

Market release | 24 August 2023

Resilience uplift: Auckland Airport announces its results for FY23 amid historic upgrade of the airport precinct

Auckland Airport today announced its financial results for the 12 months to 30 June 2023, including its first dividend and full underlying profit in three years.

Auckland Airport Chair Patrick Strange said: “It’s been a year marked by the strong return of international travel, with new airlines and routes, getting underway with the most significant upgrade of Auckland Airport in history, and making progress on sustainability initiatives that will have a meaningful impact across the aviation precinct.”

Key performance data for the 12 months to 30 June 2023:

- Total number of passengers increased to 15.9 million, up 183%
- Domestic passenger numbers increased 90% to 8.1 million, and international passenger numbers (including transits) increased 480% to 7.8 million
- Revenue was up 108% to \$625.9 million
- Operating EBITDAFI was up 175% to \$397.1 million
- Reported profit after tax was down 77% to \$43.2 million
- Earnings per share was down 78% to 2.9 cents
- Net underlying profit after tax of \$148.1 million
- Net underlying profit per share of 10.1 cents
- 4.0 cents per share dividend will be paid¹

Auckland Airport now has more than 400,000sqm of aeronautical-focused infrastructure in development across major airfield, transport and terminal projects.

“This major upgrade of infrastructure is essential. Airports play a critical role in our country’s social and economic wellbeing, developing long-life infrastructure assets that support travel and trade. It’s

¹ Reflecting the earnings period of 1 January to 30 June 2023 following the removal of covenant-related restrictions

vital we continue to invest so we don't create a drag on the economy and constrain Auckland and New Zealand's future growth.

"As New Zealand's main gateway, our infrastructure programme reflects this responsibility. It is prudent investment which will deliver critical assets that will have decades of ongoing use and create the uplift in experience travellers are asking for.

"Airlines have asked us to pause investment. We appreciate their concern about cost, as infrastructure is a significant investment. We are always open to further feedback about how to reduce costs while still delivering a resilient, long-term solution.

"However, we remain committed to the current programme of work we have underway to pave the way for a new domestic terminal. Delaying infrastructure is not in New Zealand's best interests – we know where that road leads. For the airport, it would keep domestic capacity constrained, allow the customer experience to deteriorate, place upward pressure on airfares and reduce the airport's resilience to unacceptable levels.

"Travellers have told us they want a better domestic experience, and we must get on with it," Mr Strange said.

Chief Executive Carrie Hurihanganui said: "The thread running through every aspect of Auckland Airport's aviation precinct is connection. Whether that's reuniting family and friends, welcoming visitors to Aotearoa New Zealand, or connecting businesses and workers to new opportunities, Auckland Airport plays a key role.

"Travellers and businesses can now choose from 25 airlines to 40 international destinations at Auckland Airport as airlines have added new routes or grown the frequency of their services. At a time when demand for travel has outstripped supply, each of these connections has a very real and tangible impact, providing greater choice for travellers, more competition on popular routes, and better freight connections for New Zealand businesses."

Overall, there were 15.9 million domestic and international passengers at Auckland Airport in the 2023 financial year, up 183% on the 2022 financial year. Domestic passenger numbers were up 90% to 8.1 million while international passenger numbers (including transits) rose 480% to 7.8 million.

"Auckland Airport serves to connect travellers and businesses, and I want to acknowledge that the rapid return of aviation has not always been a smooth experience for customers. We've experienced storm events unlike anything before, causing the closure of the international terminal, and global aviation staffing shortages have created ongoing issues across the aviation system, including mishandled bags, longer queues and delays in the arrivals process.

"For Auckland Airport, since the beginning of the year we have been taking a lead role in working to collectively solve issues as an ecosystem of border agencies, airlines, ground handlers and other

auxiliary services. There will be some quick wins and some aspects that will take longer to solve, but rest assured we will continue to work on this until we get it right.

“We have appreciated the patience and understanding of travellers and our airport partners, and I am also thankful to the Auckland Airport team for their incredible effort in supporting the recovery of the business.”

Alongside the return of travel, Auckland Airport has ramped up its infrastructure development programme.

“Attracting and retaining airline networks, which support tourism and trade, requires high quality, resilient and reliable airport infrastructure, with sufficient airfield and terminal capacity,” Ms Hurihanganui said.

“Auckland Airport needs careful, considered investment to meet these needs, not only today but in anticipation of the future.

“We have three anchor projects underway across terminals, airfield and transport: enabling works for a new domestic terminal to be integrated into the international terminal; a 250,000-square-metre airfield expansion; and the development of a world-class transport centre.

“With our 57-year-old domestic terminal now reaching capacity, development of a new domestic terminal is essential. Without continued investment, the airport system will degrade and stagnate.

When it opens in 2028/29, the new domestic terminal will deliver significant customer improvements including integrated self-service check-in, shorter queuing times with 44 per cent more capacity for passenger processing per hour, and a five-minute indoor walk between domestic and international flights.

“It will not only transform the experience for travellers; it will also build necessary resilience into our airfield with a 26 per cent uplift in domestic seat capacity thanks to additional gates catering for larger jet aircraft.

“The decision to move ahead with the new \$2.2 billion integrated terminal was made after extensive consultation, including producing over 21 concept designs for a new domestic terminal since 2012.

“Airlines are asking to stay longer in the domestic terminal – well beyond 2030 – and for alternative, additional designs to be considered. After a decade of careful analysis, we are confident our infrastructure plans are in the best interests of all airport users, but we will always include refinements proposed by our airline partners where they are viable and make sense,” said Ms Hurihanganui.

Rebuilding connections

Auckland Airport has experienced a stronger than anticipated rebound in domestic and international aviation markets over the 2023 financial year.

Overall, by year's end international seat capacity had recovered to 90% of pre-pandemic levels, and domestic recovered to 89%. The return of passenger flights also restored international freight capacity to 95% of pre-pandemic level as at 30 June 2023.

"We still have some way to go to achieving full recovery, but it all amounts to a fantastic turnaround for an industry that was in dire straits two years ago – bringing relief and optimism to those of us who work in aviation.

"Strength in North American services has been leading the charge. Air New Zealand now flies into seven North American cities including its flagship New York service, joined by Qantas on the same route from June 2023, bringing greater choice and more competitive pricing to travellers. Hawaiian Airlines, Air Canada, United Airlines and American Airlines reconnecting into Auckland will also be joined by newcomer Delta Air Lines over the summer from October this year.

"It will be a busy summer with current projections showing capacity between Auckland and North America set to exceed 2019 levels, with a forecast 29% increase over November 2023 to March 2024 compared to the same five-month period prior to COVID-19.

There has been a promising recovery in capacity to and from China as well, after a slower return due to a more protracted COVID-19 response. Five airlines now fly four routes, including daily services to some of the main centres, with capacity between China and New Zealand recovered to 78% of 2019 levels at 30 June 2023, and forecast to reach 93% of pre-pandemic levels by September.

"There was plenty of activity on the trans-Tasman route, by far our biggest international market, which is back to 96 per cent of pre-pandemic capacity. Frequent flyers Air New Zealand, Qantas and Jetstar have been joined by AirAsia X flying between Auckland and Sydney, with Batik Air starting on the Perth route tomorrow."

Building a thriving aviation precinct

Beyond the airfield and terminals, Auckland Airport continued to progress a range of key developments across transport, retail and commercial property during the 2023 financial year.

"Later this year Te Arikunui Pullman Hotel (a joint venture between Auckland Airport and Tainui Group Holdings) will open, followed by the first stages of the Transport Hub opening up for drop-offs and pick-ups in the new year. During the 2024 calendar year we'll be providing new parking options with the opening of Park & Ride South; and offering a new shopping experience to visitors with the opening of Mānawa Bay premium outlet shopping destination, expected in late 2024.

"These projects will bring further vibrancy and amenity to our aviation precinct, whether it's creating smoother transport connections or great visitor experiences. As workforces grow it also becomes part of what attracts people to jobs at the airport – whether it's easy access to local shopping or improved options for getting to and from work."

Within the terminal, retail operations are back in full swing and the airport team is fielding strong interest in future leasing with a total of 115 outlets now operating. After hibernating during the pandemic, most have now returned to normal business operations with sites fully open.

“This year we’ve made the move to a single duty-free operator, with Lagardère AWPL-owned Aelia Duty Free agreeing to a short-term extension of its contract until mid-2025. Not only is a single operator model in line with most overseas airports, it also creates the opportunity for the introduction of additional retail lines and improved in-store experiences. In what was a seamless transition, around 90 per cent of existing duty-free employees were able to transfer to Aelia Duty Free.”

One of the fastest growing commercial areas is The Landing business park located on the northern end of Auckland Airport. In 2023, developments for Kerry Logistics and Healthcare Logistics (part of the EBOS Group) were completed, while the construction of two additional facilities remains on track for completion in the 2024 financial year. Auckland Airport has also been appointed to develop new standalone facilities within The Landing for companies which include IKEA, DHL, and Reece Group, all of which target a 5-star Green sustainability rating and will begin construction during the 2024 financial year.

The airport’s rent roll increased by 15% off the back of sustained customer demand for its high-quality, well-located real estate products. Auckland Airport’s portfolio ended the year having a total value of \$2.9 billion, and occupancy levels remaining at 99% and a weighted average lease term (WALT) of 8.6 years – this is one of the highest WALTs relative to the NZ listed property sector.

Sustainability, people and community

As the upgrade of Auckland Airport continues at pace, Ms Hurihanganui said the team remained focused on its sustainability targets, with investments to progress climate change goals and create a more sustainable airport.

“We are playing our part, not just in reducing carbon emissions and waste from our own operations but also assisting the wider aviation system’s sustainability goals. It’s our investment in infrastructure that will support the deployment of new aircraft technology – whether that’s larger, more efficient domestic aircraft or future low-carbon aircraft and fuel types. We already have a range of initiatives in play to reduce fuel burn from non-flying activities, from predictive technology to manage push-back timing to ground power units available to plug in to at the gate.

“Significant progress has been made in reducing waste and carbon emissions from our own operations also. We are systematically switching off natural gas in favour of electricity in the terminals, and new developments such as the Transport Hub and Mānawa Bay will be electric only, with plans to draw a substantial portion of their power use from giant rooftop solar arrays.”

Alongside initiatives to benefit the environment, Ms Hurihanganui said Auckland Airport is also

focused on bringing improvements to employees, as its workforce scales up to support a once-in-a-generation upgrade of the airport precinct. In the 2023 financial year, the airport's team grew 24% to 579 people, with additional growth in expected infrastructure and operations-based roles during the 2024 financial year.

"It's an exciting time to be working at Auckland Airport and we want to offer people support that makes a meaningful difference to their lives, which is why we've overhauled our parental leave policy," Ms Hurihanganui said.

The airport's new parental leave policy includes primary carer top-up payments on the Government-funded rate to 100% of salary for 18 weeks; six weeks paid leave for partners (Auckland Airport pays the two weeks which are statutorily unpaid, plus an additional four weeks); continued employer KiwiSaver contributions of three per cent to primary carers; and on the return to work, five days of family leave for primary carers to use for any reason connected with their new child.

In the 2023 financial year, Auckland Airport continued its long-standing support of community organisations in South Auckland. This included supporting the Ara Education Charitable Trust, which creates pathways into work for school leavers not going directly into tertiary education or training. Students are currently renovating houses on site at Auckland Airport to gain valuable construction work experience, while six students were able to take part in work experience at the Transport Hub during the financial year, opening them up to new career opportunities.

Pricing

After freezing prices for a year to support airlines to rebuild, Auckland Airport has now reset airline charges for Price Setting Event Four (PSE4) for the period of 2023 to 2027 financial years, with the new charges introduced on 1 July 2023.

"We consulted extensively with airlines in setting these new charges, which are the payments airlines make to operate at the airport and fund necessary infrastructure investment," said Ms Hurihanganui.

"Our domestic charges, which have risen from a low base of \$6.75 per passenger, will increase by \$3.50 to \$10.25 over the 2024 financial year. By 2027, they will be at a similar level to current charges at Wellington and Christchurch airports."

The new aeronautical charges are now being independently reviewed by New Zealand's competition regulator, the Commerce Commission.

"We welcome this scrutiny as it is an important step in ensuring airports work to benefit the traveller and make long-term decisions that are in the best interests of New Zealand's economy. We will await the Commission's review of our PSE4 pricing decision, which is expected in May 2024, before commenting further."

Outlook

As Auckland Airport looks ahead to the 2024 financial year, Ms Hurihanganui said the airport continued to see positive signs in the market with increased connectivity supporting the ongoing recovery in aviation.

To reflect this, Auckland Airport is providing guidance of underlying profit after tax (excluding any fair value changes and other one-off items) of between \$260 million and \$280 million. In addition, with the significant investment across the airport precinct, Auckland Airport is also providing guidance on capital expenditure of between \$1 billion and \$1.4 billion in the year.

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

ENDS

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AKL

Building a Better Future

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Working for New Zealand

We serve as Aotearoa New Zealand's gateway, supporting thousands of businesses and millions of travellers to connect with each other and the world.

As custodians, our role is to plan ahead, supporting airlines, travellers, partners, tenants and the community through building the services and infrastructure they need – sustainably.

Investment in New Zealand's future, ensuring our national gateway is efficient and resilient for years to come.

Investment to ensure our connection with the world, unlocking tourism, trade and our country's long-term prosperity.

Investment that reimagines how we think about and engage with customers, providing experiences and products and services that travellers and visitors value and that Aucklanders and New Zealanders are proud of.



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A thriving aviation precinct

To achieve our aspirations, we are building a vibrant and diverse aviation precinct – a place of travel, connection, employment, having fun and doing business.

A thriving aviation community – where people want to work and visit, not have to work and visit. A place that's far more than just en route. A destination in itself.

Strong foundations are essential for any place, guiding and shaping our actions today and in the years ahead.

The foundations of our place are providing a resilient and enduring gateway, enabling thriving enterprise, empowered community and seamless connectivity.





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About this report

Welcome to our 2023 Annual Report – AKL Building a Better Future.

Since our opening 57 years ago, Auckland Airport has held a central place in the life of Auckland and New Zealand.

We account for 84% of New Zealand's air exports by value, handle 90% of the country's airfreight, and support employment for an estimated 20,000 people. We've been able to support strong growth in aviation markets on a platform of aeronautical infrastructure built with foresight in years gone by. The airport is a place of significant moments, too. Airports carry big memories and with 75% of all international travellers landing here, for most people Auckland Airport is also where New Zealand shows its face to the world for the first time.

There is much to be proud about in the airport's history. But we also need to look to the future, ensuring Auckland Airport remains strong and resilient for future generations. We are now firmly underway with an infrastructure programme to revitalise Auckland Airport.

This report tells a story of Auckland Airport today and the journey that lies ahead of us – how we will create value, our business model, the issues that matter most to our business, the community and stakeholders, and the new strategy that will guide and drive us forward: **Building a Better Future.**

We welcome your feedback on this report. Please send any comments or suggestions to investors@aucklandairport.co.nz



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Our Performance



2023 Key Numbers

Our performance in the 12 months to 30 June 2023

Passengers

15.9m

Domestic

8.1m

▲ 90%

International

7.2m

▲ 473%

International transits

0.6m

▲ 580%

Revenue

\$625.9m

▲ 108%

EBITDAFI

\$397.1m

▲ 175%

Reported profit after tax

\$43.2m

▼ 77%

Underlying profit

\$148.1m

▲ 1,377%

Net capex additions¹

\$647.1m

▲ 156%

Dividend per share

4.0c

Underlying earnings
per share

10.1c

Five-year average annual
shareholder return

5.4%

1. Net capital expenditure additions after \$3.8 million of write-offs and impairments.
2. Mixture of cash donations and contributions in kind.
3. Direct reports to the leadership team with substantive roles.
4. Staff members with at least one direct report.

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Environment

268,622m³

potable water used (29% reduction from 2019 baseline)

2,392t

waste to landfill (3% reduction from 2019 baseline)

4,291t CO₂e

Scope 1 and Scope 2 emissions
(27% reduction from 2019 baseline)

Health and safety

623

leader walks completed

11

critical risk workshops
completed

549

near misses reported

Iwi

Worked alongside local iwi to share information and identify opportunities for iwi involvement across resource management processes, future airport operations and precinct development, including the design of key projects

Community

\$384k

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

\$400k²

in support to Ara Education Charitable Trust

\$20k

donation to Red Cross Cyclone Appeal

Diversity and inclusion

Proportion of women

50%

Auckland Airport Board of Directors

50%

Leadership team

41%

Overall workforce

46%

Senior leaders³

10%

of people leaders⁴
self-identify as Māori or Pasifika

50

ethnicities across our workforce

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From the Chair

In New Zealand and around the world, travellers are actively returning to the skies. Once again people are travelling for pleasure and business, scheduling long-postponed visits to friends and family, taking both short-stay and extended holidays, and generally making up for lost time over the period disrupted by the pandemic.

We are past the initial waves of people rushing to reconnect with family and friends, and travel is almost back to normal – recovering in a way that has exceeded our own and many of our airline partners' growth forecasts.

By our financial year's end (30 June 2023), total monthly passenger numbers at Auckland Airport were running at 88% of the comparative month (June 2019), prior to the pandemic.

It's important to acknowledge that the rapid return of aviation has not always been a smooth experience for travellers worldwide and at Auckland Airport it has been no different.

Global staffing shortages have been at the centre of this, creating all kinds of havoc across the aviation system. Travellers have had to cope with mishandled bags, longer waiting times in queues, construction work in the arrivals hall, airline schedule changes and generally a system struggling to maintain smooth passenger flows. These issues were felt more strongly in the first half of the year and are now showing signs of easing.

Alongside the return of travel, we've experienced some of the most extreme weather New Zealand has ever seen. This caused the closure of the international terminal in January

for 37 hours due to flooding after Auckland's record-breaking rainfall event, when over 200 millimetres of rain fell in a single day, on top of an already wet month.

We have greatly appreciated the ongoing understanding of travellers and our partners, and we are thankful to the team at Auckland Airport for their sustained effort in supporting the recovery of the business.

Financial results

The 2023 financial year has provided a much stronger result compared with the year prior which was still being impacted by the last of the Auckland community's COVID-19 lockdowns and border restrictions.

Revenues in the year to 30 June 2023 increased by 108% to \$625.9 million. There was also pleasing growth in earnings before interest, expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) up 175% to \$397.1 million. Total reported profit after tax decreased by 77% to \$43.2 million while underlying net profit after tax was up by \$159.7 million to a profit of \$148.1 million. This resulted in an underlying profit per share of 10.1 cents for the 2023 financial year.

It has been pleasing to see the strong return of our aviation business. As demand for air travel has surged globally, airlines have continued to see the value of investing in capacity at Auckland. During the 2023 financial year we welcomed back familiar airlines – along with new routes and carriers – helping to restore Auckland Airport to the first full year underlying profit since 2020.

Revenue

\$625.9m

▲ 108%

Reported profit after tax

\$43.2m

▼ 77%

As was the case the year before, our property investment business continued to deliver strongly. The industrial property market has remained positive unlike other categories of property in a COVID-19-recovering economy. The investment property rent roll is now \$147 million (up 15% year-on-year) and the investment portfolio is currently now valued at \$2.9 billion.

I would like to take this opportunity to once again thank shareholders for your continued support through several testing years. As we gradually return to 'business as usual', we appreciate your long-term confidence in the value the airport can create for New Zealand, our communities and shareholders.

We are pleased to declare a final dividend – our first since October 2019 – for the 2023 financial year of 4.0 cents per share, reflecting the earnings period of 1 January to 30 June 2023 following the removal of covenant-related restrictions. At 4.0 cents per share, the dividend equates to a 73.5% payout of underlying profit for the second half of the year and reflects our updated dividend policy to pay 70% to 90% 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).

Building a Better Future

Growing passenger volumes have restored a welcome vibrancy to our airport precinct. They also point to the timeliness of our business strategy – Building a Better Future.

This is our comprehensive strategy to move us back on to the front foot and guide our long-term investment decisions.

Our infrastructure is stretched after a period of sustained growth followed by the hiatus created by the pandemic. It's vital that we invest in Auckland Airport's future now. Our national gateway needs investment to ensure it remains efficient and resilient for future generations, and to support our country's future economic prosperity.

Building a Better Future (see infographic pg 24-25) organises our effort and investment to deliver success in five key areas: a thriving enterprise, empowered community, seamless connectivity, enduring infrastructure and, above all, future resilience.

It gives context and coordination to the restart of our infrastructure development programme, as we deliver a historic transformation of the airport.

"It's vital that we invest in Auckland Airport's future now. Our national gateway needs investment to ensure it remains efficient and resilient for future generations, and to support our country's future economic prosperity."



10-year development road map (remains subject to change)

This encompasses everything from a new domestic terminal to be integrated into the international terminal, to better roads, a more resilient airfield, and utilities such as fuel infrastructure. Transport infrastructure such as the new Transport Hub will complete the picture for smoother, more efficient journeys to and from the airport.

None of this would be possible without the dedication of our management team, passionately led by Chief Executive Carrie Hurihanganui and supported by our 579-strong workforce. I thank the whole team, as well as my fellow directors, for their energy and effort as we support the organisation to manage the challenging developments ahead.

Aeronautical pricing changes

On 8 June this year, following extensive consultation with our airline partners, we announced changes to airline charges for the 2023 to 2027 financial year period (a process known under our enabling regulations as Pricing Setting Event 4 or PSE4). The increased charges took effect from 1 July 2023,

ending the year-long price freeze we had in place to help airlines rebuild following the pandemic.

We did not introduce these changes lightly, particularly in the current economic environment.

We need to ensure continued investment in Auckland Airport's infrastructure so it is at an appropriate standard, delivering sufficient capacity and resiliency long term and an improved customer experience. As New Zealand's key gateway airport, we believe the infrastructure investment choices we have made are in the best long-term interests of travellers and the wider New Zealand economy.

The decision to move ahead with the Terminal Integration Programme was made after extensive consultation, analysis and careful consideration, but ultimately without the support of airlines. Although Air New Zealand and the Board of Airline Representatives (BARNZ) supported the pathway to terminal integration in August 2021, their position changed, largely due to the

increased cost of construction and resulting price changes.

While airlines have asked us to pause the building programme, they have not been able to propose any viable long-run alternatives. Airlines have also asked us to continue operating jets from the existing domestic terminal, however this would result in jet operations remaining in the terminal well beyond 2030 with unacceptable impacts on the efficiency of operations, the resiliency of the airfield and result in further deterioration of the customer experience.

We continue to engage with airlines and remain open to adjusting our approach to the infrastructure programme if presented with new and viable options.

In setting our updated prices, the return on capital targeted for PSE4 was set consistent with the existing Commerce Commission's methodologies, updated for the most recent input data.

The new aeronautical charges are now being independently reviewed by the Commission. We welcome this scrutiny as it is an important step to ensure



“With burgeoning traveller numbers, expanding international routes, accelerating infrastructure development and a hugely committed team, there is a great deal to look forward to at Auckland Airport.”

that airports in New Zealand work to benefit the traveller and make long-term decisions that are in the best interests of New Zealand's economy. We will await the Commission's review of our pricing decision, which is expected in May 2024, before commenting further on PSE4 pricing.

We expect prices for the next pricing period will need to increase further, reflecting the significant amounts of capital that will be invested to complete delivery of the Terminal Integration Programme. Post-pandemic construction cost escalation has added to the challenge, but we know that our costs of delivery are aligned to the cost of other recent examples of terminal infrastructure globally. We know continuing to invest remains the right thing for the travelling public, the right thing for New Zealand.

We have also responded to the Commission's initial cost of capital Input Methodologies Review draft decision announced in June. The draft decision included a fundamentally new approach for airports which does

not sufficiently reflect the risks that New Zealand airports face. It includes ad hoc judgement calls that would make the regulatory regime unpredictable and would challenge business cases and the funding of all New Zealand airports' essential investment plans, potentially leading to capacity constraints. A constrained Auckland Airport would not serve New Zealand well. Underinvestment would lead to constrained flights which would inevitably drive up air fares steeply – just as we have witnessed recently because of airline capacity shortages caused by COVID-19. Our submission – and others – strongly encourages the Commission to retain its existing approach that it has insisted airports follow for the last 13 years.

Legislative update

Following many years of engagement and submissions, in April this year Parliament passed an important piece of legislation: the new Civil Aviation Act repeals and replacing the Civil Aviation Act 1990 and the Airport Authorities Act

1966 with a single modern law to regulate the aviation industry. We welcome the new legislation and the more succinct legal framework it provides.

Looking ahead

With burgeoning traveller numbers, expanding international routes, accelerating infrastructure development and a hugely committed team, there is a great deal to look forward to at Auckland Airport. This includes continuing to process sustainability initiatives that will have a meaningful impact across the aviation precinct as we upgrade infrastructure. Operating New Zealand's largest airport and international gateway while revitalising it from the ground up will see new challenges, and our team is focused on the tasks ahead.

Patrick Strange
Chair of the Board



From the CE

Kia ora koutou katoa

Connecting New Zealanders to each other and the world is something we take immense pride in.

So we've been delighted to see Auckland Airport humming again, experiencing a stronger rebound in the aviation market both domestically and internationally than anyone had expected. Airports and airlines have rebuilt their workforces, new routes are coming on stream, aircraft load factors are high and we are looking ahead to a busy summer peak.

We still have a way to go to full recovery, but it all amounts to a fantastic turnaround for an industry that was in dire straits two years ago – bringing relief, gratitude, energy and optimism to those of us who work in aviation.

The return of airlines to the New Zealand market tells the story.

In the 2023 financial year, we had 25 airlines flying to 40 destinations to and from Auckland Airport. On both counts, this is a near doubling from the lows of 12 airlines and 21 destinations during the toughest days of the pandemic.

In June, international seat capacity recovered to 90% compared with pre-pandemic, and domestic recovered to 89%. The return of passenger flights also restores international freight capacity to 95% of pre-pandemic level.

Strength in our North American routes is leading the charge. Air New Zealand now flies into seven North American cities including its flagship New York service, joined by Qantas on the same route from June 2023, bringing greater choice and more competitive pricing to travellers. Hawaiian Airlines, Air Canada, United Airlines and American Airlines reconnecting into Auckland will also be joined by Delta Air Lines from late October this year.

These are all high-quality airlines with extensive domestic and international networks. This sees Auckland Airport now offering more non-stop connections to the United States and Canada than any airport in Australia. This is great news for Kiwi travellers but also for those travellers from our second largest visitor market (behind Australia) wanting to take a holiday in New Zealand.

There has been a promising recovery in routes to and from China, a key trade and tourist market for New Zealand, after a slower return due to a more protracted COVID-19 response, with five airlines now operating four routes, including daily services to some of the main centres. Overall, capacity between China and New Zealand had recovered to 78% of 2019 levels as at 30 June 2023, and is forecast to reach 93% of pre-pandemic levels by September.

Investing for the future

Alongside the return of airlines, we are investing in the airport's long-term future.

As the international gateway to New Zealand, we need to upgrade, modernise and build in greater capacity and resilience, so we can enable New Zealand's economic and social prosperity rather than constrain it. We want to make Kiwis proud, offering sustainable and seamless customer experiences alongside the best in the world.

We have a new strategy – Building a Better Future – and a clear ambition to build a vibrant and diverse aviation precinct – a destination that not only serves as New Zealand's busiest airport, but also a place of entertainment, business and employment.

In line with this, our biggest project is a new combined domestic and international terminal. It's about time – our 57-year-old domestic terminal is nearing capacity – and this will be our largest redevelopment since the airport opened in 1966. Not only is it incredibly necessary, it will also transform the customer experience, making their journeys easier and faster. Airlines also have much to gain in terms of capacity growth, sustainability outcomes and more resilient infrastructure.

We have been consulting with major airlines in relation to this for more than a decade, including producing over 21 concept designs for a new domestic terminal since 2012. We have been in formal consultation with airlines regarding terminal integration and our capital plan since 2021, carrying out detailed reviews, working to identify airline requirements and find savings

where possible. If it weren't for the pandemic, the build would already have been well advanced by now. There have been calls in recent times from airlines to delay our investment programme. However, we think this is the wrong call for New Zealand and would result in higher infrastructure costs in the future. Like airports right around the world, Auckland Airport needs to invest to ensure we are resilient and fit for the future. At the same time, we are very mindful of cost to our airline partners and ultimately travellers.

Over the next financial year, domestic charges will rise less than \$4.00 per passenger, and in 2027 charges will be \$8.70 per passenger higher than they are now. These are the charges that airlines pay as users of the airport, and they will still represent a very small portion of an airfare. These cost increases will also bring our charges to airlines in line with what Wellington and Christchurch airports already charge today.

Low-carbon future

As we look ahead to the transformation of the airport, sustainability is at the forefront – our planned investments will help us move towards climate change goals and create a more sustainable airport.

Our targets are demanding and real. We are targeting a 90% reduction in scope 1 and 2 emissions from a 2019 baseline, to achieve Net Zero carbon emissions by 2030. We are well on the way to reaching this target, achieving a 27% reduction this financial year against the 2019 baseline. Every initiative, big and small, counts, and we are proud to have a bold programme of work underway.

Over the coming years, you'll see us make greater use of renewable energy with giant solar arrays being built on two developments, including the largest rooftop array in New Zealand.



“As the international gateway to New Zealand, we need to upgrade, modernise and build in greater capacity and resilience, so we can enable New Zealand's economic and social prosperity rather than constrain it. We want to make Kiwis proud, offering sustainable and seamless customer experiences alongside the best in the world.”

We are phasing out gas from the terminals and switching out our air conditioning system to electricity. Design and construction materials for the combined terminal will be selected to reduce the building's carbon footprint as much as possible. This is alongside a focus on waste minimisation and water efficiency and we are committed to our target of a 20% improvement on these two measures by 2030 against our 2019 baseline.

Aviation is a contributor to global CO₂ emissions, currently producing about 2.5% of total greenhouse gases worldwide. In an interconnected industry like aviation, we must work together to collaborate and innovate to mitigate the impacts of climate change. We are working closely with major airlines to understand their needs and requirements, including the investment they're making in larger, more efficient domestic aircraft, and their planned future low-carbon aircraft. We're pleased to be in the leadership group Sustainable Aviation Aotearoa, working with our industry peers and government agencies to accelerate the decarbonisation of the aviation industry. On the ground, action is happening as well, with ground power units being installed at each gate to supply power to aircraft to reduce fuel use and provide charging for electric ground-handling equipment and vehicles. These are but just a few of the initiatives underway to deliver positive change.

Building activity

Beyond the terminals, construction has ramped up right across the aviation precinct.

We were pleased to restart our 250,000sqm airfield expansion to the west of the international terminal, adding important resilience to aircraft parking capacity as well as stormwater infrastructure.

We have a \$300 million world-class transport hub underway – a project that is all about putting the customer at the centre of our thinking and will help to smooth the experience for travellers arriving and departing from the terminal, as well as paving the way for any future mass rapid transit to deliver passengers direct to the airport terminal precinct. We have a new baggage system under construction at the international terminal and construction of the Mānawa Bay premium outlet shopping destination is also well progressed, and is on track to open at the end of the 2024 calendar year.

We're very excited to be opening our new 5-star hotel in December this year, a joint venture with Tainui Group Holdings (TGH). Te Arikini Pullman Auckland Airport Hotel will offer accommodation experiences on a new level for the airport – including rooftop dining with stunning views of the Manukau Harbour.

All of these projects will help to complete the picture for revitalisation of the airport, making it an exceptional new travel experience for all Kiwis to enjoy and be proud of. I hope you enjoy reading more about these projects in the pages ahead.

A strong team

I am immensely proud of the way our extended team has responded to the challenges posed during the year. These included extreme weather, rapid passenger growth, disrupted flight schedules and baggage handling issues, and I warmly thank the team and our partners for going the extra distance together.

I want to assure our airport users and community that we, alongside our airport partners, remain focused on ironing out remaining operational issues and thank travellers for their understanding as we tackle this.

During the year, we added to our management bench strength with the appointment of Melanie Dooney as Chief Corporate Services Officer (November 2022), Chloe Surridge as Chief Operations Officer (May) and Richard Wilkinson (Tūhoe) as Chief Digital Officer (August). We also announced the appointment of Darren Evans as Chief Safety and Risk Officer, who will be joining us in November. Chloe, Melanie, Richard and Darren bring years of experience and expertise, and will work with our very strong existing leadership team to help us further elevate putting customers at the forefront of everything we do. I wish to thank the Auckland Airport Board for their guidance and support amid a period of both challenges and exciting transformation for our airport.



From left: Chief Sustainability & Master Planning Officer – Mary-Liz Tuck, Chief Corporate Services Officer – Melanie Dooney, Chief Digital Officer – Richard Wilkinson (joined August 2023), Chief Customer Officer – Scott Tasker, Chief Executive Officer – Carrie Hurihanganui, Chief Infrastructure Officer – André Lovatt, Chief Operations Officer – Chloe Surridge, Chief Commercial Officer – Mark Thomson, Chief Financial Officer – Phil Neutze



Looking ahead

We continue to see a positive recovery of the aviation industry. As a result, we are providing guidance of underlying profit after tax to between \$260 million and \$280 million for the 2024 financial year, and capital expenditure of between \$1,000 million and \$1,400 million for the period.

We still expect our total passenger numbers to recover to pre-pandemic levels during 2025, in line with the International Air Travel Association's (IATA) outlook for global air travel. For the full 2024 financial year we anticipate international passenger numbers will be around 92% of pre-COVID-19 levels, with domestic passenger numbers at around 89%. This would result in overall passenger numbers of circa 19.1 million for the 2024 financial year.

We are in the midst of a major re-investment in the infrastructure at Auckland Airport to set us up for the decades ahead. As travellers continue to return in substantial numbers, we are reinventing the traveller experience and focusing on sustainability to target ambitious reductions in carbon emissions. Most of all, we are strongly committed to delivering a new, connected national gateway that does justice to our beautiful city of Auckland and the expectations of our global visitors when they come to Aotearoa New Zealand.

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

Carrie Hurihanganui
Chief Executive
Auckland Airport

Underlying net profit after tax

\$148.1m

Auckland Airport recognises underlying profit is a non-GAAP measure and a reconciliation between reported profit after tax and underlying profit after tax is included in the Financial Summary section of this annual report.

An improvement of

\$159.7m

compared with the
\$11.6 million loss in 2022

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors can confidently compare different companies knowing 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, and 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 70% to 90% 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. You can find the reconciliation between underlying profit and reported profit for the current reporting period in the Financial Summary section of this annual report on page 90.

About us

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Piki mai, kake mai, tauti mai

Auckland Airport's place on the Manukau Harbour weaves a story of adventure, inspiration and connection, from its earliest days when Tainui Waka first journeyed across the waters of the harbour, to the summer of 1966 when the airport first roared to life with a grand air pageant.

Back then, the domestic terminal was the crown jewel; the 3,535-metre runway a modern marvel. It was a huge source of national pride, where people would make their way past paddocks and farmland to stand on the edge of the airfield and witness the wonder of flight.

Almost 60 years on, Auckland Airport still inspires and connects those with an adventurous spirit – a unique 1,566-hectare precinct of travel, enterprise and trade, entertainment, dining, shopping and hospitality.

We are New Zealand's busiest international airport, linking 7.8 million travellers to a total of 40 destinations in the financial year. Before the pandemic struck, 21 million domestic and international travellers passed through Auckland Airport annually. This included more than 75% of all international passengers to and from New Zealand (or 92% of international passengers who arrived into New Zealand off a long-haul service). Around 48% of the company's total revenue was generated by our aeronautical business.

Beyond the airfield, Auckland Airport is a diverse and growing community, full of promise. We play an important role in supporting the economy, including job creation.

As a property developer and landlord, we provide high-quality premises and services to a host of retail outlets inside the terminals as well as businesses within the surrounding precinct. These range from logistics and international freight facilities to stylish eateries, to a heritage-listed function venue to a bustling shopping centre, to a family fun park and animal experience.

Our two hotels offer quality accommodation, and we have a further two new hotel developments that are well advanced. We work hard to make life easier for our customers, offering a variety of car-parking facilities, including a valet service, and our online digital shopping channel

We own and operate
Auckland Airport

25 airlines

servicing 40 international destinations and 23 NZ destinations in FY23 (29 airlines servicing 43 international destinations pre-pandemic in FY19)

144,421

aircraft movements in FY23
(178,886 in FY19)

15.9m

passenger movements in FY23
(21.1 million in FY19)

165,503t

of international cargo in FY23
(190,889 tonnes in FY19)

22km

of public roads

1.4 million

sqm of runway and pavement

170,000

sqm of floor area over two terminals

The Mall. Our Collection Point service means travellers can collect off-airport and online tax and duty free purchases when they arrive at our terminals.

Overall, our property team manages in excess of 550,000 square metres of net lettable area. The portfolio is now valued at \$2.9 billion, with an annual rent roll of \$147 million. Auckland Airport has 151 hectares of land available for investment property development.

