprise:			
Salaries and wages		43.6	42.6
Employee benefits		5.8	1.5
Share-based payment plans		0.9	0.5
Defined contribution superannuation		1.7	1.6
Government wage subsidy		(4.2)	(2.2)
Other staff costs		2.2	1.6
		50.0	45.6
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs - property, plant and equipment	11(a)	0.8	0.1
Impairment - property, plant and equipment	11(a)	6.1	2.3
Write-offs - investment properties	12	-	0.1
		6.9	2.5
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of termination costs - property, plant and equipment	21	-	(18.3)
Reversal of impairment - property, plant and equipment	11(a)	-	(1.1)
		-	(19.4)
Other expenses include:			
Directors' fees		1.5	1.3
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		29.2	35.9
Interest on bank facilities and related hedging instruments		19.7	19.3
Interest on USPP notes and related hedging instruments		-	9.8
Interest on AMTN notes and related hedging instruments		9.8	8.7
Interest on commercial paper and related hedging instruments		3.0	2.8
Close-out cost of hedge-accounted swaps linked to debt not refinanced	18(b)	-	11.6
Make-whole to USPP noteholders for prepayment	18(a)	-	44.4
Proceeds on close out of USPP-related cross-currency swaps	18(a)	-	(32.0)
		61.7	100.5
Less capitalised borrowing costs	11(a), 12	(8.0)	(6.5)
		53.7	94.0
Interest rate for capitalised borrowing costs		4.32%	4.16%

The gross interest costs of bonds, bank facilities, USPP notes, AMTN notes and commercial paper, excluding the impact of interest rate hedges, was $45.2 million for the year ended 30 June 2022 (2021: $113.5 million).

The group makes contributions to a defined contribution superannuation scheme. The group has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay employee benefits.

Auditor's remuneration

	2022 $'000	2021 $'000
Audit of financial statements		
Audit and review of financial statements[1]	450.0	386.0
Other services		
Regulatory audit work[2]	85.0	50.1
Other services[3]	49.0	53.3
Total fees paid to auditor	584.0	489.4

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements. Included in the 2021 audit fee is an amount of $113,000 relating to the FY20 audit that was agreed and invoiced in 2021.
2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.
3 Other services include $30,000 relating to greenhouse gas inventory assurance and sustainability data quality non-assurance services. The group has also paid $14,000 to Deloitte for administrative and other advisory services to the Corporate Taxpayers Group, of which the group, alongside a number of other organisations, is a member. The remaining other services relates to trustee reporting of $5,000.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

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

	2022 $M	Restated[1] 2021 $M
Profit after taxation	191.6	466.6
Non-cash items		
Depreciation	113.1	120.9
Deferred taxation expense	(22.1)	28.7
Fixed asset write-offs and impairment	6.9	2.5
Reversal of fixed asset impairment	-	(1.1)
Equity-accounted (earnings)/loss from associate and joint ventures	12.8	(21.1)
Impairment of investment in joint venture	-	-
Property, plant and equipment fair value revaluation	1.4	7.5
Investment property fair value increase	(204.4)	(527.3)
Derivatives fair value (increase)/decrease	(1.7)	0.5
Items not classified as operating activities		
Gain on asset disposals	-	0.3
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	25.5	20.6
Decrease in investment property retentions and payables	1.2	4.3
Increase in investment property lease incentives and receivables	(11.4)	(13.9)
Items recognised directly in equity	0.9	0.8
Movement in working capital		
(Increase)/decrease in trade and other receivables	(3.1)	9.3
(Increase)/decrease in taxation receivable	(0.7)	0.7
(Decrease)/increase in accounts payable and provisions	(9.3)	(39.4)
Increase in other term liabilities	0.5	0.7
Net cash flow from operating activities	101.2	60.6

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

7. Taxation

(a) Income tax expense

	2022 $M	2021 $M
The major components of income tax are:		
Current income tax		
Current income tax charge	1.2	1.2
Income tax over provided in prior year	(1.1)	0.1
Deferred income tax		
Movement in deferred tax	(22.1)	28.7
Total taxation (benefit)/expense	(22.0)	30.0

(b) Reconciliation between prima facie taxation and tax expense

	2022 $M	2021 $M
Profit before taxation	169.6	496.6
Prima facie taxation at 28%	47.5	139.0
Adjustments:		
Share of associates' tax paid earnings	(0.1)	(0.2)
Revaluation with no tax impact	(75.1)	(103.9)
Income tax over provided in prior year	(1.1)	(0.1)
Re-estimated future tax benefits for buildings	5.2	-
Non-deductible asset write-offs, impairment and termination costs	2.0	(4.8)
Other	(0.4)	-
Total taxation (benefit)/expense	(22.0)	30.0

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

7. Taxation CONTINUED

(c) Deferred tax assets and liabilities

	Balance 1 July 2021 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Offset against taxable income $M	Balance 30 June 2022 $M
Deferred tax liabilities						
Property, plant and equipment	176.6	(1.6)	128.5	-	-	303.5
Investment properties	144.6	(12.8)	-	-	-	131.8
Other	3.7	(2.6)	-	-	-	1.1
Deferred tax liabilities	324.9	(17.0)	128.5	-	-	436.4
Deferred tax assets						
Cash flow hedge	20.0	-	(26.3)	-	-	(6.3)
Tax losses	26.3	8.3	-	-	(1.0)	33.6
Provisions, accruals and long-term incentive plan	0.3	(3.2)	-	0.1	-	(2.8)
Deferred tax assets	46.6	5.1	(26.3)	0.1	(1.0)	24.5
Net deferred tax liability	278.3	(22.1)	154.8	(0.1)	1.0	411.9

	Balance 1 July 2020 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Offset against taxable income $M	Balance 30 June 2021 $M
Deferred tax liabilities						
Property, plant and equipment	181.2	(4.6)	-	-	-	176.6
Investment properties	94.8	49.8	-	-	-	144.6
Other	0.2	3.5	-	-	-	3.7
Deferred tax liabilities	276.2	48.7	-	-	-	324.9
Deferred tax assets						
Cash flow hedge	40.6	-	(20.6)	-	-	20.0
Tax losses	-	26.3	-	-	-	26.3
Provisions and accruals	6.4	(6.3)	-	0.2	-	0.3
Deferred tax assets	47.0	20.0	(20.6)	0.2	-	46.6
Net deferred tax liability	229.2	28.7	20.6	(0.2)	-	278.3

At 30 June 2022 the group recognised a deferred tax asset of $33.6 million for tax losses (30 June 2021: $26.3 million), which are forecast to be recovered during the years ended 30 June 2023 and 30 June 2024 when the group returns to generating taxable profits.

(d) Imputation credits

	2022 $M	2021 $M
Imputation credits available for use in subsequent reporting periods at 30 June	0.8	0.8

8. Associate and joint ventures

(a) Tainui Auckland Airport Hotel Limited Partnership (joint venture)

The partnership between Tainui Group Holdings Limited and Auckland Airport owns and operates a 4-star plus, 263-room Novotel hotel adjacent to the international terminal at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The hotel is operated on the partnership's behalf by Accor Hospitality. The partnership has a balance date of 31 March 2022. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2022 and management accounts for the balance of the year to 30 June 2022.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel continued to be contracted to the New Zealand Government as a managed isolation Quarantine (MIQ) facility during the financial year. This contract ceased on 30 June 2022. The Novotel was refurbished during the fourth quarter of the 2022 financial year and reopened to the public on 1 July 2022. A valuation has been performed as at 30 June 2022 for the Novotel and there is no indication of impairment (30 June 2021: No impairment of the joint venture).

Two of Auckland Airport's senior management staff are directors on the boards of both the Tainui Auckland Airport Hotel Limited Partnership and the Tainui Auckland Airport Hotel 2 Limited Partnership. No directors' fees are paid in relation to these appointments but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

Other transactions with the partnership are as follows:

	2022 $M	2021 $M
Rental income received	0.7	0.6
Future minimum rentals receivable under non-cancellable operating lease	12.1	10.5

(b) Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture)

The partnership between Tainui Group Holdings Limited and Auckland Airport was formed in February 2017 to build and operate a new Pullman Hotel at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The group has contributed $51.1 million into the partnership (2021: $37.1 million).

Construction of the hotel was split into two phases after COVID-19 hit New Zealand. The first phase completed the facade and structural elements under the original contract. The second phase, which is still in progress, comprises all internal fit-outs ready for opening and is expected to be completed in the first half of calendar 2024. During the year ended 30 June 2022, the joint venture re-tendered the second phase to enable the fit-outs to commence. This came in at a higher cost than contained within the original combined contract.

At 31 December 2021, an independent valuation was performed by JLL for the Pullman Hotel. The fair value of the completed hotel was determined to be $180.0 million, materially below the $221.0 million total forecast cost to complete the hotel development, including the re-tendered $131.0 million fit-outs cost. This resulted in a revaluation loss of $41.0 million for the joint venture. The revaluation loss arose due to the increase in construction costs, not because of a decrease in value from the prior independent valuation. The group's share of the loss was $20.5 million.

The hotel is categorised as Level 3 in the fair value hierarchy (as described in note 18(c)) and the valuation methodology used was a direct capitalisation of expected cash flows supported by a discounted cash flow approach. The valuation was prepared on the basis of 'material valuation uncertainty', and therefore the valuer has advised that less certainty should be attached to the valuation than would normally be the case.

Other transactions with the partnership are as follows:

	2022 $M	2021 $M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	20.5	21.3

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

8. Associate and joint ventures CONTINUED

(c) Queenstown Airport Corporation Limited (associate)

The group has a 24.99% stake in Queenstown Airport Corporation Limited (Queenstown Airport). One of Auckland Airport's senior management staff is on the board of Queenstown Airport.

The group considers that there are no impairment indicators for its investment. Queenstown Airport has taken steps to reduce its cost structure, including the reduction of operating expenditure and an organisational restructure. In addition, discretionary capital expenditure has been reduced with a focus on maintaining critical services and meeting regulatory requirements. The company has reported a $61.3 million (30 June 2021: $34.5 million) revaluation increase in land and buildings during the year ended 30 June 2022.

Summary financial information

The information below reflects the full amounts in the financial statements of the associate and joint ventures (not the group's share of those amounts) before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies with those of the group.

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2022	2021	2022	2021	2022	2021
	$M	$M	$M	$M	$M	$M
Revenue	21.5	25.1	-	-	26.8	27.8
EBITDA	12.3	13.2	-	-	14.0	17.1
Profit after taxation	9.0	9.9	-	-	1.1	1.7
Other comprehensive income/(loss)	-	-	-	-	55.5	33.1
Total comprehensive income for the year	9.0	9.9	-	-	56.6	34.8
Distributions						
Repayment of partner contribution/dividends received	(6.0)	(10.0)	-	-	-	-
Auckland Airport share of repayment of partner contribution/dividends received	(3.0)	(5.0)	-	-	-	-

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2022	2021	2022	2021	2022	2021
	$M	$M	$M	$M	$M	$M
Current assets	8.2	4.9	0.3	1.1	6.9	24.6
Non-current assets	59.0	59.0	101.2	73.0	466.7	403.3
Total assets	67.2	63.9	101.5	74.1	473.6	427.9
Current liabilities	3.4	52.5	(0.7)	-	19.0	4.0
Non-current liabilities	59.6	10.2	-	-	69.5	95.5
Shareholders' equity	4.2	1.2	102.2	74.1	385.0	328.4
Total equity and liabilities	67.2	63.9	101.5	74.1	473.5	427.9
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	2.1	0.6	51.1	37.1	96.2	82.0
Investment property depreciation and revaluation adjustment	32.4	29.5	(20.5)	-	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	40.6	36.2	30.6	37.1	95.3	81.1

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

	2022 $M	2021 $M
Investment in associate and joint ventures at the beginning of the year	154.4	114.7
Further investment in joint ventures	14.0	15.4
Share of profit of associate and joint ventures	5.7	6.1
Revaluation of investment property	(18.5)	15.0
Share of reserves of associate and joint ventures	13.9	8.2
Share of dividends received or repayment of partner contribution	(3.0)	(5.0)
Investment in associate and joint ventures at the end of the year	166.5	154.4

9. Distribution to shareholders

As part of the changes negotiated to Auckland Airport's banking covenants in February 2022, Auckland Airport agreed that no dividends will be paid until after 31 December 2022. Hence no dividends were paid during, or declared for, the year ended 30 June 2022.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $191.6 million (2021 restated: $466.6 million).

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

	2022 Shares	2021 Shares
For basic earnings per share	1,472,139,301	1,471,999,685
Effect of dilution of share options	302,480	178,858
For diluted earnings per share	1,472,441,781	1,472,178,543

The 2022 reported basic earnings per share is 13.02 cents (2021 restated: 31.70 cents)

The 2022 reported diluted earnings per share is 13.01 cents (2021 restated: 31.69 cents)..

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Land $M	Buildings and services $M	Infrastructure $M	Runway, taxiways and aprons $M	Vehicles, plant and equipment $M	Total $M
Year ended 30 June 2022						
Balances at 1 July 2021 restated[1]						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	208.0	208.0
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(157.7)	(305.4)
Balances at 1 July 2021 restated[1]	4,705.7	1,079.9	551.7	389.1	100.1	6,826.5
Additions and transfers within property, plant and equipment	-	61.3	93.3	31.3	20.1	206.0
Transfers from/(to) investment property	(0.4)	(0.2)	-	-	(0.1)	(0.7)
Disposals	-	-	-	-	(0.1)	(0.1)
Revaluation recognised in property, plant and equipment revaluation reserve	(383.7)	459.5	-	-	-	75.8
Revaluation recognised in the income statement	(2.5)	1.1	-	-	-	(1.4)
Impairment	-	-	-	(6.1)	-	(6.1)
Write-offs	-	-	(0.6)	(0.2)	-	(0.8)
Depreciation	-	(48.3)	(27.8)	(15.6)	(21.4)	(113.1)
Movement to 30 June 2022	(386.6)	473.4	64.9	9.4	(1.5)	159.6
Balances at 30 June 2022						
At fair value	4,319.1	1,361.1	615.6	366.2	-	6,662.0
At cost	-	-	-	-	221.7	221.7
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(0.4)	(44.3)	(32.2)	(179.3)	(256.2)
Balances at 30 June 2022	4,319.1	1,553.3	616.6	398.5	98.6	6,986.1

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

Additions for the year ended 30 June 2022 include capitalised interest of $7.2 million (2021: $4.1 million).

The group includes leased properties within property, plant and equipment when the properties are held for the purpose of airport operations. The following categories of property, plant and equipment are leased to tenants:

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $319.8 million (30 June 2021: $296.3 million);
- Land associated with retail facilities within terminal buildings carried at $1,452.4 million (30 June 2021: $2,004.8 million); and
- Terminal building premises (within buildings and services), being 14% of total floor area and carried at $183.0 million (30 June 2021: 13% of total floor area or $120.1 million).

	Land $M	Buildings and services $M	Infrastructure $M	Runway, taxiways and aprons $M	Vehicles, plant and equipment $M	Total $M
Year ended 30 June 2021						
Balances at 1 July 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	190.7	190.7
Work in progress at cost	-	167.3	96.1	56.2	50.9	370.5
Accumulated depreciation	-	(56.9)	(0.3)	-	(127.3)	(184.5)
Balances at 1 July 2020	3,931.1	1,140.7	487.5	378.3	114.3	6,051.9
Additions and transfers within property, plant and equipment	-	(2.5)	81.8	27.5	18.1	124.9
Transfers from/(to) investment property	12.2	(1.7)	(0.2)	-	(0.1)	10.2
Disposals	-	-	(0.2)	-	(0.5)	(0.7)
Revaluation recognised in property, plant and equipment revaluation reserve	769.9	-	-	-	-	769.9
Revaluation recognised in the income statement	(7.5)	-	-	-	-	(7.5)
Impairment	-	(0.5)	(0.5)	-	(1.3)	(2.3)
Reversal of impairment	-	1.1	-	-	-	1.1
Write-offs	-	-	(0.1)	-	-	(0.1)
Depreciation	-	(57.2)	(16.6)	(16.7)	(30.4)	(120.9)
Movement to 30 June 2021	774.6	(60.8)	64.2	10.8	(14.2)	774.6
Balances at 1 July 2021 restated[1]						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	208.0	208.0
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(157.7)	(305.4)
Balances at 1 July 2021 restated[1]	4,705.7	1,079.9	551.7	389.1	100.1	6,826.5

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

(b) Carrying amounts measured at historical cost less accumulated depreciation

	Land $M	Buildings and services $M	Infrastructure $M	Runway, taxiways and aprons $M	Vehicles, plant and equipment $M	Total $M
Year ended 30 June 2022						
At historical cost	154.0	1,368.5	592.2	392.0	221.7	2,728.4
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(655.4)	(184.6)	(231.2)	(179.3)	(1,250.5)
Net carrying amount	154.0	905.7	452.9	225.3	98.6	1,836.5
Year ended 30 June 2021						
At historical cost	153.9	1,335.3	412.8	365.2	208.0	2,475.2
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(621.4)	(162.3)	(221.4)	(157.7)	(1,162.8)
Net carrying amount (restated)	153.9	852.7	409.5	209.9	100.1	1,726.1

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

(c) Revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons

At the end of each reporting period, the group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. The assessment considers movements in the capital goods price index since the previous valuation, mid-year desktop reviews by the previous valuers and changes in valuations of investment property as an indicator of property, plant and equipment valuation movement.

Valuations are completed in accordance with the company's asset valuation handbook, which is prepared in accordance with financial reporting and valuation standards. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process. Discussions about the valuation processes and results are held between the group's management and the Board.

The group's valuers considered the impact of COVID-19 in all revaluations.

Land assets were independently valued at 30 June 2022 by Savills Limited (Savills), Jones Lang LaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Building and services assets were independently valued by Beca Projects NZ Limited (Beca) at 30 June 2022.

Infrastructure and runway, taxiways and aprons were not revalued at 30 June 2022. The assessment is that there is not a material difference between the carrying value and the fair value of those asset classes at 30 June 2022. The assessment was supported by an initial review by Beca at 31 December 2021, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence at 30 June 2022. Both the Beca review and management's assessment were based on movements in relevant subcategories of the capital goods price index. The valuation approach is the optimised depreciated replacement cost. Movements in the relevant capital goods price index subcategories provide a strong indication of movements in the cost of replacing these assets as at 30 June 2022.

The group assessed there were no indicators of impairment for property, plant and equipment assets carried at fair value. The group considered the independent valuations and the group's assessment of the fair value of assets not revalued at 30 June 2022.

Impairment and write-offs

The group has also assessed indicators of impairment for assets held at depreciated cost. There are no indicators of impairment in the vehicles, plant and equipment portfolio. The group has re-assessed the capital work in progress portfolio and, for the year ended 30 June 2022, has reported additional impairments of $6.1 million (30 June 2021: $1.2 million). The impairment assessment methodology was consistent with the prior year and the group considered the following factors, including the extent to which projects:

- Are designed, consented, currently active and intended to be completed;
- Are still contemplated by the airport masterplan or are a strategic priority; and
- For aeronautical-related projects, whether or not they are still expected to be included in the regulated asset base.

Projects that did not satisfy the relevant above factors were written off. Where projects satisfied the relevant above factors, the group further categorised them according to the likelihood of being completed to the original scope and design. If a project is not completed to the original design, a portion of the work already performed may be abandoned in the future. Such projects were grouped according to the assessed likelihood of material future scope changes and impaired by between 25% and 75%.

Following the revaluations, and impairment of capital work in progress, the group has also considered whether there is any further indication of impairment at the cash-generating unit level. The group has assessed that it has a single core cash-generating unit, which comprises all assets other than investment property. The group has considered its enterprise market valuation and the long-term nature of its assets and concluded that there is no further impairment at the cash-generating unit level.

Fair value measurement

The valuers use different approaches for valuing different asset groups. Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value. Assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value.

The group's land, buildings and services, infrastructure, runway, taxiways and aprons are all categorised as Level 3 in the fair value hierarchy as described in note 18(c). During the year, there were no transfers between the levels of the fair value hierarchy.

Land valuations

The valuers applied significant judgement in the valuation of land associated with car park facilities and retail facilities within terminal buildings at 30 June 2022. The major inputs and assumptions that required judgement included:

- The potential outcomes of the Duty Free tender planned for the second half of the 2024 financial year, as well as other upcoming retail lease renewals;
- Forecasts of the recovery of domestic and international air travel; and
- Expected passenger flows and their expected car parking and retail expenditure.

The valuers reviewed management's internal forecasts and compared them with external evidence including forecasts by the International Air Transport Association (IATA), published on their website www.iata.org/.

The retail land valuations have declined materially despite the valuer's continued expectation of a material recovery in future passenger flows and retail income. This is primarily due to uncertainty regarding the future outcomes of the Duty Free tender and lease renewals. The valuers now expect retail lease income to recover materially later than they previously forecast.

The table below summarises the valuation approach and the principal assumptions used in establishing the fair values:

		2022		2021	
Asset valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Land					
Airfield land, including land for runway, taxiways, aprons and approaches	Rate per sqm prior to holding costs (excluding approaches)	$125 - 227	$169	$117 - 216	$160
Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison	Holding costs per sqm (excluding approaches)	$48 - 93	$67	$39 - 76	$55
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	12.00%	N/A	9.49%	N/A
	Rate per sqm (approaches)	$21 - 127	$38	$15 - 66	$25
Reclaimed land seawalls	Unit costs of seawall construction per m	$4,672 - 10,055	$7,552	$4,514 - 9,715	$7,297
Optimised depreciated replacement cost	Unit costs of reclamation per sqm	$173 - 173	$173	$165 - 167	$167
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	$181 - 1,212	$300	$188 - 1,202	$277
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison	Market rent (per sqm) – average	$50 - 342	$146	$48 - 328	$88
	Market capitalisation rate – average	4.00 - 6.17%	4.87%	3.83 - 6.13%	4.97%
	Terminal capitalisation rate	4.00 - 6.25%	5.38%	4.08 - 6.25%	5.22%
	Discount rate	6.00 - 8.00%	6.64%	5.75 - 8.00%	6.83%
	Rental growth rate (per annum)	2.52 - 2.99%	2.66%	2.00 - 2.60%	2.58%
Land associated with car park facilities	Discount rate	8.00 - 12.50%	10.35%	8.00 - 12.50%	10.36%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	6.50 - 8.75%	7.28%	6.50 - 8.75%	7.27%
	Revenue growth rate (per annum)	5.64 - 24.13%	14.21%	4.01 - 32.86%	15.11%
Land associated with retail facilities within terminal buildings	Discount rate	8.00 - 8.75%	8.72%	8.00 - 8.75%	8.72%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	8.00 - 10.25%	8.10%	7.25 - 7.50%	7.26%
	Revenue growth rate (per annum)	2.93 - 3.92%	3.87%	2.98 - 3.07%	2.98%
	Market capitalisation rate	5.75 - 6.00%	5.99%	6.00 - 6.50%	6.48%
Other land					
Direct sales comparison	Rate per sqm	$100 - 226	$131	$100 - 207	$128

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

		2022		2021	
Asset valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,686-19,536	$11,186	$1,681 - 9,475	$8,577
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$997 - 9,064	$1,993	$1,009 - 4,689	$2,869
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	$158 - 5,832	$898	$158 - 5,832	$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	$141 - 450	$409	$141 - 450	$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	$58 - 185	$111	$58 - 185	$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	$323 - 95,559	$12,635	$323 - 95,559	$12,635
	Unit costs of fuel pipe construction per m	$3,047 - 4,352	$4,180	$3,047 - 4,352	$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	$340 - 532	$527	$340 - 532	$527
	Unit costs of asphalt pavement construction per sqm	$155 - 340	$337	$155 - 340	$337

The valuation inputs for land are from the 2022 valuation, while the prior year's comparatives are from the 2021 valuation of these assets. The valuation inputs for buildings and services are from the 2022 valuation, while the prior year's comparatives are from the 2019 valuation of these assets.The valuation inputs for infrastructure and runway, taxiways and aprons are unchanged from the 2020 valuation. These asset classes were not revalued in 2022 as the carrying value was not assessed to be materially different from fair value.