We provide important services to travellers, airlines and our commercial partners

24/7

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

115

terminal-based retail tenancies

150

business tenants outside the terminal

2 operating hotels

and two more in development

12,380+

car parks in the car-parking facilities

We are a property developer and owner

\$2.9b

of logistics and distribution warehouses, office buildings and shopping centres.

\$170.6m⁵

of rental income per annum

99%⁶

real estate average occupancy rate

\$845m

of assets currently under development

151ha

available for development

2 hotels

developed in partnership with Waikato Tainui

We are a substantial employer and enabler of employment

579

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

5. Including \$8.4m of revenue recognised for accounting purposes for the spreading of future fixed rental increases.

6. Landside property portfolio.



Our Business Model

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

- 579 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

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.



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

Exceptional

Integrity

Respect

Aeronautical

New Zealand's largest owner and operator of airports

Consumer

Delivering an enhanced customer experience

Property

Developing and managing a successful investment property portfolio

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

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Our Strategy

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Our Strategy

To be successful in a post-pandemic world, Auckland Airport must ensure its aeronautical operation is strong and resilient for the future. We must also look beyond our traditional areas of operation to create more resilience and wider prosperity from our actions.



A | Auckland
Airport

Building a Better Future

In the 2023 financial year, Auckland Airport has developed and launched a new strategic plan and road map for the business: **Building a Better Future**.

We have an important purpose to revitalise and inspire as we connect people and place. We are working for New Zealand to create positive change in the airport experience, the community, and the environment and for our country's long-term prosperity.

Alongside our critical aviation infrastructure, terminals and the runway, we are an **aviation precinct** of travel, hospitality, business, entertainment and trade. A major employment hub. A city within a city.

Our strong foundations will guide us and our actions each day as we seek to achieve our ambitions of delivering:

Thriving Enterprise

Empowered Community

Seamless Connectivity

Enduring Infrastructure

Future Resilience

Thriving Enterprise

A thriving commercial community lies at the core of the long-term success and sustainability of our precinct. It will encompass a wide range of industries: from aviation and tourism; to retail and hospitality; to accommodation and entertainment; to high value exports and trade – a place that New Zealanders are proud of, as they connect with each other and the world via a thriving aviation network. Together, we will create a vibrant and dynamic environment that drives prosperity for our economy.

Aviation takes off

It's everywhere on social media. Photos of family reunions in far flung corners of the world, kids splashing in island resort swimming pools, or couples soaking up the cultural sights.

"It feels like everyone you talk to has just been on a trip overseas or is hoping to take one soon," says Auckland Airport's Chief Customer Officer Scott Tasker.

"And it's really brought the life back to the airport."

Since the 1960s, Auckland Airport has grown into a unique economic ecosystem, supporting 25 airlines in the financial year; 40 direct routes across the globe; and attracting an average of 412 domestic and international flights in and out per day over the second half of the 2023 financial year.

Planes don't load, take off and land by themselves, and with airline capacity running 90% of 2019 levels by 30 June 2023 (just ahead of the recovery in capacity in Singapore and Australia), thousands of jobs have returned to the airport, helping to support the community surrounding the precinct.

"It's been a tough couple of years for the aviation industry, so it's great to see airlines committing to restart flying to Auckland Airport and the fresh energy this has brought back to the precinct. Alongside those Kiwi travellers heading abroad, New Zealand is still high on international traveller bucket lists. In saying that, airline capacity is very tight globally and we've needed to put in a good deal of work to keep ourselves on the radar of the airlines as a preferred destination."

A highlight has been the additional connections and exciting new routes between Auckland and North America. American Airlines has begun operating its long-awaited route to Dallas-Fort Worth and both Air New Zealand and Qantas launched direct flights to New York. On the popular Los Angeles route Air New Zealand, American Airlines, United Airlines, and newcomer Delta Airlines will be operating for the summer peak.

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“We’re in for a busy summer with current projections showing capacity between Auckland and North America set to exceed 2019 levels, with a forecast 29% increase in flight capacity over November 2023 to March 2024 compared to the same five-month period prior to COVID-19.”

The other big shift has been the easing of Chinese international travel restrictions at the beginning of the calendar year, which saw the return of frequent connections to major Chinese cities.

“China was the final market to unlock. We were among the first to open to Chinese tour groups, which was a great milestone for us, but like the other market reopenings, the initial demand came from friends and family reconnections, quickly followed by business and leisure travel resuming,” Scott says.

With Air China returning in May from Beijing to Auckland, and Hainan Airlines returning in June on the Shenzhen to Auckland route, Auckland Airport now has 27 flights per week operated by five airlines to four cities in mainland China (Air China, Air New Zealand, China Eastern Airlines, China Southern Airlines and Hainan Airlines).

Closer to home, the trans-Tasman connectivity is back to 96% of pre-pandemic capacity. Joining trans-Tasman stalwarts Air New Zealand, Qantas and Jetstar, Air Asia X started flying between Auckland and Sydney, with Batik Air starting on the Perth route in August 2023. We also welcomed Jetstar starting a new daily service between Auckland and Brisbane.

29%

forecast increase in flight capacity over November 2023 to March 2024 (compared to the same five-month period prior to COVID-19)



The Maintaining International Air Connectivity (MIAC) Scheme ended in March, by which point the return of airlines and increased schedule frequency provided the necessary bellyhold capacity for airfreight. In the 2023 financial year, 165,503 tonnes of international cargo flew through Auckland Airport, a 9% decrease from the 2022 financial year, and accounting for 90% of New Zealand's total international air cargo. Auckland's international cargo volume managed to remain consistent during the pandemic, with an exceptionally good year in the 2022 financial year.

“It’s been a tough couple of years for the aviation industry, so it’s great to see airlines committing to restart flying to Auckland Airport and the fresh energy this has brought back to the precinct.”

Growing business community

Airports can be a bit like sliding doors between the place you've just been, and where you are going.

"Auckland Airport has changed hugely over the past couple of decades," says Mark Thomson, Chief Commercial Officer. "We've attracted some of the world's leading global brands in logistics who have set up their headquarters here, alongside contemporary hotels, shops, cafes and restaurants, and entertainment facilities for families.

"People are often really surprised by just what is on offer out at the airport and the diversity of the business precinct we have here. It's something we're very proud of."

Today there are over 250 businesses based at the precinct and over the 2023 financial year, the commercial community has firmly bounced back, with enterprises across the precinct changing gear from surviving to thriving. Shops and cafes are busy once again, and trade is in full swing.

One of the fastest growing areas is The Landing, a business park located on the northern tip of Auckland Airport and home to everything from logistics centres, to manufacturing depots, and pharmaceutical facilities.

"The team's been flat out delivering new projects and it's been another really strong year for the investment property business," Mark says.

"In 2023, we completed developments for Kerry Logistics and Healthcare Logistics (part of the EBOS group), while the construction of two additional facilities remains on track for completion in the 2024 financial year.

"We've also been appointed to develop new pre-committed standalone facilities within The Landing for companies which include IKEA, DHL, and Reece Group, all of which target a 5-Star Green sustainability rating, and will commence construction in the 2024 financial year.

"Once completed, these developments will have a combined value exceeding \$200 million and add a further 50,000 square metres of leased space into The Landing.

\$2.9b

total value of Auckland Airport's property portfolio

The airport's rent roll increase by 15% off the back of sustained customer demand for our high quality, well located real estate products. Auckland Airport's portfolio ended the year having a total value of \$2.9b and with occupancy levels remaining at 99% and a weighted average lease term of 8.64 years – one of the highest WALTs relative to the New Zealand listed property sector.

"The financial year has been another strong year for our investment property business, in which we have continued to pursue our strategy to develop high quality, operationally efficient and environmentally sustainable assets leased to high covenant tenants," he says.



Award winning Healthcare Logistics development



Aelia Duty Free

Retail

South of The Landing, Auckland Airport's retail community is bustling once again. There are over 115 retailers located inside the terminals alone, including 20 different food and beverage operators. After hibernating during the pandemic, most have now returned to normal business operations with sites fully open.

One of the largest is Aelia Duty Free, which has taken on the role as Auckland Airport's duty-free operator, after winning a short-term extension of their contract until mid-2025 which saw the airport move to a single operator model.

Lagardère AWPL co-CEO, Przemek Lesniak, says the effort put in by teams on both sides of the Tasman to reopening the store last October was inspiring.

"We were very emotional when those first passengers made their way through the store."

Initially scheduled for September this year, Auckland Airport's shift to a single operator was brought forward by three months with the agreement of all parties to ensure a seamless transition. As part of the successful transition to a single operator model, around 90% of existing duty-free staff were able to transfer to Aelia Duty Free. Within the next year,

a tender process is expected to get underway for a long-term duty-free contract at Auckland Airport.

"We feel invigorated with a team, both new and old, on board. We are so proud of how our team has managed the challenges brought on by the pandemic, and thankful to have great partnerships, including with Auckland Airport, that have supported us along the way," Przemek says.

"After hibernating during the pandemic, most have now returned to normal business operations with sites fully open."





Mānawa Bay under development

Outlet shopping

Retail therapy is set to extend beyond the terminal with Auckland Airport's latest development, Mānawa Bay.

Construction at the \$200 million development has been underway since November 2022, and will create a fashion-led retail destination within the airport precinct, with 24,000sqm of retail space and 100 stores ranging in size from 50sqm to 1500sqm.

"We're delighted with the strong demand we've had from retailers signing up for stores, including sought-after brands Kate Spade, Coach, Fila, Ilabb, Under Armour and Flo & Frankie, to name a few," Mark says.

"Leasing momentum remains very strong with almost 50% of the facility now pre-committed in Heads of Agreement or Agreements to Lease. We are also experiencing strong interest in leasing the remainder of the facility, and remain confident of pre-commitment before opening late in 2024.

"The build's progressing along really well too, with 50% of the structure now in place and substantial progress being made on the civil works and roading elements."

Taking its name from the mangroves growing in the nearby Pukāki Creek, Mānawa Bay will make the most of this water-facing location and embrace large, light-filled open spaces in the dining area, with an easy to navigate figure-of-eight layout for the centre, reflecting the concept of flight and air.

Led by Savory Construction, the project will support 500 to 600 jobs during

construction and an estimated 1,100 retail and hospitality jobs once the centre is open and fully operating.

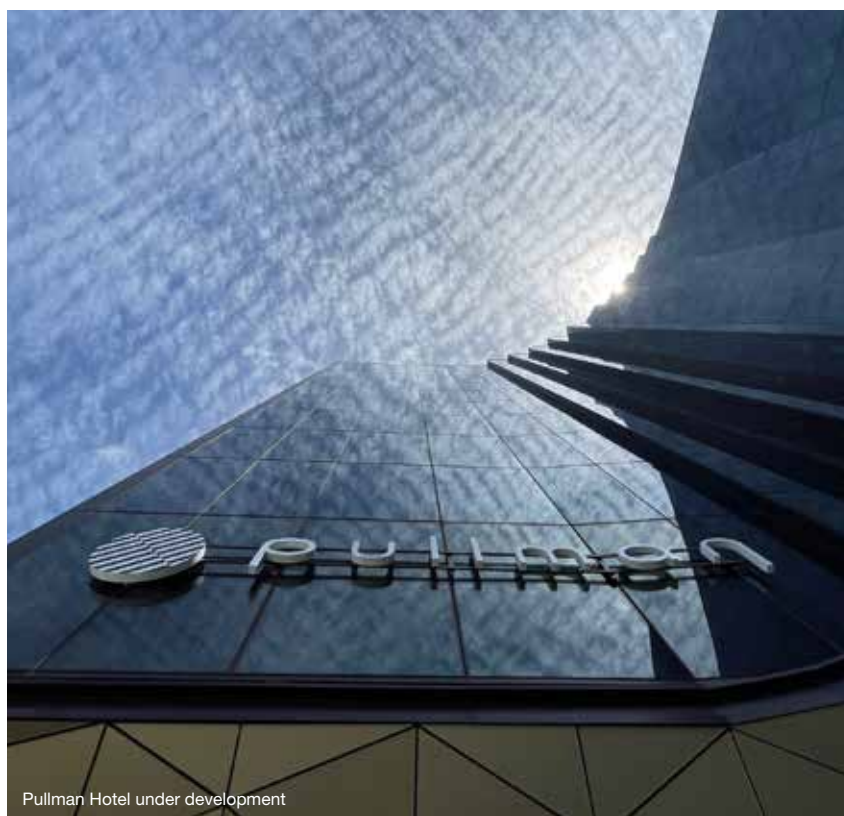
Targeted to be New Zealand's first Five Green Star retail centre, Mānawa Bay is pursuing sustainability initiatives throughout the project (see pg 55).

Hotels roll out the welcome mat

At the Novotel, fresh spaces, including a revamped bar and eatery, have

welcomed guests back since it reopened to travellers last June.

For the six months to June 2023 the four-star hotel (a joint venture with Tainui Group Holdings) averaged 88% occupancy, compared to an average 70% occupancy for 5-star CBD luxury hotels and 65% average occupancy for 4 to 4.5 star city hotels.



Pullman Hotel under development

89%

averaged occupancy at the Novotel

91%

occupancy at the ibis hotel

“We’re looking forward to opening the doors at the end of year to Te Arikiniui. Not only will it provide a beautiful place to stay but it’s set to become a landmark at the precinct and a destination in itself.”

The nearby ibis, a 2.5 star hotel fully owned by Auckland Airport, is similarly going well, if not better, with an average occupancy of 91% during the period March to June 2023.

In December the doors will open for the first time at Te Arikiniui Auckland Airport Pullman Hotel, a beautiful 5-star hotel on the doorstep of the international terminal, developed in partnership with Tainui Group Holdings.

“We’re looking forward to opening the doors at the end of the year to Te Arikiniui,” Mark says. It’s going to be a premium hotel experience, right next to the international terminal. Not only will it provide a beautiful place to stay but it’s set to become a landmark at the precinct and a destination in itself.”

The name of the hotel, Te Arikiniui, has been gifted by the Māori King, Kiingi Tuheitia. Its meaning is ‘Supreme Ariki’ or ‘Supreme Paramount Chief’ and was the chiefly title carried by his mother the late Te Arikiniui Dame Te Atairangikaahu. ‘Te Arikiniui’ was chosen to reflect the hotel’s 5-star premium status.

Inside, the fitout currently underway includes extensive use of Waikato iwi inspired cultural designs which ensure the hotel’s sophisticated and contemporary interior design is uniquely Aotearoa New Zealand.

The hotel’s top floor restaurant and bar, which is named Te Kaahu, offers stunning views out over the runway and beyond to the Manukau Heads, and will feature a menu strongly influenced by local produce and the unique flavours of our country. Te Kaahu (hawk) is symbolic of flight, is included in the name Te Atairangikaahu, and its feathers are worn by those of chiefly status.



Butterfly Creek’s John Dowsett and Fiona Turner

Bright future for AKL aviation precinct

Among the aviation, retail, hospitality, accommodation, and freight businesses that make for a bustling precinct, is the place two huge salt-water crocodiles, several meerkats and a troop of tamarins call home.

Butterfly Creek, which at 22 years is one of the longest standing businesses operating at Auckland Airport, is full speed ahead – this past year bringing a much-needed sense of relief for husband and wife co-owners John Dowsett and Fiona Turner.

“We’ve had a really good year. It’s busy. I so love seeing people back here having a good time.”

When John started the business, the site was nothing more than a paddock. Fast forward two decades, and it’s buzzing with over 200,000 visitors per year.

“In visitation we’re better than we were before the pandemic. There were some positives of COVID-19,

it caused us to really focus on the core essentials and re-look at how we run things. For example, we now place much greater emphasis on extra income streams such as private animal encounters and we’ve gained extra efficiencies, for instance switching to quicker cabinet food,” he says.

“There were some positives of COVID-19, it caused us to really focus on the core essentials and re-look at how we run things. For example, we now place much greater emphasis on extra income streams such as private animal encounters and we’ve gained extra efficiencies.”

Empowered Community

We value our strong links with the community and will continue to actively contribute to the wellbeing and growth of local people. We will leverage the resources of the aviation precinct to empower and create opportunities for people, including our own incredible team. We foster collaboration and support to pave the way for positive progress and shared prosperity.

Helping hands

Rain was bucketing down, and Dave Powell, the man in charge of Auckland Airport's escalators, lifts and heating and cooling systems, was marveling at the new rivers pouring across paddocks and the waterfalls cascading in culverts along his rural drive home.

"At that point I was worried about my roof, and to be honest, I wasn't really thinking about the airport."

It was the evening of 27 January 2023. An average January in Auckland sees around 70 millimetres of rain fall across the month but that night the same amount fell in just one hour between 7pm and 8pm at Auckland Airport.

And Dave's phone began lighting up with images of the international terminal's check-in escalators sitting deep in water.

"I couldn't believe what I was seeing, I honestly thought the photos had been doctored."

By midnight Auckland Airport had received one month's worth of rain in a matter of hours. The international terminal, as well as the forecourt area had flooded, and the rain was still coming down. As soon as the roads were clear and he could travel, Dave headed into the airport, joining dozens of other Auckland Airport employees, airport workers and contractors who had been working through the night to pump and mop up water.

Over the coming days, these people played a critical role in the crisis response, helping to get the airport system moving again, along with sheltering, feeding and supporting hundreds of stranded travellers facing overnight stays at the international terminal.



"Looking back what stands out for me is the way the Auckland Airport team and the wider airport community rallied together to look after travellers through the disruption and the huge effort that went into getting things operating again," says Dave, who managed to take a well-earned break after getting the last of the necessary escalators back in action.

"We're so grateful to the people who had their travel plans upended by the flooding and the patience they showed us while we got to work to get things fixed."

Melanie Dooney, who joined Auckland Airport as Chief Corporate Services Officer in November 2022, says she is immensely proud of the airport's community response to the crisis.

"People from all parts of our organisation were doing everything they could to help, from manually moving

bags until the baggage handling system could be reinstated, through to providing hot meals, blankets, a place to sleep and a supportive ear to some very tired and weary travellers. They not only stepped out of their day-to-day jobs to comfort others, but they also took time away from their families at a time when their homes may also have been impacted by flooding.

"We were also able to call on our airport partners and all the other incredible organisations we work with to support us to get back up and running again. It really speaks to the values of Auckland Airport, particularly around collaboration and teamwork – kia tapatahi, kia ngatahi. Our people really take them to heart," Mel says.

"It's not something we save for emergencies either. It's part of the airport DNA and we build this into how we engage with our community."

"People from all parts of our organisation were doing everything they could to help, from manually moving bags until the baggage handling system could be reinstated, through to providing hot meals, blankets, a place to sleep and a supportive ear to some very tired and weary travellers."



Auckland Airport volunteers helping out post flooding at the terminal



Flood support

1,000+

blankets

1,000+

hot meals

5,000+

bottles of water

30%

of Auckland Airport employees worked on the immediate flooding response

5,000+

hours invested in the first 10 days after the event



Pōwhiri to warmly welcome new members of the Auckland Airport team at Te Manukanuka o Hoturoa Marae

On the job

Matt Bagshaw, Head of People and Capability, describes Auckland Airport as a diverse place to work which reflects our wider community.

"It's a really inclusive environment, which makes for a workforce that brings together many different views and perspectives. This will be really important as we evolve to be an airport striving to provide the best customer experience."

Everybody joining the Auckland Airport whānau is welcomed with a pōwhiri at the airport marae, Te Manukanuka o Hoturoa, as part of the tomokanga (gateway) ceremony. Māori and Pasifika leadership has been fostered through the Manu Ao leadership development initiative, delivered in partnership with Indigenous Growth Ltd and Te Puni Kōkiri. Our ambition is to have 20% of people leaders from a Māori or Pasifika background by 2030.

One of the features of Auckland Airport is that it's a place of careers not just jobs, adds Matt.

"It's genuinely somewhere where no two days are the same, and that means lots of interesting work and the odd challenge thrown in. We have people who started in entry level roles and have developed and grown into senior leaders within the company."

Providing good roles for great careers are just part of the picture, Matt says.

"We also need to have workplace practices and policies to make it easier for people to do their job and to stay in their job at every stage of their career."

From flexible working arrangements to parental leave provisions that offer salary top-ups and continued KiwiSaver contributions, Auckland Airport aims to provide a working environment where people can balance their professional lives comfortably and effectively.

With a newly enhanced parental leave offering, Auckland Airport is focusing on attracting and retaining top talent, as well as taking a stand on gender equity. The parental leave policy ultimately enables team members to manage their role with whānau, alongside their careers and work life, in a way that works for them

Becoming a parent and growing a family is a significant and exciting period in anyone's life. However, the transition between parenthood and work can be a challenge – whether that's navigating an uncomfortable pregnancy, attending medical or adoption-related appointments, sorting child-care or even just catching up on what's changed when returning to work.

Auckland Airport is committed to supporting its people on their journey as parents by providing them with both additional financial support – beyond what is prescribed by the New Zealand Government – as well as ensuring the transition into parenthood, and

Enhanced parental leave offering:

100%

Salary Top-Up of 18 weeks for a Primary Carer

6 weeks

paid leave for partners

Our ambition:

20%

of people leaders from a Māori or Pasifika background by 2030

subsequently back to work, is as easy as possible. This includes a primary carer salary top-up of 18 weeks at 100% pay; continued KiwiSaver contributions during parental leave; 32 hours (four days) of special paid leave (prior to parental leave); partners receive six weeks paid leave (Auckland Airport pays the two weeks which are statutorily unpaid, plus an additional four weeks); and the option to have a graduated return to work on full pay plus five days of family leave to support the transition and the juggle that all working parents experience.

Job fair

It's not only about keeping the people Auckland Airport has but attracting new people into roles at the airport. Alongside the tried-and-true methods of finding staff, Auckland Airport hosted a job fair in July 2022 to boost recruitment for roles in our workforce and across the precinct.

"As border restrictions reduced, demand for travel roared back and so did demand for staff," says Lizette Marais, Business Partner, People and Capability.

"We were on the hunt for people at all levels of the organisation – from senior project management roles through to people keen to join our guest experience team.

"But it wasn't just us: everyone across the aviation system was in the same position and to operate successfully as an airport we all needed to get our teams up to full strength to meet the rapidly growing travel demand," adds Lizette.

The solution, she says, was to take the lead on a job fair event that allowed people looking for a career in aviation to see the range of what was on offer across all the airport organisations in one location.

"It was well worth the four-week sprint from the first meeting until event day. Around 500 airport-wide roles were



Auckland Airport Job Fair



Tread Lightly, a beneficiary of the Auckland Airport Community Trust

Auckland Airport Community Trust

Supporting communities most impacted by aircraft noise to grow and succeed is at the heart of the Auckland Airport Community Trust, an independent trust established by Auckland Airport. Since being established in 2003, the trust has distributed millions of dollars in funding to 30 schools and 250

organisations to enable them to continue their mahi across South Auckland.

Auckland Airport trustee representative Bianca Cresswell says in the wake of flooding that impacted many South Auckland homes the trust is targeting programmes that focus on addressing the challenges faced by the community following destructive weather events.

filled as a direct result of that one day, and more than 4000 people who came through the doors were also exposed to a variety of meaningful work opportunities in and around Auckland Airport. That's recruitment gold right there."

Starting out with the support of Ara

Many of the people working at Auckland Airport were born and raised in South Auckland, attending local schools before entering the workforce.

To keep cementing these links, Auckland Airport has partnered with the Ministry of Social Development since 2015 in the on-precinct Ara Jobs and Skills Hub. Matching local job seekers with training and work opportunities is vital as aviation has reawakened from the pandemic shut down.

Melanie Dooney, Chief Corporate Services Officer, says the Ara partnership is about helping to connect people with opportunities for meaningful, challenging, and impactful work.

"The first entry point is directly with secondary schools. As a teenager it can sometimes be hard to know the full range of roles and career paths available if you don't have a personal connection with a workplace or industry. That's something we can provide, not just in



Students Symond Ahotau, Henry Siu Samu, David Popese with Icon Construction HSE Manager Katie Matatia

our own workspaces but also those of our airport and construction partners.”

Auckland Airport supports the work of the Ara Education Charitable Trust, which creates pathways into work for school leavers not going directly into tertiary education or training.

The big change through the pandemic was to co-locate construction industry training at Auckland Airport, says Ara Education’s General Manager Sarah Redmond.

“On the Nixon Road project site, we can bring in rangatahi studying trades at local high schools and give them on-the-job experience while renovating houses otherwise destined for landfill.

“The students get to understand what it is to work on a building site and the sustainability kaupapa means they learn to build in a way that reduces waste and creates a lovely, warm, weathertight home for another generation.

“Now that construction is gearing back up around the precinct, we can get the students out on the bigger building sites and really open their eyes to the career potential within the construction industry,” says Sarah.

“A great example of this is getting six students out onto the Transport Hub site once a week during the school term to experience work life with members of the Icon Construction project team. Access to a complex multi-million-dollar project exposes them to career paths not only just on the tools but in other aspects of construction too. Experiences like this can be life changing for the students.”

450

participants have completed the programme to date

12

South Auckland schools involved

6

students took part in Transport Hub internship



Auckland Airport volunteers

Volunteering support

In the 2023 financial year, Auckland Airport launched its volunteering programme, offering one day of paid leave for all permanent staff for those who volunteer within the South Auckland community.

“This year, the first year of our volunteering programme, we had 12% of our people spend up to a day stepping up to help organisations, like the Middlemore Foundation, Sustainable Coastlines and Ara Education Charitable Trust,” says Melanie Dooney, Chief Corporate Services Officer.

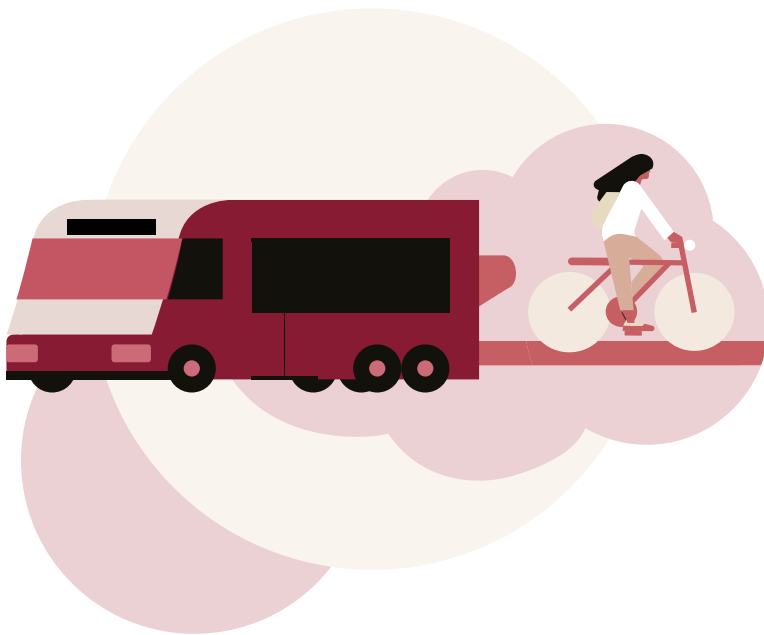
“It’s still early days and we are focused on working towards our target of 40% of employees supporting our community through volunteering every year by 2025.

“We are proud to be part of the fabric of South Auckland. And we want our community to be successful. There are many ways we can do this, but lending a hand as a kaitiāo (volunteer) for local organisations is something anyone who works for Auckland Airport can do to make a difference,” says Mel.

“It’s still early days and we are focused on working towards our target of 40% of employees supporting our community through volunteering every year by 2025.”

Seamless Connectivity

We seek to be a connected aviation precinct that enhances travellers' well-being, streamlines the travel experience and optimises maintenance and services. With real-time responsiveness, we will promptly address events and traveller management. Customers will enjoy a seamless travel experience and enhanced services through our integrated technology and data-driven approach. We're embracing the future of aviation connectivity.



Keeping time

It's the stress you notice.

Debbie Giles, Auckland Airport's Head of Customer, says it's all around you in the terminals – people feeling the pressure to be in the right place at the right time. And one small tweak has made things a little calmer.

Debbie says the flight information display system (FIDS) in the international terminal used to display the departure gate no earlier than 60 minutes before the departure time of the flight, asking people to 'relax' ahead of gate allocation. The trouble was many people found it anything but relaxing.

"People were on a mission to find out what gate their flight was departing from and were unable to truly relax until they had this information."

The solution was simple. A tweak to the system means that departure gates now show up on the displays two hours before the flight is due to depart.

Debbie says displaying this information much earlier means less stress for travellers and they can relax sooner. Airport staff have noticed less queries about gate information and the airlines have reported customers turning up more promptly which assists with their on time departure performance.

As technology becomes ever more integrated with our day to day lives, Auckland Airport is always looking for new ways to innovate to improve operations, improve customer service and smooth out customer journeys.

"It's a small change, but one we know is making a difference to our customers."



Airfield Operation Officers Russell Briscoe, Lisa Eruera, Rashmi Premaratna, Carrie Hurihanganui, Alfonso Castro and Ashvin Mapara

One novel use of big data and machine learning is helping aircraft depart on time while reducing fuel burn.

CCTV cameras trained on aircraft parked at the gate gather information as airbridges attach and service vehicles arrive to unload, reload, refuel, and restock the aircraft. All this data is being collated so it can be analysed with other flight data to create a predicted “off blocks time” – when the plane is expected to push back and taxi out to the runway.

“Getting the expected off blocks time is traditionally done by someone entering the targeted time on a touch screen at the gate,” says Mike Side, Auckland Airport’s Manager of Data and Digital Operations. “Given it is a manual process it is only undertaken about 60% of the time and when it done, it is also only about 60% accurate at predicting the time the aircraft would be ready to push back,” Mike says.

“By using data and machine learning, we can automate a manual task, so input compliance goes to 100%. The prediction accuracy is currently about the same but rapidly improving as we add more data to the machine learning model,” Mike explains.

Mike says that knowing more accurately when a plane is set to depart helps the Airways tower team to manage departure order on the runway and cuts unnecessary taxiway wait times for aircraft, reducing emissions in the process.

“By using data and machine learning, we can automate a manual task, so input compliance goes to 100%.”

“Customers want the process to be as easy and contactless as possible, so we’re designing these into the front-of-house system as we also keep in mind future passenger growth and the integrated domestic terminal on the horizon.”

Carry on

The baggage handling system is the engine room of the terminal, making sure luggage gets where it needs to be, arriving and departing with passengers.

“The baggage handling system is at the very core of the operation of the airport. When baggage handling doesn’t go well, the airport gets indigestion,” says Jason Smith, Programme Manager Baggage Services.

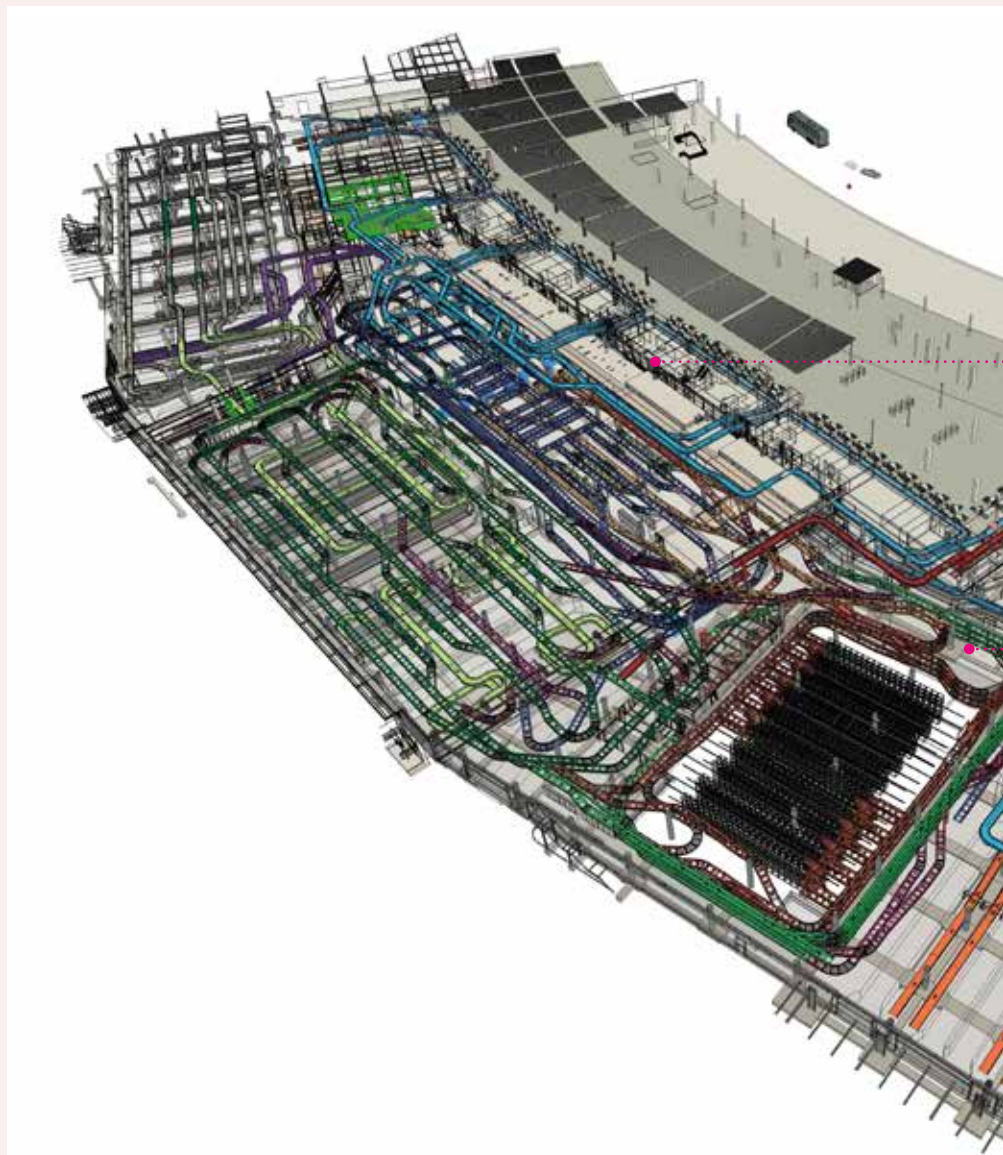
This became clear during the Christmas holidays when Northern Hemisphere snowstorms and a global shortage of experienced aviation staff saw a higher-than-normal number of mishandled bags – passengers arriving into New Zealand without their bags onboard their aircraft. This caused considerable frustration for travellers and was a headache for the airlines.

Then terminal flooding in late January damaged the electronics of anything sitting in the water, including the baggage handling components of the check-in area.

For Jason and his team, it meant fast tracking an asset replacement and resilience project already underway and bringing forward planned technology upgrades as the check-in system was brought back online – all while staying ahead of rocketing travel demand.

The next steps will see trials start for automated bag drops in the check-in area and expanded capacity into a newly built eastern bag hall.

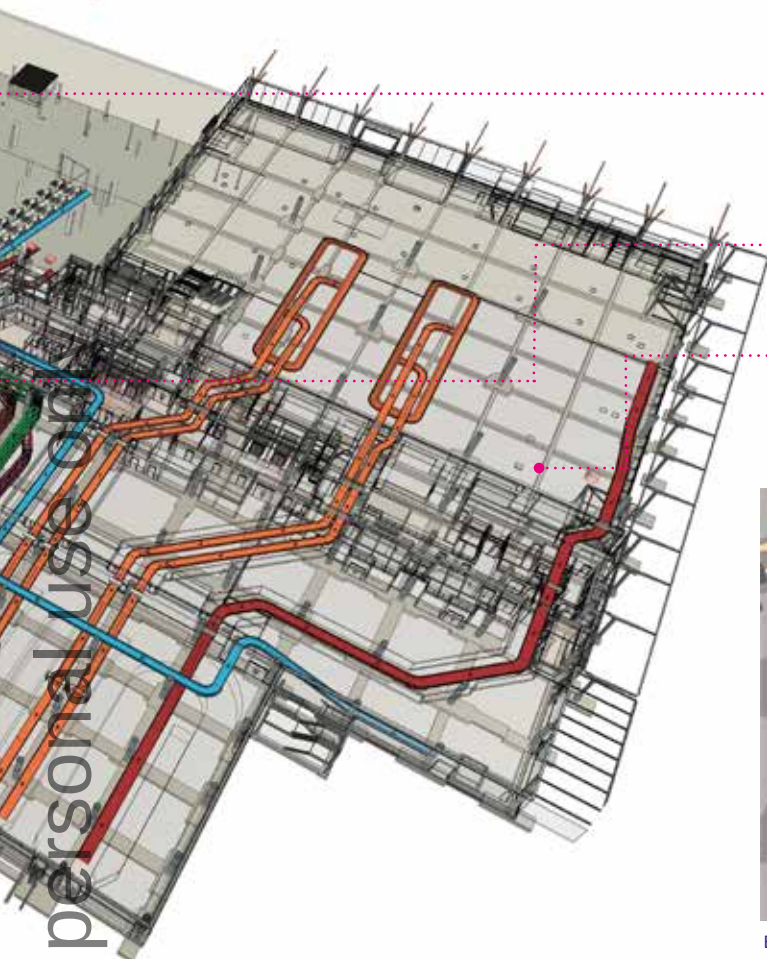
“Although there are still fewer flights than pre-COVID-19, the flights are very full and people seem to be heading away for longer, with more – and heavier – bags.



Proposed design of Individual Carrier System (ICS) representing industry leading technology for the handling and processing of tomorrow's customer baggage



Baggage Development Team: Project Manager – James Neilson, Programme Manager – Jason Smith, Construction Operations Manager – Darrell Muir



Integrated Check-in

Early Bag Store (EBS)

Domestic Arrivals



Blue area shows the integrated baggage handling system

For personal use on

“Back-of-house this means introducing more technology such as ‘lift assist’ and “batch loader” devices controlled with a joystick to help ground handlers in what is a very physical job. It opens up the workforce to people who might not necessarily be as big and muscular as the traditional ground handler, and reduces the risk of injury. With the introduction of these new technologies, we provide smarter ways to process bags which fundamentally will provide a step change in energy efficiency and support Auckland Airport’s sustainability objectives.

“Customers want the process to be as easy and contactless as possible, so we’re designing these into the front-of-house system as we also keep in mind future passenger growth and the integrated domestic terminal on the horizon,” says Jason.

“The baggage system will involve 24 different construction stages, all completed while maintaining smooth-flowing operations,” says James Neilson, Project Manager Baggage. “But all that time we’re thinking about how it will perform in managing passenger baggage 20 or 30 years into the future.”

24

The baggage system will involve 24 different construction stages

Model behaviour

Digital models kickstart conversations and solve problems as Auckland Airport works to manage potential disruption and project risk during our infrastructure build.

Karl Fitzpatrick, BIM Manager, says 4D tools are the next step along the digital path Auckland Airport has been on for several years. Key terminal assets are already built as digital replicas – or Building Information Models (BIM) – available anywhere or anytime to employees.

“All projects are designed digitally, either in 3D or increasingly 4D, so it’s a great way to collaborate particularly within a complex environment like ours. With 2D plans it can be hard to understand what or where it might impact on customers or how two projects will work together.

“With multiple projects in progress around the terminals involving different designers and contractors we can create a complete picture of what’s happening and how it will be sequenced and be able to understand where the risk areas are – whether that’s overlapping projects, the operational

impact of temporary works or potential disruption to customers.”

Karl says it’s great to see project managers viewing models in meetings to guide their discussions about programmes of work, and the models are even supplied to tenants to help them fast-track design on fit-outs and upgrades.

“Not many airports have as much digital model and GIS (Geographic Information System) data as we do, so it’s something we’re now recognised for globally,” adds Karl.

Staying on the beat

Every orchestra needs a conductor to stay in tune, with key players cued to come in at the right time. The conductor of the Auckland Airport orchestra is the operations centre.

Housed in the heart of the terminal, it is the 24/7 hub that maintains the airport’s smooth tempo – from the airfield right out into the roading network.

It requires a watchful eye to be alert to any issues that might cause delays or inconvenience to travellers, airlines, and the other organisations working in and around the precinct.

Auckland Airport’s Chief Operations Officer, Chloe Surridge, says an upgrade this year to both the physical space and the support technology was a step-change for the operations team.

“We’ve doubled the space and created a much more modern working environment, combined with a vastly improving the briefing room for the emergency operations centre (EOC),” Chloe says.

A 21-square-metre video wall provides a constant feed of data on flight schedules, key functions and processes and passenger flows within the domestic and international terminals. Upgraded public address, audio visual and conference systems make for clearer communications and are more resilient for the 24/7 nature of airport operations.

“It’s made an amazing difference to how we collaborate to keep everything running smoothly, not just between our own people, but also among the other key players in the airport system particularly when we’re dealing with issues or emergencies,” says Chloe.



Landside Operations Officer – Cece Tominiko



Arrivals project

Around 10,000 people arrive internationally into Auckland Airport every day.

For most it's a swift arrival through border processing, bag collection and biosecurity clearance, but at peak times it can take longer.

"We know the experience isn't always as smooth as what we'd like or what our customers expect," says Auckland Airport's Chief Customer Officer, Scott Tasker.

"The airport is an ecosystem, where everyone across the aviation system plays a part to make sure it operates as efficiently and effortlessly as possible. Many factors can unexpectedly impact passenger flows, so we wanted to take a close look at every step of that journey to see whether we could make it a better arrivals experience for everyone."

Auckland Airport convened a squad of baggage handlers, airline personnel and representatives from border agencies working at the airport, who then identified a number of potential options to improve flows through the arrivals process without compromising border functions.

"One of the benefits from the aviation system's COVID-19 experience was learning to come together to solve problems quickly and effectively. It was a very dynamic environment with a lot less certainty than we were used to, but as a system we were very focused on making sure people could safely arrive and depart New Zealand.

"It's this way of working and the relationships we've built over the past couple of years that we can use to improve some of the sticking points in our airport processes.

"Together we have worked on testing the recommended improvements, checking the data to see if it was making a real impact, then working to introduce more permanent changes," says Scott.

Since July 2023, New Zealand and Australian passport holders have had dedicated lanes through biosecurity checks.

"The customer feedback from the tests during busy periods of arrivals for trans-Tasman flights was overwhelmingly positive. Once we made it a permanent change, we started seeing those processing times reducing even during the fairly hectic school holiday period."

Data will have a big role to play in smoothing the arrival and departure of passengers, planes and cargo.

"The airport is an ecosystem, where everyone across the aviation system plays a part to make sure it operates as efficiently and effortlessly as possible."

"We already share data across the airport system, but we can build on this to make sure everyone has the best information to allow them to proactively manage problems and have them solved ahead of time – whether it's an aircraft arriving late or a northern hemisphere storm throwing the international schedule into disarray. We need to be leveraging technology to set ourselves up for success and making the best decisions ahead of potentially tricky periods."

Enduring Infrastructure

As custodians, we think long-term. Enhancing ground transportation options, embracing digital, and investing in the future of the end-to-end travel experience. Our initiatives will cater to the growing and evolving needs of customers, partners, tenants and visitors ensuring our place remains at the forefront. Together, we'll achieve increased efficiencies and a seamless travel experience – now and for the future.



Construction activity tells the story of Auckland Airport's future

At Auckland Airport, a cluster of giant tower cranes rise into the skyline above the international terminal.

At about 50 metres tall, they move slowly and precisely, plucking and shifting vast loads of concrete slab and steel into position below.

"With this many tower cranes at work, you know there is serious amount of construction activity happening beneath," says Pete Donovan, an Auckland Airport Project Director.

"For those of us who love construction, it's magnificent to see all the activity. The work we're doing right now is paving the way for a completely new travel experience at our country's main gateway. It's early days, but it's hugely exciting to be part of."

Like many other hub airports around the world, Auckland Airport is underway with its most ambitious building programme in decades – a revival that will deliver long-term future resilience and improve the experience for travellers.

Construction activity has soared over the 2023 financial year, spurred by the return of airlines and demand for travel. More than 400,000 square metres of airport land is now under development for aeronautical and transport infrastructure projects, a major turnaround from the whiplash of summer 2020, when projects were suddenly halted due to the pandemic.

"We're delighted to see our ambitions for the future of Auckland Airport translate into major building projects which are now advancing at pace and rising out of the ground," says André Lovatt, Auckland Airport's Chief Infrastructure Officer.

"It's exciting and challenging for the team and supply chain. It really feels like a once-in-a-career opportunity to be part of something truly transformational that's truly going to make a difference for the travelling public and our country's economy in the long-term."

“This will be our biggest single step forward since the airport was built. For travellers the new integrated terminal will be an exceptional new travel experience for everyone to enjoy and be proud of.”

In flight: Work to improve resilience and the customer experience

Beyond travellers and the terminals, the airport’s infrastructure also needs to support a vibrant, diverse aviation precinct – everyone from airport workers, truck drivers, retail business owners, to tourism operators and giant logistics warehouses.

“It’s our job to think for the long term to make sure we’re investing in the roads, airfield, terminals, fuel utility systems – everything that we need to do to meet the needs of the growing community, our partners and tenants, along with the millions of travellers that pass through here every year,” adds André.



The site of the new domestic terminal to be integrated into the international terminal



Artist impression of the future new domestic terminal

Replacement of the ageing domestic terminal is the cornerstone of the airport’s infrastructure development programme. This facility was built back in the 1960s when aviation first boomed in the golden age of travel.

While the domestic terminal has been renovated over the years, Auckland Airport is now progressing detailed design and enabling works for a brand-new domestic terminal. This will be fully integrated into the international terminal – a \$3.9 billion programme of work to transform the domestic travel experience.

“We know our customers want a better domestic travel experience, and we’ve been very grateful for their patience. We recognise a replacement of our domestic terminal is overdue, and we would already be further ahead if it weren’t for the pandemic,” André says.

Set to open around 2028/2029, the new \$2.2 billion core facility will be built at the eastern end of the international terminal, bringing domestic travel and international travel together under the same roof for the first time since 1977.

André says it will be a game changer for travellers, reducing domestic jet to international transfer times to a five-minute indoor walk rather than walking outside between terminals and a new check-in experience providing state-of-the-art facilities for both domestic and international travellers.

“This will be our biggest single step forward since the airport was built. For travellers the new integrated terminal will be an exceptional new travel experience for everyone to enjoy and be proud of.

“We will also provide new gates and other facilities to help airlines to streamline, smooth and speed-up turn-around times,” André says.

Some of the early bones of the building are already taking shape. The new eastern bag hall and the first two floors of part of the building are already emerging to the east of the international terminal, where 80 contractors are at work on site each day and the new eastern bag hall will be operational shortly.

“We’re underway with pile testing for the new domestic terminal structure. Design is nearly completed, and we can’t wait to share more details about the project with travellers soon.”

A Rubik's cube of airport upgrades

Auckland Airport is a complex, interconnected system, ranging from the runway itself, through to taxiways and jet stands, baggage systems, terminals, landside transport, as well as fuel, utility and waste, and storm-water systems.

This results in an overall construction programme like an intricate puzzle – a series of interdependent projects that must be carefully planned for and delivered in a live 24/7 operating environment.

“We can do it, but it’s hugely challenging,” according to André.

“Across the broader team we have invested a lot of time in the phasing and sequencing of each project in the overall programme to ensure we can deliver for our customers in a way that keeps travel moving smoothly and doesn’t disrupt airport operations.

“Our other core consideration is safety. With 300 contractors and Auckland Airport employees already working on the infrastructure programme, and thousands of travellers now visiting the precinct, we need to have extremely robust systems in place. It’s a huge priority for us,” says André.

“Across the broader team we have invested a lot of time in the phasing and sequencing of each project in the overall programme to ensure we can deliver for our customers in a way that keeps travel moving smoothly and doesn’t disrupt airport operations.”



Artist impression of the new Transport Hub



New Transport Hub under development



First play: Transport Hub

With a new integrated terminal in its sights, Auckland Airport is constructing a new \$300 million transport hub at the front door of the international terminal, with the third floor of the building structure now rising out of the ground.

Far more than a carpark, the Transport Hub will create a seamless arrival and departure experience for customers, including an undercover connection to the international terminal and vehicle

lanes flowing through the ground floor of the building to create a modern pick up and drop off zone for commercial and public transport.

“We saw an opportunity to reduce the amount of disruption for our customers by fast-tracking the Transport Hub, specifically the new pickup/drop off (PUDO) area. Getting that finished and open in the new year means customers will have a great arrival and departure experience.”

“Meanwhile, we can close the current PUDO to transport, and the team can continue to get on with building the integrated terminal,” explains André.

With the skeleton structure of the building now in place, the new PUDO will open in March 2024 with the final stages of the four-storey building to be completed between September and November next year.

2024

the new PUDO will open in March 2024 with the final stages of the four-storey building to be completed between September and November next year.

Airfield moves: Historic expansion of the airfield

As the Transport Hub takes shape, another major project is underway to boost the resilience of the airfield, providing an additional parking solution for planes as well as boosting stormwater capacity.

To the west of Auckland Airport, an expanse of land is being converted into new airfield capable of taking the weight of A380 aircraft. Spanning 23 rugby fields in size, this is the largest airfield expansion in our history. It provides extra taxiways and seven remote stands for aircraft that layover for several hours before departing again, including five stands with in-ground jet-fuel reticulation and other services. In time this airfield expansion will connect to the integrated terminal to the north of Pier B, along

with a planned cargo precinct and, potentially further into the future, a second runway.

“We had to pause this important project during the pandemic, so it’s great to see it progressing again as a critical enabler of the integrated terminal development and helping us to minimise disruption to busy airline operations,” adds André.

23

rugby fields in size, this is the largest airfield expansion in our history



Expansion of airfield



Project Director – Dale Anthony and Assistant Project Manager – Jose Lanada

“Everyone appreciates fresh, clean bathroom facilities, and we wanted to make sure we’re delivering a good experience for customers while the new integrated terminal is being constructed.”

Getting a bathroom break

Further to the east of the airport at the domestic terminal, two of the airport’s busiest bathroom blocks are receiving a major makeover as part of a wider refresh of the domestic terminal.

“Everyone appreciates fresh, clean bathroom facilities, and we wanted to make sure we’re delivering a good experience for customers while the new integrated terminal is being constructed,” says Auckland Airport’s Chief Customer Officer Scott Tasker.

With the project beginning in August 2023, two bathroom facilities – one near the regional arrivals and departures and one opposite the Air New Zealand bag reclaim area – will be expanded and upgraded to add two new parent rooms, improved accessible toilet facilities, and the introduction of gender-neutral toilets.

Alongside these works we are improving signage and other wayfinding tools to help travellers find their way around.



Strategic play: Resilient and accessible roading

Auckland Airport's 22 kilometre roading network is one of the busiest in Auckland, with travellers, tourism businesses, truck drivers, airport workers and crew cargo all relying on its efficient and smooth operation.

In the 2023 financial year, we undertook a trio of transport projects across the precinct, investing \$90 million in the following developments: Park & Ride South, Laurence Stevens Drive upgrades and the Te Ara Kōrako extension.

André Lovatt, Chief Infrastructure Officer, says the upgrades will enable more reliable travel movements, and cater for future growth.

"These interconnected projects increase reliability of access to the terminal and other infrastructure. This bakes resilience into our transport and roading network, so travellers can get to their destinations safely, and on time and with access to more public transport options so there's less reliance around single vehicle journeys to the airport" he says.

\$90 million

invested in the following developments: Park & Ride South, Laurence Stevens Drive upgrades and the Te Ara Kōrako extension.

"These interconnected projects increase reliability of access to the terminal and other infrastructure."

Future Resilience

We're not just a business – but a multi-generational endeavour. Applying a long-term perspective in everything we do. Working closely with tangata whenua, prioritising our people, aviation community, our country's economy and the protection of our natural environment. With our partners, we are driving modal shifts across transport and applying new technologies towards decarbonisation. Together, we're building a sustainable legacy that benefits future generations.



On the journey

It's one of Auckland's busiest roading networks. Around 79,000 trips take place to and from Auckland Airport each day, flowing in and out on a tide of airline schedules, shift changes, and freight deliveries.

"We're a very busy aviation precinct and it's important people have reliable ways to catch flights, get to work or move cargo," says Chief Sustainability and Master Planning Officer Mary-Liz Tuck.

"There's been a lot of work and investment in making sure our transport network is getting people from A to B as easily as possible. But road space, parking – these are all finite resources so we need to start planning now to make sure those who need to drive to and from the airport can still do that, while also ensuring some great, reliable, and convenient options for everyone else.

"More importantly, we need to support the reduction of carbon emissions through better use of the roading network. In transport jargon it's modal shift – moving from one form of transport to another, more efficient, lower carbon option."

With airport workers accounting for many drivers on the road to and from the airport, Auckland Airport wanted to find out more about how they were travelling and why they were choosing to drive.

So, the airport carried out an extensive survey of airport workers across the precinct, asking about how they got to work, where they were coming from, how many days a week they were at the airport for work, when they were typically arriving and departing, and importantly, what were the main barriers to considering other options for those journeys. "We were really blown away by the response – getting to work was certainly a hot topic. More than 2,200 people answered the survey, and over 80% were from organisations other than Auckland Airport.



Te Ara Kōrako extension

“After the January flooding event we relooked at our stormwater management calculations. While we were comfortable with what we were doing, this is long-term infrastructure. Once it’s in the ground it’s a very long time before you consider digging it up and replacing it, so we made the call to make sure everything that was put in place could handle weather extremes.

“Our approach is to take every opportunity as part of all infrastructure projects to upgrade the stormwater systems. The upgrades along George Bolt Memorial Drive, the new terminal exit road and the under-construction Te Ara Kōrako have all got hefty stormwater management systems. It’s a major and ongoing programme of work.

“Head out to the new Park & Ride being built on Puhinui Road and you’ll see broad strips running between the car parks. When complete, these will be swales – bands of vegetation that work to slow the flow of stormwater while naturally filtering sediment and contaminants – covering about 20% of the facility’s footprint.

“Because that’s the other important aspect to this work. Auckland Airport are guardians of this special place, so we need to make sure the water being discharged into the Manukau Harbour is of the highest quality possible.”

For personal use only

“What we heard was that people were keen to get out of their cars – the fact that 67% of respondents might or would consider carpooling is a pretty good indicator – but currently the alternatives aren’t nearly as easy or convenient. So, we’re currently in a position that nearly 90% of our surveyed staff are coming to work in a car and even though 12% were using electric or hybrid vehicles, which is much higher than the general population, we need to start planning for a workforce that is less dependent on cars for that work journey.”

Storm watch

Underpinning reliable and dependable infrastructure is a network of hidden pipes and cables ensuring it can run, uninterrupted, 24/7.

“It’s this investment in the ground that is vital to our operation – it’s what keeps us pumping. We have made a significant investment in upgrading our utilities, including stormwater, and if the incredible deluge we experienced in January taught us anything, it is that we need to keep making sure we keep getting on with these infrastructure upgrades,” says Mary-Liz.

As Auckland flooded in late January during record breaking rainfall, so did parts of the airport, including the international terminal.

“We’ve been very conscious of how climate change will impact our operations in the coming years and are aware of the need to design future infrastructure to withstand the effects of increasingly frequent and intense storms as well as rising sea levels.”

A climate change study was commissioned in 2019 to understand the flooding and inundation risk in critical areas, such as the runway and apron. Since then, further studies have determined the extent of flooding and

inundation under low, moderate, and high climate change impact scenarios.

“These studies told us that our infrastructure was sufficient to cope with climate change events under all scenarios until 2046. But we wanted to get out ahead of these risks and got underway with work immediately. We expect by 2025 we will be well placed to weather the impacts of a worst-case climate change scenario.”

A comprehensive stormwater management strategy guides infrastructure development around the precinct.

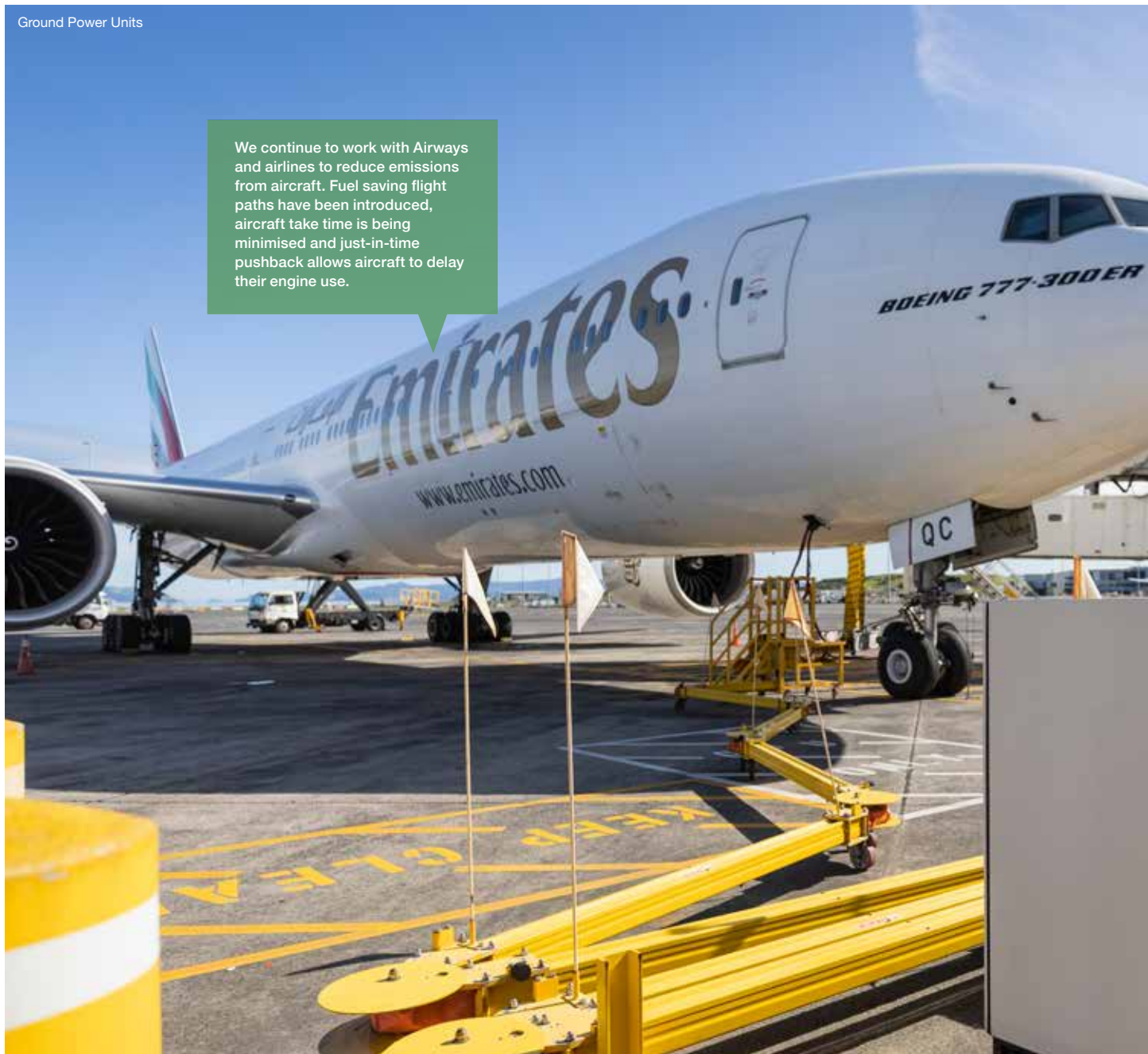
Substantial stormwater network upgrades are carried out in parallel with our infrastructure development programme to improve resilience against flooding and enable the international terminal to remain above flood levels for future modelled climate change scenarios.



Senior Wildlife Ranger – Dan Wignall charging company electric vehicle

Ground Power Units

We continue to work with Airways and airlines to reduce emissions from aircraft. Fuel saving flight paths have been introduced, aircraft take time is being minimised and just-in-time pushback allows aircraft to delay their engine use.



Sustainable Aviation Aotearoa takes off

Decarbonising aviation is a team effort – no organisation can do it alone. This year Auckland Airport became a founding member of Sustainable Aviation Aotearoa, a group which brings together government, as well as the aviation and energy sectors to work on a strategy to lower emissions from domestic aviation.

“Being a fairly sparsely populated, remote island nation with some challenging topography means air transport is pivotal for moving people and freight – both around the country and out to the world,” says Mary-Liz.

“Making aviation more sustainable is critical and establishing Sustainable Aviation Aotearoa recognises that

it’s going to take action on a number of different fronts to make it happen. Sustainable Aviation Aotearoa brings together the key players to share information on the technology, regulatory settings and investment needed to prepare for a greater use of Sustainable Aviation Fuel (SAF) and the electrification of aircraft.”

Auckland Airport is already putting in place the infrastructure to support airlines in achieving their sustainability targets.

“The fuel infrastructure on our airfield has been upgraded over the past few years as part of our ongoing maintenance programme and preparation for future terminal works, but is ready for any certified ‘drop in’ fuel types.”

“Auckland Airport is already putting in place the infrastructure to support airlines achieve their sustainability targets.”

Ground power units (GPUs) and pre-conditioned air (PCA) are being supplied at all international gates so aircraft can connect to NZ's low carbon electricity supply instead of burning jet fuel while at the gate. GPUs will also be installed at all gates in our new domestic jet facility.

We have provided two banks of common-use electric vehicle (EV) chargers, totalling 24 chargers, on the airfield to support groundhandlers in their transition to electric ground support equipment (eGSE).

"While we are constantly talking to airlines about what they need from airport infrastructure to support future low-carbon fuel options, we can't stand still on opportunities available today for a lower aviation carbon footprint."

Auckland Airport is investing in electric ground power units at each gate in the new integrated terminal, allowing aircraft to run on electricity while waiting on the aircraft stand rather than burning jet fuel.

"It's about investing for the here and now, as well as the future," says Mary-Liz.



Chief Infrastructure Officer – André Lovatt

Paving the way to recycling the runway

Old pavement from the runway is getting a new lease on life to the west of the international terminal as part of Auckland Airport's airfield expansion.

More than 100,000 tonnes of concrete that formed the runway touchdown zones is being crushed and reused in the new airfield development to accommodate future growth.

André Lovatt, Chief Infrastructure Officer, says the expansion work is a concrete (pun intended) example of interlocking resiliency with sustainability to demonstrate long-term growth.

"Rather than disposing of the old pavement offsite, we've been setting it aside, creating a huge mound of 45,000 cubic metres of concrete to the south of the airfield. The old pavement then gets crushed for use in the construction

of new airfield. As well as reusing the concrete, we're also removing more than 6000 truck trips off the roading network."

Cement is estimated to be responsible for around 8% of all global carbon emissions, while construction waste shapes a significant part of the waste stream.

"As well as reusing the concrete, we're also removing more than 6,000 truck trips off the roading network."

Nature space

Taking its name from the wading birds that flock to the rich food resources of its waters, the Manukau is a unique airport location.

“The development and operation of the airport has had an impact on this special and significant place, but it’s something of which we’re very aware and look to minimise and mitigate the impact of what we do and, where possible, actually improve the current state of the environment,” says Lucy Hawley, who leads the wildlife team.

“Auckland Airport is a long-term business. That long-term thinking is part of who we are, one which we look to apply to all areas of our business.”

A dedicated team of wildlife rangers, with qualifications and expertise in conservation management, have worked alongside the Department of Conservation to create safe nesting sites for the tūturiwhatu (New Zealand dotterel) on both the airfield and on the wider precinct, including on the construction site for Mānawa Bay.

“It’s really neat to see these balls of fluff tottering around what many would consider a pretty inhospitable nesting site. But it’s through our predator control

and careful watch that the tūturiwhatu can make a success of raising their chicks.”

When it isn’t possible for native species to coexist in the busy airport precinct, care is taken to find them a new home.

“We were really fortunate to be able to work alongside local iwi Te Akitai Waiohū to relocate hundreds of eels from a man-made pond in what was the airport’s golf course near Mānawa Bay, to another pond near the Manukau Memorial Gardens.

“Eels are an important part of the ecosystem. Not only do they hold special significance for Māori as a traditional food source, but they also indicate a healthy waterway. Changes to their habitats have really impacted the eel population so we want to do what we can to reverse that decline.”

Human impact is also evident out on the edges of the airport, where the airfield’s sea wall meets the water. It’s here that waterbourne rubbish settles among the rocks and vegetation.

Auckland Airport volunteers worked alongside Sustainable Coastlines, a charity focused on removing litter from beaches, to clean up rubbish from the edge of the Manukau.

“It wasn’t possible to run coastal clean-ups during the pandemic, so it was great to be back out clearing our backyard of unwanted rubbish. We managed to collect 24 bags of rubbish, mainly single-use plastic. Given this is an area that’s in the secure, airside part of the airport and sees very little human activity, this is waste that has floated or blown in. As an organisation it’s our responsibility not just to clear this waste but to play our part in making sure it doesn’t end up there in the first place, so were very focused on making sure we are doing what we can, whether it’s on our building sites or in the terminal, to reduce the amount of waste being generated,” says Lucy.

Pivoting from gas to electric

Gas is on the way out at Auckland Airport, as the team moves towards switching its air conditioning system to electricity.

The airport requires the equivalent of 3,000 household air conditioning units to cool and heat the 141,000sqm international terminal, which is a massive contributor to Auckland Airport’s scope 1 carbon emissions.

Mary-Liz Tuck, Chief Sustainability and Master Planning Officer, says the move



Auckland Airport volunteers working alongside Sustainable Coastlines on the Coastal Cleanup





Artist Impression of Mānawa Bay solar panels

from gas to electric will shift the dial in reducing the airport's footprint.

"Of all the carbon emission contributors to Auckland Airport, natural gas plays a substantial role in our carbon footprint. By transitioning from gas to electric, we're taking a giant leap in eliminating our overall emissions, as well aligning with our goal of net-zero carbon emissions by 2030," says Mary-Liz.

The transition will be phased over years, however, the first and most significant saving will be when six natural gas boilers – totalling 6.5 megawatts of heating – are replaced with electric air-source heat pumps.

Once the move from gas to electric is completed it will deliver 1,500 tonnes of carbon reduction per year.

Solar power is another way of shrinking carbon emissions, and when completed, the airport's new premium outlet store Mānawa Bay will house the largest rooftop solar system in Aotearoa (2.3 megawatts), with the panels generating the equivalent of 80% of the 100-store centre's power usage.

The Transport Hub is also being built to include a solar array of 1.2 megawatts on its 14,000sqm roof.

"Rooftop solar systems can provide a resilient supply of renewable energy as our hard-working airport evolves for future growth. Any new infrastructure that's required in our wider precinct can result in more carbon emissions, and we're constantly looking at how we can reduce our footprint with innovation, technology and sustainable investment" says Mary-Liz.

The combined solar power production from Mānawa Bay and the Transport Hub is expected to reproduce enough energy to power 634 houses per year, and avoid approximately 588 tonnes of CO₂ emissions per year.

"With 13 planned food and beverage operators all cooking and heating with electricity only, there will be less wasted energy moving into the atmosphere."



Artist Impression of Mānawa Bay future dining area

Cooking with (no) gas

Auckland Airport's new premium outlet and shopping centre Mānawa Bay will welcome New Zealand's first fully electric food court when it opens next year.

Currently under construction, Mānawa Bay will also have a zero natural or LPG gas policy, which will erase more than 50% cent of its kitchens greenhouse gas emissions.

Removing gas onsite is a crucial step towards unlocking a 5 star

Green Star rating for the shopping centre, which is in line with Auckland Airport's decarbonisation pathway to achieve net zero direct carbon emissions by 2030.

With 13 planned food and beverage operators all cooking and heating with electricity only, there will be less wasted energy moving into the atmosphere. On average, 65% of energy generated by gas is wasted into the air, instead of being used to heat food.

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Sustainability

Sustainability at Auckland Airport

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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. Since 2020, our sustainability strategy has been framed by four key pillars (see beside).

As a long-term, multi-generational asset, we are focused on building a better future and accelerating sustainable and inclusive growth that creates prosperity for communities and the environment. These pillars have guided our business activities for the past three years, allowing us to establish a decarbonisation pathway and implement initiatives across all facets of sustainability.

With the recovery from COVID-19 well underway, we are now entering the next phase of our sustainability journey, and as such we will evolve our sustainability strategy in the next financial year. Carbon reduction and climate adaptation will remain priorities, but we will place more focus on biodiversity and waste to help us to create a resilient future.

Sustainability 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

FY23 Highlights

↓27%

reduction in scope 1 and 2 emissions
from the 2019 baseline

500kW

electric heatpump installed to replace
natural gas boilers

227

native eels translocated to the
Manukau Memorial Gardens Pond

108,000t

of concrete from the runway used in
the development of the remote stands

97t

of organic waste diverted from
landfill from a waste separation
trial in the terminal

24

EV chargers installed on the
airfield for groundhandlers and
airfield vehicles

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AKL: Destination Net Zero

Auckland Airport is a gateway to Aotearoa New Zealand, essential for connecting families and enabling tourism and trade into the country. Aviation has bounced back strongly from COVID-19 over the past year, highlighting the need to keep emissions reduction a priority for a resilient, low-carbon future. Our priority is to minimise the emissions created by our day-to-day operations while working with our partners and stakeholders to support industry-wide decarbonisation.

Auckland Airport has a focus on carbon reduction, water conservation and waste minimisation and our 2030 targets include:

Net Zero

scope 1 and 2 emissions by 2030 resulting in

↓90%

reduction in emissions from 2019 levels
(27% reduction in FY23)

↓20%

reduction in waste to landfill*

↓20%

reduction in potable water use*



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 CO₂ 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 operations 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

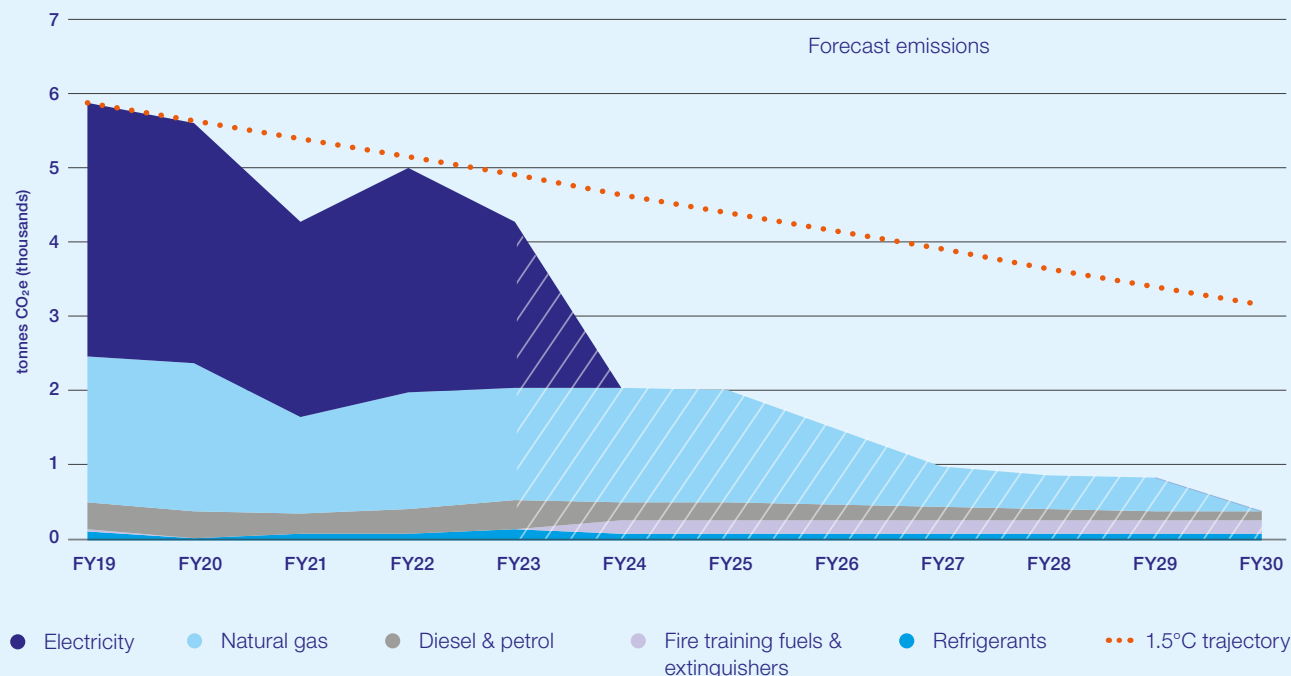
Scope 2: Emissions from the generation of purchased electricity consumed by Auckland Airport

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



Auckland Airport's scope 1 and 2 decarbonisation pathway

The decarbonisation pathway aligns with a 1.5°C trajectory and FY23 performance shows a 27% reduction from the baseline year.



“We have been working on our scope 1 and 2 decarbonisation pathway for three years now and are pleased to have implemented further initiatives and trials over the course of the financial year to reduce our emissions.”

Reducing our direct emissions

In 2020 we set a target to be Net Zero scope 1 and 2 emissions by 2030. To reach Net Zero, we have clearly defined a decarbonisation pathway which sees us targeting a 90% reduction in scope 1 and 2 emissions from a 2019 baseline, with the residual emissions (estimated at 10%) neutralised through permanent carbon removals. Our Net Zero target and accompanying decarbonisation pathway are aligned with a 1.5°C trajectory.

We have been working on our scope 1 and 2 decarbonisation pathway for three years now and are pleased to have implemented further initiatives and trials over the course of the financial year to reduce our emissions. This financial year, our scope 1 and 2 carbon emissions equal 4,291 tonnes of carbon dioxide equivalent (tCO₂e) which represents a 27% decrease from the baseline year (2019) and is tracking ahead of our decarbonisation pathway.