The table below includes descriptions of different valuation approaches:

VALUATION APPROACH	DESCRIPTION
Income capitalisation approach	A valuation methodology that determines fair value by capitalising a property's sustainable net income at an appropriate market-derived capitalisation rate, with subsequent capital adjustments for near-term events, typically including letting-up allowances for vacancies and pending expiries, expected short-term capital expenditure and the present value of any difference between contract and market rentals.
Discounted cash flow analysis	A valuation methodology that requires the application of financial modelling techniques. Discounted cash flow analysis requires explicit assumptions to be made regarding the prospective income and expenses of a property, such assumptions pertaining to the quantity, quality, variability, timing and duration of inflows and outflows over an assumed holding period. The assessed cash flows are discounted to present value at an appropriate market-derived discount rate to determine fair value.
Direct sales comparison approach	A valuation methodology whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.
Residual value approach	A valuation technique used primarily for property that is undergoing, or is expected to undergo, redevelopment. Fair value is determined through the estimation of a gross realisation on completion of the redevelopment, with deductions made for all costs associated with converting the property to its end use, including finance costs and a typical profit margin for risks assumed by the developer.
Market value alternative use (MVAU)	A valuation methodology whereby fair value is determined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, with the explicit assumption that the existing use of the asset is ignored.
Optimised depreciated replacement cost (ODRC)	A valuation methodology whereby fair value is determined by calculating the cost of constructing a modern equivalent asset at current market-based input cost rates, adjusted for the remaining useful lives of the assets (depreciation) and any sub-optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

The table below summarises each registered valuer's valuation of property, plant and equipment:

	30 June 2022		30 June 2021	
Asset classification	Valuer	$M	Valuer	$M
Airfield land, including land for runway, taxiways, aprons and approaches[1]	Savills	1,165.0	Savills	1,021.7
Reclaimed land seawalls[1]	AON / Savills	296.2	AON / Savills	280.2
Aeronautical land, including land associated with aircraft, freight and terminal uses[1]	JLL / Savills	645.8	JLL / Savills	583.3
Land associated with car park facilities[1]	CBRE	611.1	CBRE	675.9
Land associated with retail facilities within terminal buildings[1]	CBRE	1,452.4	CBRE	2,004.8
Other land[1]	JLL / Savills	148.6	JLL / Savills	139.8
Terminal buildings[2]	Beca	1,324.6	Beca	950.9
Other buildings[3]	Beca	228.7	Beca	129.0
Water and drainage[4]	Beca	158.7	Beca	161.6
Electricity[4]	Beca	48.5	Beca	48.6
Roads[4]	Beca	246.4	Beca	221.7
Other infrastructure assets[4]	Beca	163.0	Beca	119.8
Runway, taxiways and aprons[5]	Beca	398.5	Beca	389.1
Assets carried at fair value		6,887.5		6,726.4
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	98.6	N/A	100.1
Balance at 30 June		6,986.1		6,826.5

1 Land assets were revalued at 30 June 2022. This class was previously revalued at 30 June 2021.
2 Terminal buildings were revalued at 30 June 2022. This class was previously revalued at 30 June 2019.
3 Buildings and serviced assets were revalued at 30 June 2022. This class was previously revalued at 30 June 2019.
4 At 30 June 2022, the assessment is that there is no material change in the fair value of infrastructure assets compared with carrying values. This class was last revalued at 30 June 2020.
5 At 30 June 2022, the assessment is that there is no material change in the fair value of runway, taxiways and aprons compared with carrying values. This class was last revalued at 30 June 2020.

The following table shows the impact on the fair value due to a change in a significant unobservable input:

		Fair value measurement sensitivity to significant: Increase in input	Decrease in input
Unobservable inputs within the income capitalisation approach			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market-related sales transactions, that is applied to the market rent to assess a property's value	Decrease	Increase
Unobservable inputs within the discounted cash flow analysis			
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value	Decrease	Increase
Terminal capitalisation rate	The rate that is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value	Decrease	Increase
Rental growth rate	The annual growth rate applied to the market rent over an assumed holding period	Increase	Decrease
Unobservable inputs within the residual value approach			
Gross development value	The estimated market value once the redevelopment is completed	Increase	Decrease
Cost of development	An estimate of the costs associated with converting the property to its end use, including finance costs and a typical profit margin for risks assumed by the developer	Decrease	Increase
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value	Decrease	Increase
Market capitalisation rate	The rate of return, determined through analysis of comparable market-related sales transactions, that is applied to the market rent to assess a property's value	Decrease	Increase
Unobservable inputs within the direct sales comparison approach			
Rate per sqm	The rate per square metre of recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within market value alternative use (MVAU) plus holding costs			
Rate per sqm prior to holding costs	The assumed rate per square metre, based on recently sold properties, for which the group would acquire land, assuming it had not been designated for its existing use	Increase	Decrease
Holding costs per sqm	The costs of holding land while being developed to achieve land suitable for airport use	Increase	Decrease
Holding period	The expected holding period to achieve land suitable for airport use	Increase	Decrease
Unobservable inputs within optimised depreciated replacement cost (ODRC)			
Unit costs of construction	The costs of constructing various asset types based on a variety of sources, including recent local competitively tendered construction works, published cost information, the valuer's database of costing information and experience of typical industry rates and indexed historical cost information	Increase	Decrease

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

12. Investment properties

The table below summarises the movements in fair value of investment properties:

	Retail and service $M	Industrial $M	Vacant land $M	Other $M	Total $M
Year ended 30 June 2022					
Balance at the beginning of the year	301.5	1,709.4	414.3	216.2	2,641.4
Additions	8.1	31.3	-	0.1	39.5
Transfers from/(to) property, plant and equipment (note 11)	(2.1)	7.0	(4.2)	-	0.7
Transfers within investment property	-	2.1	(2.2)	0.1	-
Investment property fair value change	20.8	119.0	59.0	5.6	204.4
Lease incentives capitalised	0.4	7.8	-	-	8.2
Lease incentives amortised	-	(2.3)	-	(0.1)	(2.4)
Spreading of fixed rental increases	0.1	5.5	-	-	5.6
Net carrying amount	328.8	1,879.8	466.9	221.9	2,897.4
Year ended 30 June 2021					
Balance at the beginning of the year	279.3	1,250.9	330.2	193.8	2,054.2
Additions	4.3	51.9	0.3	(0.2)	56.3
Transfers from/(to) property, plant and equipment (note 11)	(4.9)	4.9	(10.2)	-	(10.2)
Transfers within investment property	(0.6)	24.7	(24.1)	-	-
Write-offs	-	(0.1)	-	-	(0.1)
Investment property fair value change	23.4	363.1	118.1	22.7	527.3
Lease incentives capitalised	-	12.0	-	-	12.0
Lease incentives amortised	-	(1.7)	-	(0.1)	(1.8)
Spreading of fixed rental increases	-	3.7	-	-	3.7
Net carrying amount	301.5	1,709.4	414.3	216.2	2,641.4

Additions for the year ended 30 June 2022 include capitalised interest of $0.8 million (2021: $2.4 million).

The group's investment properties are all categorised as Level 3 in the fair value hierarchy, as described in note 18(c).

During the year, there were no transfers of investment property between levels of the fair value hierarchy.

The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income, using market comparisons of capitalisation rates, supported by a discounted cash flow approach. The independent valuers considered the impact of COVID-19 in all revaluations. Further details of the valuation methodologies and sensitivities are included in note 11(c). The valuation methodologies are consistent with prior years.

All valuations have been reviewed by the group's property management team, which has determined the valuations to be appropriate as at 30 June 2022.

The principal assumptions used in establishing the valuations were as follows:

		2022		2021	
Asset classification and valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Retail and service					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$145 - $588	$277	$120 - 530	$270
	Market capitalisation rate	4.25 - 7.00%	5.33%	4.25 - 6.10%	5.34%
	Terminal capitalisation rate	4.50 - 7.25%	5.65%	4.50 - 6.63%	5.71%
	Discount rate	6.00 - 7.75%	6.80%	5.75 - 7.63%	6.86%
	Rental growth rate (per annum)	2.02 - 2.99%	2.76%	2.10 - 2.60%	2.50%
Industrial					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$130 - $310	$162	$104 - 317	$150
	Market capitalisation rate	3.58 - 6.00%	4.32%	3.75 - 6.75%	4.39%
	Terminal capitalisation rate	3.68 - 6.25%	4.65%	3.75 - 7.25%	4.61%
	Discount rate	5.75 - 7.75%	6.33%	5.13 - 7.50%	6.08%
	Rental growth rate (per annum)	2.50 - 2.99%	2.94%	2.43 - 2.60%	2.50%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	$7 - 1,153	$200	$6 - 1,600	$180
Other					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$35 - $424	$287	$49 - 424	$285
	Market capitalisation rate	3.94 - 6.50%	5.04%	4.50 - 7.00%	5.44%
	Terminal capitalisation rate	4.25 - 6.75%	4.90%	4.75 - 7.25%	5.72%
	Discount rate	6.00 - 8.00%	6.26%	6.00 - 8.00%	6.98%
	Rental growth rate (per annum)	2.50 - 2.93%	2.34%	2.00 - 2.60%	2.41%

The fair value of investment properties valued by each independent registered valuer is outlined below:

	2022 $M	2021 $M
Colliers International	898.0	570.4
Savills Limited	1,022.4	1,398.1
Jones Lang LaSalle Limited	905.4	670.1
Investment property carried at cost	71.6	2.8
Total fair value of investment properties	2,897.4	2,641.4

The investment properties assigned to valuers are rotated across the portfolio every three years, with the most recent rotation occurring in June 2022. All valuers are registered valuers and industry specialists in valuing the above types of investment properties.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

12. Investment properties CONTINUED

The table below summarises income and expenses related to investment properties:

	2022 $M	2021 $M
Rental income for investment properties	95.3	83.6
Recoverable cost income	7.9	6.9
Direct operating expenses for investment properties that derived rental income	(9.6)	(8.6)
Direct operating expenses for investment properties that did not derive rental income	(2.3)	(2.4)

The following categories of investment property are leased to tenants:

- Retail and service carried at $328.8 million (30 June 2021: $301.5 million);
- Industrial carried at $1,879.8 million (30 June 2021: $1,709.4 million); and
- Other investment property carried at $221.9 million (30 June 2021: $216.2 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2022 $M	2021 $M
Short-term deposits	22.9	79.0
Cash and bank balances	1.8	0.5
Total cash and cash equivalents	24.7	79.5

Cash and bank balances earn interest at daily bank deposit rates. During the year, surplus funds were deposited on the overnight money market at a rate of 0.25% to 2.00% (2021: at a rate of 0.25% to 1.41%).

At 30 June 2022, Auckland Airport held total cash and cash equivalents of $24.7 million (2021: $79.5 million). The short-term deposits at 30 June 2022 ranged from $10.0 million to $13.0 million and were spread across two financial institutions to minimise credit risk, with those being ASB Bank and Bank of New Zealand (2021: $20.0 million to $36.0 million across three financial institutions). These financial institutions had a credit rating of 'A' or above from Standard & Poor's. The level of deposits at each financial institution recognises a balance between returns and credit risk.

Further details of Auckland Airport's credit risk objectives and policies is available in note 18(d).

14. Trade and other receivables

	2022 $M	2021 $M
Trade receivables	5.1	8.2
Less: Expected credit losses	(2.8)	(3.4)
Net trade receivables	2.3	4.8
Prepayments	7.0	7.2
GST receivable	0.4	-
Revenue accruals and other receivables	18.8	13.4
Total trade and other receivables	28.5	25.4

Allowance for impairment
Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. The group has assessed its expected credit losses using a credit risk matrix. Customers were assigned to four categories and a risk weighting applied to aged overdue balances. Because of a lack of useful historical data on which to base the 2022 COVID-19-related receivables impairment analysis, the group has applied judgement using management experience and customer interactions since the emergence of COVID-19. The categories are:

- Extreme risk – Customers in voluntary administration, liquidation or similar;
- High risk – Retail and transport customers who are most affected by New Zealand's international border closures;
- Medium risk – Airlines and other customers who are expected to be affected by COVID-19 but have alternative revenue streams or funding support; and
- Low risk – Government agencies, stable property tenants, essential services, customers with explicit government support or with strengthened balance sheets.

15. Issued and paid-up capital

	2022 $M	2021 $M	2022 Shares	2021 Shares
Opening number issued and paid-up capital at 1 July	1,679.2	1,678.6	1,472,034,637	1,471,916,791
Shares fully paid and allocated to employees by employee share scheme	0.6	0.3	102,300	56,300
Shares vested for employees participating in long-term incentive plans	0.4	0.3	58,194	61,546
Closing issued and paid-up capital at 30 June	1,680.2	1,679.2	1,472,195,131	1,472,034,637

All issued shares are fully paid and have no par value. The company does not limit the amount of authorised capital.

Each ordinary share confers on the holder one vote at any shareholder meeting of the company and carries the right to dividends.

Dividend reinvestment plan
The company has a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. The company considers whether the plan will apply to a dividend at each dividend announcement. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows. As mentioned in note 3(d) and note 9, no dividends were paid during, or declared for, the year ended 30 June 2022.

Share-based payment plans
As members of the group, the shares held by the Employee Share Purchase Plan and the Executive Long-Term Incentive Plan are eliminated from the group's issued and paid-up capital. When those shares are transferred out of the plans and vested to employees, they are recognised as an increase in issued and paid-up capital. Refer to note 23 – Share-based payment plans.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

16. Reserves

(a) Cancelled share reserve

	2022 $M	2021 $M
Balance at 30 June	(609.2)	(609.2)

The cancelled share reserve records the premium above paid-up share capital incurred on the return of capital to shareholders and on-market buy-backs of ordinary shares.

(b) Property, plant and equipment revaluation reserve

	2022 $M	2021 $M
Balance at 1 July	5,099.9	4,333.7
Reclassification to retained earnings	(7.0)	(3.7)
Revaluation	75.8	769.9
Movement in deferred tax	(128.5)	-
Balance at 30 June	5,040.2	5,099.9

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The $75.8 million increase in revaluation reserve, during the year ended 30 June 2022, includes a $459.5 million increase in buildings, which is subject to deferred tax. This is partially offset by a revaluation decrease of $383.7 million in land with no tax impact (2021: $769.9 million increase in land with no tax impact).

(c) Share-based payments reserve

	2022 $M	2021 $M
Balance at 1 July	2.0	1.6
Long-term incentive plan expense	(0.1)	0.2
Movement in deferred tax	0.2	0.2
Balance at 30 June	2.1	2.0

The share-based payments reserve records the value of historical equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

(d) Cash flow hedge reserve

	Notes	2022 $M	2021 $M
Balance at 1 July		(50.4)	(100.7)
Fair value change in hedging instrument		85.5	57.7
Transfers to the income statement relating to:			
Hedged transactions in the income statement		9.1	(0.5)
Close-out of interest rate swaps linked to debt not refinanced	18(b)	-	11.6
Close-out of USPP related cross-currency swaps	18(b)	-	1.0
Movement in deferred tax		(26.5)	(19.5)
Balance at 30 June		17.7	(50.4)

The cash flow hedge reserve records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement are included in interest expense and other finance costs.

(e) Cost of hedging reserve

	Note	2022 $M	2021 $M
Balance at 1 July		(1.1)	(3.9)
Change in currency basis spreads (when excluded from designated hedges)		(0.8)	(3.0)
Transferred to the income statement on close out of USPP related cross-currency swaps	18(b)	-	6.9
Movement in deferred tax		0.2	(1.1)
Balance at 30 June		(1.7)	(1.1)

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of Auckland Airport's cross-currency interest rate swaps.

(f) Share of reserves of associate and joint ventures

	2022 $M	2021 $M
Balance at 1 July	37.0	28.8
Share of reserves of associate and joint ventures	13.9	8.2
Balance at 30 June	50.9	37.0

The share of reserves of associate and joint ventures records the group's share of movements in the cash flow hedge reserve and the property, plant and equipment revaluation reserve of the associate and joint ventures. The cash flow hedge reserve of the associate and joint ventures records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement of the associate and joint ventures are included in the share of profit of the associate and joint ventures.

17. Accounts payable and accruals

	2022 $M	2021 $M
Employee entitlements	9.5	8.4
GST payable	-	0.2
Property, plant and equipment retentions and payables	24.8	50.4
Investment property retentions and payables	6.9	8.1
Trade payables	10.4	1.3
Interest payables	9.6	8.1
Other payables and accruals	25.9	26.9
Total accounts payable and accruals	87.1	103.4

The above balances are unsecured.

The amount owing to the related parties at 30 June 2022 is $7.7 million (2021: $4.4 million), refer note 22.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities

The total carrying amounts of the group's financial assets and liabilities are detailed below:

	Notes	2022 $M	2021 $M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	24.7	79.5
Trade and other receivables		21.1	18.2
		45.8	97.7
Total current financial assets		**45.8**	**97.7**
Non-current financial assets			
Derivative financial instruments			
Cross-currency interest rate swaps		-	29.2
Interest rate swaps - cash flow hedges		28.1	-
		28.1	29.2
Total non-current financial assets		**28.1**	**29.2**
Total financial assets		**73.9**	**126.9**
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals		87.1	103.4
Short-term borrowings	18(a)	515.6	220.0
Provisions		6.5	0.7
		609.2	324.1
Derivative financial instruments			
Interest rate swaps - cash flow hedges		0.9	1.9
Total current financial liabilities		**610.1**	**326.0**
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	961.0	1,172.8
Other term liabilities		3.3	2.8
		964.3	1,175.6
Derivative financial instruments			
Interest rate swaps - cash flow hedges		2.4	67.9
Interest rate swaps - fair value hedges		8.3	-
Cross-currency interest rate swaps		5.0	-
Total non-current financial liabilities		**980.0**	**1,243.5**
Total financial liabilities		**1,590.1**	**1,569.5**

The cross-currency interest rate swaps consist of both a fair value hedge component and a cash flow hedge component.

Amounts subject to potential offset
The group's derivative financial instruments are subject to enforceable master netting arrangements. Each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities in the event of default of the other party. The group's financial statements do not offset assets and liabilities with the same counterparties. Instead, it reports each derivative as either an asset or liability. However, if offsets were enforced by either party, the potential net amounts (assets less liabilities) would be derivative financial assets of $11.5 million (2021: derivative financial liabilities of $40.6 million).

(a) Borrowings

At the balance date, the following borrowings were in place for the group:

	Maturity	Coupon[1]	2022 $M	2021 $M
Current				
Commercial paper	< 3 months	Floating	142.6	92.0
Bank facility	31/01/2022	Floating	-	62.0
Bank facility	28/02/2022	Floating	-	66.0
Bank facility	20/11/2022	Floating	73.0	-
Bonds	11/10/2022	Floating	100.0	-
Bonds	9/11/2022	4.28%	100.0	-
Bonds	17/04/2023	3.64%	100.0	-
Total short-term borrowings			515.6	220.0
Non-current				
Bank facility	23/09/2027	Floating	-	83.0
Bank facility	20/11/2022	Floating	-	29.0
Bank facility	28/02/2023	Floating	-	15.0
Bank facility	31/07/2023	Floating	28.0	-
Bank facility	1/10/2023	Floating	37.0	-
Bank facility	16/08/2024	Floating	100.0	55.0
Bonds	11/10/2022	Floating	-	100.0
Bonds	9/11/2022	4.28%	-	100.0
Bonds	17/04/2023	3.64%	-	100.0
Bonds	2/11/2023	3.97%	225.0	225.0
Bonds	10/10/2024	3.51%	150.0	150.0
Bonds	17/11/2026	3.29%	141.2	-
AMTN notes[2]	23/09/2027	4.50%	279.8	315.8
Total term borrowings			961.0	1,172.8
Total				
Commercial paper			142.6	92.0
Bank facilities			238.0	310.0
Bonds			816.2	675.0
AMTN notes			279.8	315.8
Total borrowings			1,476.6	1,392.8

1 The coupon interest rate is the interest rate received by the group's lenders and does not reflect the group’s total cost of borrowing. The group's total cost of borrowing may be higher or lower than the coupon, reflecting the impacts of hedging and amortised transaction costs.
2 The AMTN notes are denominated in Australian Dollar.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

Movement in borrowings

	2022 $M	2021 $M
Total borrowings at the beginning of the year	1,392.8	2,145.2
Decrease in borrowings during the year	(72.0)	(714.9)
Increase in borrowings during the year	200.6	105.0
Amortisation of premium received for issue at non-market rates	(0.7)	(0.4)
Revaluation of foreign denominated debt for changes in FX rate	8.4	(53.7)
Revaluation of debt in fair value hedge relationship	(52.5)	(88.4)
Total borrowings at the end of the year	1,476.6	1,392.8

Bank facilities
Borrowings under the drawn bank facilities and standby bank facilities are supported by a negative pledge deed.

In the year ended 30 June 2022, the only bank financing activities undertaken by the company were repayments on current standby bank facilities totalling $72.0 million.

Bonds and notes
Borrowings under the bond programme are supported by a master trust deed. They are unsecured and unsubordinated.

In the year ended 30 June 2022, the company issued $150.0 million of five-year 3.29% fixed rate bonds in November 2021 with a corresponding $100.0 million repayment of existing bank facilities.

In June 2021, the group prepaid the outstanding USPP notes totalling US$350.0 million. All USPP notes were hedged with cross-currency swaps and had related basis reset swaps that were closed out at the same time. Prepayment of the notes required 'make-whole' payments of $44.4 million to compensate investors for the effect of reduced interest rates available to them on reinvestment of the proceeds. The make-whole payments were partially offset by gains of $32.0 million on the related cross-currency swaps. This resulted in a net expense of $12.4 million recognised as an interest expense.

The carrying amount of AMTN notes has reduced due to interest rate movements. The foreign currency exposure is fully hedged by cross-currency interest rate swaps, which have similarly reduced in value.

During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities. The covenant waivers granted by our banking group in April 2020 expired on 31 December 2021 and were replaced, first in August 2021 and again in February 2022, by modified interest coverage covenants applying from calendar year 2022 onwards. The most recent arrangements have converted the original 1.5x EBIT-based measure to an EBITDA-based measure that steps up progressively, broadly in line with the anticipated COVID-19 recovery. The EBITDA based interest coverage covenants are summarised in note 3.

(b) Hedging activity and derivatives

Cash flow hedges
At 30 June 2022, the group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2022 is $1,145.0 million (2021: $1,250.0 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on existing and future bank facilities, commercial paper and floating rate bonds. The interest payment frequency on these borrowings is quarterly.

For cash flow hedges, the effective part of the changes in fair value of the hedging derivative are deferred in other comprehensive income and are transferred to the income statement when the hedged item affects the income statement. Any gain or loss relating to the ineffective portion of the hedging instrument in cash flow hedge relationships are recognised in the income statement.

In May 2021, the group cancelled its plans to issue new floating rate debt and closed out $100.0 million of interest rate swaps that were intended to hedge that exposure. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and a realised loss of $11.6 million to close the swaps was reclassified from the cash flow hedge reserve to the income statement and recognised as an interest expense. That cost approximated the present value of the group's future interest savings without the swaps.

In June 2021, the group prepaid USPP notes totalling US dollar 350.0 million and simultaneously closed out the associated cross-currency swaps. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and realised losses of $1.0 million and $6.9 million were reclassified to the income statement, against interest expense, from the cash flow hedge reserve and cost of hedging reserve respectively. These were offset by a $39.9 million gain on the fair value component of the hedge, resulting in a net gain of $32.0 million. The net gain on the cross-currency interest rate swaps partially offset the $44.4 million make-whole cost to prepay the USPP notes. Further details are available at note 18(a).

During the year, the group assessed the remaining cash flow hedges to be highly effective and therefore they continue to qualify for hedge accounting.

Cross-currency swaps
The cross-currency interest rate swaps transform a series of known fixed interest rate cash flows in a foreign currency to floating rate NZD cash flows, mitigating exposure to fair value changes in the AMTN notes and previously the now repaid USPP notes.

For hedge accounting purposes, these swaps are aggregated and designated as two cash flow hedges and a fair value hedge. The fair value component transforms US and Australian fixed interest rates to US and Australian floating interest rates, respectively.

The change in the fair value of the hedged risk is attributed to the carrying value of the AMTN debt and previously also the USPP debt. This debt revaluation is recognised in the income statement to offset the mark-to-market revaluation of the hedging derivative.

The cross-currency basis element of the cross-currency interest rate swaps are excluded from the hedge designation and are separately recognised in other comprehensive income in a cost of hedging reserve. Additional detail on the treatment of the basis component can be found in note 16(e) – Cost of hedging reserve.