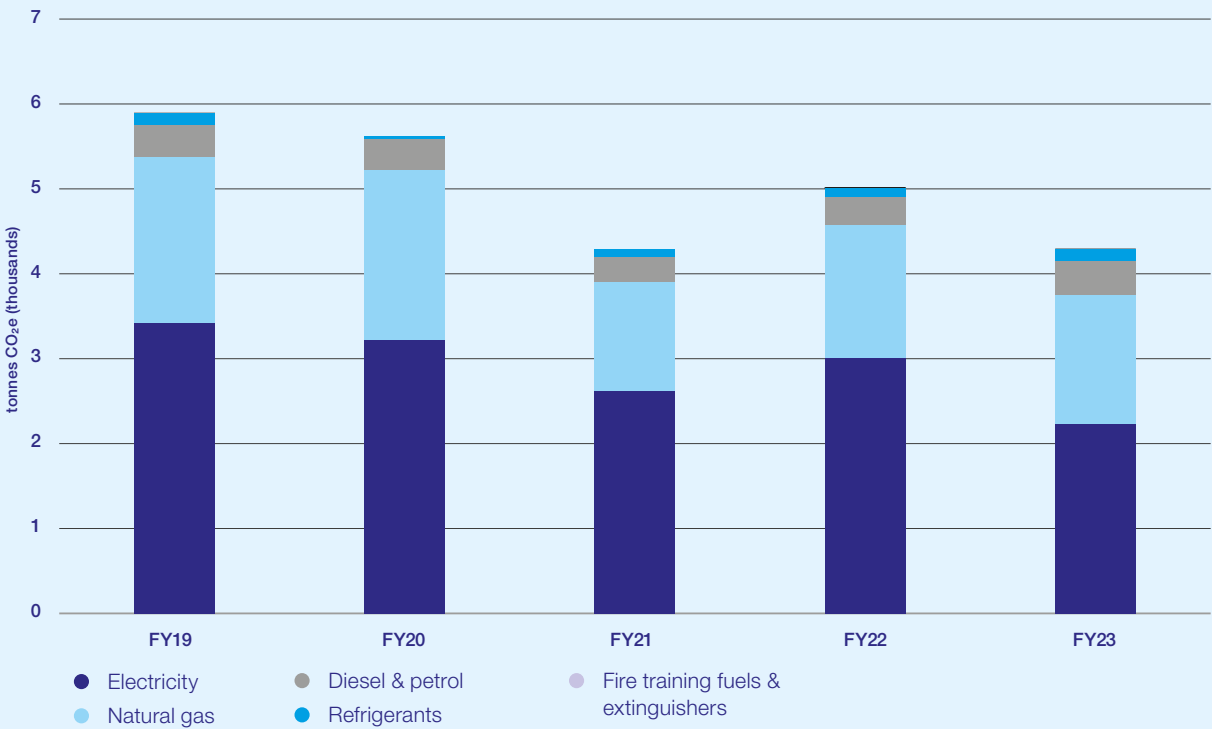
Reducing our indirect emissions

Scope 1 and 2 emissions make up only a small proportion of Auckland Airport's GHG emissions inventory. In reality, the vast majority of emissions that occur as a consequence of the operation of New Zealand's largest airport are outside of our operational control. We are actively partnering with stakeholders across all areas of our business to address these emissions and work towards Aotearoa New Zealand's goal to reach net zero by 2050.

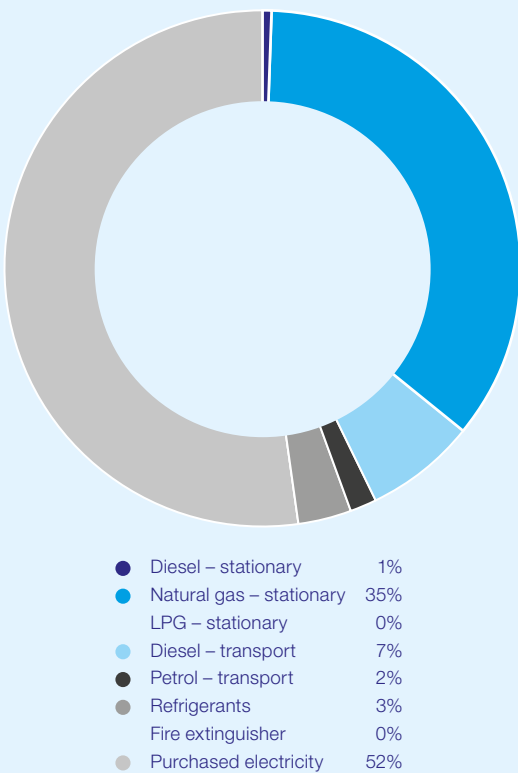
See the 2023 GHG Inventory for further details on scope 1, 2 and 3 emission sources and initiatives underway to reduce these emissions.

7. The 2019 baseline and decarbonisation pathway was updated in the 2023 financial year to remove electricity line losses as a scope 1 emission source. It was highlighted through our greenhouse gas (GHG) verification process that these emissions sources were being double counted and should only be included as a scope 3 emission. See the 2023 GHG Inventory for further information.

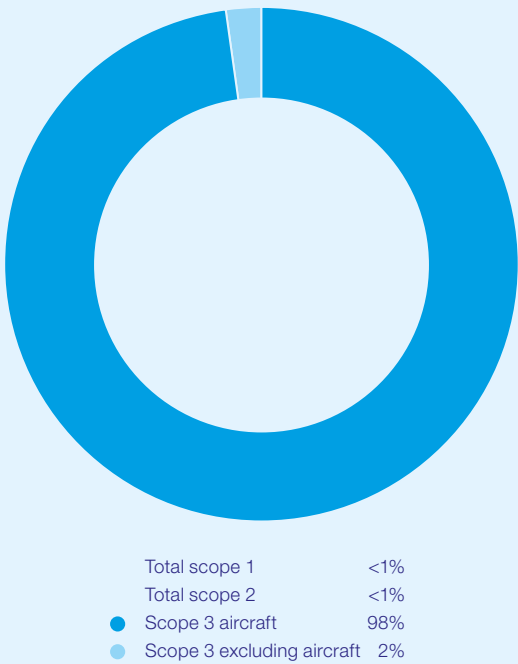
Scope 1 and 2 emissions over time (tCO₂e)



FY23 Scope 1 and 2 emissions by source (tCO₂e)



Breakdown of carbon footprint (FY23)



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Aircraft-related emissions

In the 2023 financial year we have updated our GHG scope 3 inventory to include full flight emissions, replacing the previous calculation of aircraft landing and take-off. This aligns with best practice for the airport industry and uses the methodology recommended by the Airport Carbon Accreditation. These emissions make up over 90% of our GHG emissions inventory and they are tricky to tackle; they require significant technology changes to decarbonise.

We are working closely with our airline partners to understand their plans to introduce alternative aircraft fuels and technologies, and the infrastructure requirements to enable these to be deployed at Auckland Airport.

Sustainable Aviation Fuel (SAF) is widely considered the best option for decarbonisation of long-haul air travel. The technology is proven, already available across the world and can be delivered to aircraft via Auckland Airport's existing refuelling hydrant system, however cost and security of supply remains a challenge.

Air New Zealand's flagship shipment of SAF in September 2022 was delivered to Marsden Point and piped through existing fuel pipelines to Auckland Airport and through to aircraft.

We are also active members of Sustainable Aviation Aotearoa, which brings together government and industry to prepare for and accelerate the adoption of lower emissions aircraft.

"The technology is proven, already available across the world and can be delivered to aircraft via Auckland Airport's existing refuelling hydrant system."

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Climate Change Disclosure

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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 our operations associated with the transition to a low-carbon economy. Domestic and global carbon policies impacting aviation activity, as well as public perceptions towards air travel, have the potential to affect Auckland Airport.

We keep abreast of local and global trends in climate change research and modelling and undertake regular environmental scans and analysis 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 or opportunities early.

Auckland Airport has been assessing and disclosing climate-related risks and opportunities concerning its operations since 2021. Throughout this time we have advanced our understanding of how climate change, including rising sea levels and temperatures, and unpredictable weather patterns will impact our operations and infrastructure.

The extreme weather events of early 2023 showed how important it is to have a full understanding of the risks of climate change.

This year we have progressed our climate change disclosures, reporting in accordance with the Task-force on Climate-related Financial Disclosures (TCFD) framework and complying with the New Zealand External Reporting Board's (XRB) climate-related disclosure standards one year early. The full disclosure is available on our company's website.



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



Auckland Airport's Environmental Performance

Scope		FY19	FY20	FY21	FY22	FY23
Scope 1 emissions	tonnes CO ₂ e	2,472	2,397	1,674	2,004	2,060
Scope 2 emissions	tonnes CO ₂ e	3,423	3,224	2,615	3,007	2,231
Scope 3 emissions (excluding aircraft)	tonnes CO ₂ e	6,228	5,185	16,497	11,464	48,629 ⁸
Scope 3 emissions – aircraft ⁹	tonnes CO ₂ e	N/A	N/A	N/A	66,059	2,530,432
Waste to landfill	tonnes	2462	2474	844 ¹⁰	722	2,392
Potable water use	m ³	375,968	315,652	129,514	169,138	268,622

8. In the 2023 financial year Auckland Airport introduced a wider range of scope 3 emissions sources in an aim to align disclosure with the international Airport Carbon Accreditation framework. This includes aircraft full flight emissions as well as contractor vehicles, airside vehicles and tenant electricity use.
9. In FY23 we have updated our GHG scope 3 inventory to include full flight emissions, replacing the previous calculation of aircraft landing and take-off.
10. Significant reductions in waste, water and carbon emissions were achieved against the 2019 baseline in the 2021 and 2022 financial years due to the much lower passenger numbers as a result of COVID-19.

For Auckland Airport's full 2023 financial year emissions profile, refer to our Greenhouse Gas Inventory Report on the company website.

Information within our GHG Inventory has been prepared in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).



Heating, Ventilation, Air Conditioning Team Leader – David Powell

Material Issues

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 was last completed in 2020, and while we have reconfirmed that our previously identified material issues are still relevant for Auckland Airport, we will be undertaking the materiality assessment with our stakeholders later in 2023.

These material issues and our sustainability strategy align with the objectives of the United Nations' Sustainable Development Goals. We have continued to progress activities to address our material issues:



Material issue	Progress in the 2023 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.	In the 2023 financial year, we made significant progress in our health, safety and wellbeing strategy by shifting from a destination zero-harm approach to a people-first culture. This shift recognises the value of our people – employees, contractors and stakeholders – and ensures we provide them with a safe and healthy working environment on a daily basis • Critical risk effectiveness workshops were initiated, laying the groundwork for effective management of our critical risks. • We hosted and participated in various safety-focused campaigns and events, such as Airport Safety Week, Ramp Up & Ready Fortnight, Contractors Forum, Mental Health Awareness Week, and OCP Coffee & Chat sessions. • Our Just Culture Strategy was redesigned to align with our core values, and the new application was implemented across the business. This began our journey towards creating an environment of psychological safety, with a roadshow to introduce the new application to the entire organisation, which promoted recognition equally when things go well. • Terminology changes were implemented to foster a continuous improvement mindset, encouraging the identification and learning from 'learning events' which were shared across the business. • We successfully achieved recertification and positive results following the assessment of 'effective and operating' of our SMS CAA Part 100. • To address the critical risk of fatigue within the wider airport community, a CUSP subgroup was formed to improve our fatigue management. Members are from the wider airport community. • Ongoing efforts were dedicated to enhancing our response and resource allocation for potential natural disaster events following two weather events. • A significant milestone was reached by the Permit to work (PTW) team, issuing 400 permits in a single month. This demonstrates the increased infrastructure and high-risk work in the airport vicinity, supported by a skilled team to accommodate further projected growth.

Material issue	Progress in the 2023 financial year
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. We will play a vital role in helping the economy and community to rebuild post the pandemic.	- Significantly rebuilt our international aviation connections to around 90% of pre-COVID seat capacity. As of June 2023 we had 25 airlines flying to 40 destinations, up from just 12 airlines and 21 destinations while the border was closed. - Hosted the Auckland Airport Job Fair, to connect job seekers with career opportunities on our precinct. More than 3,000 job seekers were able to connect with 30 employers and discuss the more than 3,000 roles on offer. Five hundred roles (or 17%) were filled on the day. - Ran a sprint process with airlines and government border agencies to improve the customer experience for arriving international travellers. - Participated in government business delegations to promote New Zealand offshore to help rebuild our tourism and export industries.
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.	- A dedicated team has been formed to deliver our new customer strategy, which puts the customer at centre of our business, and ongoing improvements to customer experience at Auckland Airport. - Establishment of a centralised insights function within Auckland Airport so that we can build a better understanding of our customers, how they experience Auckland Airport and what they value. - Establishment of a centralised customer care, contact centre and social media team within Auckland Airport enabling us to communicate and respond quickly and directly with our customers when they need us. - Worked alongside our airport system partners (such as airlines, border agencies and groundhandlers) to drive improvements in customer experience for travellers at Auckland Airport as the local and global aviation system recovers from the pandemic. - Our Auckland Airport community came together to provide customer welfare and support such as food, shelter, blankets and other needs during the devastating Auckland floods and again during cyclone Gabrielle in early 2023. Our infrastructure partners, contractors and suppliers worked with us behind the scenes to get the airport back up and running again as soon as possible for our customers.
Aircraft noise We continue to work with our airline and air navigation partners to manage aircraft noise and the impact on people living and working beneath flight paths. Although aviation activity is still lower than pre-pandemic levels, aircraft noise has continued to increase during the 2023 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 2023, Auckland Airport continued to offer noise mitigation packages. We offered to install heat pumps, insulation and extraction fans in approximately 150 homes during the 2023 financial year.

Material issue	Progress in the 2023 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 moved all impacted employees to the 2023 Living Wage on 1 July (before the Government's 1 September date). - Tomokanga – our welcome to all new employees is held at the Auckland Airport marae – <i>Te Manukanuka o Hoturoa</i>, and continues to build a connection to our whenua. - Te reo Māori courses are available for all team members. Hōkai Tahi – is our beginners te reo and Hōkai Rua – intermediate. Sessions are held online and in person at the Auckland Airport marae – <i>Te Manukanuka o Hoturoa</i>, with a full pōwhiri welcome from kaumātua. Delivered by external consultants, the 10-week course helps our team members to improve their te reo Māori proficiency, learn key tikanga (customs) and share their learning with fellow colleagues across the business. - Our Employee Engagement Survey achieved a 90% response rate and a representative sample of all views across all business units. This provides reliable data indicating areas we must continue to work upon to improve our employee experience. - We are committed to supporting our people on their journey as parents by providing them with an enhanced Parental Leave Policy that offers both additional financial support beyond that prescribed by the Government, as well as ensuring that the transition into parenthood, and subsequently back into work, is as easy as possible. - Mental Health awareness through our 'Midday Mindfulness' sessions is available to all employees. - Health offerings including free flu vaccinations for staff and discretionary paid sick leave in relation to COVID-19 for all employees. - We continue to encourage paid volunteer leave for all permanent employees. - A hybrid working policy for roles that permit is embedded with a strong culture of trust around output.
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, country and the planet.	- The 2023 year brought with it several physical impacts of climate change to Auckland Airport. In January, Auckland Airport (along with the rest of Auckland) received a month's worth of rainfall in a single day which flooded the International Terminal Building. Two weeks later, high winds from Cyclone Gabrielle resulted in the closure of the runway due to unsafe working conditions for groundhandlers. - Since the January 2023 event, we have undertaken further precinct-wide modelling of flooding and inundation. - We have brought forward investment into the stormwater network and commenced the development of a stormwater masterplan which identifies the necessary upgrades and development of infrastructure, including new stormwater ponds. - We continue to be signatories of the Climate Leaders Coalition, committing to absolute carbon reduction as well as climate change mitigation, adaptation and transition. - We're engaging 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.

Material issue	Progress in the 2023 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.	• We continued to progress our decarbonisation pathway for scope 1 and 2 emissions, as outlined on page 61 of this report. • Our scope 3 emissions reporting has been expanded to improve transparency of our emissions inventory, including full flight emissions. • We introduced organic waste separation for food and beverage operators in the terminals. • Sustainability reporting requirements for carbon, waste and water use have been integrated into construction contracts to improve oversight of environmental performance during construction. • We installed additional charging stations for ground servicing equipment to support the conversion from diesel to electric on the airfield.
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.	• We continued to work 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. • We also continued to work alongside local iwi on the design of projects across the precinct, including the Transport Hub, terminal development and Mānawa Bay. • The Auckland Airport Job Fair was held to create employment opportunities for local people and connect them to jobs. • We supported community organisations through our 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 the 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.



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Governance



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

In light of the Auckland Airport's ongoing commitment to managing risks, the company established a new executive leadership position, a Chief Safety and Risk Officer, to focus on the identification, management and assurance of safety and risk management.

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. The Committee has direct communication with, and unrestricted access to, the internal and external auditors. The Committee meets with the internal and external auditors at least twice annually.

The Audit and Financial Risk Committee is required to form a view and make a recommendation to the Board each year that the company's interim and annual financial statements

are presented fairly, in all material respects, and in accordance with the relevant accounting standards, which is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board, and that those controls are operating in all material respects efficiently and effectively. In addition, the Audit and Financial Risk Committee is responsible for reviewing and recommending to the Board the approval of the company annual Climate Change Disclosure and Greenhouse Gas Emissions Inventory Report.

Safety and operational risk

Within our company strategy, Building a Better Future, we are clear that the health, safety and wellbeing (HSW) of our people, employees, contractors and stakeholders is our first priority. We are committed to providing an environment where people thrive. In FY23, we made significant progress in our HSW journey by shifting away from Destination Zero Harm to a People First strategy. In developing this strategy, there are principles that guide us in determining what is important and where we are heading.

These principles reflect the nature of HSW as something that emerges from successful work and we are encouraged to design programmes that empower people in delivering successful outcomes – wherever they are.

People First – we build an inclusive and participative culture where we place the health, safety and wellbeing of our people first and at the centre of decision making.

We focus on improving work – we learn from what goes well, not just what does not and we work with our people to build greater adaptability and resilience to difficult or different tasks.

We make health, safety and wellbeing easy – wherever possible, we don't add health, safety and wellbeing tasks onto the work being done but recognise that successful work will be safe and focus on improving work and workplaces instead. People are provided with the tools they need to do work well, without the need for unnecessary paperwork, unworkable rules, or compliance activity that does not add value.

The role of the Safety and Operational Risk Committee is to support the Board 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:

- Occupational health, safety and wellbeing
- Public safety and operational risk
- Cybersecurity risks
- Sustainability risks including physical and transitional climate change
- Enterprise risks (such as commercial operational risk, modern slavery risk, community and reputational matters).

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

As part of a continual review cycle and recognising the paramount importance of managing critical risks, the committee assesses and analyses the various critical risks and activities involved in managing them. This approach ensures that critical risks are proactively identified, evaluated, and controlled in a manner that safeguards the health, safety and wellbeing of employees, visitors and the overall business operations. Previously, the method of evaluating critical risks was completed through a bowtie process, however, in an ongoing commitment to enhance risk control effectiveness, a shift in approach occurred during FY23. The new process has been adopted to further strengthen risk management practices. Auckland Airport's critical risks include categories and subcategories across aircraft incidents, pedestrians vs vehicles, high-risk work, asset failure, uncontrolled release of energy, breach of security, chronic and acute impact on health, and acts of nature. The continuous review and evaluation of these critical risks enable the Safety and Operational Risk Committee to stay at the forefront of risk management practices.

The company has a Crisis Management Team (CMT), made up of leadership team members and senior employees from across the business which has an established governance structure to 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. In early 2023, the CMT was stood up in response to the severe weather events. During the January 2023 weather event the success of the CMT resulted in the reopening of the domestic terminal within 14 hours and the reopening of the international terminal within 36 hours. The CMT framework is always reviewed following critical incidents to identify areas of continuous improvement.

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. Auckland Airport has a sustainability policy which outlines the company's commitment to our sustainability strategy.

Auckland Airport recognises the role it has to play in eradicating modern slavery. In the 2023 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 strengthened our capability in this area by procuring modern slavery software for supplier onboarding and supply chain auditing.

The company will not tolerate any form of modern slavery in our operations or supply chain and we are committed to building a supply chain that is aligned with our 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 2022, Auckland Airport published its third 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 2023 financial year, Auckland Airport undertook comprehensive scenario analysis to further test the organisation's resilience to climate change. The results of the analysis, as well as more detail on Auckland Airport's climate-related risks and opportunities, are outlined in our 2023 Climate Change Disclosure Report which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the External Reporting Board (XRB) climate-related disclosures standards.

Auckland Airport is approved by the Ministry of Primary Industries (MPI) as a Place of First Arrival for international arriving aircraft, people and cargo to New Zealand. Auckland Airport's kaitiakitanga is beyond compliance, and therefore the company sees this MPI approval as a privilege, not a right, and with this comes significant responsibility. Auckland Airport's biosecurity policy outlines our commitment to this responsibility by proactively working with border agencies, health agencies, airlines and tenants to collaboratively keep New Zealand free of any new exotic pests and diseases. Auckland Airport has had an acute focus on maintaining a strong biosecurity awareness culture during the 2023 financial year through tailored awareness and training programmes delivered to our own employees, stakeholders and workers based at the airport. These efforts in building a biosecurity culture resulted in Auckland Airport being awarded the MPI Biosecurity Award in October 2022.

Corporate Governance

Auckland Airport's Board is responsible for the company's corporate governance. The Board is 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 2022 (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. Auckland Airport notes the amendments to the Corporate Governance Code which took effect from 1 April 2023, effective for companies with a financial year commencing after April 2023. Auckland Airport has undertaken to comply with the updated recommendation in this report and will fully incorporate the updated recommendations in the 2024 financial year.

The Board confirms that in the year to 30 June 2023 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, and to approve the annual budget and major investments
- Oversee the company's commitment to the community, environment and health and safety and to 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 to manage risks 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.



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:

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, Dist CFInstD, Dist FEngNZ	M	NZ	22 October 2015	7	Yes
Mark Binns	LLB	M	NZ	1 April 2018	4	Yes
Mark Cairns	BE (Hons), BBS, MMGT, FEngNZ, CFInstD	M	NZ	1 June 2022	1	Yes
Dean Hamilton	BCA, CMInstD	M	NZ	1 November 2018	4	Yes
Julia Hoare	BCom, FCA, CFInstD	F	NZ	23 October 2017	5	Yes
Liz Savage	BEng, MSc, MAICD	F	AUS	23 October 2019	3	Yes
Tania Simpson	BA, MMM, CFInstD	F	NZ	1 November 2018	4	Yes
Christine Spring	BE, MSc Eng, MBA, CMInstD	F	NZ	23 October 2014	8	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.

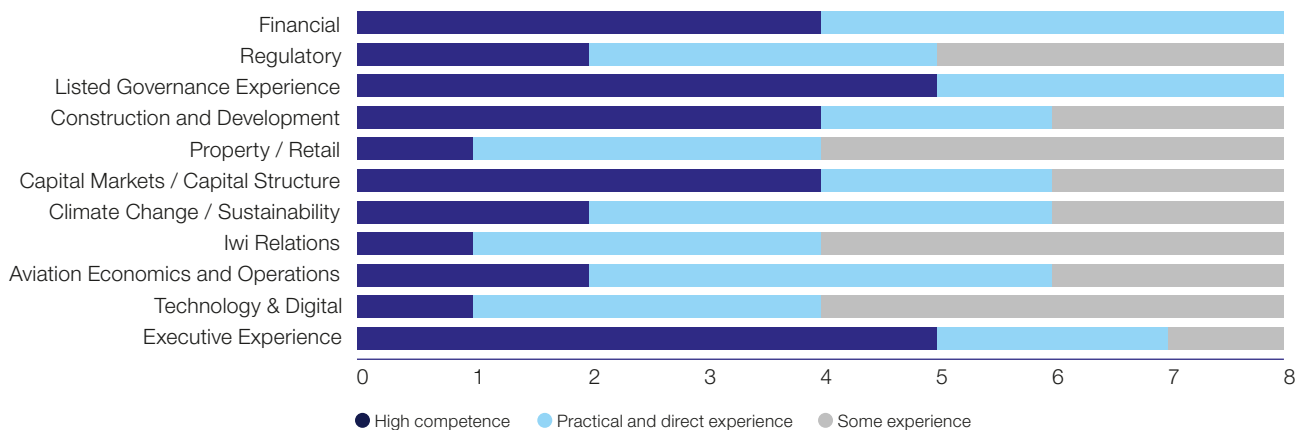
Future Director Programme

The Board is committed to supporting the next generation in governance in New Zealand as part of the Future Director Programme administered by the New Zealand Institute of Directors. The Board appointed Sarah Kearney as a Future Director in October 2022. The appointment of Sarah brings additional experience to the AIAL Board with areas of high competence in the Technology & Digital and Retail skills.

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's 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

Hōkai Tahi and Hōkai Rua | te reo Māori courses

We partner with Te Tari Consultants to deliver beginner Hōkai Tahi and intermediate Hōkai Rua te reo Māori courses. A second cohort of team members has completed their 10-week te reo Māori beginner and intermediate courses. Feedback on the course continues to be positive with many participants wanting to move on to complete the follow-up intermediate course Hōkai Rua.

This year a hybrid approach has been adopted with some sessions delivered on site at the Auckland Airport Marae – Te Manukanuka o Hoturoa, including a formal pōwhiri welcome by kaumātua.

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

	FY23				FY22		
	Male	Female	% Female	Age range	Male	Female	% Female
Board	4	4	50.0%	50 – 70	3	5	50.0%
Leadership team	4	4	50.0%	40 – 60	5	3	37.50%
Senior leaders	21	18	46.15%	35 – 65	17	13	43.33%
All other employees	314	218	37.7%	20 – 80	268	162	39.67%

Team member onboarding

Our new team member welcome morning, held at the Te Manukanuka o Hoturoa marae continues with ongoing positive response from new joiners. A review is underway to develop the offering to include introductions with key leaders and teams as well as the ever-popular airside tour.

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. Auckland Airport continues to make good progress in delivering its diversity and inclusion objectives although it has several areas of focus to improve on.

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 50 different nationalities being represented across the organisation, including 10% of people leaders identifying as Māori or Pasifika.

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 and the Board. 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. Christine Spring is a director who has reached a tenure of nine years with the Board. Christine was re-elected as a shareholder at the 2022 Annual Meeting and will continue with the Board to provide continuity on airport infrastructure skills.

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's 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. Board meetings include either a safety walk, an engagement with a business unit of the company or a 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. A formal review is currently underway.

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 chair of the Board attends all committee meetings ex-officio.

The Board has established the following standing committees.

Audit and Financial Risk Committee

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

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 People, Capability and Iwi Committee ensures that the company has sound remuneration policies and processes in place and 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: Liz Savage (Chair), Dean Hamilton, Tania Simpson, Christine Spring

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, 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 Aeronautical Pricing Committee has been established by the Board as an ad-hoc committee.

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.

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 2022 to 30 June 2023.

	Board	Audit and Financial Risk Committee ¹¹	Aeronautical Pricing Committee	Infrastructure Development Committee	Safety and Operational Risk Committee	People Capability and Iwi Committee
Number of meetings¹²	15	5	6	4	4	4
Patrick Strange	15	5	6	4	3	4
Mark Binns	15	1		4		3
Dean Hamilton	15	5	6		4	
Julia Hoare	15	5	6	4		
Elizabeth Savage	15	1	6		4	4
Tania Simpson	15	1			4	4
Christine Spring	15	2 ¹³	6	4	4	
Mark Cairns	15	5		4		

11. Full Board attendance is required annually at the Audit and Financial Risk Committee in August.

12. A joint Aeronautical Pricing Committee and Infrastructure Development Committee meeting was held on 9 November 2022 with the full Board in attendance.

13. Christine Spring retired as member of the Audit and Financial Risk Committee on 3 August 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 2023:

Patrick Strange	Held personally	18,832
	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	6,574
Julia Hoare	Held personally	9,583
Liz Savage	Held Personally	
	Held on behalf by other person	6,513
Tania Simpson	Held personally	6,574
Christine Spring	Held personally	16,967

No directors held any interests in debt securities (including listed bonds) in the company as at 30 June 2023.

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 2023:

Patrick Strange

Director, Mercury NZ Limited
Director, Transgrid Limited
(Australian company)

Mark Binns

Chair, Crown Infrastructure Partners Limited
Chair, Hynds Limited
Director, Te Puia Tapapa GP Limited
Trustee, Fletcher Building Retirement Plan

Mark Cairns

Chair, Freightways Limited
Director, Meridian Energy Limited

Dean Hamilton

Chair, Fulton Hogan Limited
Director, Ryman Healthcare Limited
Director, Tappenden Holdings Limited
Director, The Warehouse Group Limited

Julia Hoare

Deputy Chair, The a2 Milk Company Limited¹⁴
Chair, Port of Tauranga Limited (and associated companies)
Director, Meridian Energy Limited
Director, Comvita Limited

Liz Savage

Director, Intrepid Group Limited
(Australian company)
Director, North Queensland Airports
(Australian group of companies)
Director, PeopleIn Limited
(Australian company)
Director, Tiger Holdco Pty Ltd
(Australian company)

Tania Simpson

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, Western Sydney Airport Limited
(Australian company)
Director, NZ Windfarms Limited

14. Julia Hoare retired as Deputy Chair of The a2 Milk Company Limited on 30 June 2023.

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 stand-alone greenhouse gas inventory report. Information within the greenhouse gas inventory report is stated in accordance with the requirements of 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 its relationship with the external auditor and includes guidelines on the extent of non-audit services 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 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's 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 17 October 2023 at 10:00 am at Eden Park, 42 Reimer Avenue, 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 2023.

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

Shareholders may elect to have their dividends direct credited to their bank accounts. From time to time, the company also offers shareholders the opportunity to participate in a dividend reinvestment plan. As at the date of this report, the dividend reinvestment plan is operating. Further details are available at corporate.aucklandairport.co.nz/investors/shares-and-bonds.

Earnings per share

Earnings in cents per ordinary share were 2.93 cents in 2023 compared with 13.02 cents in 2022.

Credit rating

As at 30 June 2023, 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 2023 is below:

Size of holding	Number of shareholders	%	Number of shares	%
1 – 1,000	13,362	26.61	5,774,879	0.39
1,001 – 5,000	28,475	56.71	59,892,173	4.07
5,001 – 10,000	4,388	8.74	31,387,570	2.13
10,001 – 50,000	3,565	7.10	67,963,907	4.61
50,001 – 100,000	271	0.54	18,168,540	1.23
100,001 and over	152	0.54	1,289,633,878	87.5
Total	50,036	100%	1,472,820,947	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 2023 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 2023 was 1,472,820,947.

20 largest shareholders

The 20 largest shareholders of Auckland Airport as at 30 June 2023 are as follows:

Shareholders	Number of shares	% of capital
Auckland Council	266,328,912	18.08
HSBC Nominees (New Zealand) Limited ¹⁵	162,183,087	11.01
HSBC Nominees (New Zealand) Limited ¹⁵	148,210,613	10.06
JP Morgan Chase Bank ¹⁵	89,826,236	6.10
JP Morgan Nominees Australia Limited	66,054,516	4.48
Citibank Nominees (NZ) Limited ¹⁵	63,948,320	4.34
BNP Paribas Nominees NZ Limited Bpss40 ¹⁵	60,567,234	4.11
Custodial Services Limited	42,595,705	2.89
BNP Paribas Nominees Pty Ltd	42,160,123	2.86
HSBC Custody Nominees (Australia) Limited	36,902,934	2.51
Accident Compensation Corporation ¹⁵	33,757,543	2.29
Tea Custodians Limited ¹⁵	29,276,809	1.99
New Zealand Superannuation Fund Nominees Limited ¹⁵	17,991,798	1.22
Citicorp Nominees Pty Limited	15,295,521	1.04
Premier Nominees Limited ¹⁵	14,589,299	0.99
New Zealand Depository Nominee	14,114,904	0.96
BNP Paribas Nominees NZ Limited ¹⁵	12,639,504	0.86
Public Trust ¹⁵	10,500,589	0.71
Australian Foundation Investment Company Limited	10,299,845	0.70
Public Trust ¹⁵	9,668,655	0.66
Australian Foundation Investment Company Limited	10,299,845	0.70
National Nominees Limited ¹⁵	9,668,655	0.66

15. 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 (both acts to be replaced by the new Civil Aviation Act which comes into force 5 April 2025). 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 2023.

Donations

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

- Donated \$70,000 to various charities including to Life Education Trust Counties Manukau, Leukaemia & Blood Cancer New Zealand and The Polyfest Trust
- Donated \$20,000 to the Red Cross in relation to Cyclone Gabrielle
- Granted \$395,518 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 \$87,500 to the Ara Charitable Education Trust¹⁶.

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 2023 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

16. Total donations in kind to Ara Charitable Education Trust is \$400,000; this includes costs associated with rent and general maintenance costs.

Remuneration

Auckland Airport is committed to remuneration transparency. Accordingly, the company provides shareholders with detailed information about director and 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 both financial and non-financial targets set by the Board over two agreed components, being Purpose & People, Place, and Community. Each component carries a 50% weighting. Each component has a clear measure in place to determine achievement or non-achievement in any one year and will vary from year to year based on the organisation's priorities.

For the financial year to 30 June 2023, the categories featured under the company wide component were as follows:

- 50% Financial performance of the business;
- 50% on People – customer satisfaction, health, safety and wellbeing lead indicators; risk control effectiveness' and public perception.

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

Long-term incentive

Members of Auckland Airport's leadership team and the Chief Executive participate in the company's long-term incentive plan (LTI).

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.

Each grant under the LTI plan has two tranches with different performance hurdles:

- 50% of the grant is subject to the company achieving absolute Total Shareholder Returns (TSR) against the company's cost of equity, plus 1%;
- 50% of the grant is subject to the company's TSR performance in relation to a specified peer group (Dow Jones Brookfield Airports Infrastructure Index).

The Board retains discretion over the final outcome of the LTI plan to allow appropriate adjustment where unanticipated circumstances may impact performance over the three-year period.

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

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

Chief executive remuneration

CE Remuneration summary

Financial year	Chief executive	Salary	Benefits ¹⁷	Fixed remuneration subtotal	STI earned	LTI	Subtotal	Total remuneration
FY23	Carrie Hurihanganui	\$1,200,000	\$56,166	\$1,256,166	\$669,000	\$0 ¹⁸	\$669,000	\$1,925,166
FY22	Carrie Hurihanganui ¹⁹	\$481,529	\$19,147	\$500,676	\$272,219 ²⁰	\$0 ²¹	\$272,219	\$772,875
FY22	Adrian Littlewood ²²	\$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 ²³	\$1,151,437	\$2,516,864
FY20	Adrian Littlewood	\$1,241,743	\$80,382	\$1,322,125	\$0	\$461,757 ²⁴	\$461,757	\$1,783,882

17. Includes a Kiwisaver contribution of 3%, insurance and other statutory benefits.

18. The Chief Executive participated in FY23 long-term incentive plan.

19. 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.

20. The FY22 STI will be payable in the 2023 financial year.

21. The Chief Executive received a pro-rata allocation under the FY22 long-term incentive plan.

22. 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.

23. The FY21 long term incentive payment reflect the pre-tax value of the grant made in FY18.

24. The FY20 long-term incentive payment reflects the pre-tax value of the grant made in FY17.

Short-term incentives

The annual value of the short-term incentive scheme for the Chief Executive is set at 50% of their base salary (provided all performance targets are achieved). If performance is unsatisfactory in a category, then no short-term incentive is payable for that criterion. 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 delivery against financial performance, infrastructure programme, sustainability, PSE4 pricing consultation and culture.

The 50% company component of the Chief Executive's FY23 STI Scheme had the following weighting:

Category	Weighting
Purpose	50%
Budgeted EBITDA	
People	50%
Customer satisfaction, health, safety & wellbeing lead indicators, risk control effectiveness and public perception	

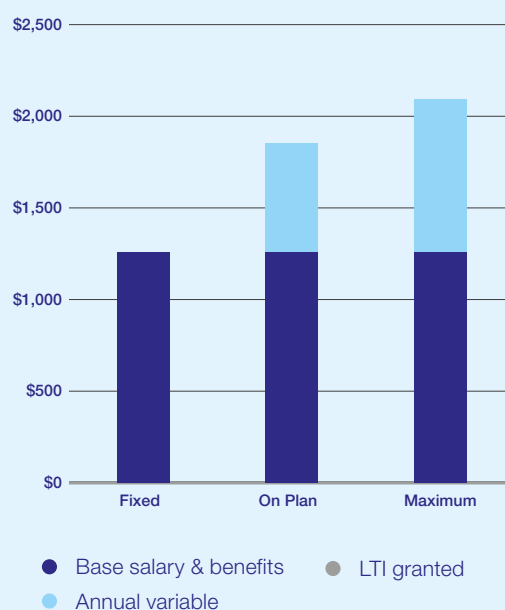
Long-term incentives

The Chief Executive participated (on a pro-rata basis) in the Auckland Airport long-term incentive plan in the 2023 financial year. As no Long Term Incentives were vested in the 2023 financial year, this is not reflected in the chart above.

Shares

The Chief Executive held 14,050 shares personally in the company as at 30 June 2023.

Chief Executive's remuneration performance pay



Employee remuneration

Below is the number of employees or former 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 2023 financial year.

Amount of remuneration	Employees	Amount of remuneration	Employees
\$100,001 to \$110,000	31	\$270,001 to \$280,000	3
\$110,001 to \$120,000	28	\$290,001 to \$300,000	2
\$120,001 to \$130,000	36	\$310,001 to \$320,000	2
\$130,001 to \$140,000	32	\$330,001 to \$340,000	2
\$140,001 to \$150,000	37	\$350,001 to \$360,000	3
\$150,001 to \$160,000	22	\$370,001 to \$380,000	1
\$160,001 to \$170,000	17	\$380,001 to \$390,000	1
\$170,001 to \$180,000	18	\$400,001 to \$410,000	2
\$180,001 to \$190,000	17	\$430,001 to \$440,000	1
\$190,001 to \$200,000	10	\$480,001 to \$490,000	1
\$200,001 to \$210,000	5	\$510,001 to \$520,000	1
\$210,001 to \$220,000	8	\$620,001 to \$630,000	1
\$220,001 to \$230,000	5	\$660,001 to \$670,000	1
\$230,001 to \$240,000	5	\$720,001 to \$730,000	1
\$240,001 to \$250,000	3	\$730,001 to \$740,000	1
\$250,001 to \$260,000	3	\$760,001 to \$770,000	1
\$260,001 to \$270,000	1	\$1,520,001 to \$1,530,000	1

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.

2023 financial year

In light of the ongoing impact of COVID-19 on the company, at the 2022 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 director's fee pool occurred in 2019. The directors have resolved to not seek any change to the total directors' fee pool in 2023.

In the 2023 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) ²⁵
Patrick Strange	\$260,350
Mark Binns	\$164,650
Mark Cairns	\$162,850
Dean Hamilton	\$171,517
Julia Hoare	\$197,317
Liz Savage	\$171,592
Tania Simpson	\$164,650
Christine Spring	\$165,542

25. The above director remuneration includes the 15% of the base fees payable after tax 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 due to meeting the minimum shareholding requirements and Elizabeth Savage who from 1 October 2020 has been contributing 20%.

Base fees of directors by position (from June 2023)

	Chair ²⁶	Member
Board	\$260,350	\$123,250
Aeronautical Pricing Committee (ad hoc)	–	–
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

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

Financial summary

The recovery in aviation activity has seen a significant improvement in the financial performance of Auckland Airport. With passenger movements up 183% on the prior year, Auckland Airport has returned an underlying profit for the first time since 2020.

Domestic passenger movements increased 90% on the prior year, reaching 8.1 million and representing 84% of the pre-COVID-19 equivalent. Similarly international passenger movements increased significantly in the period, up 480% on the prior year to 7.8 million movements and representing 67% of the pre-COVID-19 equivalent.

With the recovery in travel, total revenue for the year rose 108% to \$625.9 million with improved performance across all passenger driven lines of business. Aeronautical income increased by 132% to \$219.5 million, predominately as a result of the substantial increase in higher value international passengers. With the return of international passengers, retail income increased significantly in the year to \$130.9 million as all of the stores in the international terminal reopened to

serve the travelling public. The combined effects of completed property developments and rental growth in the existing portfolio resulted in property rental income continuing to increase, up 27% to \$142.9 million in the year.

Operating expenses increased to \$228.8 million in the year to 30 June 2023 reflecting the planned ramp up in activity and headcount as the aviation recovery commenced. Despite the higher operating costs, the benefits of economies of scale resulted in EBITDAFI increasing to \$397.1 million in the year to 30 June 2023 or 175%, up from \$144.5 million in the prior year. EBITDAFI margin increased from 48% in 2022 to 63% in 2023. Reported profit after tax of \$43.2 million in the 2023 financial year was down on the prior year, mainly driven by a \$139.7 million investment property revaluation loss. After excluding investment property revaluation loss and other one-off and unrealised items, the underlying result for the year was a profit of \$148.1 million, an improvement on the underlying loss of \$11.6 million in 2022.

	2023 \$M	2022 \$M	Change
Income	625.9	300.3	108%
Operating expenses	228.8	155.8	47%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	397.1	144.5	175%
Reported profit after tax	43.2	191.6	(77)%
Underlying profit after tax	148.1	(11.6)	1,377%
Earnings per share (cents)	2.9	13.0	(78)%
Underlying earnings per share (cents)	10.1	(0.8)	1,363%
Ordinary dividends for the full year			
– cents per share	4.0	–	n/a
– amount	58.9	–	n/a

Net capital expenditure of \$647.1 million (gross: \$650.9 million) was spent in the year across the precinct comprising enabling works associated with terminal integration, and also the Transport Hub, commercial property developments and Mānawa Bay capital investment.

The company's balance sheet remains strong, with banking facilities extended and credit metrics strengthening in the year.

Recognising Auckland Airport achieved an underlying profit after tax for the first time since FY20, your Board has resolved to pay a final dividend for the year of 4.0 cents per share.

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 2023 and 2022.

	2023			2022		
	Reported profit \$M	Adjustments \$M	Underlying profit \$M	Reported profit \$M	Adjustments \$M	Underlying profit \$M
EBITDAFI per Income Statement ²⁷	397.1	–	397.1	144.5	–	144.5
Investment property fair value change	(139.7)	139.7	–	204.4	(204.4)	–
Property, plant and equipment fair value change	(15.6)	15.6	–	(1.4)	1.4	–
Fixed asset write-offs, impairments and termination costs	–	2.8	2.8	–	6.9	6.9
Derivative fair value change	(0.7)	0.7	–	1.7	(1.7)	–
Share of profit / (loss) of associate and joint ventures	11.1	(3.6)	7.5	(12.8)	17.2	4.4
Depreciation	(145.3)	–	(145.3)	(113.1)	–	(113.1)
Interest expense and other finance costs	(62.7)	–	(62.7)	(53.7)	–	(53.7)
Taxation (expense) / benefit	(1.0)	(50.3)	(51.3)	22.0	(22.6)	(0.6)
Profit / (loss) after tax	43.2	104.9	148.1	191.6	(203.2)	(11.6)

27. 2023 EBITDAFI included fixed asset write-offs, impairments and termination costs of \$3.8 million. 2022 included \$6.9 million.

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2023 and 2022:

- we have reversed out the impact of revaluations of investment property in 2023 and 2022. 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 2023 and 2022;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2023 and 2022. 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 2023 and 2022 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 2023 and 2022 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
Melanie Dooney, Chief Corporate Services Officer
André Lovatt, Chief Infrastructure Officer
Chloe Surridge, Chief Operations Officer
Scott Tasker, Chief Customer Officer
Mark Thomson, Chief Commercial Officer
Mary-Elizabeth Tuck, Chief Sustainability and Masterplanning Officer
Richard Wilkinson, Chief Digital Officer (August 2023)
Darren Evans, Chief Safety and Risk Officer (November 2023)

Registered office New Zealand

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Freephone: 0800 Airport (0800 247 7678)
Facsimile: +64 9 275 4927
Email: tellus@aucklandairport.co.nz
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Facsimile: +61 3 9288 6666
Website: www.kpmg.com.au

Share registrars

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PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

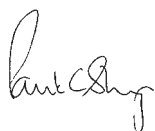
General Counsel and Company Secretary

Ian Beaumont, Russell McVeagh

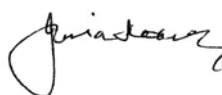
Auditors

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

This annual report is dated 24 August 2023 and is signed on behalf of the Board by:



Patrick Strange
Chair of the Board



Julia Hoare
Director

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AKL

Building a Better Future

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Financial Statements

This annual report covers the performance of Auckland International Airport Limited (Auckland Airport) from 1 July 2022 to 30 June 2023. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2023 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2023

Introduction

Following a year of strong aeronautical and commercial recovery, Auckland Airport is pleased to present the financial results for the year to 30 June 2023.

With the full reopening of the country's border, the 2023 financial year saw a strong recovery in travel as people returned to the skies to visit friends, family, holiday and travel for business. Coupled with this increase in travel, Auckland Airport saw a recovery in the airport's international network with 25 airlines connecting Auckland to 40 destinations around the globe during the 2023 financial year, up from 17 airlines and 28 destinations in the prior year. This provided greater choice for Kiwi travellers and bolstered the recovery in our important tourism industry.

On 8 June 2023, Auckland Airport reset its aeronautical prices for the remainder of the price setting event for the 2023 to 2027 financial years (PSE4). We are committed to delivering much-needed investment in aeronautical infrastructure at Auckland Airport and the price setting announcement set out our long-term roadmap for upgrading New Zealand's busiest gateway. The 10-year roadmap sets out the regulated investment including the construction of a new domestic terminal, investment in contingent runway operations to safeguard resilience, a new baggage system to transform luggage handling, airfield upgrades, a new transport hub as well as important investment in roading. This investment will allow us to continue to cater for tourism and trade growth to New Zealand, improve the customer and passenger experience and also deliver improved efficiencies.

With improved financial performance coming from the recovery in passenger numbers and confidence around the future, Auckland Airport will resume the payment of dividends to shareholders with the announcement of a final dividend for the year ended 30 June 2023.

As travellers continue to return, we remain confident about the future. We are committed to delivering a new, connected national gateway that does justice to Auckland, New Zealand and the expectations of our global visitors when they come to Aotearoa New Zealand. During this period of investment, we remain focused on delivering excellent customer service and financial results. Through an unwavering focus customer service, while also investing for future needs, we will continue to deliver strong results for our customers, our community, our country, our people and our investors.

This financial report analyses our results for the 2023 financial year and its key trends. It covers the following areas:

- 2023 Financial performance;
- 2023 Financial position; and
- 2023 Returns for shareholders.

2023 Financial performance

This financial performance summary provides an overview of the financial results and key trends for the year ended 30 June 2023 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.

A summary of the financial results for the year to 30 June 2023 and the 2022 comparative is shown in the table below.

	2023	2022	
	\$M	\$M	Change
Income	625.9	300.3	108%
Operating expenses	228.8	155.8	47%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	397.1	144.5	175%
Reported profit after tax	43.2	191.6	(77)%
Underlying profit after tax	148.1	(11.6)	1,377%
Earnings per share (cents)	2.9	13.0	(78)%
Underlying earnings per share (cents)	10.1	(0.8)	1,363%
Ordinary dividends for the full year			
- cents per share	4.0	-	n/a
- dollars	58.9	-	n/a

In the 2023 financial year, revenue increased by 108% on the prior year to \$625.9 million reflecting the recovery in travel and ongoing investment property development.

Aeronautical revenues increased 132% to \$219.5 million reflecting the significant increase in higher-value international passengers in the year. The recovery in international travel enabled a reopening of the stores in the international terminal driving a 477% increase in Retail revenue to \$130.9 million.

Carparking income rose 120% to \$57.7 million, as the heightened traveller preference for using own cars over public transport, taxis and ride share that arose during the pandemic continued into the 2023 financial year. The two hotels located on the precinct traded well in the year, with occupancy rising significantly during the year and averaging 75% for the financial year. Property rental income delivered another year of strong growth, up 32% in the period, reflecting a mix of newly completed developments and rental growth from the existing portfolio.

Operating expenses rose 47% in the year to \$228.8 million as the recovery in aviation necessitated higher staff numbers and an increase in asset management, maintenance and airport operations to service the recovery in aviation activity.

Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) rose 175% to \$397.1 million in the year as economies of scale enabled EBITDAFI margin to increase to 63%, up from 48% in the year to 30 June 2022.

Our reported profit after taxation for the 2023 financial year was down 77% to \$43.2 million, driven in part by a \$139.7 million investment property revaluation loss. After removing the impact of investment property and other revaluation movements booked to the income statement, Auckland Airport reported an increase in underlying profit after taxation to \$148.1 million.

In June 2023, your Board revised Auckland Airport's dividend policy to pay 70% to 90% 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 range, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time. Reflecting our confidence in the ongoing recovery in travel, Auckland Airport has declared a final dividend for the year to 30 June 2023 of 4.0 cents per share. This is our first dividend payment since payment of the final dividend for the 2019 financial year in October 2019.

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) or when we consider dividends. However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result.

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2023 and 2022.

	2023			2022		
	Reported profit \$M	Adjustments \$M	Underlying profit \$M	Reported profit \$M	Adjustments \$M	Underlying profit \$M
EBITDAFI per Income Statement¹	397.1	-	397.1	144.5	-	144.5
Investment property fair value change	(139.7)	139.7	-	204.4	(204.4)	-
Property, plant and equipment fair value change	(15.6)	15.6	-	(1.4)	1.4	-
Fixed asset write-offs, impairments and termination costs	-	2.8	2.8	-	6.9	6.9
Derivative fair value change	(0.7)	0.7	-	1.7	(1.7)	-
Share of profit / (loss) of associate and joint ventures	11.1	(3.6)	7.5	(12.8)	17.2	4.4
Depreciation	(145.3)	-	(145.3)	(113.1)	-	(113.1)
Interest expense and other finance costs	(62.7)	-	(62.7)	(53.7)	-	(53.7)
Taxation (expense) / benefit	(1.0)	(50.3)	(51.3)	22.0	(22.6)	(0.6)
Profit / (loss) after tax	43.2	104.9	148.1	191.6	(203.2)	(11.6)

¹ 2023 EBITDAFI included fixed asset write-offs, impairments and termination costs of \$3.8 million. 2022 included \$6.9 million.

2023 Financial performance CONTINUED

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2023 and 2022:

- we have reversed out the impact of revaluations of investment property in 2023 and 2022. 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, runways, taxi ways, aprons and infrastructure classes of assets within property, plant and equipment in 2023 and land and building classes of assets within property, plant and equipment in 2022;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2023 and 2022. These fixed asset write-offs, 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 2023 and 2022 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 2023 and 2022 financial years.

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Revenue

In the 2023 financial year, revenue increased by 108% to \$625.9 million with the recovery in international travel driving higher revenue across all passenger-driven lines of business.

The table below summarises revenue by line of business for the financial year to 30 June 2023 and the prior period comparative.

	2023	2022	
	\$M	\$M	Change
Operating revenue			
Airfield landing charges	75.6	46.5	63%
Aircraft parking charges	11.0	14.4	(24)%
Total airfield income	86.6	60.9	42%
Passenger services charge	132.9	33.8	293%
Total aeronautical income	219.5	94.7	132%
Retail income	130.9	22.7	477%
Car park income	57.7	26.2	120%
Total retail and car park income	188.6	48.9	286%
Rental income - Property	142.9	112.9	27%
Rental income - Aeronautical	26.7	16.0	67%
Rental income - Retail	1.0	0.8	25%
Total rental income	170.6	129.7	32%
Rates recoveries	12.7	8.6	48%
Interest income	3.2	0.3	967%
Flood related income	5.0	-	
Other income	26.3	18.1	45%
Total revenue	625.9	300.3	108%

Airfield income

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

Total airfield income increased by \$25.7 million, or 42%, to \$86.6 million with 144,421 aircraft movements, up 68% from the prior year reflecting the increase in air services as a result of the removal of travel restrictions both in New Zealand and around the world.

Total MCTOW across both international and domestic landings increased by 76% in the year, driven by the strong recovery in international services which are typically provided by larger aircraft compared to the smaller domestic equivalent.

2023 Financial performance CONTINUED

	2023	2022	Change
Aircraft movements			
International	42,423	18,315	132%
Domestic	101,998	67,748	51%
Total aircraft movements	144,421	86,063	68%
MCTOW (tonnes)			
International MCTOW	4,043,717	2,115,128	91%
Domestic MCTOW	2,028,201	1,343,150	51%
Total MCTOW	6,071,918	3,458,278	76%
Cargo volume			
Volume of international cargo movements (tonnes)	165,503	180,941	(9)%

Airfield parking charges income was \$11.0 million in the 2023 financial year, a decrease of 24% on the prior year, driven by fewer aircraft being parked on the airfield given increased aircraft movements.

Cargo

Cargo volumes transiting through Auckland Airport were down 9% in the year to 30 June, consistent with a global decline in air cargo driven by weaker factory activity and a significant reduction in ocean shipping prices.

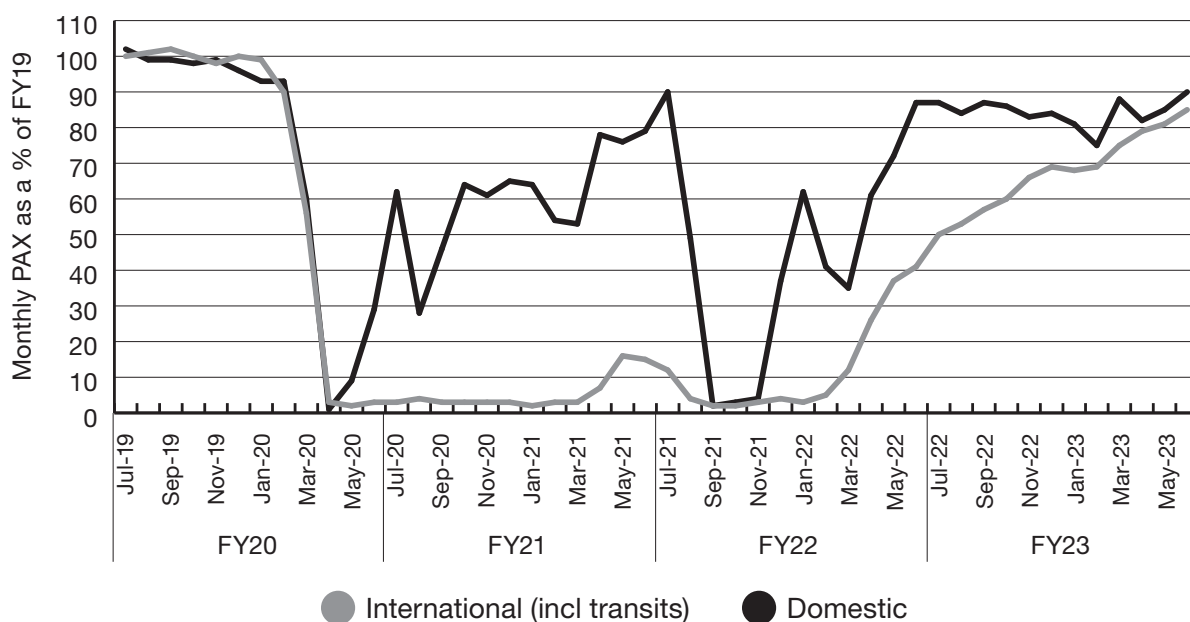
Passenger services charge

Passenger services charge (PSC) income increased by 293% to \$132.9 million in the 2023 financial year as a result of increased passenger movements.

Passenger movements are a significant driver of value for Auckland Airport, with the majority of aeronautical revenue coming from PSCs.

	2023	2022	Change
Total aircraft seat capacity			
International aircraft seat capacity	9,501,003	2,385,277	298%
Domestic aircraft seat capacity	9,435,382	6,014,790	57%
Total seat capacity			
Auckland Airport passenger movements			
International arrivals	3,635,079	596,104	510%
International departures	3,539,392	656,657	439%
International passengers excluding transits	7,174,471	1,252,761	473%
Transit passengers	599,084	88,114	580%
Total international passengers	7,773,555	1,340,875	480%
Domestic passengers	8,087,709	4,261,271	90%
Total passenger movements	15,861,264	5,602,146	183%

Monthly passenger volumes



International passenger movements

International passenger numbers, excluding transits, increased by 473% or 5.9 million passengers in the year to 30 June 2023, up to 7.2 million in the year and recovering to 86% of the 2019 financial year pre-COVID equivalent by the end of the year. This was a very strong outcome versus the 1.3 million international passenger movements seen in the year to 30 June 2022, a year that was still significantly disrupted by a closure of the country's border.

Our work to grow reconnect Auckland and with it, New Zealand to the world has been very successful with the number of international airlines operating at Auckland Airport growing from 17 in the 2022 financial year to 25 in 2023. The increased number of airlines has driven significantly higher capacity across all international markets, with the number of international destinations available for travellers similarly growing from 28 in the 2022 financial year to 40 in 2023 financial year.

With travel restrictions removed, it was pleasing to see New Zealanders once again travelling to undertake business, go on holidays or reconnect with friends, family or loved ones. This resulted in international arrivals by Kiwis who reside in New Zealand being up 452% to 1,774,116.

The full reopening of the border also bolstered our tourism industry which brings financial benefits to businesses across New Zealand. The additional services to the United States helped deliver an increase in American visitor arrivals of 205,314 or 1396% and Australian visitors increased by 532,952 (353%). Arrivals from China increased by 72,539 or 1203% following a welcome return of Chinese passengers services late in the third quarter of the financial year.

2023 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 2023 financial year.

Country of last permanent residence	International passenger arrivals			Share of total 2023 arrivals	Share of total 2022 arrivals
	2023	2022	Change		
New Zealand	1,774,116	321,636	452%	49%	54%
Australia	684,129	151,177	353%	19%	25%
United States of America	220,026	14,712	1,396%	6%	2%
United Kingdom	130,981	17,272	658%	4%	3%
China, People's Republic of	78,569	6,030	1,203%	2%	1%
India	66,610	6,434	935%	2%	1%
Canada	48,484	4,476	983%	1%	1%
Germany	38,689	2,096	1,746%	1%	0%
Fiji	33,410	2,715	1,131%	1%	0%
Korea, Republic of	33,072	2,152	1,437%	1%	0%
Japan	32,782	1,895	1,630%	1%	0%
Singapore	28,547	3,990	615%	1%	1%
French Polynesia	20,824	1,093	1,805%	1%	0%
South Africa	19,656	2,578	662%	1%	0%
Taiwan	19,272	1,089	1,670%	1%	0%
Malaysia	19,199	1,980	870%	1%	0%
France	18,754	1,442	1,201%	1%	0%
Samoa	18,505	5,877	215%	1%	1%
Hong Kong (Special Administrative Region)	16,397	2,739	499%	0%	0%
Tonga	15,834	1,528	936%	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 (17%) and visiting friends and relatives (20%).

Purpose of visit		2023	2022	Change	Share of total
Foreign residents	Holiday/vacation	599,217	25,945	2,210%	17%
	Visit friends/relatives	702,234	134,021	424%	20%
	Business/conference	165,536	23,735	597%	5%
	Education/medical	29,344	2,009	1,361%	1%
	Other (Incl. not stated/not captured)	216,091	40,630	432%	6%
New Zealand residents		1,774,116	321,636	452%	51%

Source: Statistics New Zealand

Domestic passenger movements

Domestic passenger movements increased by 90% or 3.8 million passenger movements in the year to 30 June 2023, recovering to 90% of the 2019 equivalent by the end of the year. This growth was delivered through increased passenger movements on main trunk jet services which were up 88%. Regional passenger movements also grew, up 97% in the year.

Reflecting COVID-19 related airline capacity shortages, domestic load factors (and air fares) remained elevated in the year, averaging 86% on services out of Auckland, versus the pre-COVID equivalent of 84%. Load factors increased despite the higher average fares seen throughout the year.

At 30 June 2023, domestic capacity remains 89% of the pre-COVID equivalent with the number of aircraft operating in the domestic market, particularly the main trunk routes, below their pre-COVID equivalent.

Aeronautical prices

In January 2022, Auckland Airport's Board agreed to hold aeronautical charges for the first year of Price Setting Event 4, being the financial year to 30 June 2023, flat with prices in 2022.

On 8 June 2023, Auckland Airport announced its aeronautical charges for the remaining four-year period of Price Setting Event 4 to 30 June 2027. Following holding aeronautical charges flat for the first year, charges are scheduled to rise in each of the remaining years of the pricing period due to the combined effects of recovering the \$100 million-plus shortfall in aeronautical revenues earned in year one due to the price freeze, higher target return than the previous pricing period, the significant aeronautical capital investment to be delivered during PSE4 and the lower total passenger numbers forecast for PSE4 than was forecast when PSE3 prices were set.

	2022 (\$)	2023 (\$)	2023 price change	2024 (\$)	2024 price change %
International PSC ¹	15.49	15.49	0%	21.20	37%
Domestic PSC ¹	3.10	3.10	0%	5.05	63%
Regional PSC ¹	2.64	2.64	0%	4.53	72%
Transits PSC ¹	6.24	6.24	0%	21.20	240%

¹ PSC charges applied to passengers two years and older.

The PSC for transit passengers will increase in the 2024 financial year to align with that paid with international passengers, but the transits PSC will continue to apply only to the inbound movement. This adjustment best reflects the usage of the terminal infrastructure by transit passengers and is consistent with the transit charges of other airports.

Retail income

Auckland Airport earns concession revenue from retailers within the Domestic and International Terminals, including Duty Free, Speciality, 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, Rental Car commission and Strata Lounge income.

2023 Financial performance **CONTINUED**

With the recovery in international travel, the retail precinct in the International Terminal strongly reopened during the year. With the international precinct open for a significant portion of the year, retail income rose by \$108.2 million in the year to 30 June 2023 to \$130.9 million. Auckland Airport's total retail income per passenger was \$8.41 for the year, up 106% on the prior year. This reflects store openings, increased trading hours, strong Rental Car performance, re-opening of the Strata Lounge and an improved contribution from Auckland Airport's online platform, The Mall.

During the year Auckland Airport ran a competitive re-licencing process and subsequently transitioned to a single Duty Free operator model at the International Terminal. In June 2023, Aelia Duty Free (owned by Lagardère Travel Retail SAS) became the sole duty-free retailer operating at Auckland Airport, after successfully winning an extension of its contract in December 2022 until mid-2025. Initial trading observations since the switch to a single operator has been positive with basket sizes and average transaction values in line with pre-COVID equivalent. Income from The Mall and Collection Point increased in the year reflecting an expanded product offering and new luxury operators combined with strong passenger growth driving higher spend during the year.

Car parking income

Car parking income in the 2023 financial year was \$57.7 million, an increase of \$31.5 million or 120% on the prior year.

The increase in passenger travel resulted in strong income growth for all parking products. Total exits were up 140% in the period across all parking products. The largest increase was in Valet reflecting the competitiveness of Auckland Airport's Valet offering and the closure throughout the 2023 financial year of the closest car park to the international terminal as construction of the Transport Hub progressed.

The average revenue per parking space increased by 135% on the prior year to \$5,761 reflecting greater use of higher value Valet product and parking proximate to the terminals. In addition, during the year we saw the average length of stay extend as passengers travelled for longer duration than in the prior year.

Income from parking proximate to the Domestic and International Terminals rose 115% on the prior year, with Domestic parking reaching 102% of the pre-COVID equivalent, but international parking only reaching 60% owing to reduced international parking spaces because of the Transport Hub development. The recovery in travel, reduced parking close to the terminal and the provision of more frequent bus services contributed to an increase in Park & Ride income, reaching 103% of the pre-COVID equivalent.

The table below outlines the number of car parking spaces available at 30 June 2023 and 30 June 2022.

Parking capacity as at 30 June	2023	2022	Change	Change
Domestic Terminal	3,176	3,196	(20)	(1)%
International Terminal	2,638	2,600	38	1%
Park and Ride	1,400	2,000	(600)	(30)%
Valet	1,995	1,995	-	-
Staff	3,172	2,572	600	23%
Total	12,381	12,363	18	0%

In June 2022, the main car park outside the International Terminal closed to allow enabling works for the new Transport Hub to begin. Work on the Transport hub is progressing well with the new covered public pickup/drop-off facility expected to open first half of calendar 2024, with the upper levels of parking to follow later that year. The completion of the Transport Hub will add 2,100 car parks proximate to the terminal precinct, a covered public drop off / pick up area, dedicated spaces for Valet, buses, taxis and ride share services.

During the financial year, work began on a new Park & Ride facility located along Puhinui Drive. When completed, Park & Ride South will add 3,000 spaces for staff and public use.

Until the reopening of the Transport Hub and Park & Ride South, Auckland Airport will continue to optimise capacity, including upgrading customers to Valet to provide the required capacity for staff and the travelling public.

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 year to 30 June 2023 was \$170.6 million, an increase of \$40.9 million, 32% on the prior year.

Commercial Property

Commercial Property rental income, excluding aeronautical and retail rental income was \$142.9 million in 2023, an increase of \$30.0 million, or 27%, on the prior year. \$8.4 million of revenue growth was related to revenue recognised earlier for accounting purposes than actual cash receipts. This is because, for properties with fixed future rental increases, the accounting rules require total revenues over the entire lease period to be divided by the number of years of the lease in order to recognise each year in the financial statements as the average annual rental income. A further \$2.7 million reflected the completion of new property assets and the full-year impact of developments completed during the previous financial year, with a further \$8.8 million due to net rental increases across the pre-existing portfolio and the removal of \$4.9 million of rental abatements that were offered to tenants in 2022 financial year.

Due to significant increases in construction costs and lower levels of vacancy and available development land, market rental growth increased dramatically in FY23. While future rental growth rates are expected to soften, significant rental growth is still expected over the next few years as market review dates are reached on the pre-existing portfolio.

Newly completed developments in the year included those for Healthcare Logistics and Kerry Logistics. Rental income is expected to continue to grow through 2024 and beyond with nine investment property developments currently under construction which are expected to add \$40 million in annual rental income.

Rent roll, being the contractual rental income (excluding hotel income) from all existing properties and those under development increased to \$147 million in the year, up 15% on the prior year.

The Commercial Property portfolio at 30 June 2023 is valued at \$2.9 billion.

Hotels

Income from the ibis Budget Hotel increased compared to the previous financial year reflecting the increase in demand as travel resumed. Occupancy rates increased steadily through the year as demand recovered and more rooms became available for sale as labour shortages were resolved. The hotel also surpassed its average daily rate record twice in the 2023 financial year.

The ibis continues to be one of the highest performing hotels in the country. Together with the Novotel, the Auckland Airport hotel portfolio has established itself as its own market which has been less affected by supply and demand shocks compared to the wider Auckland hotel market.

Other rental income

With travel underway, airlines and rental car companies resumed operations in leased areas of the terminals resulting in rental income of \$27.7 million for the year, up from \$16.8 million in 2022.

2023 Financial performance **CONTINUED**

Flood related income

In January 2023, Auckland Airport experienced flash flooding caused by record breaking rainfall, particularly in the international terminal. Both terminals were closed for short periods of time, with domestic flights resuming at midday the following day and international flights in the morning a day later. Auckland Airport has material damage, business interruption and construction works insurance policies in place. During the year ended 30 June 2023, Auckland Airport's insurers agreed to an initial payment of \$5.0 million, which has been recognised as income.

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 \$26.3 million, an increase of \$8.2 million, or 45%, on the previous financial year as transport licence fees increased reflecting the strong recovery in passenger travel.

Expenses

Total expenses including depreciation, interest and taxation were \$437.8 million in the 2023 financial year, an increase of \$137.2 million, or 46%, on the prior year.

Operating expenses

With the recovery in travel, Auckland Airport prudently scaled up its operations during the year to cater for the increase in activity and also incurred \$8.4 million of flood related operating expenses.

Total operating expenses (i.e. excluding depreciation, interest and taxation) were \$228.8 million in the 2023 financial year, an increase of \$73.0 million, or 47%, on the prior year.

	2023 \$M	2022 \$M	Change
Operating expenses			
Staff	63.3	50.0	27%
Asset management, maintenance and airport operations	89.8	66.7	35%
Rates and insurance	31.8	21.0	51%
Marketing and promotions	6.7	1.4	379%
Professional services and levies	8.2	4.3	91%
Fixed asset write-offs and termination costs	4.8	6.9	(30)%
Reversal of fixed asset impairment and termination costs	(1.0)	-	
Flood related expense	8.4	-	
Other	19.2	6.1	215%
Expected credit losses	(2.4)	(0.6)	(300)%
Total operating expenses	228.8	155.8	47%
Depreciation	145.3	113.1	28%
Interest	62.7	53.7	17%
Taxation	1.0	(22.0)	105%
Total expenses	437.8	300.6	46%

Staff costs increased by a net \$13.3 million, or 27%, in the year. This primarily reflects increased headcount to scale up the business operationally for the ongoing recovery in aviation activity, as the majority of increased staff costs in the infrastructure delivery teams were capitalised to work in progress or commissioned assets during the year. Total employees at Auckland Airport at 30 June 2023 were 579, up 24% on the 468 employees and 30 June 2022.

Asset management, maintenance and airport operation expenses increased by \$23.1 million, or 35% in the 2023 financial year. This increase similarly reflects a

scaling up of activity-based costs such as outsourced operations including baggage handling, bus services parking operations to service rapidly growing passenger numbers. Repairs and maintenance activities increased as a result of higher activity levels. Following the recent purchase of previously Airways-owned airfield lighting, Auckland Airport has begun a programme to upgrade and improve the reliability of this system. The purchase of these assets and a lift in asset maintenance across the precinct has contributed to a \$16.9 million increase in repairs and maintenance in the year.

Rates and insurance expenses increased by \$10.8 million, or 51%, in 2023 reflecting higher council and insurance costs.

Marketing and promotional activity increased in the year as Auckland Airport supported airlines to reconnect into Auckland and also supported our commercial partners to reopen their operations to serve the travelling public.

Fees for professional services increased by \$3.9 million or 91%, to \$8.2 million in the 2023 financial year, reflecting the additional consulting work required to support the recovery of the business and secondly work associated with aeronautical pricing for price setting event 4.

During the 2023 financial year, Auckland Airport wrote-off or impaired a net \$3.8 million of fixed assets associated with capital expenditure projects that have now been assessed to be insufficiently certain 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 long-term Arrivals expansion project at the international terminal and future development of a new regional terminal.

Flood related expenses of \$8.4 million were suffered in the financial year in relation to the January 2023 flooding event.

Other expenses increased by \$13.1 million to \$19.2 million in the 2023 financial year reflecting a loss on the write down of decommissioned assets, increased software as a service costs and higher operating expenses arising from increased hotel activity.

Depreciation

Depreciation expense in the 2023 financial year was \$145.3 million, an increase of \$32.2 million, or 28%, on the previous financial year. This increase was driven by the increase in the book value of assets as a result of revaluations in 2022, which contributed to an additional \$24.4 million in the year. The balance of the increase reflected the combined effects of new assets commissioned in the year and the full year effect of assets commissioned in prior years.

Interest

Gross interest expense increased in the 2023 financial year to \$82.1 million, an increase of \$20.4 million, or 33%, on the prior year. This reflected the combined effects of higher average debt levels as Auckland Airport continued its investment programme, and the average cost of debt increasing to 5.03% in the year compared to 4.32%.

The increased capital investment also drove an increase in capitalised interest which rose by \$11.4 million, or 143% to \$19.4 million.

Net interest expense on the income statement increased \$9.0 million (or 17%) on the prior year to \$62.7 million.

Taxation

Taxation expense was \$1.0 million in the 2023 financial year, up from a \$22.0 million credit in the prior year. This change 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 \$51.3 million, \$50.7 million higher underlying tax expense of \$0.6 million in 2022. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

2023 Financial performance **CONTINUED**

Share of profit from associates

Our total share of the profit from associates in the 2023 financial year was \$11.1 million, significant up on the \$12.8 million share of loss of associates in the 2022 financial year. This profit comprised our share of the Tainui Auckland Airport Hotel Limited Partnership (TAAH) profit of \$4.5 million, Auckland Airport's share of Queenstown Airport's profit of \$5.6 million, and a revaluation gain from the Tainui Auckland Airport Hotel 2 Limited Partnership (TAAH2) of \$1.0 million.

On an underlying basis, these fair value adjustments are excluded and this resulted in an underlying share of profit of associates of \$7.5 million which comprised \$1.9 million from TAAH, \$nil million from TAAH2 and \$5.6 million from Queenstown Airport. This was a \$3.1 million increase on the \$4.4 million profit in the 2022 financial year.

Queenstown Airport

Queenstown Airport's net profit after tax for the 2022 financial year increased significantly to \$22.7 million. Auckland Airport's 24.99% share of Queenstown Airport's net profit after tax was \$5.6 million, a \$5.3 million increase on the \$0.3 million profit in the previous financial year.