The cash flow components are hedge accounted as described above under Cash flow hedges.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Auckland Airport determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. Auckland Airport assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Auckland Airport's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

Gains or losses on the fixed interest bonds, USPP notes, derivatives and AMTN notes in a hedging relationship with fair value hedges recognised in the income statement in interest expense during the period were:

	2022 $M	2021 $M
Gains/(losses) on the USPP notes	-	80.3
Gains/(losses) on the AMTN notes	35.4	14.5
Gains/(losses) on the bonds	8.7	-
Gains/(losses) on the derivatives	(42.6)	(97.2)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

As part of the issuance of the USPP notes and cross-currency interest rate swaps, additional basis swaps were taken out by the group to hedge the basis risk on the cross-currency interest rate swaps. The basis swaps converted the 10-year and 12-year fixed basis cost component of the cross-currency interest rate swaps to a much lower annual-resetting basis cost, thereby lowering the overall interest cost in New Zealand dollars of the US dollar USPP borrowings. The basis swaps were not hedge accounted. The basis swaps were closed out at a gain of $0.6 million when the USPP notes were prepaid (refer to note 18(a)).

Gains or losses on the basis swaps recognised in the income statement and the ineffective hedging component of the swaps recognised in the income statement relating to counterparty risk during the period were:

	2022 $M	2021 $M
Basis swaps transacted as hedges but not qualifying for hedge accounting	-	(1.1)
Credit valuation adjustments on hedges qualifying for hedge accounting	1.7	0.6
Derivative fair value change	1.7	(0.5)

The group has assessed that the sensitivity of reported profit to changes in the NZD/USD basis spreads is immaterial.

The details of the hedging instruments as at 30 June 2022 and 30 June 2021 are as follows:

As at 30 June 2022	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument M	Statement of financial position line item	Carrying amount of the hedging instrument Assets $M	 Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges								
Interest rate swaps	NZD	3.47%	1 - 7	NZ $1,145.0	Derivative financial instruments	28.1	3.2	26.9
Fair value and cash flow hedges								
Interest rate swaps	NZD	Floating	4	NZ $150.0	Derivative financial instruments	-	8.4	(8.4)
Cross-currency swaps	NZD:AUD	Floating	5	AU $260.0	Derivative financial instruments	-	5.0	(4.7)
Net hedging instruments						28.1	16.6	13.8

As at 30 June 2021	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument M	Statement of financial position line item	Carrying amount of the hedging instrument Assets $M	 Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges								
Interest rate swaps	NZD	3.55%	0 - 8	NZ $1,250.0	Derivative financial instruments	-	69.8	(66.4)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:AUD	Floating	6	AU $260.0	Derivative financial instruments	29.2	-	24.6
Net hedging instruments						29.2	69.8	(41.8)

All hedging instruments can be found in the derivative financial instrument's assets and liabilities in the statement of financial position. Items taken to the income statement have been recognised in the derivative fair value (decrease)/increase.

The details of hedged items as at 30 June 2022 and 30 June 2021 are as follows:

	Statement of financial position line item	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in value used for calculating hedge effectiveness
		Assets	Liabilities	Assets	Liabilities	
As at 30 June 2022		$M	$M	$M	$M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	Short-term/ Term borrowings	-	900.0	-	-	(7.1)
Highly probable forecast variable rate debt	-	-	-	-	-	(21.1)
Fair value hedges						
Aggregated variable interest rate exposure	Term borrowings	-	141.3	-	(8.7)	8.6
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	279.8	-	(7.6)	3.5
Net hedged items		-	1,321.1	-	(16.3)	(16.1)

	Statement of financial position line item	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in value used for calculating hedge effectiveness
		Assets	Liabilities	Assets	Liabilities	
As at 30 June 2021		$M	$M	$M	$M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	-	-	520.0	-	-	32.5
Highly probable forecast variable rate debt	-	-	-	-	-	34.5
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	315.8	-	27.9	(26.7)
Net hedged items		-	835.8	-	27.9	40.3

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

(c) Fair value

The group selects valuation techniques that aim to maximise the use of relevant observable inputs and minimise the use of unobservable inputs, provided that sufficient data is available. All assets and liabilities for which fair value is measured are assigned to levels within the fair value hierarchy. The different levels comprise:

- **Level 1** – the fair value is calculated using quoted prices for the asset or liability in active markets;
- **Level 2** – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3** – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

To determine the level used to estimate fair value, the group assesses the lowest level input that is significant to that fair value.

There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2022 (2021: Nil).

The carrying value closely approximates the fair value of cash, accounts receivable, dividend receivable, other non-current assets, 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 closely 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 AMTN notes are classified as Level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	2022		2021	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Bonds	816.2	816.5	675.0	710.9
AMTN notes	279.8	285.0	315.8	323.6

The group's derivative financial instruments are interest rate swaps and cross-currency interest rate swaps. They arise directly from raising finance for the group's operations. All the derivative financial instruments are hedging instruments for financial reporting purposes.

The group's derivative financial instruments are classified as Level 2. The future cash flows are estimated using the key inputs presented in the table alongside. The cash flows are discounted at a rate that reflects the credit risk of various counterparties.

Instrument	*Valuation key inputs*
Interest rate swaps	Forward interest rates (from observable yield curves) and contract interest rates
Basis swaps	Observable forward basis swap pricing and contract basis rates
Cross-currency interest rate swaps	Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates

(d) Financial risk management objectives and policies

(i) Credit risk

The group's maximum exposure to credit risk at 30 June 2022 is equal to the carrying value of cash, accounts receivable, dividends receivable and derivative financial instruments. Credit risk is managed by restricting the amount of cash and marketable securities that can be placed with any one institution, which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The group minimises its credit risk by spreading such exposures across a range of institutions, with Standard & Poor's credit ratings of 'A' or above (2021: 'A' or above).

The group's credit risk is also attributable to accounts receivable, which principally comprise amounts due from airlines, tenants and retail licensees. At 30 June 2022, the group identified $2.8 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2021: $3.4 million), refer to note 14.

The group has a policy that manages exposure to credit risk by way of requiring a performance bond for material lease contracts or other customers whose credit rating or history indicates that this would be prudent. The value of performance bonds for the group is $3.3 million (2021: $2.7 million).

(ii) Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings on the money market, bank loans, commercial paper, USPP, AMTN notes and bonds.

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2022, this undrawn facility headroom was $954.5 million (2021: $831.7 million). The group's policy also requires the spreading of debt maturities.

Bank facilities

During the year ended 30 June 2022, the group extended the maturity dates for a number of bank facilities as illustrated in the table below. All bank facilities are multi-currency facilities.

				2022			2021		
Type : Multi-currency facility	Maturity	Maturity	Facility	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Bank	(June 2022)	(June 2021)	currency	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M
ANZ Bank New Zealand	31/7/2023	31/1/2022	NZD	100.0	-	100.0	100.0	32.0	68.0
Bank of China (New Zealand)		31/1/2022	NZD	-	-	-	30.0	30.0	-
Bank of New Zealand		28/2/2022	NZD	-	-	-	50.0	40.0	10.0
Bank of New Zealand		28/2/2023	NZD	-	-	-	80.0	-	80.0
China Construction Bank Corporation	16/11/2022	16/11/2022	NZD	95.0	73.0	22.0	95.0	83.0	12.0
China Construction Bank Corporation	3/4/2024	3/4/2024	NZD	30.0	-	30.0	30.0	-	30.0
Commonwealth Bank of Australia	30/11/2022	30/11/2022	AUD	99.5	-	99.5	96.7	29.0	67.7
Mizuho Bank, Ltd. Sydney Branch OBU	1/10/2023	3/4/2022	NZD	70.0	37.0	33.0	70.0	-	70.0
Mizuho Bank, Ltd. Sydney Branch OBU	26/7/2024	26/7/2024	NZD	100.0	100.0	-	100.0	55.0	45.0
MUFG Bank, Ltd.	31/10/2023	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
MUFG Bank, Ltd.	28/2/2023	28/2/2023	NZD	50.0	-	50.0	50.0	15.0	35.0
Westpac New Zealand Limited		28/2/2022	NZD	-	-	-	50.0	26.0	24.0
Westpac New Zealand Limited	31/10/2023	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
Bank of China (New Zealand)	31/7/2023		NZD	28.0	28.0	-	-	-	-
Bank of New Zealand	24/4/2025		NZD	150.0	-	150.0	-	-	-
Westpac New Zealand Limited	31/7/2023		NZD	80.0	-	80.0	-	-	-
			Total NZD equivalent	**1,192.5**	**238.0**	**954.5**	**1,141.7**	**310.0**	**831.7**

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

The following liquidity risk disclosures reflect all undiscounted principal repayments and interest payments resulting from recognised financial liabilities and financial assets as at 30 June 2022. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short-term cash payments and expects borrowings to roll over.

Undiscounted cash flows on financial assets and liabilities

	Carrying amount	Contractual cash flows	< 1 year	1 to 3 years	3 to 5 years	> 5 years
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	24.7	24.7	24.7	-	-	-
Accounts receivable	21.1	21.1	21.1	-	-	-
Derivative financial assets	28.1	32.3	2.1	13.2	12.4	4.6
Total financial assets	73.9	78.1	47.9	13.2	12.4	4.6
Financial liabilities						
Accounts payable, accruals and other term liabilities	(96.9)	(96.9)	(96.9)	-	-	-
Commercial paper	(142.6)	(143.0)	(142.2)	-	-	-
Bank facilities	(238.0)	(253.5)	(73.0)	(165.0)	-	-
Bonds	(816.3)	(881.1)	(300.0)	(375.0)	(150.0)	-
AMTN notes	(279.8)	(358.6)	-	-	-	(287.5)
Derivative financial liabilities	(16.6)	(22.6)	(6.8)	(12.4)	(8.9)	5.4
Interest payable	-	-	(48.5)	(55.4)	(33.2)	(6.5)
Total financial liabilities	(1,590.2)	(1,755.7)	(667.4)	(607.8)	(192.1)	(288.6)
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	79.5	79.5	79.5	-	-	-
Accounts receivable	18.2	18.2	18.2	-	-	-
Derivative financial assets	29.2	25.7	6.6	8.8	5.1	5.1
Total financial assets	126.9	123.4	104.3	8.8	5.1	5.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(106.9)	(106.9)	(106.9)	-	-	-
Commercial paper	(92.0)	(92.0)	(92.0)	-	-	-
Bank facilities	(310.0)	(323.1)	(128.0)	(127.0)	(55.0)	-
Bonds	(675.0)	(731.3)	-	(525.0)	(150.0)	-
AMTN notes	(315.8)	(367.9)	-	-	-	(284.5)
Derivative financial liabilities	(69.8)	(73.7)	(17.0)	(28.7)	(20.1)	(7.9)
Interest payable	-	-	(44.2)	(61.0)	(28.5)	(19.1)
Total financial liabilities	(1,569.5)	(1,694.9)	(388.1)	(741.7)	(253.6)	(311.5)

(iii) Interest rate risk

The group's exposure to market risk from changes in interest rates relates primarily to the group's borrowings. Borrowings issued at variable interest rates expose the group to changes in interest rates. Borrowings issued at fixed rates expose the group to changes in the fair value of the borrowings.

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt and interest rate derivatives that are accounted for as cash flow hedges or fair value hedges. The group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters set out in the group's treasury policy. At year end, 71.5% (2021: 80.4%) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and seven years from 30 June 2022 (2021: one month and eight years).

At balance date, the company had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk after considering hedging instruments:

	2022 $M	2021 $M
Financial assets		
Cash and cash equivalents	24.7	79.5
	24.7	79.5
Financial liabilities		
Bonds swapped to floating	150.0	-
Bank facilities	58.0	100.0
Commercial paper	57.6	6.9
AMTN notes	159.5	159.5
	425.1	266.4
Net exposure	400.4	186.9

Interest rate sensitivity

The following table demonstrates the sensitivity to a change in floating interest rates of plus and minus 10 basis points, with all other variables held constant, of the company's profit before tax and equity:

	2022 $M	2021 $M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.4)	(0.2)
Effect on equity before taxation	3.3	5.9
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.4	0.2
Effect on equity before taxation	(3.4)	(5.9)

Significant assumptions used in the interest rate sensitivity analysis include the following:

- Effect on profit before tax and effect on equity is based on net floating rate debt and funds on deposit as at 30 June 2022 of $400.4 million (2021: $186.9 million). Interest rate movements of plus and minus 10 basis points have been applied to this floating rate debt to demonstrate the sensitivity to interest rate risk; and
- Effect on equity is the movement in the valuation of derivatives that are designated as cash flow hedges due to an increase or decrease in interest rates. All derivatives that are effective as at 30 June 2022 are assumed to remain effective until maturity. Therefore, any movements in these derivative valuations are taken to the cash flow hedge reserve within equity and they will reverse entirely by maturity date.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

(iv) Foreign currency risk

During the years ended 30 June 2022 and 30 June 2021, the group was exposed to foreign currency risk with respect to Australian and US dollars.

Exposure to the Australian dollar arises from Australian Medium Term Notes. This exposure has been fully hedged by way of cross-currency interest rate swaps hedging both principal and interest.

Exposure to the US dollar arose from USPP borrowings denominated in that currency. This exposure was fully hedged by way of cross-currency interest rate swaps combined with the basis swaps, hedging US dollar exposure on both principal and interest. The USPP borrowings and associated hedges were repaid and closed out during the prior year and there is no US dollar exposure at 30 June 2022. Further details are available at notes 18(a) and 18(b).

The cross-currency interest rate swaps correspond in amount and maturity to the relevant borrowings with no residual foreign currency risk exposure.

The cross-currency interest rate swaps consist of a fair value hedge component and a cash flow hedge component. The effective movements on the fair value hedge component are taken to the income statement along with all movements of the hedged risk on the AMTN notes. The effective movements of the cash flow hedge components are all taken to the cash flow hedge reserve.

The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next 12 months from balance date.

The following sensitivity analysis is based on the foreign currency risk exposure to the Australian dollar in existence at 30 June 2022. Had the New Zealand dollar moved either up or down by 10%, with all other variables held constant, profit before taxation and equity before taxation would have been affected as follows:

	2022 $M	2021 $M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.5)	(0.4)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.6	0.3

Significant assumptions used in the foreign currency exposure sensitivity analysis include the following:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has been applied to the exchange rates to demonstrate the sensitivity to foreign currency risk of the company's debt and associated derivative financial instruments; and
- The sensitivity was calculated by taking the spot rate as at balance date of 0.90445 for AUD (2021: 0.9311) and moving this spot rate by the reasonably possible movements of plus or minus 10% and then reconverting the foreign currency into NZD with the new spot rate. This methodology reflects the translation methodology undertaken by the group.

(v) Capital risk management

The group's objective is to maintain a capital structure mix of shareholders' equity and debt that achieves a balance between ensuring the group can continue as a going concern and providing a capital structure that maximises returns for shareholders and reduces the cost of capital to the group. The appropriate capital structure of the group is determined from consideration of our target credit rating, comparison to peers, sources of finance, borrowing costs, general shareholder expectations, the ability to distribute surplus funds efficiently, future business strategies and the ability to withstand business shocks.

The group can maintain or adjust the capital structure by adjusting the level of dividends, changing the level of capital expenditure, issuing new shares, returning capital to shareholders or selling assets to reduce debt. The group monitors the capital structure on the basis of the gearing ratio and by considering the credit rating of the company. In the year to 30 June 2022, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) and reduction in capital expenditure (note 11 and note 12) to improve the financial position of the group.

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2022 is 12.1% (2021: 11.5%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2022 is 'A- Stable Outlook' (2021: 'A- Stable Outlook').

19. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $198.8 million at 30 June 2022 (2021: $31.5 million). These include the development of a new Transport Hub opposite the international terminal, aeronautical works, and enabling works associated with the integration of the domestic and international terminals.

(b) Investment property

The group had contractual obligations to either purchase, develop, repair or maintain investment property for $34.3 million at 30 June 2022 (2021: $43.5 million).

(c) Joint ventures

During the year ended 30 June 2022, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) tendered a contract for the second and final phase of development of a new Pullman Hotel. At 30 June 2022, the joint venture's contractual obligations for the hotel development were $82.0 million (30 June 2021: $5.7 million). The group's share of those commitments was $41.0 million at 30 June 2022 (30 June 2021: $2.9 million).

(d) Operating lease receivable – group as lessor

The group has commercial properties owned by the company that produce rental income and retail concession agreements that produce retail income.

These non-cancellable leases have remaining terms of between one month and 29 years (2021: one month and 30 years). Most leases with an initial period over three years include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions. A very small minority can be revised downwards under normal trading conditions. However, some of the retail concession arrangements contain provisions for rental to be adjusted downwards in the event of a fall in passenger numbers.

The future minimum lease receivables have been reduced where the group has contractual or constructive obligations to adjust fixed rent in response to COVID-19 and the associated reductions in passenger numbers.

Future minimum rental and retail income receivable under non-cancellable operating leases as at 30 June are as follows:

	2022 $M	2021 $M
Within one year	116.4	107.7
Between one and two years	103.9	93.7
Between two and three years	95.6	82.9
Between three and four years	87.6	73.7
Between four and five years	78.7	64.1
After more than five years	740.0	562.7
Total minimum lease payments receivable	1,222.2	984.8

20. Contingent liabilities

Noise mitigation

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

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

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $7.8 million (2021: $8.0 million), refer note 21.

Contractor claims

A contingent liability of $7.3 million (2021: $10.1 million) has been recognised for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a conservative view and recognised as a contingent liability the total uncertified contractor claims.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

21. Provisions

Firefighting foam contaminated water and soil clean-up
Per and PolyFluoroalkyl Substances (PFAS) containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand. There is evidence of varying levels of PFAS contaminated surface water and sediment derived from historical firefighting foams used at Auckland Airport. The group has provided for anticipated remediation costs of $6.0 million but further investigations are to be completed in the financial year ending June 2023 to confirm the method, extent and further refine costs of remediation.

Noise mitigation
Annual projections of aircraft noise levels determine requirements for Auckland Airport to fund noise mitigation packages for dwellings and schools affected by aircraft noise. The company makes an annual offer to affected landowners and, on acceptance of an offer, the group records a provision for the estimated cost of installing that year's mitigation packages. The annual cost varies depending on the extent of properties affected and the number of offers accepted. As disclosed in note 20, it is estimated that further costs on noise mitigation should not exceed $7.8 million (2021: $8.0 million).

Contract termination costs
As a result of the significant disruption caused by the imposition of travel restrictions in reference to COVID-19, Auckland Airport suspended a number of construction contracts during the year ended 30 June 2020. Those contracts were for infrastructure projects that were providing additional capacity that was no longer considered necessary in the immediate future. The group provided $36.3 million as at 30 June 2020 for the expected costs of early termination of those construction contracts. During the comparative year ended 30 June 2021, the group successfully concluded negotiations with all contractors, resulting in $18.0 million being used in settlements and $18.3 million being reversed to the income statement. There were no new provisions for contract termination costs during the current year ended 30 June 2022.

	Foam disposal $M	Noise mitigation $M	Contract termination $M	Total $M
Year ended 30 June 2022				
Opening balance	0.2	0.5	-	0.7
Provisions made during the year	5.9	0.2	-	6.1
Expenditure for the year	(0.1)	(0.2)	-	(0.3)
Total provisions at year end	6.0	0.5	-	6.5
Year ended 30 June 2021				
Opening balance	0.3	0.6	36.3	37.2
Provisions made during the year	-	0.2	-	0.2
Unused amounts reversed during the year	-	-	(18.3)	(18.3)
Expenditure for the year	(0.1)	(0.3)	(18.0)	(18.4)
Total provisions at year end	0.2	0.5	-	0.7

22. Related party disclosures

(a) Transactions with related parties

All trading with related parties, including and not limited to rentals and other sundry charges, has been made on an arm's-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.

Auckland Council
Auckland Council is a significant shareholder of the company, with a shareholding in excess of 18% (2021: in excess of 18%).

On 28 October 2010, Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agreed to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for the consideration of $4.1 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels.

The obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

Transactions with Auckland Council and its subsidiaries are as follows:

	2022 $M	2021 $M
Rates	13.6	13.6
Building consent costs and other local government regulatory obligations	1.5	1.5
Water, wastewater and compliance services	1.8	1.3
Grounds maintenance	1.4	1.8

The amount owing to Auckland Council at 30 June 2022 is $0.1 million (2021: $0.2 million).

Interest of directors in certain transactions
A number of the company's directors are also directors of other companies, and a number of these companies transacted with the group on normal commercial terms during the reporting period. Any transactions undertaken with these entities have been entered into on an arm's-length commercial basis, without special privileges. Material related party relationships are reported in the tables below.

These transactions include the following:

	2022 $M	2021 $M
Fulton Hogan	17.2	6.8
Downer New Zealand Limited	33.3	28.2

Amounts owing to related parties are as follows:

	2022 $M	2021 $M
Fulton Hogan	2.6	-
Downer New Zealand Limited	5.0	4.2

Associate and joint ventures
Related party transactions with the following associate entities and joint ventures are disclosed at note 8:

- Tainui Auckland Airport Hotel Limited Partnership;
- Tainui Auckland Airport Hotel 2 Limited Partnership; and
- Queenstown Airport Corporation Limited.

One of the company's directors is also a director of Tainui Group Holdings, the joint venture partner in the above hotel partnerships.

(b) Key management personnel compensation
The table below includes the remuneration of directors and the senior management team:

	Note	2022 $M	2021 $M
Directors' fees		1.5	1.3
Senior management's salary and other short-term benefits		6.2	3.9
Senior management's share-based payments	23(b)	0.7	0.6
Senior managments's termination benefits		0.6	-
Total remuneration		9.0	5.8

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

23. Share-based payment plans

(a) Employee share purchase plan

The purchase plan is open to all full-time and part-time employees (not directors) at an offer date. The company advances to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employee's regular remuneration. These advances are interest free.

The shares allocated under the purchase plan are held in trust for the employees by the trustees of the purchase plan during the restrictive period, which is the longer of three years or the period of repayment by the employee of the loan made by the trust to the employee in relation to the acquisition of shares.

Movement in ordinary shares allocated to employees under the purchase plan is as follows:

	2022 Shares	2021 Shares
Shares held on behalf of employees		
Opening balance	343,300	305,200
Shares issued during the year	38,410	96,300
Shares reallocated to employees	29,300	32,300
Shares fully paid and allocated to employees	(102,300)	(56,300)
Shares forfeited during the year	(52,980)	(34,200)
Total shares held on behalf of employees	255,730	343,300
Unallocated shares held by the purchase plan	45,480	21,900
Total shares held by the purchase plan	301,210	365,200

On 8 November 2021, 29,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 38,410 new shares were issued at nil consideration, up to a value of $1,500 per employee. No repayments are required in respect of this offer, but the shares remain subject to a three-year restrictive period. The offer was both as an acknowledgement of employees' hard work and also the critical role they will play as aviation recovers. On 5 November 2020, 32,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 96,300 new shares were issued at a price of $5.664, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 5 November 2020.

(b) Long-term incentive plan (LTI plan)

Share rights LTI plan

In August 2019, the directors introduced a new share rights LTI plan that vests from calendar year 2022 onwards. This replaced the legacy LTI plan disclosed below. Under the new LTI plan, share rights are granted to participating executives with a three-year vesting period. Share rights, once vested and exercised, entitle the participating executives to receive shares in Auckland Airport. The vesting rules and performance hurdles are described below.

Legacy LTI plan

The final tranche of the previous equity-settled LTI plan vested on 24 September 2021. Under that legacy LTI plan, shares were issued and then held in trust for participating executives for a three-year vesting period. The executives were entitled to the dividends on the shares during the vesting period at the same rate as paid to all ordinary shareholders. The vesting rules and performance hurdles are described below.

Vesting rules and performance hurdles

The vesting rules and performance hurdles are the same for both the share rights and the legacy LTI plans. The receipt of the shares, or vesting, is at nil cost to executives and 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 plans, all shares will vest if the TSR equals or exceeds the company's cost of equity plus 1% compounding annually (independently calculated by Jarden and PricewaterhouseCoopers). 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 not met or executives leave Auckland Airport prior to vesting, the shares or share rights are forfeited.

On 12 November 2021, Adrian Littlewood retired from his role as chief executive after more than 12 years with the company and nine years as chief executive. At the Board's discretion Adrian will retain his 71,318 share rights that become exercisable on 30 September 2022. However, he has forfeited his remaining 93,931 share rights that would have become exercisable on 1 October 2023 resulting in a reversal of $0.3 million of previous expense. All other conditions of the LTI plan remain in place for Adrian and other participants, including being subject to the usual performance measures.