	2023 \$M	2022 \$M	Change
Financial performance			
Total revenue	59.6	26.8	122%
EBITDAFI	43.9	14.0	214%
Total net profit after tax	22.7	1.1	1,964%
Passenger performance			
Domestic passenger volume	1,633,459	1,096,655	49%
International passenger volume	736,861	37,889	1,845%
Total passengers	2,370,320	1,134,544	109%

Queenstown Airport's passenger volumes were up 109% in the 2023 financial year to 2.4 million with international passengers up significantly on the prior year due to the full reopening of the country's border during the financial year. Domestic passengers were up by 49% on the prior year reflecting no domestic travel restrictions in 2023 that impacted travel in 2022.

In the 2023 financial year, Auckland Airport received a dividend from our investment in Queenstown Airport of \$1.8 million. On 17 August 2023, the directors of Queenstown Airport declared a final dividend of \$9.6 million for the year ended 30 June 2023. Auckland Airport's share of the dividend is \$2.4 million.

Tainui Auckland Airport Hotel Limited Partnership

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

In July 2022, the Novotel hotel reopened to the public following being used exclusively as a managed isolation facility since March 2020. As part of its extensive refurbishment following operating as a managed isolation facility, the Novotel donated a range of surplus equipment to local charities to benefit the local community.

Hotel occupancy improved significantly throughout the year from 27% at June 2022 to 90% at 30 June 2023, resulting in an average 71% for the twelve months to 30 June 2023.

In the 2023 financial year, Auckland Airport's share of underlying profit from this investment was \$1.9 million, a decrease of \$2.2 million compared with the previous year. Auckland Airport's share of the joint venture's reported profit in the 2023

financial year was \$4.5 million, which includes \$2.7 million of property revaluation gains and \$0.1 million of derivative fair value loss.

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 Te Arikini Pullman Auckland Airport Hotel during the year. The second and final phase of construction to complete the remaining interior fit-out works of the hotel is nearing completion with the hotel expected to open before the end of the 2023 calendar 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.

In the 2023 financial year, Auckland Airport's share of net profit after tax from this investment was \$1.0 million.

Fair value changes

In the 2023 financial year, investment property fair value changes resulted in a loss in the income statement of \$139.7 million with the main driver of this fair value decrease being an expansion in market capitalisation rates.

The land, runways, taxi ways, aprons and infrastructure classes within property, plant and equipment was revalued as at 30 June 2023. These revaluations resulted in a combined \$203.0 million increase in the carrying value of this asset class, comprising of a \$15.6 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a \$218.6 million increase in revaluation reserve.

2023 Financial position

	2023	2022	
As at 30 June	\$M	\$M	Change
Non-current assets	10,668.5	10,078.1	6%
Current assets	160.8	74.8	115%
Total assets	10,829.3	10,152.9	7%
Non-current liabilities	1,855.6	1,391.9	33%
Current liabilities	596.2	610.1	(2)%
Equity	8,377.5	8,150.9	3%
Total equity and liabilities	10,829.3	10,152.9	7%

As at 30 June 2023, the book value of Auckland Airport's total assets was \$10,829.3 million, an increase of \$676.4 million, or 8%, on the prior financial year. The increase in total assets reflects the combined effects of the \$647.1 million net capital expenditure in the year and the \$203.0 million revaluation gain relating to the property, plant and equipment asset class, partially offset by the \$139.7 million investment property revaluation loss.

Shareholders' equity as at 30 June 2023 increased by \$226.6 million, or 5% higher than that at 30 June 2022. The movement in equity largely reflects the upwards revaluations of property and plant and equipment booked to non-current assets in the 2023 financial year.

Gearing, measured as debt to debt plus the market value of shareholders' equity, increased to 18.2% as at 30 June 2023, from 15.6% as at 30 June 2022.

Capital expenditure

For the financial year to 30 June 2023, gross capital expenditure totalled \$650.9 million (before impairments), up 150% on the prior year reflecting a significant increase in aeronautical, property and parking investment. Adjusting for \$3.8 million (2022: \$6.9 million) of write-offs and impairments, net capital expenditure for the year was \$647.1 million.

Underpinning the significant increase in capital expenditure in the year was activity on the Terminal Integration Programme, a multi-billion programme of works which will deliver a new domestic jet terminal integrated with the existing international terminal. Prior to 2023 this programme of works has primarily been design focused, however in 2023 elements of the programme have transitioned from design to delivery activity resulting in a significant lift in investment. Projects in this programme with significant physical works in 2023 include the new Transport Hub and a new Eastern Bag Hall.

Auckland Airport continued to invest in asset resilience and renewal initiatives in the year including projects such as runway and apron pavement renewals as well as upgrades to our airfield lighting.

In addition to our aeronautical investment, property development has more than doubled in 2023 driven by activity on a pipeline of preleased developments negotiated in the prior year and the new Mānawa Bay shopping centre which are all expected to open in calendar 2024.

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

Category	2023		Net capex \$M	2022		Key 2023 projects
	Gross capex \$M	Write-offs and impairments \$M		Net capex \$M	Change	
Aeronautical	329.2	(3.8)	325.4	119.4	173%	Activity in the year was dominated by design activity on the new Domestic Terminal, delivery activity on key projects within the Terminal Integration Programme such as the new Eastern Bag Hall, Operations Control Centre, Baggage Systems, terminal utility networks and airfield relocations which enables the commencement of construction of the new Domestic Terminal pier in 2024. In addition, activity recommenced on an airfield expansion project to north of Pier B which will deliver additional aircraft stand capacity which is required to offset a reduction in stand capacity during construction of the new domestic processor. Aside from Terminal Integration aeronautical investment in 2023 included airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishments and asset renewals in both terminals.
Infrastructure and other	53.0	-	53.0	67.1	(21)%	Activity in the year was dominated by investment in upgrades to the roading network including the development of Te Ara Korako Drive, a new east-west link road between George Bolt Memorial Drive and Nixon Road, upgrade to Lawrence Stevens Drive including High Occupancy Vehicle lanes and the implementation of a new fibre network across the precinct to increase overall network resilience. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	133.3	-	133.3	54.8	143%	Activity in the year included continued construction activity on the Mānawa Bay Outlet Centre and two existing preleased developments that are forecast for completion in 2024, completion of the preleased development at 6-8 Te Kapua Drive and an expansion of Kerry Logistics and commencement of design and delivery activity on four new preleased developments which are scheduled for delivery across 2024 and 2025.
Retail	0.3	-	0.3	0.4	(25)%	Retail capital expenditure in 2023 included design activity of the retail offering in the international arrivals hall and which is scheduled for delivery in 2024.
Car parking	135.0	-	135.0	11.4	1,084%	Activity in the year primarily related to the construction works for the new multi storey Transport Hub, a key project in the overall Terminal Integration programme as additional pick up and drop off facilities and car parking capacity will be required when domestic jet operations are relocated to the new integrated terminal building. The first stage of the Transport Hub is planned to open in 2024 and the full facility in the 2025 financial year. In addition, delivery activity on Park & Ride South continued which will increase overall parking capacity and is scheduled to become operational in 2024.
Total	650.9	(3.8)	647.1	253.1	156%	

Capital expenditure outlook for 2024

Capital investment for the year to 30 June 2024 is forecast to increase on the 2023 year as work continues on a range of strategic projects alongside the ongoing investment in aeronautical upgrades, retail, transport and commercial property projects. In view of this investment right across the precinct capital expenditure for the 2024 financial year is forecast to be between \$1,000 million and \$1,400 million.

2023 Financial position CONTINUED

Category	Forecast range	
	Low	High
	\$M	\$M
Aeronautical	560	810
Infrastructure and other	75	140
Property development	180	220
Retail and car parking	185	230
Total capital expenditure	1,000	1,400

Aeronautical capital expenditure activity in the 2024 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 and a new western truck dock. Upgrades to arrivals to accommodate increased screening requirements are also planned to continue in 2024 alongside construction of the Transport Hub. In addition, airfield and terminal renewal works will continue whilst in 2024 there will be a stronger focus on asset renewals in the existing Domestic Terminal.

Infrastructure and other projects in the 2024 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 2024 include the completion of five preleased warehouse developments, progressing the design and construction activity on two pre-leased developments and the Mānawa Bay Outlet Centre, all of which are planned to be completed in 2025. Aside from these developments, Auckland Airport will continue to explore opportunities for new preleased developments.

Aside from the development of the Transport Hub, Auckland Airport plans to complete development of the Park & Ride South project which will provide car parking capacity and provide laydown and contractor parking facilities which will be required for the large terminal integration works and other strategic development projects.

Borrowings

As at 30 June 2023, Auckland Airport's total borrowings were \$1,817.1 million, an increase of \$340.5 million or 23% 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 2023, Auckland Airport's borrowings comprised: AMTN notes totalling \$271.1 million; New Zealand fixed rate bonds totalling \$889.2 million; New Zealand floating rate bonds totalling \$250.0 million; drawn bank facilities totalling \$240 million; and commercial paper totalling \$166.8 million.

Short-term borrowings with a maturity of one year or less totalled \$428.8 million as at 30 June 2023 and comprised \$166.8 million of commercial paper, \$225 million of New Zealand fixed rate bonds and \$37 million of drawn bank facilities.

Borrowings by type

Borrowings by type



Commercial paper	(9.1%)
Bank facilities	(13.0%)
Floating bonds	(13.6%)
Fixed bonds	(48.8%)
AMTN	(15.4%)

The AMTN borrowings were revalued downwards at year-end reflecting higher interest rates. The AMTN debt carrying value decreased by \$8.7 million over the year. 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 2023, Auckland Airport had fixed rate bonds outstanding with a face value of \$900 million and floating rate notes of \$250 million. A new \$225 million fixed rate bond, issued in November 2022, has a matching fair value interest rate swap that converts the fixed interest payments to a floating rate exposure. The fair value of this bond remained broadly consistent with issue pricing at 30 June. However, the \$150 million fixed rate bond issued in November 2021 that is also matched by a fair value interest rate swap was revalued down by a further \$2.1 million in the year to June 2023. 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 bonds is available in note 18(a) of the Financial Statements.

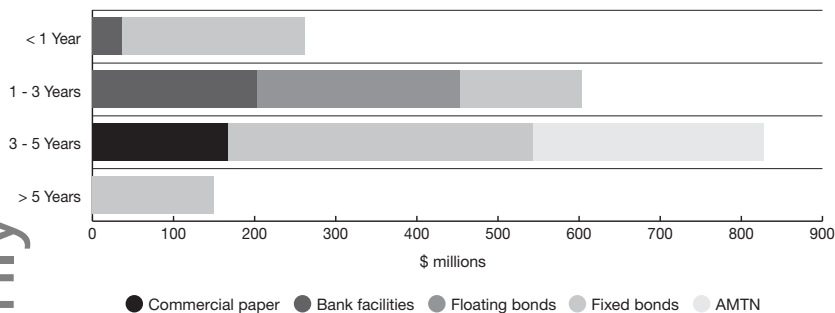
As at 30 June 2023, Auckland Airport had total bank facilities of \$1,203 million, of which \$240 million was drawn and \$963 million was available in a standby capacity. These drawn and undrawn facilities are held with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

2023 Financial position CONTINUED

The commercial paper programme had a balance of \$166.8 million at 30 June 2023. As the commercial paper is supported by undrawn facilities which mature in November 2026, they are included in the three-to-five year bracket for the purpose of the following debt maturity profile chart as at 30 June 2023, matching the maturity of the supporting bank facilities.

Debt maturity profile at 30 June 2023

Debt maturity profile at 30 June 2023



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	Test	2023	2022
Gearing	≤ 60%	18.2%	15.6%
Interest Coverage	≥ 2.0x	6.57x	2.58x
Debt to enterprise value		12.7%	12.3%
Net debt to enterprise value		12.0%	12.1%
Funds from operations interest cover	≥ 2.5x	5.0x	2.6x
Funds from operations to net debt	≥ 11.0%	18.5%	6.4%
Weighted average interest cost		5.03%	4.32%
Average debt term to maturity		2.65	2.29
Percentage of fixed borrowings		63.2%	71.5%

Credit rating

As at 30 June 2023, Standard & Poor's long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'.

Cash flow

	2023	2022	
Cash flow summary	\$m	\$m	Change
Net cash inflow from operating activities	325.1	101.2	221%
Net cash outflow from investing activities	(595.6)	(283.2)	(110)%
Net cash inflow / (outflow) from financing activities	352.0	127.2	177%
Net increase (decrease) in cash held	81.5	(54.8)	249%

Net cash inflow from operating activities was \$325.1 million in the 2023 financial year, an increase of \$223.9 million, or 221%, on the previous financial year. This reflected increased business activity following the relaxation of travel restrictions.

Net cash outflow applied to investing activities was \$595.6 million in the 2023 financial year, an increase of \$312.4 million, or 110% on the prior year reflecting increased capital expenditure on infrastructure and commercial property during the year.

Net cash inflow from financing activities was \$352.0 million in the 2023 financial year, an increase of \$224.8 million on the previous financial year. The inflow for the current year was a result of additional borrowings undertaken in 2023, partially offset by a repayment of maturing facilities.

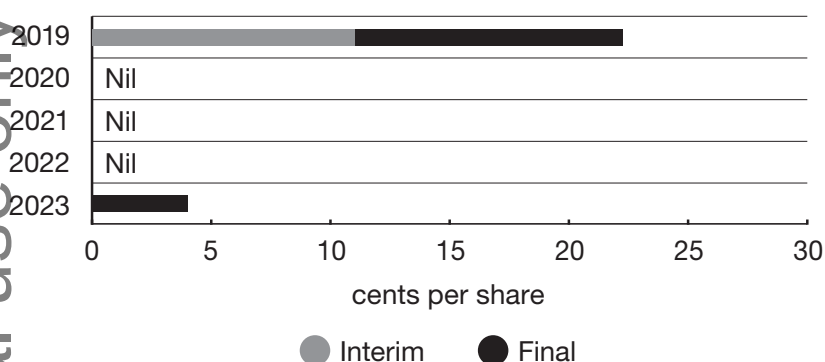
2023 Returns for shareholders

Dividend policy

Auckland Airport suspended dividend payments in March 2020 as part of its COVID response. Following a return to profitability, in June of 2023 Auckland Airport announced a revised dividend policy to pay between 70% to 90% 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 range, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

Auckland Airport has declared a final dividend for the year to 30 June 2023 of 4.0 cents per share. The table below summarises the dividends paid to shareholders over the five-year period to 30 June 2023.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price at 30 June 2023 was \$8.55, a 19% increase on the \$7.18 share price at 30 June 2022.

Average annual shareholder return over the five-year period to 30 June 2023 was 5.4%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	\$	\$	\$	\$	
1 July 2018 to 30 June 2023	6.78	8.55	0.2625	2.0325	5.4%

Other key performance indicators

In addition to the performance metrics mentioned earlier in this Financial Commentary, Auckland Airport also monitors a range of other non-financial performance measures. One of these areas relates to service quality and the second environmental measures.

Airport service quality

Auckland Airport undertakes a quarterly survey of airport service quality (ASQ) and benchmarks its performance against a range of airports that travellers can connect to from Auckland Airport.

The most recent results are summarised in the table below. The increased variety of shops and restaurants available in the International Terminal as well as increased satisfaction with wireless connectivity helped the ASQ score in the international terminal increase to 4.13 from 3.93 in the prior year. However, ASQ in the domestic

terminal fell slightly to 3.89 from 4.03 in 2022 driven by a decline in satisfaction with cleanliness in the terminal. Recognising this, changes were made to cleaning processes that resulted in promising improvement in the domestic terminal ASQ in the second half of the year.

Year ended 30 June	2023	2022	Change
International	4.13	3.93	5%
Domestic	3.89	4.03	(3)%

Environmental

Auckland Airport was one of New Zealand's early adopters of sustainability principles and has made considerable progress in the areas of emissions reductions, energy savings and waste management.

Auckland Airport acknowledges the impact the aviation industry has on the environment and we are seeking to reduce our impact, and also that of our industry partners on the environment. We are tracking our progress in reducing our impact on the environment against the 2019 baseline, with the table below summarising our carbon emissions, water usage and waste generated by our operations.

Year ended 30 June	2023	2019 baseline	Change
Scope 1 and 2 carbon emissions (tCO ₂ e)	4,291	5,895	(27)%
Water usage (m ³)	268,622	375,968	(29)%
Waste landfill (tonnes)	2,392	2,462	(3)%

This year, our scope 1 and 2 emissions have decreased as we make progress against our decarbonisation pathway. Natural gas use has decreased with the introduction of our first electric heat pump which has reduced the need for gas boilers to operate at full capacity.

With the recovery in travel, passenger numbers have increased significantly resulting in higher water usage and waste being generated from passenger activity. Water usage increased in the year to 30 June 2023 by 74% to 268,622m³ and waste to landfill increasing to 2,392 tonnes, up from 722 tonnes in the year to 30 June 2022. The increased construction activity was a significant contributor to the larger increase in waste to landfill. We have introduced a dedicated role focused on waste minimisation to ensure the trend of growth in waste does not continue.

Financial statements

FOR THE YEAR ENDED 30 JUNE 2023

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Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$M	2022 \$M
Income			
Airfield income		86.6	60.9
Passenger services charge		132.9	33.8
Retail income		130.9	22.7
Rental income		170.6	129.7
Rates recoveries		12.7	8.6
Car park income		57.7	26.2
Interest income		3.2	0.3
Flood-related income	3(f)	5.0	-
Other income		26.3	18.1
Total income		625.9	300.3
Expenses			
Staff	5	63.3	50.0
Asset management, maintenance and airport operations		89.8	66.7
Rates and insurance		31.8	21.0
Marketing and promotions		6.7	1.4
Professional services and levies		8.2	4.3
Fixed asset write-offs, impairment and termination costs	5	4.8	6.9
Reversal of fixed asset impairment and termination costs	5	(1.0)	-
Flood-related expense	3(f)	8.4	-
Other expenses		19.2	6.1
Expected credit losses/(release)		(2.4)	(0.6)
Total expenses		228.8	155.8
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)¹		397.1	144.5
Investment property fair value change	12	(139.7)	204.4
Property, plant and equipment fair value change	11(a)	(15.6)	(1.4)
Derivative fair value change	18(b)	(0.7)	1.7
Share of profit/(loss) of associate and joint ventures	8	11.1	(12.8)
Earnings before interest, taxation and depreciation (EBITDA)¹		252.2	336.4
Depreciation	11(a)	145.3	113.1
Earnings before interest and taxation (EBIT)¹		106.9	223.3
Interest expense and other finance costs	5	62.7	53.7
Profit before taxation		44.2	169.6
Taxation expense/(benefit)	7(a)	1.0	(22.0)
Profit after taxation attributable to the owners of the parent		43.2	191.6
		Cents	Cents
Earnings per share			
Basic earnings per share	10	2.93	13.02
Diluted earnings per share	10	2.93	13.01

¹ EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

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Financial statements

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$M	2022 \$M
Profit for the year		43.2	191.6
Other comprehensive income			
Items that will not be reclassified to the income statement			
Flood related fixed asset impairments	3(f)	(21.0)	-
Net property, plant and equipment revaluation movement	11(a), 16(b)	218.6	75.8
Tax on the property, plant and equipment revaluation reserve	16(b)	(40.4)	(128.5)
Movement in share of reserves of associate and joint ventures	8, 16(f)	11.2	13.9
Items that will not be reclassified to the income statement		168.4	(38.8)
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges			
Fair value losses/(gains) recognised in the cash flow hedge reserve	16(d)	19.1	85.5
Realised gains transferred to the income statement	16(d)	0.2	9.1
Tax effect of movements in the cash flow hedge reserve	16(d)	(5.4)	(26.5)
Total cash flow hedge movement		13.9	68.1
Movement in cost of hedging reserve	16(e)	-	(0.8)
Tax effect of movement in cost of hedging reserve	16(e)	-	0.2
Items that may be reclassified subsequently to the income statement		13.9	67.5
Total other comprehensive income		182.3	28.7
Total comprehensive income for the year, net of tax attributable to the owners of the parent		225.5	220.3

The notes and accounting policies on pages 31-80 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 2023

	Notes	Issued and paid-up capital \$M	Cancelled share reserve \$M	Property, plant and equipment revaluation reserve \$M	Share-based payments reserve \$M	Cash flow hedge reserve \$M	Cost of hedging reserve \$M	Share of reserves of associate and joint ventures \$M	Retained earnings \$M	Total \$M
For the year ended 30 June 2023										
At 1 July 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
Profit for the year		-	-	-	-	-	-	-	43.2	43.2
Other comprehensive income		-	-	157.2	-	13.9	-	11.2	-	182.3
Total comprehensive income		-	-	157.2	-	13.9	-	11.2	43.2	225.5
Reclassification to retained earnings	16(b), 16(c)	-	-	(10.1)	(0.6)	-	-	-	10.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.5	-	-	-	-	0.5
At 30 June 2023		1,680.8	(609.2)	5,187.3	2.0	31.6	(1.7)	62.1	2,024.6	8,377.5
For the year ended 30 June 2022										
At 1 July 2021		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), 16(c)	-	-	(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

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2023

	Notes	2023 \$M	2022 \$M
Non-current assets			
Property, plant and equipment	11(a)	7,548.3	6,986.1
Investment properties	12	2,882.1	2,897.4
Investment in associate and joint ventures	8	193.1	166.5
Derivative financial instruments	18	45.0	28.1
		10,668.5	10,078.1
Current assets			
Cash and cash equivalents	13	106.2	24.7
Trade and other receivables	14	51.6	28.5
Taxation receivable		1.4	21.6
Derivative financial instruments	18	1.6	-
		160.8	74.8
Total assets		10,829.3	10,152.9

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

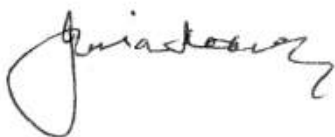
	Notes	2023 \$M	2022 \$M
Shareholders' equity			
Issued and paid-up capital	15	1,680.8	1,680.2
Reserves	16	4,672.1	4,500.0
Retained earnings		2,024.6	1,970.7
		8,377.5	8,150.9
Non-current liabilities			
Term borrowings	18(a)	1,388.3	961.0
Derivative financial instruments	18	25.3	15.7
Deferred tax liability	7(c)	438.5	411.9
Other term liabilities		3.5	3.3
		1,855.6	1,391.9
Current liabilities			
Accounts payable and accruals	17	159.9	87.1
Derivative financial instruments	18	-	0.9
Short-term borrowings	18(a)	428.8	515.6
Provisions	21	7.5	6.5
		596.2	610.1
Total equity and liabilities		10,829.3	10,152.9

These financial statements were approved and adopted by the Board on 23 August 2023.

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 2023

	Notes	2023 \$M	2022 \$M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		593.3	287.0
Interest received		3.2	0.3
		596.5	287.3
Cash was applied to:			
Payments to suppliers and employees		(213.5)	(134.6)
Income tax paid/(received)		-	-
Interest paid		(57.9)	(51.5)
		(271.4)	(186.1)
Net cash flow from operating activities	6	325.1	101.2
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		-	0.4
Dividends received from associate and joint ventures	8	1.8	3.0
		1.8	3.4
Cash was applied to:			
Property, plant and equipment additions		(465.1)	(224.8)
Interest paid – capitalised	11(a), 12	(19.4)	(8.0)
Investment property additions		(106.8)	(39.8)
Investment in joint ventures	8	(6.1)	(14.0)
		(597.4)	(286.6)
Net cash flow applied to investing activities		(595.6)	(283.2)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings	18(a)	753.0	200.6
Settlement of cross-currency interest rate swaps		-	(1.4)
		753.0	199.2
Cash was applied to:			
Decrease in borrowings	18(a)	(401.0)	(72.0)
		(401.0)	(72.0)
Net cash flow applied to financing activities		352.0	127.2
Net (decrease)/increase in cash held		81.5	(54.8)
Opening cash brought forward		24.7	79.5
Ending cash carried forward	13	106.2	24.7

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2023

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Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

1. Corporate information

Auckland International Airport Limited (the company or Auckland Airport) is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the *Companies Act 1955*. The 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 23 August 2023.

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.

Climate-related disclosure standard

In 2021, the New Zealand Government passed legislation to introduce mandatory climate-related disclosures for large publicly listed companies, insurers, banks, non-bank deposit-takers and investment managers. This means that for the reporting periods starting on or after 1 July 2023, Auckland Airport will be required by law to publish annual disclosures on the impact of climate change on the business. The New Zealand External Reporting Board (XRB) has published a suite of standards in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), the global best-practice benchmark for climate-related reporting. The final standards were published in December 2022.

Auckland Airport has begun to apply the XRB's standards from 1 July 2022, a year before full compliance with the new standards is required.

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) Fair value hierarchy

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.

(f) 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.

(g) 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.

Revaluation surpluses are transferred from the property, plant and equipment revaluation reserve to retained earnings on derecognition of the asset or if the asset is transferred to investment properties.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

2. Summary of significant accounting policies CONTINUED

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.

(h) 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 the 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(g)).

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(m)). The group assesses lease incentives and receivables for impairment at each reporting date and recognises impairment losses as prescribed by NZ IFRS 9.

(i) 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).

(j) 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.

(k) 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.

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).

(l) 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.

(m) 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(h)).

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.

Insurance proceeds

Insurance proceeds are recognised as income when the recovery of incurred damages is virtually certain.

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.

(n) 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

2. Summary of significant accounting policies CONTINUED

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.

(o) 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

The financial position and performance of the group continued to reflect the ongoing recovery of the aviation industry from the COVID-19 pandemic. The timing of full traffic recovery to pre-pandemic levels remains uncertain and constrained by staffing shortages and return of aircraft to service across the industry.

During February 2022, Auckland Airport renegotiated its bank facility interest coverage covenants for a transitional period until December 2024. The following table sets out the EBITDA-based interest coverage covenants.

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

Auckland Airport's actual interest coverage for the 12 months ended 30 June 2023 was 6.52x. Given the strong rebound in the aviation market during the year ended 30 June 2023 and industry-wide optimism for further recovery, 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(m) and note 5); and
- Impairment and write-off of capital works in progress (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.

(f) Flood-related insurance matters

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

Material damage

Auckland Airport suffered flood damage to assets across its precinct. The most significant areas of damage were to check-in, baggage and vertical transportation at the international terminal building. Auckland Airport has material damage,

business interruption and construction works insurance policies in place.

The group has engaged independent experts to estimate the likely extent of damage. The experts do not yet have sufficient information to complete a full assessment.

As a result, these financial statements include a number of significant judgements and estimates related to the flood event. It is possible that the actual financial impacts will differ from those included in these financial statements and these differences may be material. Details of the judgements and estimates made are provided in the following parts of this note.

Asset impairment and write-off

The group has commenced the repair and replacement of damaged assets. Repairs completed during the year ended 30 June 2023 have been recognised as an expense during the period. Assets that have been replaced during the period have been treated as a disposal with the cost of replacement recognised as capital expenditure.

Impairments are recognised for any assets that remain damaged at year end. Impairments are recognised in the consolidated 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. The group has engaged independent experts to identify damaged assets and estimate the extent to which the carrying value in the financial statements may be impaired. However, assessments remain incomplete.

Other insurance

In addition to recovery of the expected reconstruction costs, Auckland Airport is able to seek recovery of additional items, including the following:

- Business interruption costs and loss of revenue while the Auckland precinct was closed or affected by the flood;
- Costs of professional advisors assisting the company as a result of the flood; and
- Additional ongoing operating costs as a result of the damage.

The additional expenses are recognised when incurred and any recovery of these items is recognised when recovery is virtually certain.

Insurance recovery income

The group recognises the expected insurance proceeds when they can be reliably estimated and the recovery is virtually certain. The insurers have acknowledged the flood event damage. However, as described above, assessments of the full extent and costs to remediate are incomplete.

During the year ended 30 June 2023, the insurers agreed to an initial payment of \$5.0 million, which the group has recognised as income.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

3. Significant accounting judgements, estimates and assumptions CONTINUED

The flood related amounts recognised during the year ended 30 June 2023 in the consolidated income statement and the consolidated statement of comprehensive income are shown in the table below:

	Notes	2023 \$M
Income		5.0
Material damage		5.0
Expenses		(8.4)
Staff		(0.2)
Asset management, maintenance and airport operations		(7.3)
Marketing and promotions		(0.1)
Professional services and levies		(0.2)
Other expenses		(0.3)
Fixed asset write-offs and impairment ¹		(0.3)
Other comprehensive income		(21.0)
Flood-related fixed asset impairments ²		(21.0)

¹ Flood related expenses include \$0.3 million relating to fixed asset impairments.

The group also incurred \$21.0 million of flood related fixed asset impairments, through other comprehensive income, which were related to the Aeronautical segment. Refer to note 3(f) and 11(c) for further information.

² Recognised in Property, plant and equipment revaluation reserve.

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.

From 2 May 2022, New Zealand's international border progressively reopened, initially to visa waived countries. From 1 August 2022, New Zealand's international border reopened to all passengers. The group did not provide

abatements to aeronautical customers during the year ended 30 June 2023 (2022: \$1.3 million). Refer to note 3(d) 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.

Ongoing COVID-19 impacts continued to affect retailers within the terminals, and the group provided \$57.9 million (2022: \$172.5 million) of abatements to retailers during the year ended 30 June 2023. Refer to note 3(d) 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 \$0.2 million (2022: \$4.9 million) of rent abatements to property tenants during the year ended 30 June 2023.

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2023 financial year accounted for 27% of external revenue (2022: 30%). 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 2023				
Income from external customers				
Airfield income	86.6	-	-	86.6
Passenger services charge	132.9	-	-	132.9
Retail income	-	130.9	-	130.9
Rental income	26.7	1.0	142.9	170.6
Rates recoveries	0.8	3.5	8.3	12.6
Car park income	-	57.7	-	57.7
Flood-related income	5.0	-	-	5.0
Other income	8.1	8.2	5.1	21.4
Total segment income	260.1	201.3	156.3	617.7
Expenses				
Staff	34.8	4.3	4.4	43.5
Asset management, maintenance and airport operations	47.3	20.3	5.7	73.3
Rates and insurance	7.2	7.9	14.2	29.3
Marketing and promotions	2.4	3.1	0.8	6.3
Professional services and levies	1.1	0.5	1.4	3.0
Fixed asset write-offs, impairment and termination costs	3.8	1.0	-	4.8
Reversal of fixed asset impairment and termination costs	-	(1.0)	-	(1.0)
Flood-related expenses	8.4	-	-	8.4
Other expenses	4.2	1.9	2.7	8.8
Total segment expenses	109.2	38.0	29.2	176.4
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)¹	150.9	163.3	127.1	441.3

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 2023

4. Segment information CONTINUED

	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
Reversal of fixed asset impairment and termination costs	-	-	-	-
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.

(e) Reconciliation of segment income to income statement

	2023 \$M	2022 \$M
Segment income	617.7	296.3
Interest income	3.2	0.3
Other revenue	5.0	3.7
Total income	625.9	300.3

(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.

	2023	2022
	\$M	\$M
Segment EBITDAFI¹	441.3	174.0
Unallocated external operating income	8.2	4.0
Unallocated external operating expenses	(52.4)	(33.5)
Total EBITDAFI as per income statement¹	397.1	144.5
Investment property fair value (decrease)/increase	(139.7)	204.4
Property, plant and equipment revaluation	(15.6)	(1.4)
Derivative fair value increase/(decrease)	(0.7)	1.7
Share of profit/(loss) of associate and joint ventures	11.1	(12.8)
Depreciation	(145.3)	(113.1)
Interest expense and other finance costs	(62.7)	(53.7)
Profit before taxation	44.2	169.6

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 2023

5. Profit for the year

	Notes	2023 \$M	2022 \$M
Retail and rental income includes:			
Variable lease payments		86.5	15.7
Rent abatements		(58.1)	(178.7)
Staff expenses comprise:			
Salaries and wages		51.6	43.6
Employee benefits		5.7	5.8
Share-based payment plans		(0.1)	0.9
Defined contribution superannuation		2.0	1.7
Government wage subsidy		-	(4.2)
Other staff costs		4.1	2.2
		63.3	50.0
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs – property, plant and equipment	11(a)	2.1	0.8
Impairment – property, plant and equipment	11(a)	2.7	6.1
Write-offs – investment properties	12	-	-
		4.8	6.9
Flood-related fixed asset write-offs, impairment and termination costs comprise:			
Impairment – flood-related property, plant and equipment	11(a)	0.3	-
		0.3	-
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of impairment – property, plant and equipment	11(a)	(1.0)	-
		(1.0)	-
Other expenses include:			
Directors' fees		1.6	1.5
Bad debts written off		2.4	-
Loss on foreign currency movements		0.1	-
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		41.9	29.2
Interest on bank facilities and related hedging instruments		18.0	19.7
Interest on AMTN notes and related hedging instruments		14.9	9.8
Interest on commercial paper and related hedging instruments		7.3	3.0
		82.1	61.7
Less capitalised borrowing costs	11(a), 12	(19.4)	(8.0)
		62.7	53.7
Interest rate for capitalised borrowing costs		5.03%	4.32%

The interest expense amounts disclosed in the table above include the effect of interest rate hedges. The gross interest costs of bonds, bank facilities, Australian Medium Term Notes ('AMTN') and commercial paper, excluding the impact of interest rate hedges, was \$79.6 million for the year ended 30 June 2023 (2022: \$45.2 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

	2023 \$'000	2022 \$'000
Audit of financial statements		
Audit and review of financial statements ¹	510.0	450.0
Other services		
Regulatory audit work ²	87.5	85.0
Other services ³	186.0	49.0
Total fees paid to auditor	783.5	584.0

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.

3 Other services include \$38,000 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 and non-assurance services in relation to the integrity of the aeronautical pricing model of \$129,000.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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

	2023	2022
	\$M	\$M
Profit after taxation	43.2	191.6
Non-cash items		
Depreciation	145.3	113.1
Deferred taxation expense	(19.2)	(22.1)
Share-based payments	0.1	-
Fixed asset write-offs and impairment	5.1	6.9
Reversal of fixed asset impairment	(1.0)	-
Equity-accounted (earnings)/loss from associate and joint ventures	(11.1)	12.8
Property, plant and equipment fair value revaluation	15.6	1.4
Investment property fair value decrease/(increase)	139.7	(204.4)
Derivatives fair value (increase)/decrease	0.7	(1.7)
Items not classified as operating activities		
Gain on asset disposals	3.4	-
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	(39.4)	25.5
(Increase)/decrease in investment property retentions and payables	(16.4)	1.2
Increase in investment property lease incentives and receivables	(12.5)	(11.4)
Items recognised directly in equity	0.5	0.9
Movement in working capital		
(Increase)/decrease in trade and other receivables	(23.1)	(3.1)
(Increase)/decrease in taxation receivable	20.2	(0.7)
(Decrease)/increase in accounts payable and provisions	73.8	(9.3)
Increase in other term liabilities	0.2	0.5
Net cash flow from operating activities	325.1	101.2

7. Taxation

(a) Income tax expense

	2023 \$M	2022 \$M
The major components of income tax are:		
<i>Current income tax</i>		
Current income tax charge	20.5	1.2
Income tax over provided in prior year	-	(1.1)
<i>Deferred income tax</i>		
Prior period adjustment	(0.3)	-
Movement in deferred tax	(19.2)	(22.1)
Total taxation (benefit)/expense	1.0	(22.0)

(b) Reconciliation between prima facie taxation and tax expense

	2023 \$M	2022 \$M
Profit before taxation	44.2	169.6
Prima facie taxation at 28%	12.4	47.5
Adjustments:		
Share of associates' tax paid earnings	(1.6)	(0.1)
Revaluation with no tax impact	(7.6)	(75.1)
Income tax over provided in prior year	-	(1.1)
Re-estimated future tax benefits for buildings	(1.6)	5.2
Non-deductible asset write-offs, impairment and termination costs	0.5	2.0
Other	(1.1)	(0.4)
Total taxation (benefit)/expense	1.0	(22.0)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

7. Taxation CONTINUED

(c) Deferred tax assets and liabilities

	Balance 1 July 2022	Movement in income	Movement in other comprehensive income	Movement in equity	Offset against taxable income	Balance 30 June 2023
	\$M	\$M	\$M	\$M	\$M	\$M
Deferred tax liabilities						
Property, plant and equipment	303.5	(15.2)	40.4	-	-	328.7
Investment properties	131.8	(39.2)	-	-	-	92.6
Other	1.1	1.4	-	-	-	2.5
Deferred tax liabilities	436.4	(53.0)	40.4	-	-	423.8
Deferred tax assets						
Cash flow hedge	(6.3)	-	(5.4)	-	-	(11.7)
Tax losses	33.6	(33.6)	-	-	-	-
Provisions, accruals and long-term incentive plan	(2.8)	(0.2)	-	-	-	(3.0)
Deferred tax assets	24.5	(33.8)	(5.4)	-	-	(14.7)
Net deferred tax liability	411.9	(19.2)	45.8	-	-	438.5

	Balance 1 July 2021	Movement in income	Movement in other comprehensive income	Movement in equity	Offset against taxable income	Balance 30 June 2022
	\$M	\$M	\$M	\$M	\$M	\$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 and accruals	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

(d) Imputation credits

	2023	2022
	\$M	\$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. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2023 and management accounts for the balance of the year to 30 June 2023.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel reopened to

Other transactions with the partnership are as follows:

	2023 \$M	2022 \$M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	12.4	12.1

(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 \$6.1 million into the partnership (2022: \$51.1 million).