Share rights LTI plan		Number of share rights				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
27 September 2019	30 September 2022	161,776	-	-	-	161,776
4 December 2020	1 October 2023	213,020	-	-	93,931	119,089
30 September 2021	30 September 2024	-	122,558	-	-	122,558
8 April 2022	30 September 2024	-	61,374	-	-	61,374
Total share rights		374,796	183,932	-	93,931	464,797

Legacy LTI plan		Number of shares held on behalf of executives				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
24 September 2018	24 September 2021	116,385	-	58,193	58,192	-
Total shares		116,385	-	58,193	58,192	-

Fair value of share rights granted

The LTI plans are valued as nil-price in-substance options at the date at which they are granted using a probability weighted pay-off valuation model independently prepared by Jarden. The following table lists the key inputs to the valuation. Volatility estimates were derived using historical data over the past two years. 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.

Grant date	Vesting date	Grant price	Risk-free interest rate range	Expected volatility of share price	Estimated fair value per share right	Share price at exercise
24 September 2018	24 September 2021	$7.13	1.80 - 2.00%	18.2%	$3.08	$7.36
27 September 2019	30 September 2022	$9.25	0.79 - 0.81%	19.8%	$4.01	N/A
4 December 2020	1 October 2023	$7.03	0.04 - 0.18%	36.8%	$3.41	N/A
30 September 2021	30 September 2024	$7.26	1.00 - 1.55%	26.2%	$3.56	N/A
8 April 2022	30 September 2024	$7.33	1.00 - 1.55%	26.2%	$3.60	N/A

It has been assumed that participants will remain employed with the company until the vesting date.

The share-based payment expense relating to the LTI plan for the year ended 30 June 2022 is $0.1 million (2021: $0.2 million) with a corresponding decrease in the share-based payments reserve (refer note 16(c)).

24. Events subsequent to balance date

On 16 August 2022, the directors of Queenstown Airport declared a final dividend of $1.3 million for the year ended 30 June 2022. The group’s share of the dividend is $0.3 million.

On 18 August 2022, the directors of Auckland Airport resolved that no final dividend would be declared for the year ended 30 June 2022.

Deloitte.

Audit Report

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

Opinion

We have audited the consolidated financial statements of Auckland International Airport Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 25 to 79, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair Value of Revalued Property, Plant and Equipment	
Land, buildings and services, runway, taxiways, aprons and infrastructure property, plant and equipment ('Revalued PPE') are recorded on the statement of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses (if any). The Group revalues these assets at regular intervals that are sufficient to ensure that the carrying values are not materially different to their fair values. The carrying value of these assets as at 30 June 2022 is $6,887.5 million. Land assets were revalued at 30 June 2022. A revaluation loss of $383.7 million is recognised in other comprehensive income, and a revaluation loss of $2.5 million recognised in the income statement. Buildings and services assets were revalued at 30 June 2022. A revaluation gain of $459.5 million is recognised in other comprehensive income, and a revaluation gain of $1.1 million is recognised in the income statement. Runway, taxiways and aprons, and infrastructure were last revalued at 30 June 2020. The Group did not carry out revaluations in 2022 on these assets as it assessed there has been no material change in fair values. The Group's assessment considered movements in the relevant capital goods price indices and other relevant market indicators. Note 11 to the financial statements provides summary information about each class of Revalued PPE, including descriptions of the valuation methodologies used in the latest valuations. We consider the fair value of Revalued PPE to be a key audit matter due to the materiality of the carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.	In relation to the land, buildings and services assets revalued in the current year, our audit procedures focused on the valuation process, methodologies and key inputs. We evaluated the Group's processes in respect of the independent valuations including the selected valuation methodologies, the internal data provided to the valuers where relevant, and the reconciliation of the valuations to the asset register. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the potential outcomes of the Duty Free tender planned for the second half of the 2024 financial year, as well as other upcoming retail lease renewals in relation to land associated with retail facilities within terminal buildings. We also discussed the continued impact of COVID-19 with valuers. Our procedures included: • Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued, and ensuring the reports considered the impacts of COVID-19; • Assessing the methodology for consistency with prior valuations and considering whether any changes to the methodology were required; • Testing the key inputs to the valuations across a sample of properties by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that these were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations. For all other PPE carried at fair value, our audit procedures focused on the appropriateness of the Group's assessment that the carrying value is not materially different to fair value. Our procedures included: • Assessing whether the capital goods price indices used by the Group are appropriate; • Comparing the capital goods price indices and other relevant inputs to observable market data and testing the accuracy of the Group's calculation of changes; and • Considering the appropriateness of the Group's assessment that carrying values are not materially different to fair value, including the Group's consideration of the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties Investment properties of $2,897.4 million are recorded at fair value in the statement of financial position at 30 June 2022. A revaluation gain of $204.4 million is recognised in the income statement. Revaluations are carried out annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land ($466.9 million) is valued using a direct sales comparison. Retail and service, industrial, and other investment properties ($2,430.5 million) are valued using discounted cash flow models. The significant inputs to the discounted cash flow models are market rental rates, rental growth rates and discount rates. Note 12 to the financial statements provides summary information about the investment properties held by the Group and quantitative information about the key inputs to the valuation models. Note 11 (c) describes the methodologies used and provides qualitative information about the sensitivity of the models to changes in the key inputs. We consider the valuation of investment properties to be a key audit matter due to the materiality of revaluation gains and carrying amounts to the financial statements and the judgement involved in determining their fair values.	Our audit procedures focused on the appropriateness of the valuation methodologies and key inputs applied in the models. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the impact on the valuations of COVID-19 and the current macroeconomic conditions with valuers. We read the valuation reports for all properties and considered whether the methodology applied was appropriate for the property being valued. We assessed the methodology for consistency with the prior period and considered whether any changes to the methodology were appropriate. We performed testing on a sample of the valuation reports. Our procedures included: • Testing the key inputs to the valuations by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that the possible rental losses identified were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated nancial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand
18 August 2022

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2022

Group income statement	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Income					
Airfield income	60.9	64.0	100.6	127.6	122.1
Passenger services charge	33.8	24.2	133.0	185.1	179.1
Retail income	22.7	17.8	141.5	225.8	190.6
Rental income	129.7	115.2	109.2	107.8	97.6
Rates recoveries	8.6	7.8	7.7	6.7	6.0
Car park income	26.2	28.7	50.3	64.2	61.0
Interest income	0.3	4.9	1.7	1.8	2.2
Other income	18.1	18.5	23.0	24.4	25.3
Total income	300.3	281.1	567.0	743.4	683.9
Expenses					
Staff	50.0	45.6	62.9	59.1	57.9
Asset management, maintenance and airport operations	66.7	53.4	77.5	81.1	69.5
Rates and insurance	21.0	20.8	18.0	16.1	13.7
Marketing and promotions	1.4	1.0	8.3	12.7	13.8
Professional services and levies	4.3	4.0	6.2	8.6	11.1
Fixed asset write-offs, impairment and termination costs	6.9	2.5	117.5	-	-
Reversal of fixed asset impairment and termination costs	-	(19.4)	-	-	-
Other expenses	6.1	6.3	6.3	11.0	11.5
Expected credit losses/(release)	(0.6)	(4.2)	(4.2)	-	-
Total expenses	155.8	110.0	306.6	188.6	177.5
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[2]	144.5	171.1	260.4	554.8	506.4
Investment property fair value change	204.4	527.3	168.6	254.0	152.2
Property, plant and equipment fair value change	(1.4)	(7.5)	(45.9)	(3.8)	-
Derivative fair value change	1.7	(0.5)	(1.9)	(0.6)	(0.7)
Share of profit of associate and joint ventures	(12.8)	21.1	8.4	8.2	16.7
Gain on sale of associate	-	-	-	-	297.4
Impairment of investment in joint venture	-	-	(7.7)	-	-
Earnings before interest, taxation and depreciation (EBITDA)[2]	336.4	711.5	381.9	812.6	972.0
Depreciation	113.1	120.9	112.7	102.2	88.9
Earnings before interest and taxation (EBIT)[2]	223.3	590.6	269.2	710.4	883.1
Interest expense and other finance costs	53.7	94.0	71.8	78.5	77.2
Profit before taxation	169.6	496.6	197.4	631.9	805.9
Taxation expense/(benefit)	(22.0)	30.0	3.5	108.4	155.8
Profit after taxation attributable to the owners of the parent	191.6	466.6	193.9	523.5	650.1

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.
2 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

Group statement of comprehensive Income	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Profit for the period	191.6	466.6	193.9	523.5	650.1
Other comprehensive income					
Items that will not be reclassified to the income statement					
Property, plant and equipment net revaluation movements	75.8	769.9	(599.8)	87.6	1,189.6
Tax on the property, plant and equipment revaluation reserve	(128.5)	-	(32.5)	(24.6)	-
Movement in share of reserves of associate and joint ventures	13.9	8.2	-	-	8.0
Items that will not be reclassified to the income statement	(38.8)	778.1	(632.3)	63.0	1,197.6
Items that may be reclassified subsequently to the income statement					
Cash flow hedges					
Fair value gains/(losses) recognised in the cash flow hedge reserve	85.5	57.7	(44.5)	(47.1)	(9.5)
Realised (gains)/losses transferred to the income statement	9.1	12.1	(2.2)	1.6	2.9
Tax effect of movements in the cash flow hedge reserve	(26.5)	(19.5)	13.1	13.3	0.3
Total cash flow hedge movement	68.1	50.3	(33.6)	(32.2)	(6.3)
Movement in cost of hedging reserve	(0.8)	3.9	2.7	(4.8)	-
Tax effect of movements in the cash flow hedge reserve	0.2	(1.1)	(0.8)	2.3	-
Movement in share of reserves of associate and joint ventures	-	-	-	-	0.4
Movement in foreign currency translation reserve	-	-	-	-	0.8
Items that may be reclassified subsequently to the income statement	67.5	53.1	(31.7)	(34.7)	(5.1)
Total other comprehensive income/(loss)	28.7	831.2	(664.0)	28.3	1,192.5
Total comprehensive income for the period, net of tax attributable to the owners of the parent	220.3	1,297.8	(470.1)	551.8	1,842.6

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Group statement of changes in equity	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
At 1 July	7,929.5	6,630.7	6,032.9	5,682.1	4,029.0
Profit for the period	191.6	466.6	193.9	523.5	650.1
Other comprehensive income/(loss)	28.7	831.2	(664.0)	28.3	1,192.5
Total comprehensive income	220.3	1,297.8	(470.1)	551.8	1,842.6
Reclassification to gain on sale of associate	-	-	-	-	8.5
Shares issued	1.0	0.6	1,210.4	64.0	55.9
Long-term incentive plan	0.1	0.4	0.2	0.1	0.2
Dividend paid	-	-	(136.3)	(265.1)	(254.1)
At 30 June	8,150.9	7,929.5	6,637.1	6,032.9	5,682.1

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Group balance sheet	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Non-current assets					
Property, plant and equipment					
Land	4,319.1	4,705.7	3,931.1	4,645.4	4,625.3
Buildings and services	1,553.3	1,079.9	1,140.7	1,056.7	961.8
Infrastructure	616.6	551.7	487.5	403.1	356.2
Runways, taxiways and aprons	398.5	389.1	378.3	346.5	351.5
Vehicles, plant and equipment	98.6	100.1	123.2	125.4	83.2
	6,986.1	6,826.5	6,060.8	6,577.1	6,378.0
Investment properties	2,897.4	2,641.4	2,641.4	1,745.4	1,425.6
Investment in associate and joint ventures	166.5	154.4	114.7	105.7	104.4
Derivative financial instruments	28.1	29.2	230.5	162.6	110.4
	10,078.1	9,651.5	9,047.4	8,590.8	8,018.4
Current assets					
Cash	24.7	79.5	765.3	37.3	106.7
Inventories	-	-	-	-	0.2
Trade and other receivables	28.5	25.4	25.4	69.0	71.5
Taxation receivable	21.6	20.9	21.6	-	-
Derivative financial instruments	-	-	15.4	-	-
	74.8	125.8	827.7	106.3	178.4
Total assets	10,152.9	9,777.3	9,297.2	8,697.1	8,196.8
Shareholders' equity					
Issued and paid-up capital	1,680.2	1,679.2	1,678.6	468.2	404.2
Cancelled share reserve	(609.2)	(609.2)	(609.2)	(609.2)	(609.2)
Property, plant and equipment revaluation reserve	5,040.2	5,099.9	4,333.7	4,968.8	4,913.9
Share-based payments reserve	2.1	2.0	1.6	1.4	1.3
Cash flow hedge reserve	17.7	(50.4)	(100.7)	(67.1)	(38.2)
Cost of hedging reserve	(1.7)	(1.1)	(3.9)	(5.8)	-
Share of reserves of associate and joint ventures	50.9	37.0	28.8	28.8	28.8
Retained earnings	1,970.7	1,772.1	1,308.2	1,247.8	981.3
	8,150.9	7,929.5	6,637.1	6,032.9	5,682.1
Non-current liabilities					
Term borrowings	961.0	1,172.8	1,824.4	1,748.6	1,893.5
Derivative financial instruments	15.7	67.9	134.6	88.4	38.9
Deferred tax liability	411.9	278.3	231.7	265.3	251.4
Other term liabilities	3.3	2.8	2.1	1.9	1.8
	1,391.9	1,521.8	2,192.8	2,104.2	2,185.6
Current liabilities					
Accounts payable	87.1	103.4	106.3	102.4	148.0
Taxation payable	-	-	-	15.3	12.9
Derivative financial instruments	0.9	1.9	3.0	-	1.3
Short-term borrowings	515.6	220.0	320.8	441.8	166.8
Provisions	6.5	0.7	37.2	0.5	0.1
	610.1	326.0	467.3	560.0	329.1
Total equity and liabilities	10,152.9	9,777.3	9,297.2	8,697.1	8,196.8

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Group statement of cash flows	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	287.0	271.2	586.0	756.0	674.0
Interest received	0.3	4.9	1.6	2.0	2.0
	287.3	276.1	587.6	758.0	676.0
Cash was applied to:					
Payments to suppliers and employees	(134.6)	(116.5)	(242.5)	(203.6)	(180.5)
Income tax paid	-	(0.6)	(94.2)	(101.1)	(96.4)
Interest paid	(51.5)	(98.0)	(75.1)	(77.4)	(77.9)
	(186.1)	(215.1)	(411.8)	(382.1)	(354.8)
Net cash flow from operating activities	101.2	61.0	175.8	375.9	321.2
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment	0.4	0.4	0.1	-	-
Proceeds from sale of investment property	-	-	-	1.5	-
Proceeds from sale of investment in associate	-	-	-	-	357.4
Dividends from associate and joint ventures	3.0	5.0	14.9	9.2	15.4
	3.4	5.4	15.0	10.7	372.8
Cash was applied to:					
Purchase of property, plant and equipment	(224.8)	(141.9)	(240.5)	(239.1)	(310.3)
Interest paid – capitalised	(8.0)	(6.5)	(11.8)	(7.0)	(8.8)
Expenditure on investment properties	(39.8)	(58.1)	(136.1)	(81.0)	(77.1)
Investments in associates and joint ventures	(14.0)	(15.4)	(23.2)	(2.3)	-
Costs relating to sale of investment of associate	-	-	-	-	(10.1)
	(286.6)	(221.9)	(411.6)	(329.4)	(406.3)
Net cash applied to investing activities	(283.2)	(216.5)	(396.6)	(318.7)	(33.5)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	-	-	1,178.1	-	-
Increase in borrowings	200.6	105.0	125.0	150.0	301.1
Settlement of cross-currency interest rate swaps	(1.4)	79.6	-	-	-
	199.2	184.6	1,303.1	150.0	301.1
Cash was applied to:					
Decrease in borrowings	(72.0)	(714.9)	(250.0)	(75.0)	(329.0)
Dividends paid	-	-	(104.3)	(201.6)	(198.2)
	(72.0)	(714.9)	(354.3)	(276.6)	(527.2)
Net cash flow applied to financing activities	127.2	(530.3)	948.8	(126.6)	(226.1)
Net increase/(decrease) in cash held	(54.8)	(685.8)	728.0	(69.4)	61.6
Opening cash brought forward	79.5	765.3	37.3	106.7	45.1
Ending cash carried forward	24.7	79.5	765.3	37.3	106.7

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Capital expenditure	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Aeronautical	125.6	48.1	205.0	106.0	280.6
Retail	0.4	0.1	14.0	19.0	12.5
Property development	54.8	72.6	146.6	87.8	80.2
Infrastructure and other	67.7	75.1	52.7	46.0	20.8
Car parking	11.5	1.2	14.7	25.3	11.1
Total	260.0	197.1	433.0	284.1	405.2

Passenger, aircraft and MCTOW (maximum certificated take-off weight)	2022	2021	2020	2019	2018
Passenger movements					
International	1,340,875	602,125	8,473,946	11,517,988	11,266,382
Domestic	4,261,271	5,841,514	7,047,108	9,593,625	9,263,666
Aircraft movements					
International	18,315	15,106	44,962	57,082	55,693
Domestic	67,748	83,583	94,175	121,689	118,583
MCTOW (tonnes)					
International	2,115,127	1,771,014	4,669,929	5,894,112	5,798,018
Domestic	1,343,150	1,637,867	1,830,711	2,372,412	2,341,699

Auckland Airport

Auckland Airport

Results at a glance

June 2022

	30 June 2022 $m	Restated[1] 30 June 2021 $m	Movement %
Financial Results			
Income	300.3	281.1	7%
Operating expenses	155.8	110.0	42%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	144.5	171.1	(16)%
Share of profit of associate and joint ventures	(12.8)	21.1	(161)%
Investment property fair value increases	204.4	527.3	(61)%
Property, plant and equipment revaluation movement	(1.4)	(7.5)	81%
Derivative fair value movement	1.7	(0.5)	440%
Depreciation	113.1	120.9	(6)%
Interest expense	53.7	94.0	(43)%
Taxation expense	(22.0)	30.0	(173)%
Reported profit after taxation	191.6	466.6	(59)%
Earnings per share	13.0 c	31.7 c	(59)%
Underlying profit / (loss) after taxation[2]	(11.6)	(39.4)	71%
Underlying earnings / (loss) per share	(0.8) c	(2.7) c	70%
Dividends			
Total proposed dividend for the year (cents per share)	0.00 c	0.00 c	n/a
Total value of distributions for the year ($ million)	–	–	n/a
Financial Position			
Shareholders' equity	8,150.9	7,929.5	3%
Total assets	10,152.9	9,777.3	4%
Debt to debt plus equity[3]	15.6%	15.3%	
Debt to enterprise value[4]	12.3%	11.6%	
Net debt to enterprise value[4]	12.1%	10.9%	
Capital expenditure[5]	253.1	195.7	29%
Passenger and aircraft statistics – Auckland Airport			
International passenger movements including transits	1,340,875	602,125	123%
Domestic passenger movements	4,261,271	5,844,734	(27)%
Maximum certificated take-off weight (tonnes)	3,458,278	3,408,881	1%
Aircraft movements	86,063	98,684	(13)%
Queenstown Airport performance[6]			
International passenger movements	37,889	25,280	50%
Domestic passenger movements	1,096,655	1,311,416	(16)%
Revenue	26.8	27.8	(4)%
EBITDAFI	14.0	17.1	(18)%
Profit after taxation	1.1	1.7	(35)%

5.6m PASSENGERS

Domestic down **27%** and

International up **123%**

16%

EBITDAFI down to **$144.5m**

The above information is provided for general information purposes only and contains both audited and unaudited information, information from third parties and both GAAP and non-GAAP financial measures. No representations or warranties are made as to the accuracy or completeness of the above information and therefore it should be read in conjunction with, and is subject to, Auckland Airport's audited Financial Report for the year ended 30 June 2022, prior annual and interim financial reports and Auckland Airport's market releases on the NZX and ASX.

Note:

1. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements
2. Excluding investment property fair value increases, property, plant and equipment and derivative revaluations in the company and its associates, fixed asset write-offs, impairments and termination costs and the tax effect of these adjustments
3. Gearing based on the nominal value of debt plus derivative liabilities
4. Based on the share price as at 30 June 2022 of $7.18 (30 June 2021 of $7.27)
5. Net capital expenditure additions after capex write-offs and impairments of $6.9 million in 2022 and $1.4 million in 2021
6. From non-audited management accounts of Queenstown Airport, which have not been apportioned for Auckland Airport's 24.99% minority interest in Queenstown Airport

Results at a glance

continued

Appendix A

Reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2022 and 2021:

	2022			2021 Restated[1]		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement[2]	**144.5**	**–**	**144.5**	**171.1**	**–**	**171.1**
Investment property fair value increase	204.4	(204.4)	–	527.3	(527.3)	–
Property, plant and equipment revaluation	(1.4)	1.4	–	(7.5)	7.5	–
Fixed asset write-offs, impairments and termination costs[1]	–	6.9	6.9	–	2.5	2.5
Reversal of fixed asset impairment and termination costs[1]	–	–	–	–	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	–	(0.5)	0.5	–
Share of profit of associates and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	–	(113.1)	(120.9)	–	(120.9)
Interest expense and other finance costs	(53.7)	–	(53.7)	(94.0)	–	(94.0)
Taxation (expense) / credit	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit / (loss) after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

Notes:

1. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements
2. 2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9 million. 2021 included a net reversal of $16.9 million

$191.6m

Reported profit after tax down **59%**

$11.6m

Underlying loss in the year, an improvement on the underlying loss of **$39.4** million in 2021

As per the above table, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:

- we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building class of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

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Auckland Airport

Annual Results Presentation

18 August 2022

Carrie Hurihanganui
Chief Executive

Philip Neutze
Chief Financial Officer

Important notice

Disclaimer

This presentation is given on behalf of Auckland International Airport Limited (NZX: AIA; ASX: AIA; ADR: AUKNY). Information in this presentation:

- is provided for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Auckland International Airport Limited (Auckland Airport);
- should be read in conjunction with, and is subject to, Auckland Airport's audited Financial Statements for the year ended 30 June 2022, prior annual and interim reports, and Auckland Airport's market releases on the NZX and ASX;
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- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and
- may contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information.

The 2021 comparative financial information has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

All information in this presentation is current at the date of this presentation, unless otherwise stated. Auckland Airport is not under any obligation to update this presentation at any time after its release, whether as a result of new information, future events, or otherwise.

All currency amounts are expressed in New Zealand dollars unless otherwise stated and figures, including percentage movements, are subject to rounding.

Refer to page 38 for a glossary of the key terms used in this presentation.

Non-GAAP measures

This presentation contains references to non-GAAP measures including EBITDAFI, EBITDA and underlying profit or loss. A reconciliation between reported profit after tax and the non-GAAP measure of underlying profit or loss is included in the Appendix.

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons can be made with confidence between different companies and that there is integrity in our reporting approach. However, we believe that an underlying profit or loss measurement can also 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 profit or loss alongside reported results. We do so 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 profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items).

In referring to underlying profits or losses, we acknowledge our obligation to show investors how we have derived this result.

Auckland Airport is about connections…

Highlights

Results at a glance

Revenue	Reported profit after tax	Passenger movements	Operating cashflow
$300.3m	$191.6m	5.6m	$101.2m
▲ 7%	▼ (59)%	▼ (13)%	▲ 67%
	Earnings per share 13.0 cps		

EBITDAFI	Underlying loss[1]	Aircraft movements	Capital investment[2]
$144.5m	$11.6m	86,063	$253.1m
▼ (16)%	▲ 71%	▼ (13)%	▲ 29%
	Loss per share 0.8 cps		

1. *Refer Appendix for reconciliation of reported profit after tax to underlying profit after tax*
2. *Net capital expenditure additions after $6.9m of capex write-offs and impairments*

2022 reflects a recovery in key business segments

Aeronautical

$94.7m revenue 7% ▲

COVID-19 restrictions impacted activity throughout the year
124% international
(27)% domestic
105% transits

Retail

$22.7m income 28% ▲

Recovering retail environment:
$4.08 income per passenger
No change in international PSR

Transport

$26.2m revenue (9)% ▼

Continued impact from Auckland lockdown
6% increase in exits
1% ARPS decrease

Property

$112.9m revenue 12% ▲

Development momentum continues:
$2.9bn IP portfolio value
$127.5m rent roll
9.41 years WALT

Hotels

$25.0m revenue[3] (8)% ▼

Travel restrictions impacted demand:
40% occupancy[4]

Queenstown

$26.8m revenue (4)% ▼

COVID-19 impacting PAX volumes
50% international
(16)% domestic

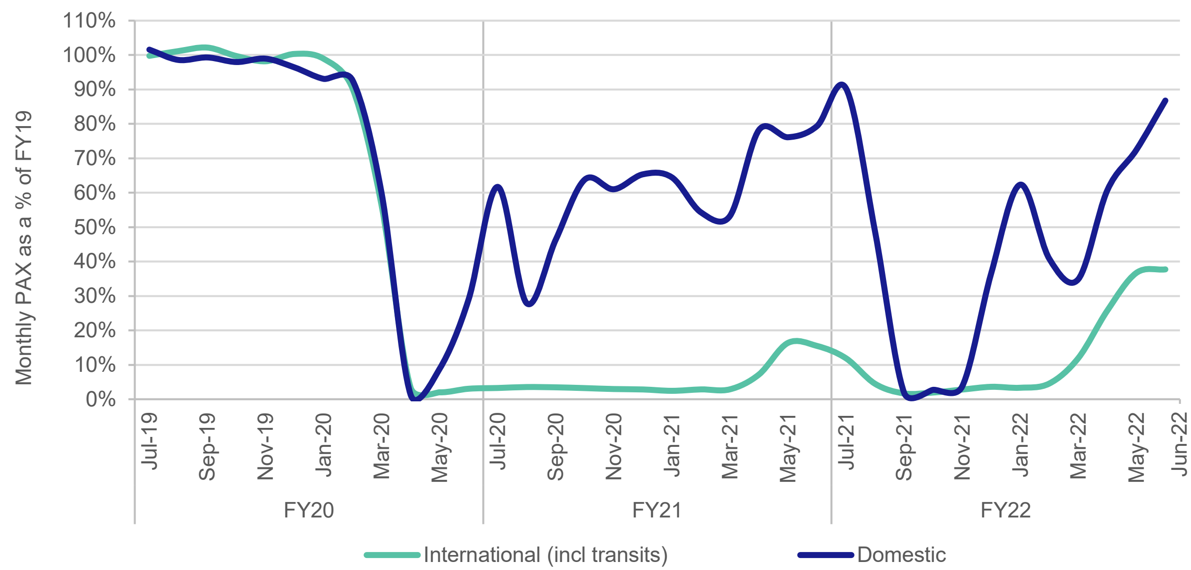
3. *Includes ibis Budget Hotel and 100% of Novotel Hotel revenues*
4. *Average occupancy across the ibis Budget Hotel and Novotel*

AKL is open with passenger numbers recovering

The Delta and subsequent Omicron outbreaks had a significant impact on aeronautical activity for much of the year. With the removal of almost all of New Zealand's travel restrictions, we have seen a gradual recovery in both domestic and international travel during the second half of the financial year

- The Delta and Omicron outbreaks on both sides of the Tasman and the associated imposition of travel restrictions resulted in significantly reduced passenger numbers in the lead up to and immediately following the busy Christmas travel season
- The Government's subsequent relaxation of travel restrictions and reopening of the country's border has seen a gradual recovery in travel, led by domestic activity
- International air travel is now stronger than any time since COVID-19 first closed our border and is expected to progressively recover as additional capacity is deployed connecting New Zealand to more global destinations

Monthly passenger numbers



We are focused on positioning for the future

Reconnecting New Zealand to the world through the return of international carriers

International services recommence following border relaxation

Disciplined investment in aeronautical infrastructure and commercial property developments

Foundation piles for the Transport Hub

Reopening of commercial businesses to cater for the increased activity

Domestic retail reopens following travel restrictions easing

Financial performance

Passenger numbers

For the year ended 30 June	2022	2021	Change	Pre-COVID 2019[5]
International arrivals	596,104	261,469	128%	5,284,325
International departures	656,657	297,592	121%	5,222,335
International passengers excluding transits	**1,252,761**	**559,061**	**124%**	**10,506,660**
Transit passengers	88,114	43,064	105%	1,011,328
Total international passengers	**1,340,875**	**602,125**	**123%**	**11,517,988**
Domestic passengers	4,261,271	5,844,734	(27)%	9,593,625
Total passengers	**5,602,146**	**6,446,859**	**(13)%**	**21,111,613**

- Total passenger volumes fell 13% on 2021 reflecting increased travel restrictions imposed on domestic travel in response to both the Delta and Omicron outbreaks during the year, particularly in Auckland where the city was in 'lockdown' for 107 days between August and December 2021
- With the relaxation of border restrictions from late February 2022, international passenger numbers increased significantly in the final quarter of the financial year, resulting in a 124% increase on 2021
- Domestic passengers decreased by 27% on the prior year reflecting elevated Alert Levels in Auckland from August 2021 to January 2022 and a degree of reluctance for domestic travel soon after that owing to the Omicron outbreak

5. *Comparative information for the year to June 2019 has been included to compare the 2022 performance against the last financial year that immediately preceded the COVID-19 pandemic*

Aircraft movements and MCTOW

For the year ended 30 June	2022	2021	Change	Pre-COVID 2019
Aircraft movements				
International aircraft movements	18,315	15,102	21%	57,084
Domestic aircraft movements	67,748	83,582	(19)%	121,703
Total aircraft movements	**86,063**	**98,684**	**(13)%**	**178,787**
MCTOW (tonnes)				
International MCTOW	2,115,128	1,771,014	19%	5,894,113
Domestic MCTOW	1,343,150	1,637,867	(18)%	2,372,412
Total MCTOW	**3,458,278**	**3,408,881**	**1%**	**8,266,525**

- International aircraft movements and MCTOW increased by 21% and 19% respectively on the prior year reflecting the progressive reopening of the border from late February 2022
- The elevated Alert Levels in year associated with the Delta and Omicron outbreaks and an element of domestic air travel reticence resulted in domestic aircraft movements and MCTOW declining 19% and 18% respectively on the prior year.

Travel restrictions drove underlying loss

For the year ended 30 June ($m)	2022	Restated 2021[6]	Change
Revenue	300.3	281.1	7%
Expenses[7]	155.8	110.0	42%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**144.5**	**171.1**	**(16)%**
Share of profit from associate and joint ventures	(12.8)	21.1	(161)%
Derivative fair value movement	1.7	(0.5)	440%
Property, plant and equipment revaluation	(1.4)	(7.5)	81%
Investment property revaluation	204.4	527.3	(61)%
Depreciation expense	113.1	120.9	(6)%
Interest expense	53.7	94.0	(43)%
Taxation expense	(22.0)	30.0	(173%)
Reported profit after tax	**191.6**	**466.6**	**(59%)**
Underlying loss after tax[8]	**(11.6)**	**(39.4)**	**71%**

6. The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements

7. 2022 includes $6.9m fixed asset write-offs, impairment and termination costs and a $0.6m reversal of expected credit losses. 2021 includes a net reversal of $16.9m of fixed asset impairment and termination costs and a $4.2m reversal of expected credit losses

8. A reconciliation between profit after tax and underlying profit after tax is included in the Appendix

Investment Property the mainstay, plus PAX growth

For the year ended 30 June ($m)	2022	2021	Change
Airfield income	60.9	64.0	(5)%
Passenger services charge	33.8	24.2	40%
Retail income	22.7	17.8	28%
Car park income	26.2	28.7	(9)%
Investment property rental income	112.9	100.5	12%
Other rental income	16.8	14.7	14%
Other income	27.0	31.2	(13)%
Total revenue	**300.3**	**281.1**	**7%**

- Airfield income decreased 5% on the prior year with lower parking and domestic landing charges in 2022 partially offset by growth in international landing charges
- Revenue from the Passenger Services Charge grew 40% as a result of the growth in higher yielding international passengers following the reopening of the country's border, partially offset by the reduction in domestic passengers seen in the year
- Retail income rose by 28% reflecting the partial reopening of the international retail offering in the final quarter of the year
- Car parking income fell by 9% largely as a result of the reduction in domestic passengers in the year compared to 2021
- Investment property rental income grew 12% following the completion of facilities for Hellmann Worldwide Logistics and Geodis Wilson. Three quarters of the investment property rent growth reflected new properties commissioned in the year plus the annualised growth from new properties commissioned part way through FY21. The remainder was due to rental increases across the existing portfolio, net of approximately $1.0 million of extra rent abatements to selected tenants in FY22

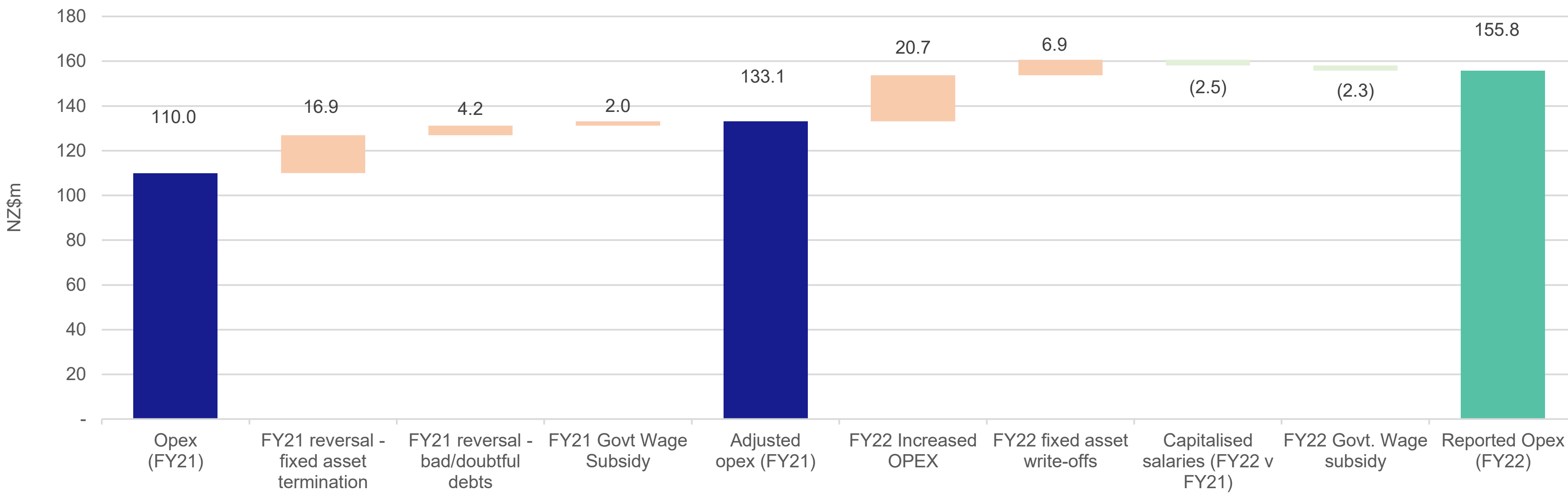
Operating costs

For the year ended 30 June ($m)	2022	Restated 2021	Change
Staff	50.0	45.6	10%
Asset management, maintenance and airport operations	66.7	53.4	25%
Rates and insurance	21.0	20.8	1%
Marketing and promotions	1.4	1.0	40%
Professional services and levies	4.3	4.0	8%
Fixed asset write-offs, impairments and termination costs	6.9	2.5	176%
Reversal of fixed asset impairment and termination costs	-	(19.4)	100%
Other expenses	6.1	6.3	(3)%
Expected credit losses	(0.6)	(4.2)	86%
Total operating expenses	**155.8**	**110.0**	**42%**
Depreciation	113.1	120.9	(6)%
Interest	53.7	94.0	(43)%

- FY22 opex increased by 42%, or 16% after adjusting for the fixed asset write-offs, impairments and termination costs / reversals impacting FY21 and FY22 (refer Appendix). The increase in normalised opex reflects the planned ramp up in operational activity and headcount as the aviation recovery got underway
- Depreciation declined by 6% reflecting the recent IFRIC accounting decision for configuration and customisation costs for SaaS applications. The FY21 results are restated, incl. expensing previously capitalised assets ($5.5 million). This in turn lowered FY22 depreciation by $4.2 million. FY22 increased by $1.6 million reflecting ongoing SaaS investment immediately expensed
- Interest costs reduced in the year primarily as a result of a lower average debt balance, higher capitalised interest in 2022 and no repeat of the $23.5 million one-off costs associated with the early prepayment of USPP notes in the prior year

Operating costs increasing as activity returns

2022 operating expenditure bridge



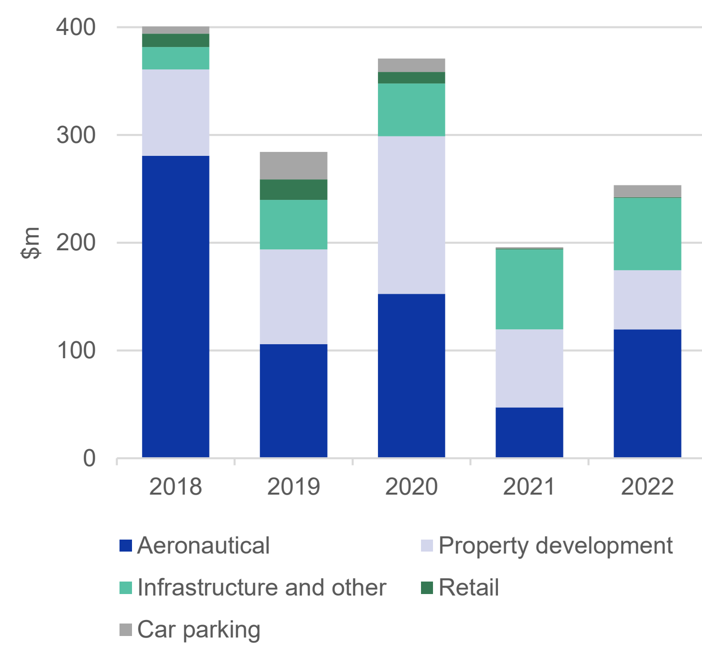
- Adjusted operating costs increased $20.7 million in FY22 vs FY21 before the benefits of increased capitalisation of infrastructure team salaries, increased wage subsidy receipts and one-off costs associated with fixed asset write-offs
- Of the $20.7 million increase, $9.2 million related to staff costs and $3.5 million to additional outsourced operations as a result of the ramp up in activity to cater for the recovery in aviation
- Repairs and maintenance increased $9.9 million on the prior period reflecting the ongoing programme of proactive maintenance across the entire precinct
- These increases were partially offset by small reductions in other expense categories

Capital expenditure, building for the future

Balanced investment across renewals, strategic aeronautical projects and property development

- Capital expenditure in the year totalled a net $253.1 million[9] focused on upgrades to the roading network, core infrastructure renewals, landside enabling works to support future terminal developments and new property developments
- Key projects in the year included:
  - completed the major upgrade of the northern airport access road, (George Bolt Memorial Drive);
  - completed a new terminal exit road;
  - continued to progress renewal and upgrade works on runway slabs, aprons and fuel systems;
  - design and enabling activity associated with the terminal integration programme (which will include the new domestic processor);
  - commencing construction of the Mānawa Bay Outlet Centre and the Transport Hub;
  - completion of the Geodis Wilson and Hellmann Worldwide Logistics office and warehouse developments; and
  - commencing design or construction on five preleased warehouse developments scheduled for completion in FY23 and FY24

PSE3 capital expenditure



9. *Net of $6.9m capex write-offs and impairments*

Capital management and liquidity

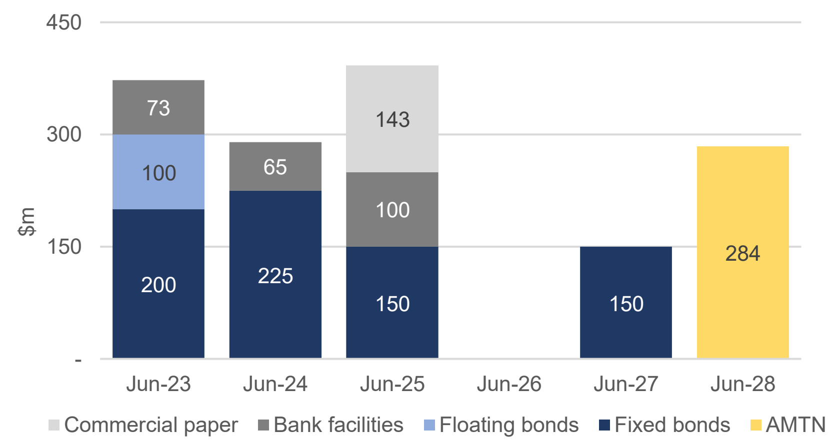
Prudent capital management as the business positions for the recovery in aviation

- Total drawn debt of $1,476.6 million, an increase of 6% or $83.8 million on June 2021
- Committed undrawn bank facility headroom of c.$954.5 million (2021: $832 million), and $22.9 million in available cash (2021: $79 million)
- Raised $150 million from a NZDCM issue in November 2021
- In February 2022, banking group approval of revised EBITDA based interest coverage covenants to cater for the uncertain trajectory of the aviation recovery
- Refinanced nearly $230 million of bank facilities maturing over FY23
- S&P A- long term credit rating maintained on stable outlook

Credit metrics and key lending covenants

For the year ended 30 June	Covenant	2022	2021
Gearing[10]	≤ 60%	15.6%	15.3%
Interest coverage[11]	≥ 1.25x	2.58x	2.07x
Debt to enterprise value		12.3%	11.6%
Net debt to enterprise value		12.1%	10.9%
Funds from operations interest cover[12]	≥2.5x	2.6x	1.5x
Funds from operations to net debt[12]	≥11.0%	6.4%	3.9%
Weighted average interest cost[13]		4.32%	5.43%
Average term to maturity (years)		2.29	2.92
Percentage of fixed borrowings		71.5%	80.4%

Drawn debt maturity profile for the twelve months ending



10. Gearing defined as nominal value of debt plus derivative liabilities divided by nominal value of debt plus derivative liabilities plus the book value of equity
11. Interest coverage defined as reported NPAT plus taxation, interest expense, revaluations, derivative changes and depreciation (broadly EBITDA) divided by interest expense
12. S&P A- rating threshold
13. 2021 includes one off close out costs for interest rate swaps, USPP notes and associated cross currency swaps of $23.5m. Excluding these costs the weighted average interest cost was 4.16%

Equity book value continued to grow

For the year ended 30 June ($m)	2022	Restated 2021	Change
Non-current assets	**10,078.1**	**9,651.5**	4%
Property, plant and equipment	6,986.1	6,826.5	2%
Investment properties	2,897.4	2,641.4	10%
Other non-current assets	194.6	183.6	6%
Current assets	**74.8**	**125.8**	(41)%
Cash	24.7	79.5	(69)%
Other current assets	50.1	46.3	8%
Non-current liabilities	**1,391.9**	**1,521.8**	(9)%
Term borrowings	961.0	1,172.8	(18)%
Other non-current liabilities	430.9	349.0	(23)%
Current liabilities	**610.1**	**326.0**	87%
Equity	**8,150.9**	**7,929.5**	3%

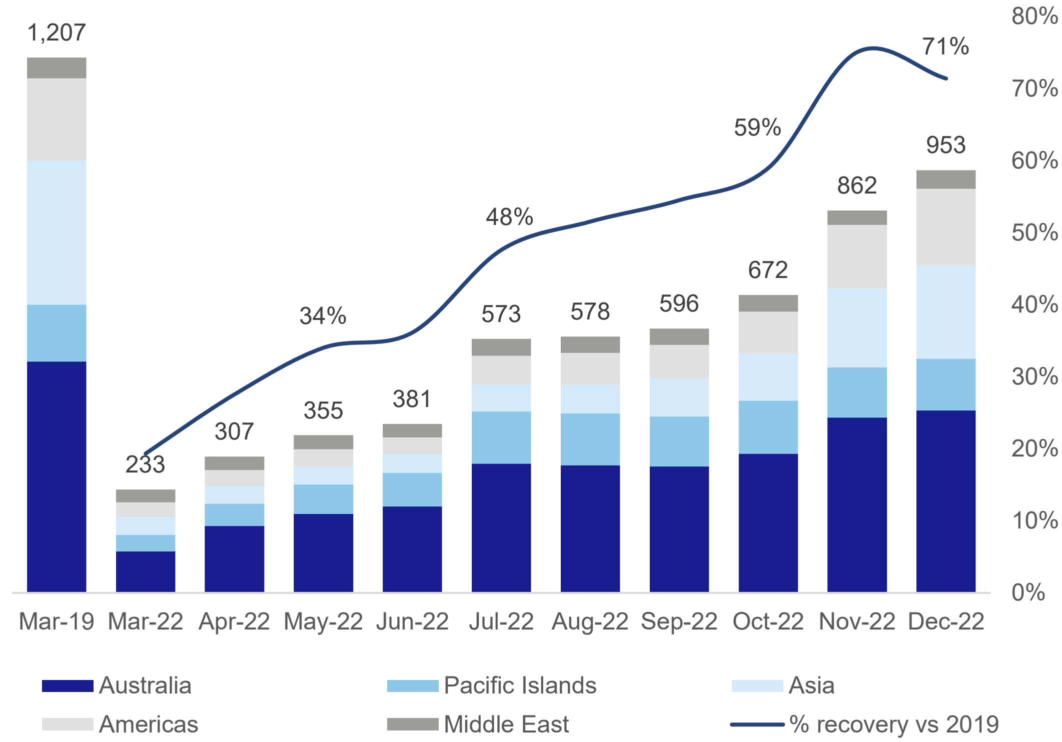
- Book value equity increased 3% on the prior year, bolstered by another $204.4 million revaluation uplift for Investment Property (retained earnings) and the net $24.4 million revaluation increase in the property, plant and equipment asset class (reval reserve)
- Total debt of $1,477 million and net debt of $1,452 million both significantly below the peak at June 2019 pre-COVID ($2,190 million and $2,153 million respectively)

Our continuing journey

The recovery in travel is underway

International seat capacity serving Auckland is expected to significantly increase over the remainder of the calendar year as airlines restart previous Auckland services and launch new routes

AKL international seat capacity (000's)



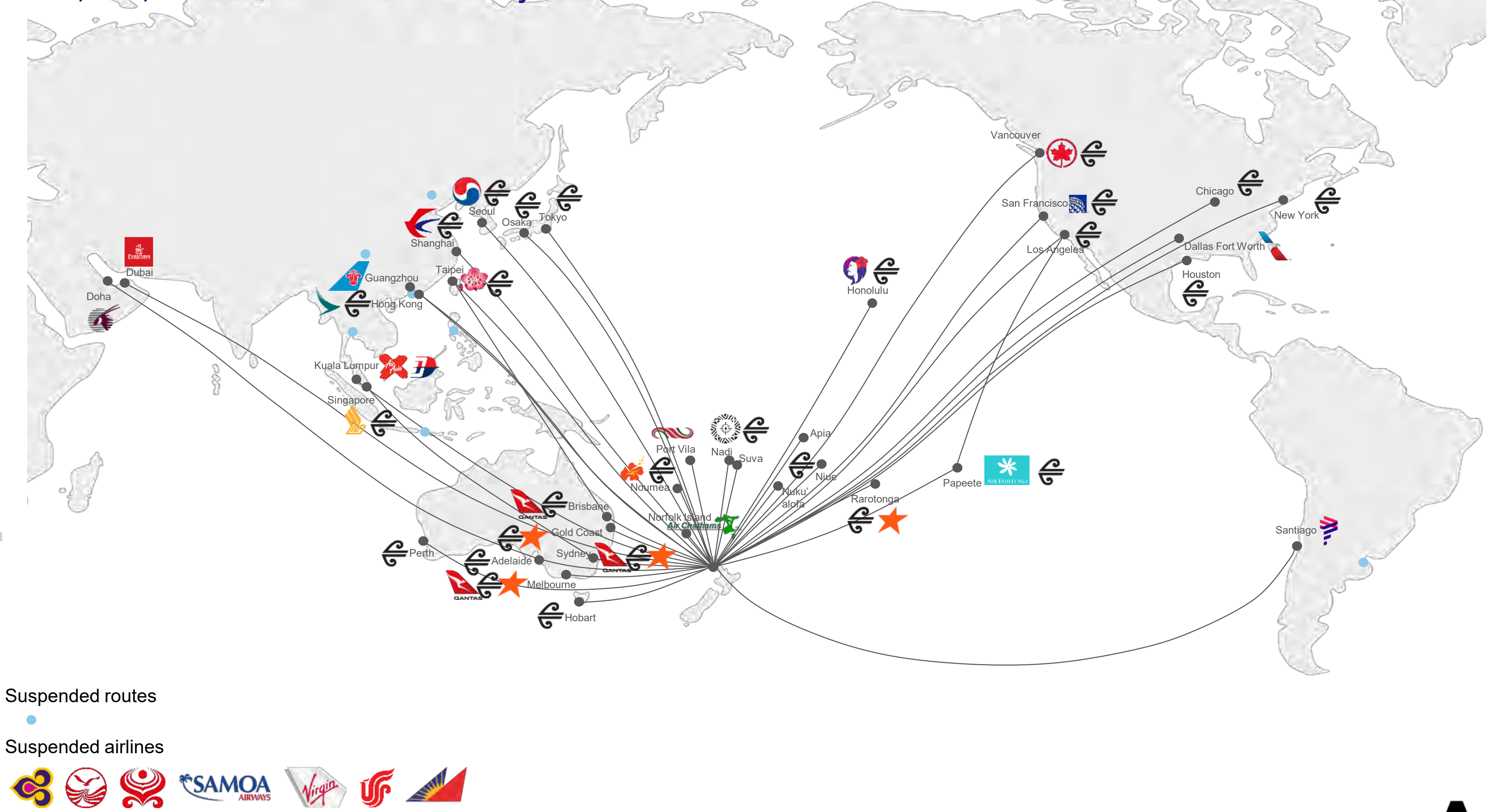
Source: Sabre

Announced and launched airline restarts

June	Hong Kong	
	Rarotonga	
July	Adelaide Cairns Hobart Honolulu Houston Noumea Papeete Sunshine Coast	
	Honolulu	
	Los Angeles via Papeete	
Sept	Norfolk Island	
	New York	NEW
Oct	Chicago	
	Dallas	NEW
	San Francisco	
Nov	Vancouver	
	Kuala Lumpur via SYD	NEW
Dec	Dubai direct	