At 30 June 2023, an independent valuation was performed by JLL for the Pullman Hotel. The fair value of the completed hotel was determined to be \$182.0 million, resulting in a \$2.0 million

Other transactions with the partnership are as follows:

	2023 \$M	2022 \$M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	19.8	20.5

the public on 1 July 2022 after being contracted to the New Zealand Government as a Managed Isolation Quarantine (MIQ) facility in the previous year. A valuation has been performed as at 30 June 2023 for the Novotel and there is no indication of impairment (30 June 2022: 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.

revaluation gain for the joint venture for the year ended 30 June 2023. The group's share of the gain was \$1.0 million. In the comparative year ended 30 June 2022, the joint venture recognised a revaluation loss of \$41.0 million and 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 2(e)) and the valuation methodology used was a direct capitalisation of expected cash flows supported by a discounted cash flow approach.

The hotel is planned to open in December 2023.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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.

share of those amounts) before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies with those of the group.

The group considers that there are no impairment indicators of its investment in its share of Queenstown Airport.

Summary financial information

The information below reflects the full amounts in the financial statements of the associate and joint ventures (not the group's

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2023	2022	2023	2022	2023	2022
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	24.8	21.5	-	-	59.6	26.8
EBITDA	6.6	12.3	-	-	43.9	14.0
Profit after taxation	1.8	9.0	-	-	22.7	1.1
Other comprehensive income/(loss)	-	-	-	-	45.1	55.5
Total comprehensive income for the year	1.8	9.0	-	-	67.8	56.6
Distributions						
Repayment of partner contribution/ dividends received	-	(6.0)	-	-	7.2	-
Auckland Airport share of repayment of partner contribution/dividends received	-	(3.0)	-	-	1.8	-
	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2023	2022	2023	2022	2023	2022
	\$M	\$M	\$M	\$M	\$M	\$M
Current assets	12.7	8.2	2.2	0.3	6.5	6.9
Non-current assets	58.0	59.0	182.2	101.2	516.6	466.7
Total assets	70.7	67.2	184.4	101.5	523.1	473.6
Current liabilities	5.0	3.4	(0.9)	(0.7)	39.8	19.0
Non-current liabilities	59.0	59.6	70.9	-	38.2	69.5
Shareholders' equity	6.6	4.2	114.4	102.2	445.0	385.0
Total equity and liabilities	70.6	67.2	184.4	101.5	523.0	473.5
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	3.3	2.1	57.2	51.1	111.2	96.2
Investment property depreciation and revaluation adjustment	35.6	32.4	(19.5)	(20.5)	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	45.0	40.6	37.7	30.6	110.3	95.3

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

	2023 \$M	2022 \$M
Investment in associate and joint ventures at the beginning of the year	166.5	154.4
Further investment in joint ventures	6.1	14.0
Share of profit/(loss) of associate and joint ventures	7.4	5.7
Revaluation of investment property	3.7	(18.5)
Share of reserves of associate and joint ventures	11.2	13.9
Share of dividends received or repayment of partner contribution	(1.8)	(3.0)
Investment in associate and joint ventures at the end of the year	193.1	166.5

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 would be paid until after 31 December 2022. No dividends were paid during the year ended 30 June 2023.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of \$43.2 million (2022: \$191.6 million).

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

	2023 Shares	2022 Shares
For basic earnings per share	1,472,279,341	1,472,139,301
Effect of dilution of share options	176,212	302,480
For diluted earnings per share	1,472,455,553	1,472,441,781

The 2023 reported basic earnings per share is 2.93 cents (2022: 13.02 cents).

The 2023 reported diluted earnings per share is 2.93 cents (2022: 13.01 cents).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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 2023						
Balances at 1 July 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 1 July 2022	4,319.1	1,553.3	616.6	398.5	98.6	6,986.1
Additions and transfers within property, plant and equipment	-	378.7	107.1	46.2	(12.9)	519.1
Transfers from/(to) investment property	15.4	(1.1)	-	-	(0.3)	14.0
Disposals	-	(3.5)	-	-	-	(3.5)
Fair value change recognised in the revaluation reserve	53.0	-	101.8	63.8	-	218.6
Fair value change recognised in the income statement	0.3	-	(9.7)	(6.2)	-	(15.6)
Impairment	-	(2.7)	-	-	-	(2.7)
Impairment through revaluation reserve – flood-related	-	(21.0)	-	-	-	(21.0)
Impairment through the income statement – flood-related	-	(0.2)	-	-	(0.1)	(0.3)
Reversal of impairment	-	-	-	1.0	-	1.0
Write-offs	-	(1.0)	(0.1)	(1.0)	-	(2.1)
Depreciation	-	(72.7)	(34.6)	(16.3)	(21.7)	(145.3)
Movement to 30 June 2023	68.7	276.5	164.5	87.5	(35.0)	562.2
Balances at 30 June 2023						
At fair value	4,387.8	1,401.5	735.4	416.9	-	6,941.6
At cost	-	-	-	-	246.0	246.0
Work in progress at cost	-	500.8	73.5	71.1	18.2	663.6
Accumulated depreciation	-	(72.5)	(27.8)	(2.0)	(200.6)	(302.9)
Balances at 30 June 2023	4,387.8	1,829.8	781.1	486.0	63.6	7,548.3

Additions for the year ended 30 June 2023 include capitalised interest of \$16.7 million (2022: \$7.2 million).

Impairments and write-offs for the year ended 30 June 2023 include write-downs related to the flood damage. Refer to note 3(f).

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 \$344.7 million (30 June 2022: \$319.8 million);
- Land associated with retail facilities within terminal buildings carried at \$1,661.0 million (30 June 2022: \$1,452.4 million); and
- Terminal building premises (within buildings and services), being 15% of total floor area and carried at \$224.0 million (30 June 2022: 14% of total floor area or \$183.0 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 2022						
Balances at 1 July 2021						
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	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)
Reversal of impairment	-	-	-	-	-	-
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 1 July 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 1 July 2022	4,319.1	1,553.3	616.6	398.5	98.6	6,986.1

(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 2023						
At historical cost	154.1	1,394.5	688.7	431.4	246.0	2,914.7
Work in progress at cost	-	500.8	73.5	71.1	18.2	663.6
Accumulated depreciation	-	(682.0)	(206.0)	(241.0)	(200.6)	(1,329.6)
Net carrying amount	154.1	1,213.3	556.2	261.5	63.6	2,248.7
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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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.

Land assets were independently valued at 30 June 2023 by Savills Limited (Savills), Jones LangLaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Infrastructure and runway, taxiways and aprons assets were independently valued by Beca Projects NZ Limited (Beca) at 30 June 2023.

Buildings and services assets were not revalued at 30 June 2023 but were impaired for damage caused by the January 2023 flood event as described below. The revaluation assessment is that, following the impairments, there is not a material difference between the carrying value and the fair value of this asset class at 30 June 2023. The revaluation assessment was supported by an initial review of replacement costs by Beca at 31 March 2023, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence at 30 June 2023. 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 2023. The impairment assessment is described below.

Impairment and write-offs – flood damage

The group assessed that certain assets in the following asset classes were impaired due to damage from the January 2023 flood event:

- Buildings and services; and
- Vehicles, plant and equipment.

The most significant areas of damage were to check-in, baggage and vertical transportation at the international terminal building. The group engaged independent experts to estimate the costs to repair or replace damaged assets and has recognised the following impairments:

- Buildings and services, \$21.0 million recognised as a reduction in revaluation reserve and \$0.2 million through profit or loss; and
- Vehicles, plant and equipment, \$0.1 million recognised as an expense in the income statement.

The group has assessed that there were no indicators of impairment to land, infrastructure or runways, taxiways and aprons assets that are carried at fair value.

Impairment and write-offs – capital work in progress

In response to reduced aeronautical activity during the COVID-19 pandemic, Auckland Airport suspended some capital expenditure projects and impaired its capital work in progress portfolio. The group has reassessed the capital work in progress portfolio and, for the year ended 30 June 2023, has reported additional impairments of \$1.7 million (30 June 2022: \$6.1 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. The group recognised \$2.1 million of write-offs during the year (2022: \$0.8 million). 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 impairments of flood-damaged assets and 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 2(e). 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 2023. The major inputs and assumptions that required judgement included

- 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/.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment CONTINUED

The table below summarises the valuation approach and the principal assumptions used in establishing the fair values:

		2023		2022	
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)	\$105 – 182	\$138	\$125 - 227	\$169
	Holding costs per sqm (excluding approaches)	\$53 – 98	\$72	\$48 - 93	\$67
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	12.00%	N/A	12.00%	N/A
	Rate per sqm (approaches)	\$20 – 127	\$38	\$21 - 127	\$38
Reclaimed land seawalls	Unit costs of seawall construction per m	\$5,279 – 11,361	\$8,533	\$4,672 - 10,055	\$7,552
	Unit costs of reclamation per sqm	\$208 – 208	\$208	\$173 - 173	\$173
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	\$160 – 1,083	\$306	\$181 - 1,212	\$300
	Market rent (per sqm) – average	\$52 – 1691	\$209	\$50 - 342	\$146
	Market capitalisation rate – average	5.00 – 6.50%	5.76%	4.00 - 6.17%	4.87%
	Terminal capitalisation rate	4.75 – 6.75%	6.10%	4.00 - 6.25%	5.38%
	Discount rate	5.00 – 8.50%	7.60%	6.00 - 8.00%	6.64%
	Rental growth rate (per annum)	2.68 – 3.05%	2.98%	2.52 - 2.99%	2.66%
Land associated with car park facilities	Discount rate	9.25 – 13.50%	11.23%	8.00 - 12.50%	10.35%
	Terminal capitalisation rate	6.75 – 8.75%	7.49%	6.50 - 8.75%	7.28%
	Revenue growth rate (per annum)	0.83 – 12.96%	7.02%	5.64 - 24.13%	14.21%
Land associated with retail facilities within terminal buildings	Discount rate	9.50 – 10.38%	10.35%	8.00 - 8.75%	8.72%
	Terminal capitalisation rate	8.25 – 8.25%	8.25%	8.00 - 10.25%	8.10%
	Revenue growth rate (per annum)	-9.08 – 2.96%	2.62%	2.93 - 3.92%	3.87%
	Market capitalisation rate	7.00 – 12.50%	7.15%	5.75 - 6.00%	5.99%
Other land					
Direct sales comparison	Rate per sqm	\$100 – 226	\$131	\$100 - 226	\$131

		2023		2022	
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	\$1,686- 19,536	\$11,186
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	\$997 – 9,064	\$1,993	\$997 - 9,064	\$1,993
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	\$180 – 13,600	\$580	\$158 - 5,832	\$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	\$174 – 556	\$411	\$141 - 450	\$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	\$52 – 273	\$105	\$58 - 185	\$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	\$4,345 – 11,296	\$7,645	\$323 - 95,559	\$12,635
	Unit costs of fuel pipe construction per m	\$4,049 – 43,387	\$4,735	\$3,047 - 4,352	\$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	\$436 – 1,288	\$643	\$340 - 532	\$527
	Unit costs of asphalt pavement construction per sqm	\$181 – 1,244	\$343	\$155 - 340	\$337

The valuation inputs for land are from the 2023 valuation, while the prior year's comparatives are from the 2022 valuation of these assets. The valuation inputs for infrastructure and runway, taxiways and aprons are from the 2023 valuation, while the prior year's comparatives are from the 2020 valuation of these assets. The valuation inputs for buildings and services are unchanged from the 2022 valuation. This asset class was not revalued in 2023 as the carrying value was not assessed to be materially different from fair value.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment CONTINUED

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.

The table below summarises each registered valuer's valuation of property, plant and equipment:

Asset classification	30 June 2023		30 June 2022	
	Valuer	\$M	Valuer	\$M
Airfield land, including land for runway, taxiways, aprons and approaches ¹	Savills	1,065.2	Savills	1,165.0
Reclaimed land seawalls ¹	AON / Savills	348.1	AON / Savills	296.2
Aeronautical land, including land associated with aircraft, freight and terminal uses ¹	JLL / Savills	531.2	JLL / Savills	645.8
Land associated with car park facilities ¹	CBRE / Savills	510.2	CBRE	611.1
Land associated with retail facilities within terminal buildings ¹	CBRE / Savills	1,664.5	CBRE	1,452.4
Other land ¹	CBRE / Savills	268.6	JLL / Savills	148.6
Terminal buildings ²	Beca	1,447.8	Beca	1,324.6
Other buildings ³	Beca	382.0	Beca	228.7
Water and drainage ⁴	Beca	225.3	Beca	158.7
Electricity ⁴	Beca	84.9	Beca	48.5
Roads ⁴	Beca	286.0	Beca	246.4
Other infrastructure assets ⁴	Beca	184.9	Beca	163.0
Runway, taxiways and aprons ⁵	Beca	486.0	Beca	398.5
Assets carried at fair value		7,484.7		6,887.5
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	63.6	N/A	98.6
Balance at 30 June		7,548.3		6,986.1

1 Land assets were revalued at 30 June 2023. This class was previously revalued at 30 June 2022.

2 At 30 June 2023, the assessment is that there is no material change in the fair value of terminal buildings assets compared with carrying values. This class was last revalued at 30 June 2022.

3 At 30 June 2023, the assessment is that there is no material change in the fair value of building and services assets compared with carrying values. This class was last revalued at 30 June 2022.

4 Infrastructure assets were revalued at 30 June 2023. This class was last revalued at 30 June 2020.

5 Runways, taxiways and aprons were revalued at 30 June 2023. This class was last revalued at 30 June 2020.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment CONTINUED

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

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 2023					
Balance at the beginning of the year	328.8	1,879.8	466.9	221.9	2,897.4
Additions	45.2	78.1	2.2	0.4	125.9
Transfers from/(to) property, plant and equipment (note 11)	(10.3)	1.4	(5.1)	-	(14.0)
Transfers within investment property	47.5	20.0	(39.5)	(28.0)	-
Investment property fair value change	(5.2)	(122.7)	11.3	(23.1)	(139.7)
Lease incentives capitalised	-	0.5	-	1.2	1.7
Lease incentives amortised	-	(0.6)	-	(0.1)	(0.7)
Spreading of fixed rental increases	0.4	9.6	-	1.5	11.5
Net carrying amount	406.4	1,866.1	435.8	173.8	2,882.1
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	-
Write-offs	-	-	-	-	-
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

Additions for the year ended 30 June 2023 include capitalised interest of \$2.7 million (2022: \$0.8 million).

The group's investment properties are all categorised as Level 3 in the fair value hierarchy, as described in note 2(e). 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. 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 have determined the valuations to be appropriate as at 30 June 2023.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

12. Investment properties CONTINUED

The principal assumptions used in establishing the valuations were as follows:

		2023		2022	
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)	\$55 – \$773	\$277	\$145 – \$588	\$277
	Market capitalisation rate	3.34 – 7.80%	5.84%	4.25 – 7.00%	5.33%
	Terminal capitalisation rate	4.75 – 8.00%	6.19%	4.50 – 7.25%	5.65%
	Discount rate	6.75 – 8.50%	7.60%	6.00 – 7.75%	6.80%
	Rental growth rate (per annum)	2.03 – 3.05%	2.82%	2.02 – 2.99%	2.76%
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)	\$159 – \$344	\$189	\$130 – \$310	\$162
	Market capitalisation rate	4.18 – 6.59%	5.25%	3.58 – 6.00%	4.32%
	Terminal capitalisation rate	4.38 – 7.00%	5.56%	3.68 – 6.25%	4.65%
	Discount rate	6.50 – 8.75%	7.40%	5.75 – 7.75%	6.33%
	Rental growth rate (per annum)	2.50 – 3.05%	3.01%	2.50 – 2.99%	2.94%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	\$7 – 1,153	\$194	\$7 – 1,153	\$200
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)	\$59 – \$424	\$305	\$35 – \$424	\$287
	Market capitalisation rate	4.32 – 7.04%	5.70%	3.94 – 6.50%	5.04%
	Terminal capitalisation rate	4.63 – 7.37%	6.11%	4.25 – 6.75%	4.90%
	Discount rate	6.50 – 8.50%	7.53%	6.00 – 8.00%	6.26%
	Rental growth rate (per annum)	0.45 – 3.05%	2.56%	2.50 – 2.93%	2.34%

The fair value of investment properties valued by each independent registered valuer is outlined below:

	2023 \$M	2022 \$M
Colliers International	846.9	898.0
Savills Limited	817.9	1,022.4
Jones Lang LaSalle Limited	1,047.4	905.4
Investment property carried at cost	169.9	71.6
Total fair value of investment properties	2,882.1	2,897.4

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.

The table below summarises income and expenses related to investment properties:

	2023 \$M	2022 \$M
Rental income for investment properties	114.0	95.3
Recoverable cost income	10.6	7.9
Direct operating expenses for investment properties that derived rental income	(12.6)	(9.6)
Direct operating expenses for investment properties that did not derive rental income	(3.8)	(2.3)

The following categories of investment property are leased to tenants:

- Retail and service carried at \$406.4 million (30 June 2022: \$328.8 million);
- Industrial carried at \$1,866.1 million (30 June 2022: \$1,879.8 million); and
- Other investment property carried at \$173.8 million (30 June 2022: \$221.9 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2023 \$M	2022 \$M
Short-term deposits	99.6	22.9
Cash and bank balances	6.6	1.8
Total cash and cash equivalents	106.2	24.7

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 1.85% to 6.00% (2022: at a rate of 0.25% to 2.00%).

At 30 June 2023, Auckland Airport held total cash and cash equivalents of \$106.2 million (2022: \$24.7 million). The short-term deposits at 30 June 2023 ranged from \$15.0 million to \$35.0 million and were spread across four financial institutions to minimise credit risk, with those being ASB Bank, Bank of China, Bank of New Zealand and Westpac (2022: \$10.0 million to \$13.0 million across two 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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

14. Trade and other receivables

	2023 \$M	2022 \$M
Trade receivables	16.6	5.1
Less: Expected credit losses	(0.4)	(2.8)
Net trade receivables	16.2	2.3
Prepayments	8.7	7.0
GST receivable	4.4	0.4
Revenue accruals and other receivables	22.3	18.8
Total trade and other receivables	51.6	28.5

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 including a general provision based on lifetime expected losses combined with specific provisions for individual debtors where there is evidence that the group will not be able to collect the receivable (refer note 2(k)).

15. Issued and paid-up capital

	2023 \$M	2022 \$M	2023 Shares	2022 Shares
Opening number issued and paid-up capital at 1 July	1,680.2	1,679.2	1,472,195,131	1,472,034,637
Shares fully paid and allocated to employees by employee share scheme	0.6	0.6	84,210	102,300
Shares vested for employees participating in long-term incentive plans	-	0.4	-	58,194
Closing issued and paid-up capital at 30 June	1,680.8	1,680.2	1,472,279,341	1,472,195,131

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 9, no dividends were paid during the year ended 30 June 2023.

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.

16. Reserves

(a) Cancelled share reserve

	2023 \$M	2022 \$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

	2023 \$M	2022 \$M
Balance at 1 July	5,040.2	5,099.9
Reclassification to retained earnings	(10.1)	(7.0)
Revaluation	218.6	75.8
Flood-related fixed asset impairments	(21.0)	-
Movement in deferred tax	(40.4)	(128.5)
Balance at 30 June	5,187.3	5,040.2

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The \$197.6 million increase in revaluation reserve, during the year ended 30 June 2023, includes a \$165.6 million increase in infrastructure, runways, taxiways and aprons less \$21.0 million of flood-related impairments to buildings and services, all of which are subject to deferred tax. Land increased by \$53.0 million with no tax impact (2022: \$383.7 million increase in land with no tax impact).

(c) Share-based payments reserve

	2023 \$M	2022 \$M
Balance at 1 July	2.1	2.0
Long-term incentive plan expense	0.5	(0.1)
Reclassification to retained earnings on LTI not vested	(0.6)	-
Movement in deferred tax	-	0.2
Balance at 30 June	2.0	2.1

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

	2023 \$M	2022 \$M
Balance at 1 July	17.7	(50.4)
Fair value change in hedging instrument	19.1	85.5
Transfers to the income statement relating to:		
Hedged transactions in the income statement	0.2	9.1
Movement in deferred tax	(5.4)	(26.5)
Balance at 30 June	31.6	17.7

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

16. Reserves CONTINUED

(e) Cost of hedging reserve

	2023	2022
	\$M	\$M
Balance at 1 July	(1.7)	(1.1)
Change in currency basis spreads (when excluded from designated hedges)	-	(0.8)
Movement in deferred tax	-	0.2
Balance at 30 June	(1.7)	(1.7)

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

	2023	2022
	\$M	\$M
Balance at 1 July	50.9	37.0
Share of reserves of associate and joint ventures	11.2	13.9
Balance at 30 June	62.1	50.9

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

	2023	2022
	\$M	\$M
Employee entitlements	10.3	9.5
Property, plant and equipment retentions and payables	64.2	24.8
Investment property retentions and payables	23.3	6.9
Trade payables	12.5	10.4
Interest payables	15.2	9.6
Other payables and accruals	34.4	25.9
Total accounts payable and accruals	159.9	87.1

The amount owing to the related parties at 30 June 2023 is \$2.6 million (2022: \$7.7 million), refer note 22.

18. Financial assets and liabilities

	Notes	2023 \$M	2022 \$M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	106.2	24.7
Trade and other receivables		38.5	21.1
		144.7	45.8
Derivative financial instruments			
Interest rate swaps - cash flow hedges		1.5	-
Forward exchange contracts		0.1	-
Total current financial assets		146.3	45.8
Non-current financial assets			
Derivative financial instruments			
Interest rate swaps – cash flow hedges		45.0	28.1
		45.0	28.1
Total non-current financial assets		45.0	28.1
Total financial assets		191.3	73.9
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals	17	159.9	87.1
Short-term borrowings	18(a)	428.8	515.6
Provisions	21	7.5	6.5
		596.2	609.2
Derivative financial instruments			
Interest rate swaps – cash flow hedges		-	0.9
Total current financial liabilities		596.2	610.1
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	1,388.3	961.0
Other term liabilities		3.5	3.3
		1,391.8	964.3
Derivative financial instruments			
Interest rate swaps – cash flow hedges		-	2.4
Interest rate swaps – fair value hedges		11.6	8.3
Cross-currency interest rate swaps		13.7	5.0
Total non-current financial liabilities		1,417.1	980.0
Total financial liabilities		2,013.3	1,590.1

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 \$21.3 million (2022: derivative financial assets of \$11.5 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

(a) Borrowings

At the balance date, the following borrowings were in place for the group:

	Maturity	Coupon ¹	2023 \$M	2022 \$M
Current				
Commercial paper	< 3 months	Floating	166.8	142.6
Bank facility	20-11-2022	Floating	-	73.0
Bank facility	1-10-2023	Floating	37.0	-
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	-
Total short-term borrowings			428.8	515.6
Non-current				
Bank facility	31-07-2023	Floating	-	28.0
Bank facility	1-10-2023	Floating	-	37.0
Bank facility	16-08-2024	Floating	100.0	100.0
Bank facility	3-11-2025	Floating	103.0	-
Bonds	2-11-2023	3.97%	-	225.0
Bonds	10-10-2024	3.51%	150.0	150.0
Bonds	13-10-2025	Floating	150.0	-
Bonds	17-04-2026	Floating	100.0	-
Bonds	9-05-2028	5.67%	225.1	-
Bonds	17-11-2026	3.29%	139.1	141.2
Bonds	17-11-2028	5.29%	150.0	-
AMTN notes ²	23-09-2027	4.50%	271.1	279.8
Total term borrowings			1,388.3	961.0
Total				
Commercial paper			166.8	142.6
Bank facilities			240.0	238.0
Bonds			1,139.2	816.2
AMTN notes			271.1	279.8
Total borrowings			1,817.1	1,476.6

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 dollars.

Movement in borrowings

	2023 \$M	2022 \$M
Total borrowings at the beginning of the year	1,476.6	1,392.8
Decrease in borrowings during the year	(401.0)	(72.0)
Increase in borrowings during the year	752.2	200.6
Amortisation of premium received for issue at non-market rates	(0.5)	(0.7)
Revaluation of foreign denominated debt for changes in FX rate	(4.6)	8.4
Revaluation of debt in fair value hedge relationship	(5.6)	(52.5)
Total borrowings at the end of the year	1,817.1	1,476.6

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 2023, the group undertook the following bank finance activity:

- In November 2022 the company entered into the following new bank facilities:
 - A \$125 million three-year facility with Commonwealth Bank of Australia;
 - A \$125 million four-year facility with Commonwealth Bank of Australia;
 - A \$125 million four-year facility with China Construction Bank Corporation; and
 - A \$50 million three-year facility with MUFG Bank, Ltd.
- The following facilities either matured or were cancelled:
 - The AU\$90 million facility with Commonwealth Bank of Australia matured in November 2022.
 - The \$95 million facility with China Construction Bank Corporation matured in November 2022.
 - The \$50 million facility with MUFG Bank, Ltd set to mature in February 2023 was cancelled.
- The two \$195 million bank facilities with MUFG Bank, Ltd and Westpac New Zealand Limited were both reduced to \$110 million.

The net effect of the above bank refinancing activity was an increase in total available facilities of \$10 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 2023, the group undertook the following bond financing:

- The issuance of \$150.0 million of three-year floating rate notes in October 2022 which was used to refinance the maturing \$100 million floating rate notes and provide additional liquidity;
- The issuance of \$225.0 million of 5.5-year, 5.67% fixed rate bonds in November 2022, which was used to refinance the maturing \$100 million fixed rate bonds and provide additional liquidity;

- The issuance of \$100.0 million of three-year floating rate notes in April 2023 which was used to refinance the maturing \$100 million fixed rate bonds; and
- The issuance of \$150.0 million of 5.5-year, 5.29% in May 2023 which was used to provide additional liquidity.

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 group has negotiated modified interest coverage covenants applying from calendar year 2022 onwards. The EBITDA-based measures step up progressively, broadly in line with the anticipated COVID-19 recovery. The interest coverage covenants are summarised in note 3(d).

(b) Hedging activity and derivatives

Cash flow hedges

At 30 June 2023, 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 2023 is \$1,065.0 million (2022: \$1,145.0 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.

During the year, the group assessed the remaining cash flow hedges to be highly effective and therefore it continues to qualify for hedge accounting.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

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.

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 Australian fixed interest rates to 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. 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, derivatives and AMTN notes in a hedging relationship with fair value hedges recognised in the income statement in interest expense during the period were:

	2023	2022
	\$M	\$M
Gains/(losses) on the AMTN notes	8.1	35.4
Gains/(losses) on the bonds	2.1	8.7
Gains/(losses) on the derivatives	(10.7)	(42.6)

Gains or losses on the ineffective hedging component of the swaps recognised in the income statement relating to counterparty risk during the period were:

	2023	2022
	\$M	\$M
Credit valuation adjustments on hedges qualifying for hedge accounting	(0.7)	1.7
Derivative fair value change	(0.7)	1.7

The details of the hedging instruments as at 30 June 2023 and 30 June 2022 are as follows:

	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Carrying amount of the hedging instrument		Change in value used for calculating hedge effectiveness
As at 30 June 2023				M		Assets	Liabilities	\$M
Cash flow hedges								
Interest rate swaps	NZD	3.41%	1 – 6	NZ\$1,065.0	Derivative financial instruments	46.5	-	45.2
Fair value and cash flow hedges								
Interest rate swaps	NZD	Floating	3 – 5	NZ\$375.0	Derivative financial instruments	-	11.6	(10.9)
Cross-currency swaps	NZD:AUD	Floating	4	AU\$260.0	Derivative financial instruments	-	13.7	(13.1)
Net hedging instruments						46.5	25.3	21.2
As at 30 June 2022	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Assets	Liabilities	Change in value used for calculating hedge effectiveness
				M		\$M	\$M	\$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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

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 2023 and 30 June 2022 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 2023		\$M	\$M	\$M	\$M	\$M
Cash flow hedges						
Aggregated variable interest rate exposure	Short-term/ Term borrowings	-	640.0	-	-	(30.7)
Highly probable forecast variable rate debt	-	-	-	-	-	(15.7)
Fair value hedges						
Aggregated variable interest rate exposure	Term borrowings	-	364.2	-	(10.8)	11.0
Fair value and cash flow hedges						
AMTN notes (AU\$260 million)	Term borrowings	-	271.1	-	(15.7)	11.9
Net hedged items		-	1,275.3	-	(26.5)	(23.5)
	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)

(c) Fair value

There have been no transfers between levels of the fair value hierarchy as described in note 2(e) in the year ended 30 June 2023 (2022: 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 as described in note 2(e). 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.

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$M	\$M	\$M	\$M
Bonds	1,139.2	1,145.2	816.2	816.5
AMTN notes	271.1	277.7	279.8	285.0

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

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 (2022: '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 2023, the group identified \$0.4 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2022: \$2.8 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 \$3.5 million (2022: \$3.3 million).

(d) Financial risk management objectives and policies**(i) Credit risk**

The group's maximum exposure to credit risk at 30 June 2023 is equal to the carrying value of cash, accounts receivable, dividends receivable and derivative financial instruments.

(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, 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 2023, this undrawn facility headroom was \$963.0 million (2022: \$954.5 million). The group's policy also requires the spreading of debt maturities.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

Bank facilities

During the year ended 30 June 2023, 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.

Type : Multi-currency facility Bank	Maturity (June 2023)	Facility currency	2023			2022		
			Available NZ \$M	Drawn NZ \$M	Undrawn NZ \$M	Available NZ \$M	Drawn NZ \$M	Undrawn NZ \$M
ANZ Bank New Zealand	31-07-2023	NZD	100.0	-	100.0	100.0	-	100.0
Bank of China (New Zealand) Ltd	31-07-2023	NZD	28.0	-	-	28.0	28.0	-
Bank of New Zealand	24-04-2025	NZD	150.0	-	150.0	150.0	-	150.0
China Construction Bank Corporation Ltd	16-11-2022	NZD	-	-	-	95.0	73.0	22.0
China Construction Bank Corporation Ltd	3-04-2024	NZD	30.0	-	30.0	30.0	-	30.0
China Construction Bank Corporation Ltd	15-11-2026	NZD	125.0	-	125.0	-	-	-
Commonwealth Bank of Australia	30-11-2022	AUD	-	-	-	99.5	-	99.5
Commonwealth Bank of Australia	3-11-2025	NZD	125.0	103.0	50.0	-	-	-
Commonwealth Bank of Australia	3-11-2026	NZD	125.0	-	125.0	-	-	-
Mizuho Bank, Ltd. Sydney Branch OBU	1-10-2023	NZD	70.0	37.0	33.0	70.0	37.0	33.0
Mizuho Bank, Ltd. Sydney Branch OBU	26-07-2024	NZD	100.0	100.0	-	100.0	100.0	-
MUFG Bank, Ltd.	28-02-2023	NZD	-	-	-	50.0	-	50.0
MUFG Bank, Ltd.	31-10-2023	NZD	110.0	-	110.0	195.0	-	195.0
MUFG Bank, Ltd.	2-11-2025	NZD	50.0	-	50.0	-	-	-
Westpac New Zealand Limited	31-07-2023	NZD	80.0	-	80.0	80.0	-	80.0
Westpac New Zealand Limited	31-10-2023	NZD	110.0	-	110.0	195.0	-	195.0
Total NZD equivalent			1,203.0	240.0	963.0	1,192.5	238.0	954.5

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 2023. 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 \$M	Contractual cash flows \$M	< 1 year \$M	1 to 3 years \$M	3 to 5 years \$M	> 5 years \$M
Year ended 30 June 2023						
Financial assets						
Cash and cash equivalents	106.2	106.2	106.2	-	-	-
Accounts receivable	38.5	38.5	38.5	-	-	-
Derivative financial assets	46.6	51.9	13.5	25.1	12.0	1.4
Total financial assets	191.3	196.6	158.2	25.1	12.0	1.4
Financial liabilities						
Accounts payable, accruals and other term liabilities	(170.9)	(170.9)	(170.9)	-	-	-
Commercial paper	(166.8)	(168.0)	(165.6)	-	-	-
Bank facilities	(240.0)	(272.8)	(37.0)	(203.0)	-	-
Bonds	(1,139.2)	(1,328.0)	(225.0)	(400.0)	(375.0)	(150.0)
AMTN notes	(271.1)	(341.3)	-	-	(283.0)	-
Derivative financial liabilities	(25.3)	(33.0)	(13.2)	(16.9)	(2.8)	-
Interest payable	-	-	(84.9)	(118.9)	(63.8)	(4.0)
Total financial liabilities	(2,013.3)	(2,314.0)	(696.6)	(738.8)	(724.6)	(154.0)
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)

(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, 63.2% (2022:

71.5%) 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 six years from 30 June 2023 (2022: one month and seven years).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

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:

	2023 \$M	2022 \$M
Financial assets		
Cash and cash equivalents	106.2	24.7
	106.2	24.7
Financial liabilities		
Bonds swapped to floating	225.0	150.0
Bank facilities	56.0	58.0
Commercial paper	97.0	57.6
AMTN notes	159.5	159.5
	537.5	425.1
Net exposure	431.3	400.4

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:

	2023 \$M	2022 \$M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.4)	(0.4)
Effect on equity before taxation	4.0	3.3
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.4	0.4
Effect on equity before taxation	(4.0)	(3.4)

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 2023 of \$431.3 million (2022: \$400.4 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 2023 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.

(iv) Foreign currency risk

During the years ended 30 June 2023 and 30 June 2022, the group was exposed to foreign currency risk with respect to the Australian dollar arising from Australian Medium Term Notes ('AMTN'). This exposure has been fully hedged by way of cross-currency interest rate swaps hedging both principal and interest.

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 2023. 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:

	2023 \$M	2022 \$M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.2)	(0.5)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.3	0.6

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 0.91885 for AUD (2022: 0.90445) 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 2023, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) to maintain 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 2023 is 12.0% (2022: 12.1%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2023 is 'A- Stable Outlook' (2022: 'A- Stable Outlook').

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

19. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for \$560.3 million at 30 June 2023 (2022: \$198.8 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 \$215.4 million at 30 June 2023 (2022: \$34.3 million). These include the development of the new premier outlet centre, Mānawa Bay, alongside industrial developments.

(c) Joint ventures

During the year ended 30 June 2023, 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 2023, the joint venture's contractual obligations for the hotel development

were \$12.7 million (30 June 2022: \$82.0 million). The group's share of those commitments was \$6.4 million at 30 June 2023 (30 June 2022: \$41.0 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 28 years (2022: one month and 29 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.

Future minimum rental and retail income receivable under non-cancellable operating leases as at 30 June are as follows:

	2023 \$M	2022 \$M
Within one year	244.3	116.4
Between one and two years	211.8	103.9
Between two and three years	105.4	95.6
Between three and four years	97.4	87.6
Between four and five years	79.6	78.7
After more than five years	663.6	740.0
Total minimum lease payments receivable	1,402.1	1,222.2

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 \$7.6 million (2022: \$7.8 million), refer note 21.

Contractor claims

A contingent liability of \$4.6 million (2022: \$7.3 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.

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 \$7.1 million (2022: \$6.0 million).

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 \$7.6 million (2022: \$7.8 million).

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.

	Foam disposal \$M	Noise mitigation \$M	Total \$M
Year ended 30 June 2023			
Opening balance	6.0	0.5	6.5
Provisions made during the year	1.2	0.1	1.3
Expenditure for the year	(0.1)	(0.2)	(0.3)
Total provisions at year end	7.1	0.4	7.5
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

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% (2022: 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

22. Related party disclosures CONTINUED

Transactions with Auckland Council and its subsidiaries are as follows:

	2023 \$M	2022 \$M
Rates	24.3	13.6
Building consent costs and other local government regulatory obligations	1.8	1.5
Water, wastewater and compliance services	2.7	1.8
Grounds maintenance	-	1.4

There was no amount owing to Auckland Council at 30 June 2023 (2022: \$0.1 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:

	2023 \$M	2022 \$M
Fulton Hogan	31.9	17.2
Hawkins	41.5	2.9
Downer New Zealand Limited	1.6	33.3

Amounts owing to related parties are as follows:

	2023 \$M	2022 \$M
Fulton Hogan	2.5	2.6
Hawkins	-	-
Downer New Zealand Limited	0.1	5.0

The group's common director relationship with Downer New Zealand Limited and its subsidiary Hawkins ended on 31 January 2023.