Reconnecting New Zealand to the world

17 airlines connected Auckland Airport with 28 destinations across the region at 30 June 2022. With the restart of services and the launch of new routes, 23 airlines will connect Auckland Airport with 37 destinations across the Middle East, Asia, the Americas and the Pacific by December 2022



Long-term fundamentals remain strong

Aeronautical capacity is expected to increase over the remainder of the year as airlines restart previous services and launch new routes. However, the new world of travel presents opportunities and challenges

Drivers of growth

Regional hub: With American Airlines returning in Sept-22, Auckland Airport will offer eight non-stop connections to the US and Canada, the most of any in Australasia

Strong recovery in demand for travel to and from New Zealand as a safe destination to travel

Enablers

Global vaccine rollout, coupled with a coordinated international effort in reducing restrictions, will drive the recovery

Next generation aircraft and fleet availability create opportunity for attractive destinations

Challenges for the recovery

Rising operating costs for airlines and shortages in labour will slow the recovery in some markets

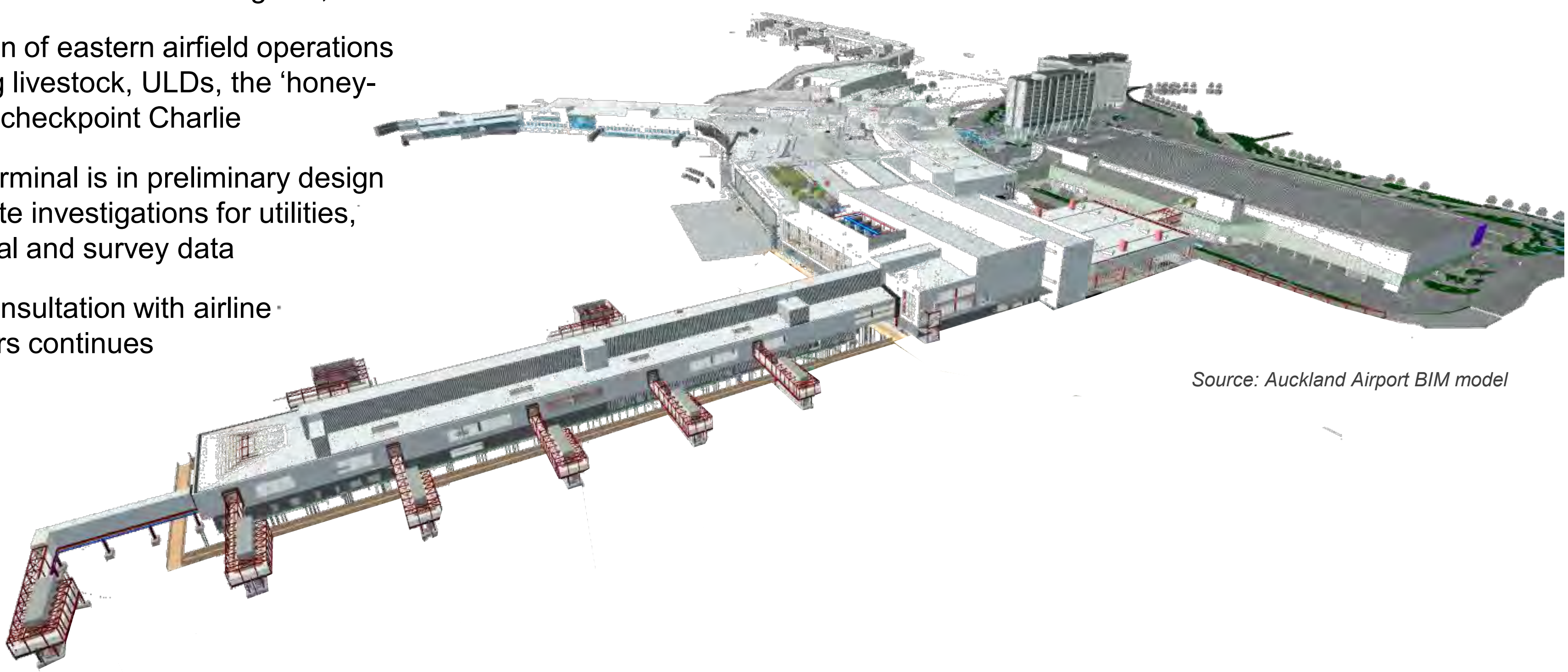
WHO advice is that border closures are not an effective means of controlling the spread of a virus. There is, however, downside risk should governments return to knee-jerk border-closing responses to future outbreaks

Design of the integrated terminal is progressing well

Significant work undertaken in the year on the design of a new domestic terminal that will be tightly integrated with the existing international building

- Final stages of design and on-site enabling works for:
  - the relocation of the eastern truck dock;
  - demolition of the eastern bag hall; and
  - relocation of eastern airfield operations including livestock, ULDs, the 'honey-pot' and checkpoint Charlie
- The new terminal is in preliminary design including site investigations for utilities, geotechnical and survey data
- Detailed consultation with airline stakeholders continues

Preliminary design of the new integrated domestic terminal



Source: Auckland Airport BIM model

Reopening Retail as demand recovers

The airport retail proposition is gradually reopening in line with growing international passenger numbers

- Retail income of $22.7 million was up 28% on the prior year following the international retail offering beginning to reopen in the final quarter of the year
- By 30 June 2022, 90% of the domestic and 45% of the international retail offering was open to the public
- Income per passenger lifted 48% on the prior year, however it remained under pre-COVID levels. International PSR in FY22 is similar to FY21
- Auckland Airport has commenced discussions with its existing Duty-Free operators regarding possible extension(s) to the current contracts with a tender for longer term outcomes towards the end of FY24
- We have continued to support our retailers by offering rent reductions and abatements that are in line with the recovery of passenger numbers. Auckland Airport's collaborative and tailored approach to rent relief resulted in $173 million of contracted retail revenue abated in the year
- Reflecting the reopening of the international border, Auckland Airport's Strata Lounge reopened to guests in July 2022

Mountain Jade reopens in the International Terminal


Strata Lounge

Transport business recovering well

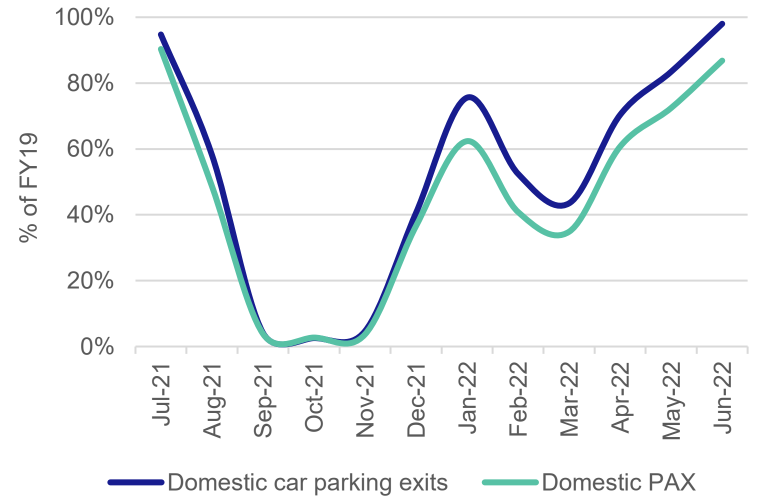
With a full suite of products open and an increased demand for self-drive and premium products, Transport is outpacing the passenger recovery

- Transport revenue was 9% down on the prior period reflecting lower passenger numbers following elevated Alert Levels associated with the Delta and Omicron COVID outbreaks
- Once COVID Alert levels permitted, a full suite of parking products were opened in the year with revenue for the final quarter of the year 11% higher than Q4 FY21
- The recovery in the domestic car parking business continues to outpace the passenger recovery as a result of a higher propensity to drive

Development activity

- Carpark A was closed in June 2022 to facilitate the construction of the new Transport Hub and office development

Domestic parking exits relative to passengers



A new transport hub at the front door of the terminals

Construction of a new transport hub is underway that will provide improved passenger amenity, connectivity and capacity for the integrated terminal precinct[14]

- The new transport hub is planned to integrate public transport with commercial operators and parking for the general public at the front door of the international and new domestic terminals
- The new facility will provide 2,500 carparks alongside a ground floor pick-up and drop-off to enable a close, covered and connected access to the terminal precinct
- Facility part of a comprehensive transport plan for multi-mode transport access to terminal precinct and considers both current and future developments (e.g. future expansion to parking capacity and rapid mass transit)

14. *Auckland Airport is in consultation regarding the design, form and timing of the integrated terminal*

Investment Property

Development momentum and quality of tenants continue to provide income growth and income diversification

- 9% increase in rent roll and a 10% increase in the portfolio value in the year
- Completed developments in the year include:
  - 5,700m2 facility for Geodis Wilson; and
  - 16,400m2 Hellmann Worldwide Logistics office and warehouse facility
- Quality pipeline of five new industrial developments that are currently under construction. These developments are included in today's $127.5 million rent roll and are expected to add a further $9 million in rental income to the business once completed
- Earthworks for the Outlet Centre underway. Design continues with the Centre to offer a net lettable area of more than 23,000m2 covering +100 stores and food outlets

New hotels

- Construction of the façade of the Te Ārikinui Pullman complete with fit-out underway. Completion expected in 1H24. The Mercure hotel remains on hold, with the fit-out ready to reactivate as demand recovers

$2.9bn	Portfolio value
522,588m^2	Portfolio net lettable area
$127.5m	Investment property rent roll
99%	Occupancy
9.41 years	WALT
153	hectares of land available for development

Mānawa Bay building platform

Delivering on our sustainability agenda

Good progress against all our eight material issues, which are aligned to the UN Sustainable Development Goals

Purpose
Kaupapa

Material issues:
- Customer experience
- Wider economic contribution

Key activities:
- Achievements recognised by ongoing inclusion in the Dow Jones Sustainability Asia Pacific and FTSE4Good Indices
- Conducted modern slavery training and procurement review and issued second Modern Slavery Statement

Place
Kaitiakitanga

Material issues:
- Climate change risk and adaptation
- Minimising our environmental footprint

Key activities:
- Defined a decarbonisation pathway for scope 1 and 2 emissions which will see a 90% emission reduction by 2030
- Incorporated sustainability principles into Infrastructure Design Standards
- Broadened GHG disclosure to include aircraft LTO emissions[15]

People
Whānau

Material issues:
- Health, safety, wellbeing and security
- Responsible employer

Key activities:
- Extended Māori leadership development programme to Pasifika employees
- Mental wellbeing offerings including Mental Health First Aid training, Midday Mindfulness and Mates in Construction "Applied Suicide Intervention Skills Training"
- Reduced gender pay gap to 13% (FY21: 14%)
- Improvement in gender diversity of leadership team and senior leaders to 37% and 43% respectively

Community
Hapori

Material issues:
- Aircraft noise
- Community and mana whenua involvement

Key activities:
- Delivered 210,000 vaccinations, and over 350 hours of staff volunteering, to the local community through 'Park and Vax', making it Auckland's second largest vaccination facility
- Launched a mentoring programme for Māori and Pasifika secondary students from South Auckland, with 16 staff members taking part as mentors

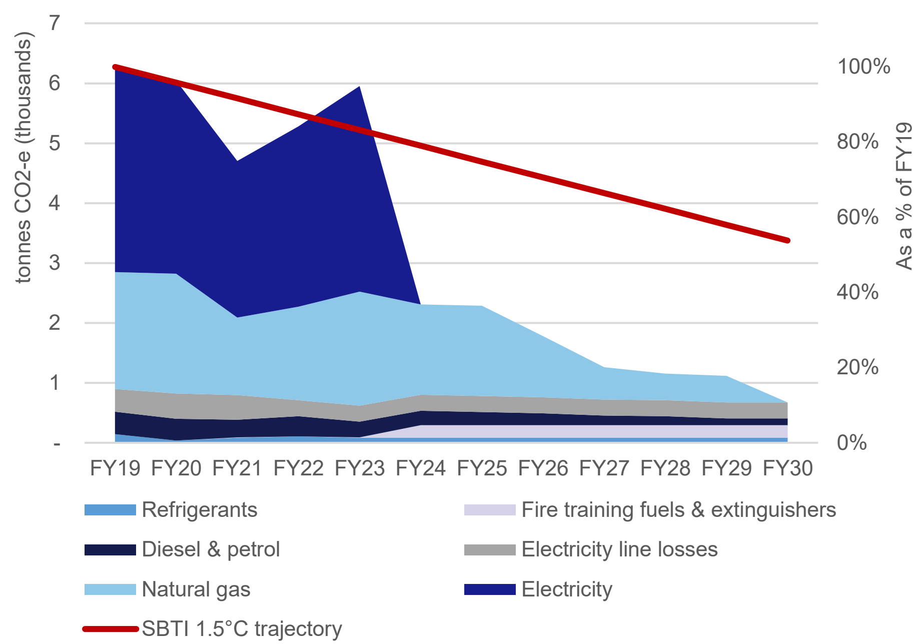
15. *Landing and take-off emissions up to 1000m, aircraft auxiliary power unit emissions and engine run-ups*

Clear path to net zero established

Auckland Airport recognises that climate change and the role carbon plays is one of the most significant issues facing the global aviation industry. As a result, climate change considerations are integrated across all elements of strategy, planning and operations, underpinning the long-term sustainability of the business

- The impacts of flooding and inundation on Auckland Airport's operations have been modelled under three climate scenarios to inform the design of infrastructure upgrades
- Our Net Zero pathway, aligned to the 1.5°C warming trajectory, will see a 90% reduction in scope 1 & 2 carbon emissions by 2030 through:
  - phasing out the use of natural gas in the terminal through incremental replacement of gas boilers with electric alternatives;
  - using 100% renewable electricity likely from 2024 (a mix of on- and off-site generation);
  - transitioning our vehicle fleet to electric; and
  - using the least harmful refrigerants available
- We recognise we have significant scope 3 emissions and are taking steps to address these. Decarbonisation of scope 3 activities will be the focus in the coming year
- The most important role an airport can play is to ensure that the right infrastructure is in place to support the wider decarbonisation of the aviation sector, including the adoption of low emissions aircraft technologies and fuels. We have made sure that our 30-year masterplan makes provision for these needs

Scope 1 & 2 decarbonisation pathway to net zero



Accelerating into the recovery…and the future

Re-establishing our aeronautical network and supporting the recovery in travel

Driving the recovery in our commercial business

Disciplined investment in infrastructure and commercial opportunities

Outlook

Aeronautical pricing

Consultation with airlines on aeronautical prices for PSE4 is now underway and due to be completed by June 2023

- Prices for FY23-27 (PSE4) will be determined following airline consultation over the remainder of the financial year considering the "building block" forecasts:
  - commissioning of aeronautical infrastructure projects;
  - operational expenditure;
  - recovery in passengers and aircraft movements; and
  - weighted average cost of capital / target return
- Charges for FY23 have been held constant at FY22 prices while this consultation is undertaken[16]. A decision on aeronautical prices for FY24 through FY27 is scheduled to be made by June 2023 with changes to take effect from 1 July 2023
- Aeronautical prices for PSE4 will be set to achieve a full target return over the five years, including making up the FY23 shortfall – an approach is supported by Air New Zealand and BARNZ
- Separately, the Civil Aviation Bill is before Parliament – as currently drafted, it retains the ability for airports to set aeronautical prices
- Commerce Commission currently reviewing the "Input Methodologies" – i.e., the rules and processes that underpin regulatory information disclosures (and inform aero price setting calculations). This review is due to be completed no later than December 2023

Auckland Airport airfield

16. *The adjustment to International and Transit Passenger Charges of $2.00+GST under the Regulatory and Requested Investment (RRI) Policy ended on 30 June 2022 and is not being applied in FY23. Any under or over recovery in accordance with the RRI Policy will be considered as part of the PSE4 pricing consultation*

Outlook

Guidance

- As we look to the 2023 financial year, we continue to face uncertainty regarding the pace of recovery of international travel
- Reflecting this, Auckland Airport is providing the following guidance for FY23 of:
  - underlying earnings of a profit after tax between $50 million and $100 million based on anticipated domestic and international[17] passenger numbers of 7.8 million and 6.2 million respectively; and
  - capital expenditure of between $600 million and $700 million[18] including completing existing roading, airfield and investment property projects and progressing the design and enabling activity for the terminal integration programme
- Auckland Airport is currently consulting with substantial airline customers for Price Setting Event 4, with a decision on aeronautical prices scheduled to be made following this consultation in June 2023. The capital investment plan is considered within the consultation on aeronautical prices and may be subject to change as consultation with airlines is undertaken
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and any deterioration due to global market conditions or other unforeseeable circumstances including any imposition of international travel restrictions in the year

Auckland Airport Community Trust beneficiaries Sistema Aotearoa who focus on equity, community empowerment and personal growth through orchestral music-making

17. *Excludes transits*
18. *Capital expenditures net of any impairments and excluding the impact of reduced termination cost provisions. Includes contributions to investments in Joint Ventures (Pullman)*

Questions

Appendix: Associates' performance

For the year ended 30 June ($m)	2022	2021	Change
Queenstown Airport (24.99% ownership)			
Total Revenue	26.8	27.8	(4)%
EBITDA	14.0	17.1	(18)%
Underlying Earnings (Auckland Airport share)	0.3	0.4	(25)%
Domestic Passengers	1,096,655	1,311,416	(16)%
International Passengers	37,889	25,280	50%
Aircraft movements	9,691	11,079	(13)%
Novotel Tainui Holdings (50.00% ownership)			
Total Revenue	21.5	25.1	(14)%
EBITDA	12.3	13.2	(7)%
Underlying Earnings (Auckland Airport share)	4.1	5.0	(18)%
Average occupancy	20%	73%	(72)%

- Auckland Airport's share of Queenstown Airport's underlying earnings fell by 25% reflecting the challenging trading environment with international border restrictions in place for much of the year
- The Novotel hotel operated as a Managed Isolation Facility in 2022. Following a refurbishment, in July 2022 the Novotel Hotel reopened to the public

Appendix: Underlying profit reconciliation

For the year ended 30 June ($m)	2022 Reported profit	2022 Adjustments	2022 Underlying profit	2021 Restated Reported profit	2021 Restated Adjustments	2021 Restated Underlying profit
EBITDAFI per Income Statement[19]	**144.5**	**-**	**144.5**	**171.1**	**-**	**171.1**
Investment property fair value increase	204.4	(204.4)	-	527.3	(527.3)	-
Property, plant and equipment revaluation	(1.4)	1.4	-	(7.5)	7.5	-
Fixed asset write-offs, impairments and termination costs[19]	-	6.9	6.9	-	2.5	2.5
Reversal of fixed asset impairments and termination costs[19]	-	-	-	-	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	-	(0.5)	0.5	-
Share of profit of associate and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	-	(113.1)	(120.9)	-	(120.9)
Interest expense and other finance costs	(53.7)	-	(53.7)	(94.0)	-	(94.0)
Taxation expense / (credit)	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

- We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:
  - we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
  - consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building classes of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021;
  - we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
  - we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
  - in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
  - we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

19. 2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9m. 2021 included a net reversal of $16.9 million

Appendix: Normalised opex reconciliation

For the year ended 30 June ($m)	2022	Restated 2021	Change
Reported operating expenses	**155.8**	**110.0**	**42%**
Reversal of prior period fixed asset write-offs, impairments and termination costs	-	16.9	(100%)
Fixed asset write-offs, impairments and termination costs	(6.9)	-	100%
Expected credit losses / reversals	0.6	4.2	(86)%
Government wage subsidy	4.3	2.0	115%
Normalised operating expenses	**153.8**	**133.1**	**16%**

Glossary

AMTN	Australian medium term notes
ARPS	Average revenue per parking space
BARNZ	Board of Airline Representatives New Zealand Inc.
CPS	Cents per share
EBIT	Earnings before interest and taxation,
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
IFRIC	International Financial Reporting Interpretations Committee
IP	Investment Property
MCTOW	Maximum certified take off weight
NPAT	Net profit after tax
NZDCM	New Zealand Debt Capital Markets
PAX	Passenger
PCP	Prior calendar period
PSR	Passenger spend rate
SaaS	Software as a Service
ULD	Unit load device
USPP	United States Private Placement
WALT	Weighted average lease term
WHO	World Health Organisation

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Auckland International Airport Limited	
Reporting Period	12 months to 30 June 2022	
Previous Reporting Period	12 months to 30 June 2021	
Currency	NZD	
	Amount (millions)	**Percentage change**
Revenue from continuing operations	$300.3	7%
Total Revenue	$300.3	7%
Net profit/(loss) from continuing operations	$191.6	-59%
Total net profit/(loss)	$191.6	-59%
Final Dividend		
Amount per Quoted Equity Security	$0.0000	
Imputed amount per Quoted Equity Security	$0.000000	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$5.54	$5.39
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to attached media release, Annual Report, audited Financial Statements and Results Presentation	
Authority for this announcement		
Name of person authorised to make this announcement	Mary-Liz Tuck	
Contact person for this announcement	Mary-Liz Tuck	
Contact phone number	027 277 5086	
Contact email address	investors@aucklandairport.co.nz	
Date of release through MAP	18 August 2022	

Audited financial statements accompany this announcement.

Auckland Airport

Climate Change Disclosure Report 2022

Auckland Airport

Prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures

Introduction

As New Zealand's largest airport, Auckland International Airport Limited ("**Auckland Airport**") is an important economic engine for New Zealand, making a significant contribution to the Auckland community and helping to grow the country's success in travel, trade and tourism.

Our operations deliver high levels of availability, reliability and resilience, and we recognise climate change has the potential to affect our business, both through physical impacts and in the transition to a low-carbon economy.

We are committed to reducing our carbon footprint, improving our operational resilience and adapting to the predicted effects of a changing climate, now and into the future. We are also committed to supporting others, particularly in the aviation sector, to reduce carbon emissions.

Climate-related Disclosure Standards

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures ("**TCFD**") to review how the financial sector can take account of climate-related issues.

In 2017, the TCFD released recommendations for climate-related financial disclosures which promote transparency, leading to better climate-risk management. The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These are intended to interlink and inform each other.

In 2021, the New Zealand Government passed legislation to enable mandatory climate-related disclosures. This means that from 2024, Auckland Airport will be required by law to publish annual disclosures on the impact climate change has on our business. The New Zealand External Reporting Board ("**XRB**") has published a suite of draft standards which align with the TCFD recommendations.

Core elements of recommended Climate-related Financial Disclosures

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of the climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Risk management
The process used by the organisation to identify, assess and manage climate-related risks

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Our Climate Disclosure Plans

For the second year, we are following the guidelines of the TCFD to disclose the impact of climate change on our business and our impact on climate change.

As we further identify, assess and manage climate change risks and new opportunities to the business we will continue to increase our disclosure. Auckland Airport expects to produce a disclosure fully aligned with the TCFD recommendations as well as the New Zealand XRB standards in the 2023 financial year.

TCFD Element	Future Actions
Governance	• Further integrate climate-related considerations into strategic planning and other business policies and processes
Strategy	• Continue to implement climate resilience actions • Expand understanding of climate-related risks and opportunities, and the actual and potential financial impacts of these on the business, through scenario analysis
Risk Management	• Further mature risk management approach
Metrics and Targets	• Continue to make progress on climate-related targets • Expand disclosure of climate-related metrics

Governance

Board oversight of climate-related risks and opportunities

Auckland Airport's Board of directors is responsible for reviewing and ratifying the risk-management structure, processes and guidelines which are developed, maintained and implemented by management, including climate change. The Board sets the company's risk appetite on an annual basis and tracks the development of any existing risks and the emergence of new risks to the company. The Board also considers climate change issues when reviewing and guiding business strategy, plans and budgets.

The Board has delegated risk oversight and monitoring (including in relation to climate change) to the Safety and Operational Risk Committee ("**SORC**") which currently comprises four Board directors.

The SORC is responsible for assisting the Board in discharging its responsibilities in relation to risks, and oversees, reports and makes recommendations to the Board on the safety, environmental (including climate change) and operational risk profile of the business. The SORC receives a quarterly report from management on whole-of-company risks and controls, including the physical and transitional impact of climate change on the business. The SORC also receives a more detailed annual update on climate-related risks and opportunities, progress towards climate-related goals and the implementation of mitigation initiatives.

Management manages climate-related risk and opportunities

Auckland Airport's management is responsible for the active identification of risks and implementation of mitigation measures, including for climate change, to achieve and maintain operational and strategic objectives. Management has developed an enterprise risk management framework, designed to promote a culture which ensures a proactive and consistent approach to identifying, mitigating and managing risk on a company-wide basis. Our chief executive oversees the risk framework and reporting to the SORC, including climate change risks, and the general manager for each business unit is responsible for assessing and monitoring the risks specific to their business unit.

The Sustainability Management Group, involving nine senior leaders from across the company, oversees the implementation of the Sustainability programme including material climate change initiatives. Overall management of climate-related risks and implementation of controls and initiatives is the responsibility of the Sustainability team. This includes ongoing monitoring of climate change modelling and research, and the advancement of our ongoing climate change disclosure reports.

Figure 1. Governance of climate-related risks at Auckland Airport

Risk Management Policy → Board of Directors → Safety and Operational Risk Committee → Management

Risk Management Policy

- Provides the overall framework and governance for risk management, including the process for identifying, assessing, managing and monitoring risk

Board of Directors

- Ensures Auckland Airport has appropriate and effective risk management in place
- Considers climate-related risks and opportunities in strategy development and decision-making
- Receives quarterly updates on sustainability progress including on climate change

Safety and Operational Risk Committee

- Receives quarterly risk updates from management, including on climate-related risk
- Receives annual climate change updates from management
- Assesses the internal processes for determining, monitoring and managing risks
- Holds management accountable for managing risks appropriately

Management

- Identifies, assesses and monitors climate-related risk relevant to their area of the business
- Develops and implements strategies to mitigate climate-related risk to an acceptable level of residual risk
- Regularly monitors and evaluates the effectiveness of Auckland Airport's processes and risk plans
- Prepares quarterly risk updates and annual climate change updates for the SORC
- Prepares climate change disclosure reports

Risk Management

Our enterprise risk management framework and risk management company policy guide our approach to risk management in relation to climate change. Risks are identified at all levels of the organisation, and all employees are responsible for implementing, managing and monitoring the processes and risk plans with respect to material business risks, as appropriate.

All enterprise-wide material risks, including those relating to climate change, are assessed through Auckland Airport's Risk Assessment Matrix. This assesses the likelihood of the risk occurring, and the impact on the business should it occur, to produce a total "risk rating". Risk ratings are described as "residual risks" and "inherent risks", reflecting the impact to the business with or without controls in place to mitigate the risks.

Auckland Airport's process for risk management is continuous and is designed to provide advanced warning of material risks before they eventuate. In addition to identifying and assessing risks, the process includes:

- Risk mitigation strategy development
- Reporting
- Compliance, monitoring and evaluation to ensure the ongoing integrity of the risk management process.

Priority physical and transitional climate change risks are included in Auckland Airport's enterprise-wide risk register, which is updated by management on a quarterly basis. The SORC receives a quarterly update on executive-level risks, the controls in place to mitigate the risk and the planned actions to address them. In the 2022 financial year, climate-related risks were escalated to be classified an executive-level risk.

Climate-related risks that have a risk rating of medium or higher are assigned controls to reduce the residual risk to a lower level. Management is responsible for identifying and implementing these controls, with the Board providing confirmation that the controls sufficiently mitigate the risk to an acceptable level.

Strategy

Resilience of business strategy

Auckland Airport has an extensive coastline given our unique location adjacent to the Manukau Harbour. As a result, physical inundation and flooding of assets due to sea-level rise and extreme weather events is one of our key climate-related risks. Our business model is built on the operation and development of aeronautical infrastructure and commercial property; this means impacts from sea level rise and extreme weather events could significantly affect our business operations.

In addition, due to the high carbon profile of the aviation industry, there are various risks to the business associated with the transition to a low-carbon economy. Global and domestic carbon policies impacting aviation activity, as well as public perceptions towards air travel, have the potential to affect Auckland Airport.

We keep abreast of global and local trends in climate change research and modelling and undertake regular environmental scans and analyses of key factors such as developments in global carbon policy, public perception of aviation, and technological advancements to decarbonise aviation, so that we are able to respond to any emerging risks early.

Climate-related risks and opportunities

Climate-related risks and opportunities are considered as part of Auckland Airport's strategic planning, including our short-term asset management plans, medium-term infrastructure projects and longer-term masterplan for the whole of the Auckland Airport precinct.

We have assessed physical and transitional climate-related risks for our business across three time horizons:

Short term
1–5 years
Aligned with asset management

Medium term
5–10 years
Aligned with capital planning

Long term
10–30 years
Aligned with masterplanning

We consider climate change risks specific to Auckland Airport as well as potential impacts on the wider supply chain and aviation industry. The climate-related risks we have identified are outlined in the table below.

Risk Driver	Impact on Auckland Airport	Risk Timeframe	Current and Future Controls
Short term = 1–5 years;	**Medium term = 5–10 years;**		**Long term = 10–30 years**
Physical			
Sea-level rise	Business interruption and operational delays due to inundation of areas and assets critical to airport operations	Long term	• Increased monitoring, maintenance and enhancement of the seawall • Maintenance of existing (and development of new) infrastructure undertaken in consideration of climate change • Development of a second runway further inland and on higher ground
	Future development areas constrained due to inundation, resulting in loss of potential income or impact to customer experience	Long term	• Consideration of climate change in Auckland Airport's masterplan • Increased monitoring, maintenance and enhancement of the seawall • Stormwater masterplan and planned infrastructure upgrades
	Saltwater intrusion into wetlands and ponds, and loss of functionality of stormwater and wastewater systems and consequential impact on the surrounding marine environment	Long term	• Stormwater masterplan and planned infrastructure upgrades • Ongoing monitoring of stormwater discharges
Increased frequency and intensity of storm and rainfall events	Damage to infrastructure, business interruption and operational delays due to flooding of areas and assets critical to airport operations	Short term Medium term Long term	• Stormwater masterplan prepared taking into account climate change modelling • Upgrades of existing (and development of new) infrastructure undertaken in accordance with stormwater masterplan
	Reduced asset life and increased maintenance costs due to damage and wear from salt impacts from storm surge and more intense storms	Long term	• Regular maintenance and monitoring of assets, particularly those critical to airport operations
Variable wind patterns	Changes to aircraft noise contours due to changing wind patterns	Medium term Long term	• Annual review of wind direction data to identify emerging changes that would impact on the location of the aircraft noise contours
	Damage to infrastructure and operational delays due to high winds	Long term	• Design to take increased wind loads into account as part of development and asset renewal • Regular review of trends from third-party wind monitoring data at Auckland Airport
Decreased rainfall days	Water shortages due to drought resulting in increased potable water prices and the introduction of water restrictions	Short term Medium term Long term	• Water efficiency initiatives • Secured access to non-potable water supplies • Further inclusion of non-potable water reticulation to increase non-potable water usage
	Increase in electricity price and introduction of restrictions on electricity use, particularly at times of peak demand, due to less generation capacity from 'dry' hydro-electric rivers and storage lakes	Short term Medium term Long term	• Energy-efficiency initiatives • Exploration of feasibility for on-site renewable energy generation
Rising mean temperatures	Increased risk of mosquitos and other exotic pests which pose a threat to New Zealand biodiversity and human health	Medium term Long term	• Ongoing biosecurity monitoring programme • Elimination of potential breeding grounds such as standing water
	Increase in operating costs for air cooling as the operating parameters need to be expanded for the increased temperature and humidity range	Medium term Long term	• Factoring future requirements into long-term asset management and replacement plans
	Increased plant growth and presence of insects and pests causing more frequent flocking and bird strike	Long term	• Ongoing biosecurity monitoring programme • Wildlife management and monitoring programme, including relocation of habitats • More frequent landscape maintenance

Risk Driver	Impact on Auckland Airport	Risk Timeframe	Current and Future Controls
Short term = 1–5 years;	**Medium term = 5–10 years;**		**Long term = 10–30 years**
Transitional			
Policy and legal	Increased cost and restrictions on operations due to implementation of regulation and pricing mechanisms to reduce carbon emissions from the aviation sector	Short term Medium term Long term	• Policy engagement and advocacy • Provision of infrastructure to enable adoption of low-carbon aircraft energies and technologies
	Constraints to airport operational expansion due to external decarbonisation policy, regulation and legislation	Medium term Long term	• Policy engagement and advocacy • Decarbonisation of operational emissions and investment in low-carbon infrastructure
	Decreased revenue due to the introduction of aircraft movement or passenger caps to reduce carbon emissions from the aviation sector	Medium term Long term	• Policy engagement and advocacy
	Reduced passenger demand due to pass-through of increased cost from mandatory emissions-related levies	Short term Medium term Long term	• Policy engagement and advocacy • Decarbonisation of operational emissions and investment in low-carbon infrastructure • Provision of infrastructure to enable adoption of low-carbon aircraft energies and technologies
	Inability to obtain insurance or increased insurance premiums due to physical climate change risks	Short term Medium term Long term	• Maintenance of existing (and development of new) infrastructure undertaken in consideration of climate change (including sea-level rise, extreme weather events and wind patterns)
Market	Customers substitute flight with other lower-carbon transport alternatives	Medium term Long term	• Provision of infrastructure to enable adoption of low-carbon aircraft energies and technologies
Reputation	Climate change performance fails to meet stakeholder expectations	Short term Medium term Long term	• Stakeholder engagement to understand expectations • Transparent and digestible climate-related disclosures • Decarbonisation of operations and regular disclosure of performance against targets
	Moderation in growth of passenger numbers if public sentiment towards air travel changes due to the carbon footprint of aviation	Short term Medium term Long term	• Effective monitoring of consumer perceptions in New Zealand and key inbound markets • Maintaining a diverse portfolio of markets and strengthening short-haul markets • Supporting airline partners to reduce their emissions at gate through the provision of ground power units and pre-conditioned air • Maintenance of a precinct-wide masterplan that promotes an efficient airport design and layout
	Investors avoid aviation sector due to carbon footprint	Short term	• Decarbonisation of operations • Development of low carbon infrastructure • Disclosure of Greenhouse Gas Emissions Inventory and decarbonisation pathway

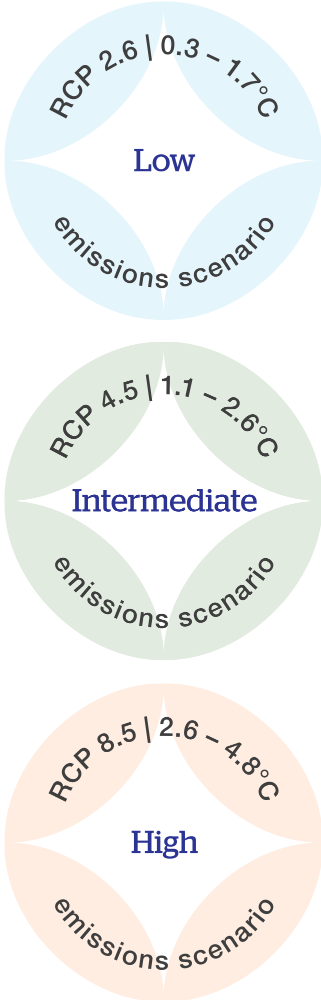
Climate change also presents opportunities for Auckland Airport. These include:

- Lowering operating costs by reducing energy consumption and other efficiency initiatives
- Playing a role in bringing new renewable electricity generation capability into the New Zealand market
- Supporting communities to enhance the environment that is impacted by the physical impacts of climate change
- Supporting our airline partners to reduce their emissions through provision of electrification and low-emission fuels infrastructure
- Advancing the sustainability capability of the New Zealand design and construction sector.

Scenario analysis

During the 2022 financial year, Auckland Airport undertook further modelling of flooding and inundation across the airport precinct under three Representative Concentration Pathways ("**RCPs**") outlined in the Intergovernmental Panel on Climate Change ("**IPCC**") Fifth Assessment Report. This modelling identified that under all pathways, without intervention, infrastructure close to or draining to the coastline will be subject to more frequent and severe flooding and inundation in the long term (circa 2110). However, planned upgrades to the stormwater network and surrounding infrastructure in the near term and further long-term flood management responses will mitigate this risk.

To enable Auckland Airport to better understand our resilience as a business to climate change, we intend to advance our climate scenario analysis incorporating both transition risk and physical climate change modelling. These scenarios are not intended to predict the future but rather explore possible futures against which to test our business strategy.



Metrics and Targets

Auckland Airport recognises that the aviation industry contributes to climate change. The impacts of climate change, including rising sea levels and temperatures, and unpredictable weather patterns will impact our company, the local community, New Zealand and the planet.

We seek to take a leading-practice approach to managing and reducing our carbon emissions.

Managing our own footprint

Having measured and disclosed our carbon emissions since 2008, and being the first airport in the world to set a carbon reduction target under the Science-Based Targets Initiative, in 2021 we lifted our sights and challenged ourselves again by setting a suite of new sustainability targets.

Our planned pathway to Net Zero aligns with a 1.5-degree warming trajectory and will see us reduce scope 1 and 2 emissions[1] by 90% by 2030. We will achieve this by:

- Phasing out the use of natural gas in the terminal through the incremental replacement of natural gas boilers with electric alternatives
- Electrifying our corporate vehicle fleet
- Using refrigerants with the lowest global warming potential possible
- Using electricity generated from a mix of on- and off-site renewable generation, likely from 2024.

1 Scope 1 = direct emissions from business activity.
Scope 2 = indirect emissions from the generation of purchased electricity.

Our targets

Net Zero

Scope 1 and 2 **emissions by 2030**

90%

Reduction in scope 1 and 2 **emissions** from 2019 levels by 2030

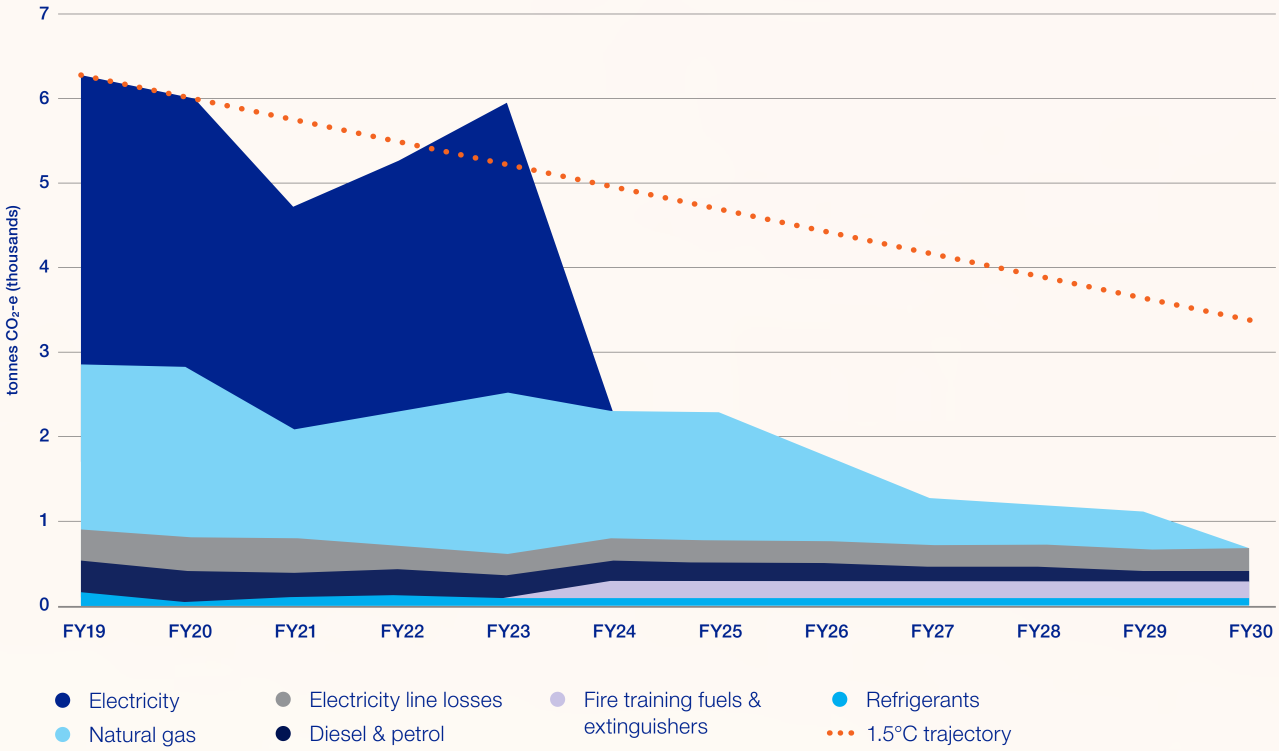
20%

Reduction in potable **water** use from 2019 levels by 2030

20%

Reduction in **waste** to landfill from 2019 levels by 2030

Auckland Airport's planned scope 1 and 2 decarbonisation pathway to Net Zero aligns with 1.5°C trajectory



Reducing our indirect emissions

We are working with our airline, ground handling and air navigation partners to increase operational efficiency and reduce the impact of aviation on the environment. This includes:

- Provision of electric vehicle ("**EV**") chargers on the airfield to enable ground handlers to adopt low-emissions ground support equipment
- Provision of ground power units and pre-conditioned air at all international gates, for aircraft to connect to New Zealand's low-carbon electricity grid instead of burning jet fuel while at the gate. Ground power units will be installed at all domestic gates in our new integrated terminal.
- Ongoing work with Airways and airlines to reduce aircraft fuel burn by setting fuel-saving flight paths, allocating taxiways to minimise aircraft taxi time and just-in-time pushback allowing aircraft to delay engine use.

The most important role an airport can play in the decarbonisation of the wider aviation sector is to make sure the right infrastructure is in place to enable the adoption of future aircraft technologies and fuels, such as electric and hydrogen aircraft and Sustainable Aviation Fuel (SAF). Auckland Airport engages with our airline partners to understand the requirements of these aircraft fuels and technologies and we have ensured our 30-year masterplan makes provision for these requirements.

Similarly, we are future-proofing our transport network to enhance connectivity and provide for low-emission transport modes. Our 30-year masterplan accommodates a variety of transport options, including active modes such as cycling and walking, mass rapid transit (bus and light rail), and the anticipated increase in EVs.

In the 2022 financial year, we've continued our long-standing commitment to the New Zealand Climate Leaders Coalition by signing the new Statement of Ambition. This will see us work alongside other business leaders to help New Zealand transition to a low carbon economy and requires Auckland Airport to:

- Set short- and long-term science-aligned scope 1, 2 and 3 emissions reduction targets
- Assess and disclose climate-related risks and opportunities
- Prepare a climate action plan that details how we are partnering with other businesses to reduce emissions and how we are contributing to New Zealand's decarbonisation, adaptation journey and the restoration of nature
- Support stakeholders, including employees, suppliers and customers to reduce their emissions.

Auckland Airport's 2022 carbon emissions

Our scope 1 and 2 emissions have increased this financial year, reflecting the beginning of the recovery of aviation and an increase in passenger numbers through the terminals after two years of COVID-19-related lockdowns and border restrictions. Our scope 3 emissions within our control have reduced this year due to the completion of the two substantial roading projects in the 2021 financial year. This year we have also introduced the measurement of aircraft landing and take-off emissions.

Below is a summary of Auckland Airport's scope 1 and 2 greenhouse gas emissions.

Scope	FY19	FY20	FY21	FY22
Scope 1	2,472	2,397	1,674	2,004
Scope 2	3,802	3,648	3,031	3,274
Scope 3 – Within control[2]	6,228	5,185	16,497	10,616
Scope 3 – Aircraft landing and take-off	N/A	N/A	N/A	66,059
Scope 1 & 2 emissions intensity (tonnes CO_2-e per m^2 terminal area)	39.23	36.10	28.06	25.69
Scope 1 & 2 emissions intensity (tonnes CO_2-e per passenger)	0.30	0.39	0.73	0.94

For the full 2022 emissions profile, please refer to Auckland Airport's Greenhouse Gas Emissions Inventory Report on the company website.

Information within the Greenhouse Gas Emissions Inventory Report is stated in accordance with the requirements of International Standard ISO 14064-1 *Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ("**ISO 14064-1:2018**") and the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ("**the GHG Protocol**").

2 Scope 3 emissions within our control includes waste, water, staff business travel, electricity line losses and construction materials

Auckland Airport

Auckland Airport

Greenhouse Gas Emissions Inventory Report 2022

Auckland Airport

Prepared in accordance with the Greenhouse Gas Protocol and ISO 14064-1:2018

Introduction

This document is the annual greenhouse gas ("**GHG**") emissions inventory for Auckland International Airport Limited ("**Auckland Airport**" or "**AIAL**") for the period 1 July 2021 to 30 June 2022.

Auckland Airport is committed to carbon accounting and reporting in line with global best-practice. Therefore, this inventory has been prepared in accordance with the requirements of International Standards ISO 14064-1 *Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ("**ISO 14064-1:2018**") and the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ("**the GHG Protocol**").

Deloitte Limited has been appointed as the third-party independent assurance provider for the 2022 Greenhouse Gas Emissions Inventory Report.

A reasonable level of assurance has been given over the scope 1 and 2 emissions included in this report and a limited level of assurance over the scope 3 emissions.

Greenhouse gases

Almost every aspect of life produces greenhouse gas emissions, from the manufacturing of building materials and the transport of people and goods right through to the decomposition of waste in landfills.

Increased concentrations of greenhouse gases in the atmosphere leads to global warming.

In 1997, the Kyoto Protocol was signed by 84 countries, committing to reducing greenhouse gas emissions based on the scientific consensus that global warming is occurring and that human-made CO_2 emissions are driving it. In 2015, an international treaty on climate change called the Paris Agreement was adopted by 196 countries, with the aim of limiting global warming to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels.

Key terms used throughout this report:

Scope 1 (direct GHG emissions): Emissions from sources that are owned or controlled by the company.

Scope 2 (indirect GHG emissions): Emissions from the generation of purchased electricity consumed by the company and the transmission and distribution losses from electricity lines owned by the company.

Scope 3 (indirect GHG emissions): Emissions that occur as a consequence of the company's activities but from sources not owned or controlled by the company.

CO_2-e: Carbon dioxide equivalent. The greenhouse gases recorded in this report all have different Global Warming Potentials ("**GWPs**"). The emissions are all reported in tonnes of carbon dioxide equivalent to ensure comparability across all gases.

Emission factor: Each emission source has a different GWP which is stated as an emission factor. Emission factors are used to calculate the resulting emissions from that source.

LTO: Aircraft landing and take-off emissions up to 1,000 metres.

T&D losses: Transmission and distribution losses from the electrical network. As electricity travels through power lines, a proportion of energy is lost as heat due to the resistance in the lines.

Auckland Airport's decarbonisation pathway

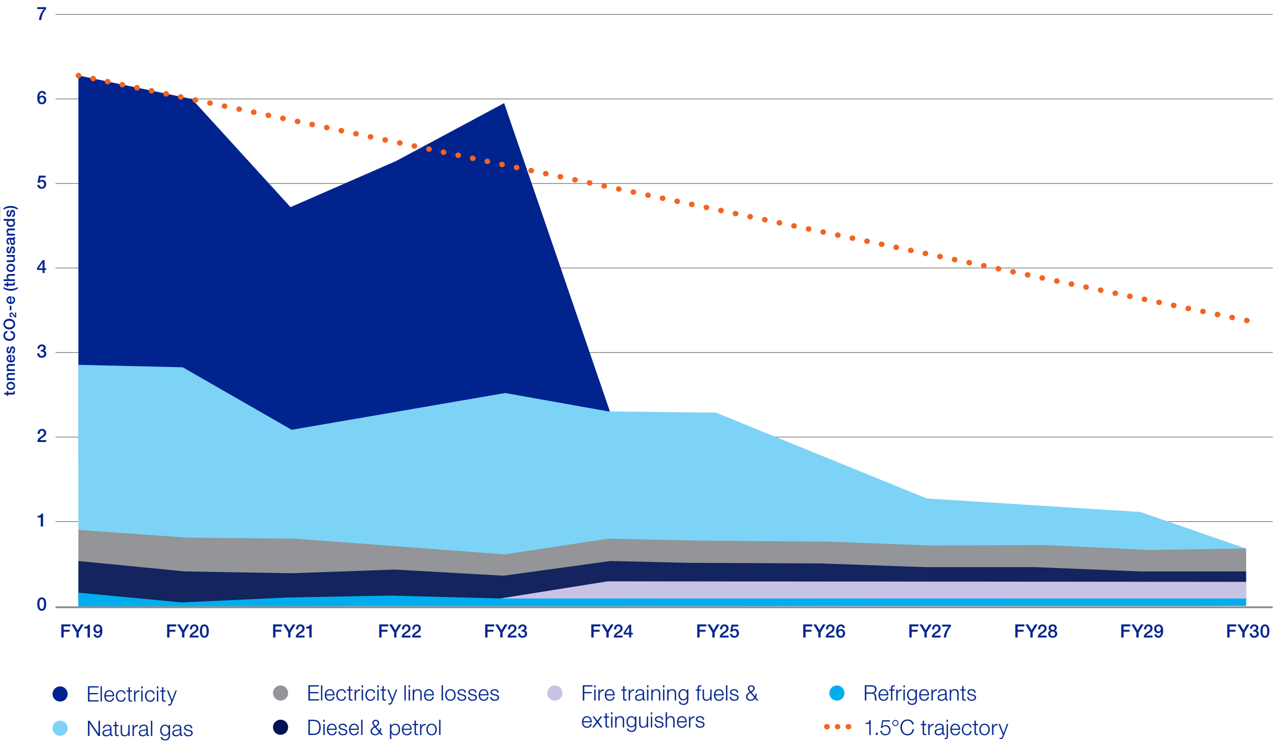
As aviation begins its recovery, Auckland Airport is making sure we're doing everything we can to reduce emissions. We have some big sustainability goals, including reducing our direct emissions to Net Zero by 2030. This means that, every day, Auckland Airport is changing how we work. We've aligned our pathway to Net Zero with a best-practice 1.5°C warming trajectory, which will see Auckland Airport reduce actual carbon emissions by 90% from 2019 levels.

Our priority is to work towards Net Zero scope 1 and 2 emissions by reducing emissions created by our day-to-day business as much as we can, with any residual emissions neutralised through permanent carbon removals.

We are:

- Phasing out the use of natural gas in the terminal through the incremental replacement of natural gas boilers with electric alternatives
- Electrifying our vehicle fleet
- Using refrigerants with the lowest global-warming potential possible
- Using electricity generated from a mix of on- and off-site renewable generation, likely from 2024.

Auckland Airport's planned scope 1 and 2 pathway to Net Zero aligns with 1.5°C trajectory



Reducing our indirect emissions

As a consequence of the operation of New Zealand's largest airport, there is a wide range of activities which produce emissions. While these emissions are not within our operational control, it is important we take an active role to support our aviation partners to reduce these indirect (scope 3) emissions.

We are working with our airline, ground handling and air navigation partners to increase operational efficiency and reduce the impact of aviation on the environment. This includes:

- Provision of electric vehicle ("**EV**") chargers on the airfield to enable ground handlers to adopt low-emissions ground support equipment
- Supply ground power units ("**GPUs**") and pre-conditioned air ("**PCA**") at all international gates so aircraft can connect to New Zealand's low-carbon electricity supply instead of burning jet fuel while at the gate. GPUs will be installed at all gates in our new domestic jet facility
- Ongoing work with Airways and airlines to reduce aircraft fuel burn by setting fuel-saving flight paths, allocating taxiways to minimise aircraft taxi time and just-in-time pushback allowing aircraft to delay engine use.

The most important role an airport can play in the decarbonisation of the wider aviation sector is to ensure the right ground infrastructure is in place to enable the adoption of future aircraft technologies and fuels as they become widely available, such as Sustainable Aviation Fuel ("**SAF**"), electric-powered aircraft and aviation hydrogen fuel cells. So-called 'drop-in' SAF is already able to be delivered to aircraft via Auckland Airport's refuelling hydrant system, and we are engaging with our airline partners to understand their future requirements for alternative aircraft fuels and technologies. We have ensured our 30-year masterplan anticipates and makes provision for these future needs.

Similarly, we are future-proofing our transport network to enhance connectivity and provide for low-emission transport modes. Our 30-year masterplan accommodates a variety of transport options, including active modes such as cycling and walking, mass rapid transit (bus and light rail), and the anticipated increase in EVs.

Other scope 3 emissions are made up of potable water use and wastewater treatment, waste sent to landfill, staff business travel, and the carbon contained in the construction materials we use. During the 2022 financial year our focus has been on waste. We undertook a waste audit in the domestic terminal, collecting, sorting and analysing 250 kilograms of general waste and 185 kilograms of recycling. We have developed a strategy to decrease the volume of waste we generate and increase the proportion diverted from landfill, which will help us achieve our target of a 20% reduction in waste sent to landfill by 2030 from a 2019 baseline.

We are also actively addressing our construction emissions in the design of our development projects. The Transport Hub will be targeting 5-Star Green certification for the office building and a Gold Parksmart rating for the car park, the first parking building expected to achieve the Parksmart rating in New Zealand. Mānawa Bay, Auckland Airport's new premium outlet shopping centre, is also targeting a 5-Star Green rating for its design and build with a number of other key sustainability initiatives underway including: optimising resources, reducing carbon emissions, supporting local communities and enhancing the environment.

Greenhouse Gas Emissions Inventories

All emissions, except where stated, have been calculated using the New Zealand Ministry for the Environment's *Measuring Emissions: A Guide for Organisations (2022).*

Table 1: **Greenhouse gas emissions inventory summary for Auckland Airport**

Scope	Category	2021 emissions (assured) tCO_2-e	2022 emissions (base year[1]) tCO_2-e
Direct emissions (Scope 1)	Diesel – stationary	5.21	19.57
	Natural gas – stationary	1,291.40	1,561.91
	LPG – stationary	0.27	1.91
	Diesel – transport	237.10	256.51
	Petrol – transport	51.95	59.24
	Refrigerants	88.35	105.07
	Fire extinguisher	0.10	–
	Total scope 1	**1,674.38**	**2,004.21**
Indirect emissions (Scope 2)	Purchased electricity	2,614.80	3,007.06
	T&D losses – AIAL-owned lines	416.22	267.32
	Total scope 2	**3,031.02**	**3,274.38**
Indirect emissions (Scope 3)[2] – within control	T&D losses – Vector network	224.21	273.15
	Business travel	52.10	154.47
	Waste landfilled	262.47	149.50
	Water supply	4.05	5.24
	Water treatment	56.17	77.07
	Concrete	5,702.99	4,782.59
	Asphalt	1,982.95	1,704.24
	Aggregate	131.52	109.89
	Steel	8,080.17	3,360.11
	Total scope 3 – within control	**16,496.63**	**10,616.26**
Other indirect emissions (scope 3)	Aircraft LTO	N/A	64,061.36
	Engine testing	N/A	1,997.45
	Total other scope 3	**N/A**	**66,058.81**
	Total scope 3	16,496.63	76,675.07
Total emissions (Scope 1, 2 and 3)		21,202.03	81,953.66

Our scope 1 and 2 emissions have increased this financial year, reflecting the beginning of the recovery of aviation and an increase in passenger numbers through the terminals after two years of COVID-19-related lockdowns and border restrictions. Our scope 3 emissions within our control have reduced this year due to the completion of the two substantial roading projects in the 2021 financial year. This year we have also introduced the measurement of aircraft landing and take-off emissions.

1 Auckland Airport's base year for the GHG emissions inventory has been refreshed due to the addition of new material scope 3 emissions sources (aircraft LTO and engine testing). However, the base year for the scope 1 and 2 emissions reduction target remains 2019 as this was the last year reflective of pre-pandemic travel volumes.

2 Scope 3 emissions sources have been determined in line with the GHG Protocol. Excluded emissions sources are listed in table 6.

3 The landing/take-off (LTO) cycle relates to all aircraft activities near the airport that take place below the altitude of 1000 m including taxi-in and out, take-off, climb-out, and approach landing.

Table 2: Greenhouse gas emissions intensity

Category	2021 value	2022 value
Scope 1 and 2 emissions intensity ($kgCO_2$-e per m^2 terminal area)	28.06	25.69
Scope 1 and 2 emissions intensity ($kgCO_2$-e per passenger)	0.73	0.94

Emissions by gas type

Auckland Airport includes scope 1, 2 and select scope 3 emissions from the Kyoto Protocol gases in its inventory expressed as carbon dioxide equivalent (CO_2-e):

- Carbon dioxide (CO_2)
- Methane (CH_4)
- Nitrous oxide (N_2O)
- Hydrofluorocarbons (HFCs)
- Sulphur hexafluoride (SF_6)
- Nitrogen trifluoride (NF_3)
- Perfluorocarbons (PFCs)

Auckland Airport did not emit any SF_6, NF_3 or PFCs in the 2022 financial year.

Table 3: GHG emissions by gas type

Scope	tCO_2	tCH_4	tN_2O	tHFCs	tSF_6	tPFCs	Other tCO_2-e	Total
Scope 1	1,888.10	4.27	6.77	105.07	-	-	-	2,004.21
Scope 2	3,182.70	84.86	6.82	-	-	-	-	3,274.38
Scope 3	66,433.99	187.83	39.56	-	-	-	10,013.69[3]	76,675.07
Total	**71,504.79**	**276.96**	**53.15**	**105.07**	**-**	**-**	**10,013.69**	**81,953.66**

Greenhouse gas holdings

Auckland Airport has holdings of HFCs in storage as well as within chillers, air conditioning units and pre-conditioned air units for aircraft.

Auckland Airport has holdings of SF_6 within electrical switchgear.

Table 4: GHG stock liability

Source	Quantity (kg)	Potential liability (tCO_2-e)
HFC-32	19.50	13.16
HFC-134A	2,657.20	3,799.80
HCFC-123	1,590.00	122.43
HCFC-22	242.60	439.11
R-410A	447.00	933.11
SF_6	147.47	3,362.38

Other emissions

During the 2022 financial year, Airport Emergency Services ("**AES**") burnt 6.9 tonnes of wood for fire training. The CO_2 content of the wood was 5.94 tonnes, which represents the carbon sequestered during the growing process. This means that the relevant measure of emissions for the purposes of disclosure is therefore limited to methane (CH_4) and nitrous oxide (N_2O), which totals 0.10 tonnes.

Table 5: Biomass emissions

Emissions source	tCO_2	tCH_4	tN_2O	Total tCO_2-e
Biomass	5.94	0.04	0.06	0.10

3. Construction materials and business travel accommodation are unable to be split into the six GHGs due to an absence of suitable emissions factors; therefore, they have been listed as Other tCO_2-e.

Organisational Boundary

The organisational boundary determines the parameters for GHG reporting in Auckland Airport's GHG inventory. The boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards.

The organisational boundary of our GHG inventory is defined by those emissions over which we have operational control. This consolidation approach allows us to focus on those emissions sources over which we have control and can therefore implement management actions, consistent with Auckland Airport's sustainability strategy.

Our organisational boundary encompasses the activities and companies listed in Figures 1 and 2, below.

Boundary of operational control

Figure 1: Auckland Airport's business activities

Boundary of operational control

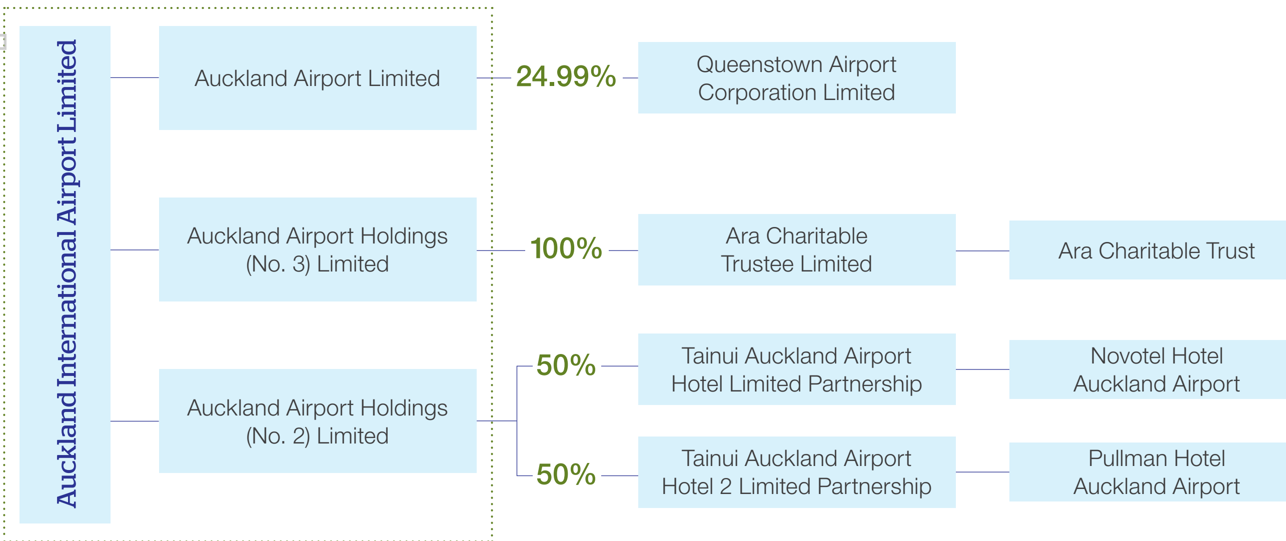


Figure 2: Auckland Airport's organisational boundary

GHG emissions source inclusions

Auckland Airport includes scope 1, 2 and some scope 3 emissions from all relevant Kyoto Protocol gases in our carbon inventory. The emissions sources in Table 5 have been included in the GHG emissions inventory.

Table 5: Included emissions sources, data collection methodology and assumptions

Scope	Emissions source	Summary of data source	Uncertainty (description)
Scope 1	Natural gas	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly.
	Petrol and diesel	Fuel purchased through company fuel cards. Supplier invoices for bulk diesel purchase.	Assumes that all company fuel cards have been captured.
	Refrigerants	Refrigerant leakage calculated through the 'top-up' method.	Assumes all refrigerant leakage has been identified and topped up.
	LPG	Supplier invoices for LPG purchase.	Assumes all invoices were captured within the finance system.
	Fire extinguisher	Supplier invoices for fire extinguisher purchases.	Assumes all invoices were captured within the finance system.
Scope 2	Electricity	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly. Electricity emission factor based on 2020 New Zealand grid mix.
	T&D losses – AIAL-owned lines	Supplier invoices for monthly consumption. Transmission loss factor provided by third party.	Uses loss factor which is the average from April 2020 – April 2022. Assumes this is a suitable loss factor from the reporting period.
Scope 3	T&D losses – Vector network	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly.
	Business travel	Third-party reporting for annual air travel and accommodation.	Assumes that all corporate travel has been booked through the travel provider.
	Landfilled waste	Monthly supplier invoices.	Assumes that third-party contractors have correct values. Some retail and property tenants' (i.e. other tenants in the Quad 5 office building) waste will also be included in these figures; however, it is assumed these quantities will be minimal compared to the overall waste profile.
	Water supply and treatment	Quarterly invoicing/meter reading.	Assumes that meter reading has been done correctly.
	Construction emissions	Quantities of concrete, asphalt, aggregate and steel used per construction/ maintenance project during the reporting period provided by the project's Quantity Surveyor. Concrete and steel emission factors sourced from BRANZ CO_2NSTRUCT v2.0 2021. Aggregate and asphalt emission factors sourced from IS Materials Calculator v1.2 NZ 2020.	Assumes that the Quantity Surveyor's results are correct. Estimated quantities used for maintenance projects. Uses the average of a combination of emission factors from multiple companies and locations. Assumes that these general emission factors are suitable for the specific construction materials used at Auckland Airport.
	Aircraft Landing and Take-Off (LTO) emissions	Emissions from the landing and take-off cycle of aircraft, including taxiing, take-off, climb out and approach. Calculated using methodology and emissions factors provided through the Airports Council International ACERT v6.0.	Any gaps in aircraft types within the tool filled by using emissions factors for aircraft with similarly sized engines of the same brand. Assumes that these are suitable for the aircraft type. Where aircraft taxi time has not been recorded (i.e. taxi time = 0), emissions for the aircraft movement have been partially calculated. The taxi portion of emissions for these movements have been excluded.
	Aircraft engine testing	Emissions from aircraft engine testing. Calculated using methodology and emissions factors provided through the Airports Council International ACERT v6.0.	Assumes that all engine testing has been captured by the Control Tower.

GHG emissions source exclusions

The following emissions sources have been excluded from the GHG emissions inventory.

Table 6: Excluded emissions sources

Emissions source	Explanation
Staff and passenger commuting	Staff and passengers commuting to and from the airport for work and/or travel is excluded from the inventory at this time due to an absence of data.
Aircraft auxiliary power unit ("APU") usage	Aircraft APU usage (usually included within LTO calculations) has been excluded from the inventory at this time due to an absence in data collection methodology.
Ground support equipment ("GSE")	GSE usage has been excluded from the inventory at this time due to an absence of data.
Construction equipment	Construction equipment has been excluded from the inventory at this time due to an absence of data.
Freight	Freight is limited to couriers for small parcels/packages. Data is not available for tracking weights, only dollar spend. Emissions from freight are considered *de minimis* (too minor).
Staff mileage	Emissions associated with local travel by staff for work claimed as mileage are considered *de minimis*.
Transport of materials	Emissions associated with the transport of materials to the airport for repairs, maintenance and construction are excluded from the inventory. These emissions are less material than the embodied emissions, which are included in the inventory.
Sanitary waste	The third-party contractor does not report the quantity of waste collected from bathroom sanitary bins and disposed of. The relative emissions are assumed to be *de minimis*.
Fire extinguisher use (over and above use by AES for fire training)	The quantity of CO_2 fire extinguishers used beyond AES fire training during the reporting period is considered *de minimis*.
Construction waste	Construction waste is excluded from the inventory at this time due to an absence of data.
Natural gas T&D losses across pipes owned by AIAL	Auckland Airport only owns a very small proportion of the natural gas pipeline on precinct, so natural gas losses are assumed to be *de minimis*.

Base-year recalculation policy

This year, Auckland Airport have re-stated our base year to be the 2022 financial year, due to the addition of aircraft LTO and engine testing emissions. We have included the 2021 emissions within the inventory to allow comparison year-on-year.

Base-year data may need to be revised when material changes occur and have an impact on calculated emissions. This includes:

- If additional sources are discovered and represent more than 5% of total scope 1 and 2 emissions;
- If emission factors change substantially and are relevant to prior years (e.g. if the science behind a factor changed); or
- If the operational boundary changes significantly.

We expect our base year to be re-stated again in the 2023 financial year when we expand our scope 3 emissions reporting further.

Persons responsible

Prepared by: Jessica Lambert
Sustainability Advisor

Reviewed by: Andrea Marshall
Head of Masterplanning and Sustainability

Approved by:

Mary-Liz Tuck
GM Strategic Infrastructure Planning and Transformation

Deloitte.

INDEPENDENT REASONABLE AND LIMITED ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Report on Greenhouse Gas Emissions ('GHG') Inventory Report

We have undertaken a reasonable assurance engagement in relation to Scope 1 and 2 emissions and a limited assurance engagement in relation to Scope 3 emissions within the Greenhouse Gas Inventory Report (the 'Inventory Report') of Auckland International Airport Limited and its subsidiaries ('Auckland International Airport Limited' or the 'Company') for the year ended 30 June 2022, comprising the Emissions Inventory and the explanatory notes set out on pages 1 to 9.

The Inventory Report provides information about the greenhouse gas emissions of Auckland International Airport Limited for the year ended 30 June 2022 and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: *Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ('ISO 14064-1:2018') and the Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard (2004)* ('the GHG Protocol').

Board of Directors' Responsibility

The Board of Directors are responsible for the preparation of the Inventory Report, in accordance with ISO 14064-1:2018 and the GHG Protocol. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of an Inventory Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on Scope 1 and 2 emissions and a limited assurance conclusion on Scope 3 emissions in the Inventory Report based on the evidence we have obtained. We conducted our reasonable and limited assurance engagements in accordance with International Standard on Assurance Engagements (New Zealand) 3410: *Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform the engagement so as to obtain reasonable assurance that Scope 1 and 2 emissions within the Inventory Report, and limited assurance that Scope 3 emissions within the Inventory Report are free from material misstatement, respectively.

Reasonable assurance for Scope 1 and 2 emissions

A reasonable assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves performing procedures to obtain evidence about the quantification of emissions and related information in the Inventory Report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Inventory Report. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Inventory Report. We also:

- Assessed the suitability in the circumstances of the Auckland International Airport Limited's use of ISO 14064-1:2018 and the GHG Protocol as the basis for preparing the Inventory Report;
- Evaluated the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by the Auckland International Airport Limited; and
- Evaluated the overall presentation of the Inventory Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion in respect of the Scope 1 and 2 emissions.

Limited assurance for Scope 3 emissions

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Company's use of ISO 14064-1:2018 and the GHG Protocol as the basis for the preparation of the inventory report, assessing the risks of material misstatement of the inventory report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the inventory report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Reviewed adherence to the principles and requirements outlined in ISO 14064-1:2018 and the GHG Protocol, which included a consideration of completeness;
- Obtained an understanding of the process of compiling and validating information received from data owners for inclusion in the Inventory Report;
- Reviewed material quantitative data, including corroborative enquiry and examined selected supporting documentation and calculations; and
- Compared the Inventory Report to the reporting requirements of ISO 14064-1:2018 and the GHG Protocol.

Inherent Limitations

Scope 1, 2 and 3 emissions

Non-financial information, such as that included in Auckland International Airport Limited Inventory Report, is subject to more inherent limitations than financial information, given both its nature and the methods used and assumptions applied in determining, calculating, and sampling or estimating such information. Specifically, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

As the procedures performed for this engagement are not performed continuously throughout the relevant period and the procedures performed in respect of the Company's compliance with ISO 14064-1:2018 and the GHG Protocol are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the company may not have complied with the ISO 14064-1:2018 and the GHG Protocol. Because of these inherent limitations, it is possible that fraud, error or non-compliance may occur and not be detected.

Scope 3 emissions

For the Scope 3 emissions, we note that a limited assurance engagement is not designed to detect all instances of non-compliance with the ISA 14064-1:2018 and the GHG Protocol, as it generally comprises making enquires, primarily of the responsible party, and applying analytical and other review procedures.

Our Independence and Quality Control

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

Our assurance report is made solely to the directors of the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this report and is for no other purpose. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the conclusions expressed in this report.

Reasonable Assurance Opinion for Scope 1 and 2 Emissions

In our opinion, the Scope 1 and 2 emissions of Auckland International Airport Limited within the Inventory Report for the year ended 30 June 2022 have been prepared, in all material respects, in accordance with the requirements of ISO 14064-1:2018 and the GHG Protocol.

Limited Assurance Conclusion for Scope 3 Emissions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Auckland International Airport Limited's Scope 3 emissions within the Inventory Report for the year ended 30 June 2022 are not prepared, in all material respects, in accordance with the requirements of ISO 14064-1:2018 and the GHG Protocol.

Deloitte Limited

Chartered Accountants

18 August 2022

Auckland, New Zealand

Auckland Airport