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	2023 \$M	2022 \$M
Directors' fees		1.6	1.5
Senior management's salary and other short-term benefits		6.4	6.2
Senior management's share-based payments	23(b)	-	0.7
Senior management's termination benefits		0.3	0.6
Total remuneration		8.3	9.0

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:

	2023 Shares	2022 Shares
Shares held on behalf of employees		
Opening balance	255,730	343,300
Shares issued during the year	135,100	38,410
Shares reallocated to employees	-	29,300
Shares fully paid and allocated to employees	(84,210)	(102,300)
Shares forfeited during the year	(33,365)	(52,980)
Total shares held on behalf of employees	273,255	255,730
Unallocated shares held by the purchase plan	78,845	45,480
Total shares held by the purchase plan	352,100	301,210

On 9 November 2022, no shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 135,100 new shares were issued at a price of \$6.0, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 9 November 2022.

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.

Share rights, once vested and exercised, entitle the participating executives to receive shares in Auckland Airport. 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.

(b) Long-term incentive plan (LTI plan)

Under the LTI plan, share rights are granted to participating executives with a three-year vesting period.

To the extent that performance hurdles are not met or executives leave Auckland Airport prior to vesting, the shares or share rights are forfeited.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

23. Share-based payment plans CONTINUED

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	Lapsed 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	86,561	-	-	32,528	-	54,033
30 September 2021	30 September 2024	89,572	-	-	32,986	-	56,586
08 April 2022	30 September 2024	61,374	-	-	-	-	61,374
01 October 2022	30 September 2025	-	149,548	-	32,780	-	116,768
07 November 2022	30 September 2025	-	10,962	-	-	-	10,962
01 May 2023	30 September 2025	-	2,888	-	-	-	2,888
Total share rights		399,283	163,398	-	98,294	161,776	302,611

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
04 December 2020	01 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
08 April 2022	30 September 2024	\$7.33	1.00 – 1.55%	26.2%	\$3.60	N/A
01 October 2022	30 September 2025	\$7.64	1.18 – 4.18%	22.0%	\$3.46	N/A
07 November 2022	30 September 2025	\$7.54	1.18 – 4.18%	22.0%	\$3.41	N/A
01 May 2023	30 September 2025	\$8.74	1.18 – 4.18%	22.0%	\$4.08	N/A

It has been assumed that participants will remain employed with the company until the vesting date.

with a corresponding increase in the share-based payments reserve (refer note 16(c)).

The share-based payment expense relating to the LTI plan for the year ended 30 June 2023 is \$0.5 million (2022: \$0.1 million)

24. Events subsequent to balance date

On 17 August 2023, the directors of Queenstown Airport declared a final dividend of \$9.6 million for the year ended 30 June 2023. The group's share of the dividend is \$2.4 million.

On 23 August 2023, the directors of Auckland Airport declared a final dividend of \$58.9 million for the year ended 30 June 2023.



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 2023, 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 80, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, 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, and non-assurance services in relation to the integrity of the aeronautical pricing model as well as non-assurance services provided to the Corporate Taxpayers Group of which the Company is a member. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

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

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 consolidated 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 2023 is \$7,484.7 million.

Land assets were revalued at 30 June 2023. A revaluation gain of \$53.0 million is recognised in other comprehensive income (revaluation reserve), and a revaluation gain of \$0.3 million is recognised in the income statement.

Runway, taxiways and aprons were revalued at 30 June 2023. A revaluation gain of \$63.8 million is recognised in other comprehensive income (revaluation reserve), and a revaluation loss of \$6.2 million is recognised in the income statement.

Infrastructure assets were revalued at 30 June 2023. A revaluation gain of \$101.8 million is recognised in other comprehensive income (revaluation reserve), and a revaluation loss of \$9.7 million is recognised in the income statement.

Buildings and services assets were last revalued at 30 June 2022. The Group did not carry out revaluations in 2023 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.

How our audit addressed the key audit matter

In relation to the land, runway, taxiways and aprons, and infrastructure 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.

Our procedures included:

- Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued;
- 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; and
- Reviewing the valuations for any limitations of scope 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties Investment properties of \$2,882.1 million are recorded at fair value in the consolidated statement of financial position at 30 June 2023. A revaluation loss of \$139.7 million is recognised in the consolidated income statement. Revaluations are carried out at least annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land (\$435.8 million) is valued using a direct sales comparison and residual value approach. Retail and service, industrial, and other investment properties (\$2,446.3 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 (losses) 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, as well as the impact the current macroeconomic conditions are having on the general market. 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; and • Reviewing the valuations for any limitations of scope 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 financial 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
23 August 2023

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022	2021 ¹	2020	2019	2018
Group income statement	\$M	\$M	\$M	\$M	\$M	\$M
Income						
Airfield income	86.6	60.9	64.0	100.6	127.6	122.1
Passenger services charge	132.9	33.8	24.2	133.0	185.1	179.1
Retail income	130.9	22.7	17.8	141.5	225.8	190.6
Rental income	170.6	129.7	115.2	109.2	107.8	97.6
Rates recoveries	12.7	8.6	7.8	7.7	6.7	6.0
Car park income	57.7	26.2	28.7	50.3	64.2	61.0
Interest income	3.2	0.3	4.9	1.7	1.8	2.2
Flood-related income	5.0	-	-	-	-	-
Other income	26.3	18.1	18.5	23.0	24.4	25.3
Total income	625.9	300.3	281.1	567.0	743.4	683.9
Expenses						
Staff	63.3	50.0	45.6	62.9	59.1	57.9
Asset management, maintenance and airport operations	89.8	66.7	53.4	77.5	81.1	69.5
Rates and insurance	31.8	21.0	20.8	18.0	16.1	13.7
Marketing and promotions	6.7	1.4	1.0	8.3	12.7	13.8
Professional services and levies	8.2	4.3	4.0	6.2	8.6	11.1
Fixed asset write-offs, impairment and termination costs	4.8	6.9	2.5	117.5	-	-
Reversal of fixed asset impairment and termination costs	(1.0)	-	(19.4)	-	-	-
Flood-related expense	8.4	-	-	-	-	-
Other expenses	19.2	6.1	6.3	6.1	11.0	11.5
Expected credit losses/(release)	(2.4)	(0.6)	(4.2)	(0.6)	-	-
Total expenses	228.8	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	397.1	144.5	171.1	260.4	554.8	506.4
Investment property fair value change	(139.7)	204.4	527.3	168.6	254.0	152.2
Property, plant and equipment fair value change	(15.6)	(1.4)	(7.5)	(45.9)	(3.8)	-
Derivative fair value change	(0.7)	1.7	(0.5)	(1.9)	(0.6)	(0.7)
Share of profit/(loss) of associate and joint ventures	11.1	(12.8)	21.1	8.4	8.2	16.7
Impairment of investment in joint venture	-	-	-	(7.7)	-	-
Earnings before interest, taxation and depreciation (EBITDA)²	252.2	336.4	711.5	381.9	812.6	972.0
Depreciation	145.3	113.1	120.9	112.7	102.2	88.9
Earnings before interest and taxation (EBIT)²	106.9	223.3	590.6	269.2	710.4	883.1
Interest expense and other finance costs	62.7	53.7	94.0	71.8	78.5	77.2
Profit before taxation	44.2	169.6	496.6	197.4	631.9	805.9
Taxation expense/(benefit)	1.0	(22.0)	30.0	3.5	108.4	155.8
Profit after taxation attributable to the owners of the parent	43.2	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.

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Five-year summary

Five-year summary CONTINUED

	2023	2022	2021 ¹	2020	2019	2018
Group statement of comprehensive Income	\$M	\$M	\$M	\$M	\$M	\$M
Profit for the period	43.2	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	218.6	75.8	769.9	(599.8)	87.6	1,189.6
Tax on the property, plant and equipment revaluation reserve	(40.4)	(128.5)	-	(32.5)	(24.6)	-
Movement in share of reserves of associate and joint ventures	11.2	13.9	8.2	-	-	8.0
Items that will not be reclassified to the income statement	189.4	(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	19.1	85.5	57.7	(44.5)	(47.1)	(9.5)
Realised (gains)/losses transferred to the income statement	0.2	9.1	12.1	(2.2)	1.6	2.9
Tax effect of movements in the cash flow hedge reserve	(5.4)	(26.5)	(19.5)	13.1	13.3	0.3
Total cash flow hedge movement	13.9	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	-
Items that may be reclassified subsequently to the income statement	13.9	67.5	53.1	(31.7)	(34.7)	(5.1)
Total other comprehensive income/(loss)	203.3	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	246.5	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.

	2023	2022	2021 ¹	2020	2019	2018
Group statement of changes in equity	\$M	\$M	\$M	\$M	\$M	\$M
At 1 July	8,150.9	7,929.5	6,630.7	6,032.9	5,682.1	4,029.0
Profit for the period	43.2	191.6	466.6	193.9	523.5	650.1
Other comprehensive income/(loss)	203.3	28.7	831.2	(664.0)	28.3	1,192.5
Total comprehensive income	246.5	220.3	1,297.8	(470.1)	551.8	1,842.6
Shares issued	0.6	1.0	0.6	1,210.4	64.0	55.9
Long-term incentive plan	0.5	0.1	0.4	0.2	0.1	0.2
Dividend paid	-	-	-	(136.3)	(265.1)	(254.1)
At 30 June	8,398.5	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.

Group balance sheet	2023 \$M	2022 \$M	2021 ¹ \$M	2020 \$M	2019 \$M	2018 \$M
Non-current assets						
Property, plant and equipment						
Land	4,387.8	4,319.1	4,705.7	3,931.1	4,645.4	4,625.3
Buildings and services	1,829.8	1,553.3	1,079.9	1,140.7	1,056.7	961.8
Infrastructure	781.1	616.6	551.7	487.5	403.1	356.2
Runways, taxiways and aprons	486.0	398.5	389.1	378.3	346.5	351.5
Vehicles, plant and equipment	63.6	98.6	100.1	123.2	125.4	83.2
	7,548.3	6,986.1	6,826.5	6,060.8	6,577.1	6,378.0
Investment properties	2,882.1	2,897.4	2,641.4	2,897.4	1,745.4	1,425.6
Investment in associate and joint ventures	193.1	166.5	154.4	114.7	105.7	104.4
Derivative financial instruments	45.0	28.1	29.2	230.5	162.6	110.4
	10,668.5	10,078.1	9,651.5	9,303.4	8,590.8	8,018.4
Current assets						
Cash	106.2	24.7	79.5	765.3	37.3	106.7
Trade and other receivables	51.6	28.5	25.4	28.5	69.0	71.5
Taxation receivable	1.4	21.6	20.9	21.6	-	-
Derivative financial instruments	1.6	-	-	15.4	-	-
	160.8	74.8	125.8	830.8	106.3	178.4
Total assets	10,829.3	10,152.9	9,777.3	9,297.2	8,697.1	8,196.8
Shareholders' equity						
Issued and paid-up capital	1,680.8	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)	(609.2)
Property, plant and equipment revaluation reserve	5,187.3	5,040.2	5,099.9	4,333.7	4,968.8	4,913.9
Share-based payments reserve	2.0	2.1	2.0	1.6	1.4	1.3
Cash flow hedge reserve	31.6	18.3	(50.4)	(100.7)	(67.1)	(38.2)
Cost of hedging reserve	(1.7)	(1.7)	(1.1)	(3.9)	(5.8)	-
Share of reserves of associate and joint ventures	62.1	50.9	37.0	28.8	28.8	28.8
Retained earnings	2,024.6	1,970.7	1,772.1	1,308.2	1,247.8	981.3
	8,377.5	8,151.5	7,929.5	6,637.1	6,032.9	5,682.1
Non-current liabilities						
Term borrowings	1,388.3	961.0	1,172.8	1,824.4	1,748.6	1,893.5
Derivative financial instruments	25.3	15.7	67.9	134.6	88.4	38.9
Deferred tax liability	438.5	411.9	278.3	231.7	265.3	251.4
Other term liabilities	3.5	3.3	2.8	2.1	1.9	1.8
	1,855.6	1,391.9	1,521.8	2,192.8	2,104.2	2,185.6
Current liabilities						
Accounts payable	159.9	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	428.8	515.6	220.0	320.8	441.8	166.8
Provisions	7.5	6.5	0.7	37.2	0.5	0.1
	596.2	610.1	326.0	467.3	560.0	329.1
Total equity and liabilities	10,829.3	10,153.5	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.

Five-year summary CONTINUED

	2023	2022	2021	2020	2019	2018
Group statement of cash flows	\$M	\$M	\$M	\$M	\$M	\$M
Cash flow from operating activities						
Cash was provided from:						
Receipts from customers	593.3	287.0	271.2	586.0	756.0	674.0
Interest received	3.2	0.3	4.9	1.6	2.0	2.0
	596.5	287.3	276.1	587.6	758.0	676.0
Cash was applied to:						
Payments to suppliers and employees	(213.5)	(134.6)	(116.5)	(242.5)	(203.6)	(180.5)
Income tax paid	-	-	(0.6)	(94.2)	(101.1)	(96.4)
Interest paid	(57.9)	(51.5)	(98.0)	(75.1)	(77.4)	(77.9)
	(271.4)	(186.1)	(215.1)	(411.8)	(382.1)	(354.8)
Net cash flow from operating activities	325.1	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	-
Dividends from associate and joint ventures	1.8	3.0	5.0	14.9	9.2	15.4
	1.8	3.4	5.4	15.0	10.7	372.8
Cash was applied to:						
Purchase of property, plant and equipment	(465.1)	(224.8)	(141.9)	(240.5)	(239.1)	(310.3)
Interest paid – capitalised	(19.4)	(8.0)	(6.5)	(11.8)	(7.0)	(8.8)
Expenditure on investment properties	(106.8)	(39.8)	(58.1)	(136.1)	(81.0)	(77.1)
Investments in associates and joint ventures	(6.1)	(14.0)	(15.4)	(23.2)	(2.3)	-
Costs relating to sale of investment of associate	-	-	-	-	-	(10.1)
	(597.4)	(286.6)	(221.9)	(411.6)	(329.4)	(406.3)
Net cash applied to investing activities	(595.6)	(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	753.0	200.6	105.0	125.0	150.0	301.1
Settlement of cross-currency interest rate swaps	-	(1.4)	79.6	-	-	-
	753.0	199.2	184.6	1,303.1	150.0	301.1
Cash was applied to:						
Decrease in borrowings	(401.0)	(72.0)	(714.9)	(250.0)	(75.0)	(329.0)
Dividends paid	-	-	-	(104.3)	(201.6)	(198.2)
	(401.0)	(72.0)	(714.9)	(354.3)	(276.6)	(527.2)
Net cash flow applied to financing activities	352.0	127.2	(530.3)	948.8	(126.6)	(226.1)
Net increase/(decrease) in cash held	81.5	(54.8)	(685.8)	728.0	(69.4)	61.6
Opening cash brought forward	24.7	79.5	765.3	37.3	106.7	45.1
Ending cash carried forward	106.2	24.7	79.5	765.3	37.3	106.7

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	2023	2022	2021	2020	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M
Capital expenditure						
Aeronautical	325.1	125.6	48.1	205.0	106.0	280.6
Retail	0.3	0.4	0.1	14.0	19.0	12.5
Property development	133.3	54.8	72.6	146.6	87.8	80.2
Infrastructure and other	53.4	67.7	75.1	52.7	46.0	20.8
Car parking	135.0	11.5	1.2	14.7	25.3	11.1
Total	647.1	260.0	197.1	433.0	284.1	405.2

Passenger, aircraft and MCTOW (maximum certificated take-off weight)	2023	2022	2021	2020	2019	2018
Passenger movements						
International	7,773,555	1,340,875	602,125	8,473,946	11,517,988	11,266,382
Domestic	8,087,709	4,261,271	5,841,514	7,047,108	9,593,625	9,263,666
Aircraft movements						
International	42,423	18,315	15,106	44,962	57,082	55,693
Domestic	101,998	67,748	83,583	94,175	121,689	118,583
MCTOW (tonnes)						
International	4,043,717	2,115,127	1,771,014	4,669,929	5,894,112	5,798,018
Domestic	2,028,201	1,343,150	1,637,867	1,830,711	2,372,412	2,341,699

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Results at a glance

June 2023

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	30 June 2023 \$m	30 June 2022 \$m	Movement %
Financial Results			
Income	625.9	300.3	108%
Operating expenses	228.8	155.8	47%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	397.1	144.5	175%
Share of profit / (loss) of associate and joint ventures	11.1	(12.8)	187%
Investment property fair value change	(139.7)	204.4	(168)%
Property, plant and equipment fair value change	(15.6)	(1.4)	(1,014)%
Derivative fair value change	(0.7)	1.7	(141)%
Depreciation	145.3	113.1	28%
Interest expense and other finance costs	62.7	53.7	17%
Taxation expense / (benefit)	1.0	(22.0)	105%
Reported profit after taxation	43.2	191.6	(77)%
Earnings per share	2.9 c	13.0 c	(78)%
Underlying profit / (loss) after taxation ¹	148.1	(11.6)	1,377%
Underlying earnings / (loss) per share	10.1 c	(0.8 c)	1,363%
Dividends			
Total proposed dividend for the year (cents per share)	4.00 c	–	n/a
Total value of distributions for the year (\$ million)	58.9	–	n/a
Financial Position			
Shareholders' equity	8,377.5	8,150.9	3%
Total assets	10,829.3	10,152.9	7%
Debt to debt plus equity	18.2%	15.6%	
Debt to enterprise value ²	12.7%	12.3%	
Net debt to enterprise value ²	12.0%	12.1%	
Capital expenditure ³	647.1	253.1	156%
Passenger and aircraft statistics – Auckland Airport			
International passenger movements including transits	7,773,555	1,340,875	480%
Domestic passenger movements	8,087,709	4,261,271	90%
Maximum certificated take-off weight (tonnes)	6,071,918	3,458,278	76%
Aircraft movements	144,421	86,063	68%
Queenstown Airport performance⁴			
International passenger movements	736,861	37,889	1,845%
Domestic passenger movements	1,633,459	1,096,655	49%
Revenue	59.6	26.8	122%
EBITDAFI	43.9	14.0	214%
Profit after taxation	22.7	1.1	1,964%

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 2023, prior annual and interim financial reports and Auckland Airport's market releases on the NZX and ASX.

Note:

1. 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
2. Based on the share price as at 30 June 2023 of \$8.55 (30 June 2022 of \$7.18)
3. Net capital expenditure additions after capex write-offs and impairments of \$3.8 million in 2023 and \$6.9 million in 2022
4. From non-audited management accounts of Queenstown Airport, which have not been apportioned for Auckland Airport's 24.99% minority interest in Queenstown Airport

▲ **15.9m**
PASSENGERS

Domestic up **90%** and
International up **480%**

▲ **108%**
Income up to **\$625.9m**

Results at a glance

continued

Appendix A

Reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2023 and 2022:

	2023			2022		
	Reported profit \$M	Adjustments \$M	Underlying profit \$M	Reported profit \$M	Adjustments \$M	Underlying profit \$M
EBITDAFI per Income Statement¹	397.1	–	397.1	144.5	–	144.5
Investment property fair value change	(139.7)	139.7	–	204.4	(204.4)	–
Property, plant and equipment fair value change	(15.6)	15.6	–	(1.4)	1.4	–
Fixed asset write-offs, impairments and termination costs ¹	–	2.8	2.8	–	6.9	6.9
Derivative fair value change	(0.7)	0.7	–	1.7	(1.7)	–
Share of profit / (loss) of associate and joint ventures	11.1	(3.6)	7.5	(12.8)	17.2	4.4
Depreciation	(145.3)	–	(145.3)	(113.1)	–	(113.1)
Interest expense and other finance costs	(62.7)	–	(62.7)	(53.7)	–	(53.7)
Taxation (expense) / benefit	(1.0)	(50.3)	(51.3)	22.0	(22.6)	(0.6)
Profit / (loss) after tax	43.2	104.9	148.1	191.6	(203.2)	(11.6)

Notes:

1. 2023 EBITDAFI included fixed asset write-offs, impairments and termination costs of \$3.8 million. 2022 included \$6.9 million.

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2023 and 2022:

- we have reversed out the impact of revaluations of investment property in 2023 and 2022. 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, runways, taxi ways, aprons and infrastructure assets within property, plant and equipment in 2023 and land and building classes of assets within property, plant and equipment in 2022;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2023 and 2022. 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 2023 and 2022 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 2023 and 2022 financial years.

▼ **\$43.2m**

Reported profit after tax down 77%

▲ **\$148.1m**

Underlying profit in the year, an improvement on the underlying loss of \$11.6 million in 2022



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Annual Results Presentation

24 August 2023

Carrie Hurihanganui
Chief Executive

Philip Neutze
Chief Financial Officer



Important notice

Annual results

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);
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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 70% to 90% 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.

Highlights



FY23 highlights

2023

Annual Results

A year of transformative change at Auckland Airport

Passenger movements



15.9m 

up 183% on the prior year

Domestic PAX up 90%
International PAX up 480%
Transit PAX up 580%

Aircraft movements 144,000,
up 68%

25 airlines connecting AKL to
40 international destinations

Revenue



\$625.9m 

up 108% on the prior year

Improved financial
performance across all
passenger driven lines of
business combined with
continued growth in
commercial property

EBITDAFI¹ of \$397.1m, up
175% on the prior year

Net profit after tax up to
\$43.2m with an underlying
profit¹ returning to profitability
at \$148.1m

Capital investment



\$647.1m 

up 156% on the prior year²

Record year of capital
investment right across the
airport precinct with \$378m
on aeronautical projects and
\$269m on commercial
activities

Major project milestones
achieved

Price setting event 4



\$5.0bn

of investment

Concluded consultation on
aeronautical pricing for PSE4
with new charges taking
effect from 1 July 2023

Circa \$5 billion of
aeronautical capital
investment planned over
PSE4 (\$3.1 billion
commissioned)

8.73% PSE4 Target Return

Aeronautical price freeze in
the year to June 2023

Payment of a dividend



4.0cps

First dividend to
shareholders since 2019

FY23 distribution of 4.0cps
represents a payout of 73%
of underlying profit in the
second half of the 2023
financial year

Dividend reinvestment plan
reinstated for participating
shareholders offering a
discount of 2.5%

1. Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying loss after tax is included in the appendix

2. Net capital expenditure additions after \$3.8 million of capital expenditure impairments

Financial results at a glance

2023

Annual Results

Highlights

Financial performance

Building a better future

Outlook

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Revenue

\$625.9m

▲ 108%

84% of FY19

Aeronautical revenue

\$219.5m

▲ 132%

Retail revenue

\$130.9m

▲ 477%

Reported profit after tax

\$43.2m

▼ 77%

2023 earnings per share of 2.93cps

Final dividend

4.0cps

EBITDAFI³

\$397.1m

▲ 175%

EBITDAFI margin of 62.9%

Parking revenue

\$57.7m

▲ 120%

Commercial property

\$142.9m

▲ 27%

\$2.9bn portfolio valuation

Underlying profit after tax³

\$148.1m

▲ 1,377%

54% of FY19

Underlying profit per share of 10.06cps

Capital investment⁴

\$647.1m

▲ 156%

3. Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying profit after tax is included in the appendix

4. Net capital expenditure additions after \$3.8 million of capital expenditure write offs and impairments

Strong recovery in passenger numbers...

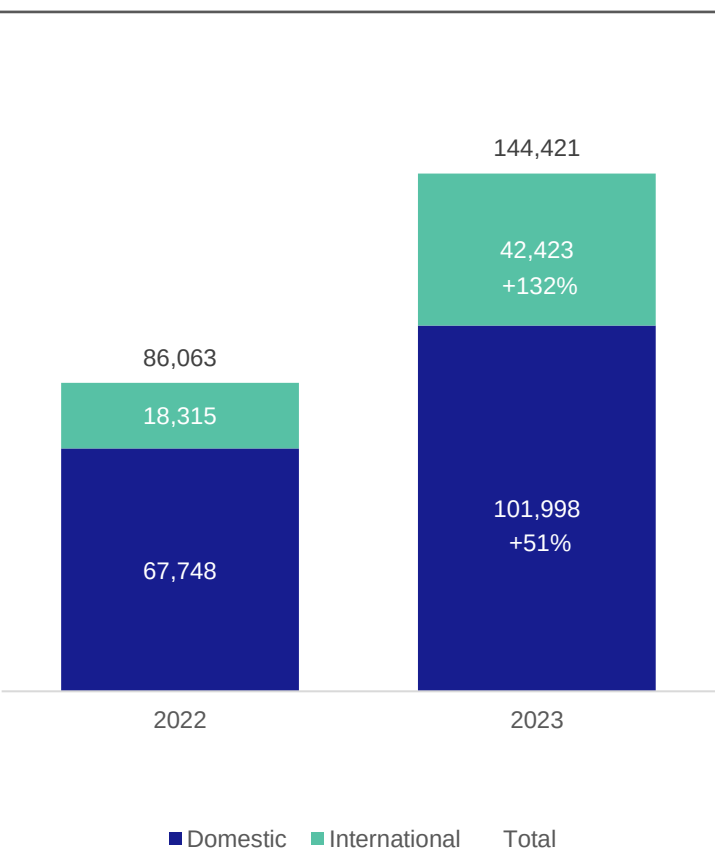
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International passengers continued to recover strongly throughout the year with the greater number of international carriers serving Auckland improving connectivity and choice for travellers

Monthly passenger numbers as a % of FY19



Aircraft movements



Eight international airlines added in the year



...coupled with strong recovery in commercial performance

2023

Annual Results

Highlights

Financial performance

Building a better future

Outlook

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The recovery in passenger movements during the year has driven improved performance across the commercial elements of the business



Retail income per PAX⁵ in June 2023 up 57% on the same month in 2022

\$8.22 ▲

\$5.25



Car parking average revenue per space in June 2023 up 52% on the same month in 2022

\$572 ▲

\$376



Hotel occupancy in June 2023 up 63 percentage points on the same month in 2022

90% ▲

27%

5. Income per PAX calculated as total retail income divided by total PAX, excluding half of the transit PAX movements

We are 'building a better future'

2023

Annual Results

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Building a better future

Outlook

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Supported the recovery in travel through increased connectivity



New international services

Reopened our commercial businesses to cater for increased passenger demand



Reopening of Bistro Box in the international terminal

Focused on improving operating efficiency and effectiveness to enhance the passenger experience



Trialling dedicated lanes to deliver improved efficiency

Continued our disciplined approach to investment in infrastructure



Enabling works for the integrated terminal

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Financial performance



Total passenger movements well up on FY22

2023 Annual Results

For the year ended 30 June	2023	2022	Change	Pre-COVID 2019 ⁶	% of pre-COVID 2019
International arrivals	3,635,079	596,104	510%	5,284,325	69%
International departures	3,539,392	656,657	439%	5,222,335	68%
International passengers excluding transits	7,174,471	1,252,761	473%	10,506,660	68%
Transit passengers	599,084	88,114	580%	1,011,328	59%
Total international passengers	7,773,555	1,340,875	480%	11,517,988	67%
Domestic passengers	8,087,709	4,261,271	90%	9,593,625	84%
Total passengers	15,861,264	5,602,146	183%	21,111,613	75%

- Total PAX volumes increased 183% on prior year reflecting the strong recovery in international travel and a full year of domestic travel without any travel restrictions
- International PAX recovered to 67% of the pre-COVID equivalent in FY23, peaking at 86% in June 2023
- With a full year of no travel restrictions, domestic PAX volumes increased 90% on 2022
- Against pre-COVID levels, domestic volumes plateaued at 84% owing to continued airline capacity constraints
- Airline capacity is still not back at pre-pandemic levels, with both international and domestic air fares well above pre-COVID prices

6. Comparative information for the year to June 2019 has been included to compare the 2023 performance against the last financial year that immediately preceded the COVID-19 pandemic

Aircraft movements and MCTOW

2023 Annual Results

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For the year ended 30 June	2023	2022	Change	Pre-COVID 2019 ⁷	% of pre-COVID 2019
Aircraft movements					
International aircraft movements	42,423	18,315	132%	57,084	74%
Domestic aircraft movements	101,998	67,748	51%	121,703	84%
Total aircraft movements	144,421	86,063	68%	178,787	81%
MCTOW (tonnes)					
International MCTOW	4,043,717	2,115,128	91%	5,894,113	69%
Domestic MCTOW	2,028,201	1,343,150	51%	2,372,412	85%
Total MCTOW	6,071,918	3,458,278	76%	8,266,525	73%

- International aircraft movements and MCTOW increased by 132% and 91% respectively following a strong recovery of the international airline network connecting into Auckland
- Domestic aircraft movements and MCTOW both increased by 51% reflecting no domestic travel restrictions this financial year
- International and domestic seat capacity recovered to 68% and 83% respectively of the pre-COVID equivalents

7. Comparative information for the year to June 2019 has been included to compare the 2023 performance against the last financial year that immediately preceded the COVID-19 pandemic

Return to underlying profit

2023 Annual Results

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For the year ended 30 June (\$m)	2023	2022	Change
Revenue	625.9	300.3	108%
Expenses	228.8	155.8	47%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)⁸	397.1	144.5	175%
Share of profit / (loss) from associate and joint ventures	11.1	(12.8)	187%
Derivative fair value change	(0.7)	1.7	(141)%
Property, plant and equipment fair value change	(15.6)	(1.4)	(1,014)%
Investment property fair value change	(139.7)	204.4	(168)%
Depreciation expense	145.3	113.1	28%
Interest expense and other finance costs	62.7	53.7	17%
Taxation expense / (benefit)	1.0	(22.0)	105%
Reported profit after tax	43.2	191.6	(77)%
Underlying profit / (loss) after tax⁸	148.1	(11.6)	1,377%

- Revenue up significantly in the year reflecting strong passenger-related and investment property growth
- Operating costs increased 47% reflecting the scaling up of the business including staff numbers to support the recovery in travel plus very strong inflation pressures, particularly rates and insurance
- EBITDAFI margin improved from 48% to 63%
- Strong performance was also seen in Queenstown Airport with a \$5.6 million share of underlying profit (FY22: \$0.3 million) driven by a recovery from international services in the year
- Depreciation expense increased 28% in the year to \$145.3 million, reflecting the increase in the book value of depreciable assets following last year's PP&E buildings revaluations plus new assets commissioned
- Net interest expense rose to \$62.7 million in the year reflecting increased borrowings and higher interest rates
- Underlying earnings returned to profit for the first time since FY20 when COVID-19 had just begun to bite

8. Auckland Airport recognises EBITDAFI and underlying profit or loss are non-GAAP measures. A reconciliation between reported profit after tax and underlying profit/(loss) after tax is included in the appendix

Return of passengers driving revenue uplift across the business

2023 Annual Results

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For the year ended 30 June (\$m)	2023	2022	Change
Airfield income	86.6	60.9	42%
Passenger services charge	132.9	33.8	293%
Retail income	130.9	22.7	477%
Car park income	57.7	26.2	120%
Investment property rental income	142.9	112.9	27%
Other rental income	27.7	16.8	65%
Other income	47.2	27.0	75%
Total revenue	625.9	300.3	108%

- Despite aeronautical prices held at FY22 levels for the first year of PSE4, revenue from Airfield and the Passenger Services Charge grew a combined 132% reflecting strong growth in aircraft movements and passengers
- With passengers returning, the progressive reopening of retail stores in the international terminal drove a significant increase in retail income
- Car parking income increased significantly reflecting the stronger than pre-COVID propensity to park, the reopening of all parking products and passenger growth
- Investment property rental income increased by 27% on the prior period driven by rental growth in the existing portfolio, part period new leases in FY22 and new leases in FY23 and an \$8.4 million 'straight-lining effect' from leases with fixed rental increments over the lease period

Operating costs

2023 Annual Results

For the year ended 30 June (\$m)	2023	2022	Change
Staff	63.3	50.0	27%
Asset management, maintenance and airport operations	89.8	66.7	35%
Rates and insurance	31.8	21.0	51%
Marketing and promotions	6.7	1.4	379%
Professional services and levies	8.2	4.3	91%
Fixed asset write-offs, impairments and termination costs ⁹	3.8	6.9	(45)%
Flood related expense	8.4	-	
Other expenses	19.2	6.1	215%
Expected credit losses	(2.4)	(0.6)	(300)%
Total operating expenses	228.8	155.8	47%
Depreciation	145.3	113.1	28%
Interest	62.7	53.7	17%

- The recovery in aviation necessitated higher staff numbers and outsourced operations for bussing, cleaning and parking (within asset management, maintenance and airport operations) to service increased aircraft and passenger throughput
- Normalising for the \$4.3 million government wage subsidy received only in the prior period, staff costs rose 17% or \$9.0 million in the period
- In January 2023, Auckland Airport experienced flash flooding caused by record breaking rainfall, particularly in the international terminal. \$8.4 million of flood related expenses were suffered in the financial year
- Cost inflation was very strong, especially in non-tradable categories with rates and insurance costs rising significantly
- Other expenses rose in the year reflecting a \$3.4 million write down of decommissioned assets, increased SaaS costs and higher operating costs from increased hotel activity

9. \$3.8 million in 2023 is net of \$1.0 million benefit in related to the reversal of fixed asset impairment and termination costs

Significant lift in capital expenditure

2023 Annual Results

Capital expenditure in the year of circa \$647 million, a record year spanning both aeronautical and commercial assets

Terminal Integration (\$215 million):

- Construction underway on several elements including the Eastern Bag Hall, West Terminal Enabling and other civils-related enabling projects. Completed new Operations Control Centre and east airfield relocations

Transport including car parking (\$149 million)

- Construction progressing well on new Transport Hub and Park & Ride South facilities as well as two roading projects, Te Ara Korako Drive and upgrades to Lawrence Stevens Drive

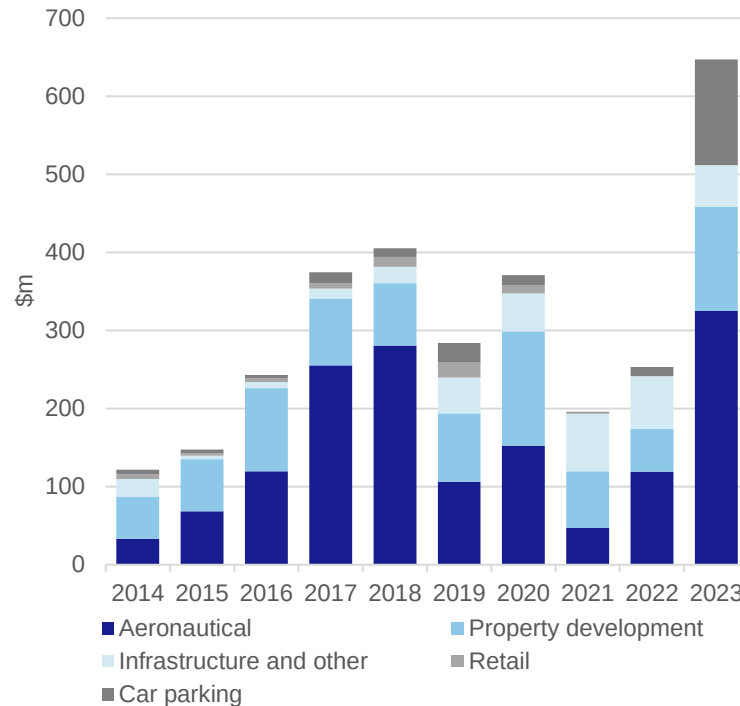
Airfield (\$66 million)

- Renewal and upgrade works for the airfield, aprons and fuel network. In addition, Auckland Airport purchased airfield ground lighting assets from Airways NZ that required significant R&M

Property (\$133 million)

- Completed the preleased development at 6-8 Te Kapua Drive and an expansion of Kerry Logistics
- Eight pre-leased warehouse and office developments underway, with completions expected through FY24 to FY25 alongside construction of Mānawa Bay

Capital expenditure



Balance sheet remains strong

2023 Annual Results

As at 30 June 2023 (\$m)	2023	2022	Change
Non-current assets	10,668.5	10,078.1	6%
Property, plant and equipment	7,548.3	6,986.1	8%
Investment property	2,882.1	2,897.4	(1)%
Other non-current assets	238.1	194.6	22%
Current assets	160.8	74.8	115%
Cash	106.2	24.7	330%
Other current assets	54.6	50.1	9%
Non-current liabilities	1,855.6	1,391.9	33%
Term borrowings	1,388.3	961.0	44%
Other non-current liabilities	467.3	430.9	8%
Current liabilities	596.2	610.1	(2)%
Equity	8,377.5	8,150.9	3%

- Non current assets increased reflecting the net \$203 million upwards revaluations of land, infrastructure, and runways, taxi ways & aprons classes of assets within property, plant and equipment, the \$140 million downwards revaluation of Investment Property and the \$647 million capital expenditure in FY23
- The balance sheet remains strong with gearing at 18.2% versus the 60% borrowing covenant and book value of equity at \$8.4 billion versus market capitalisation of approximately \$12 billion

Strong liquidity position and robust credit metrics

2023 Annual Results

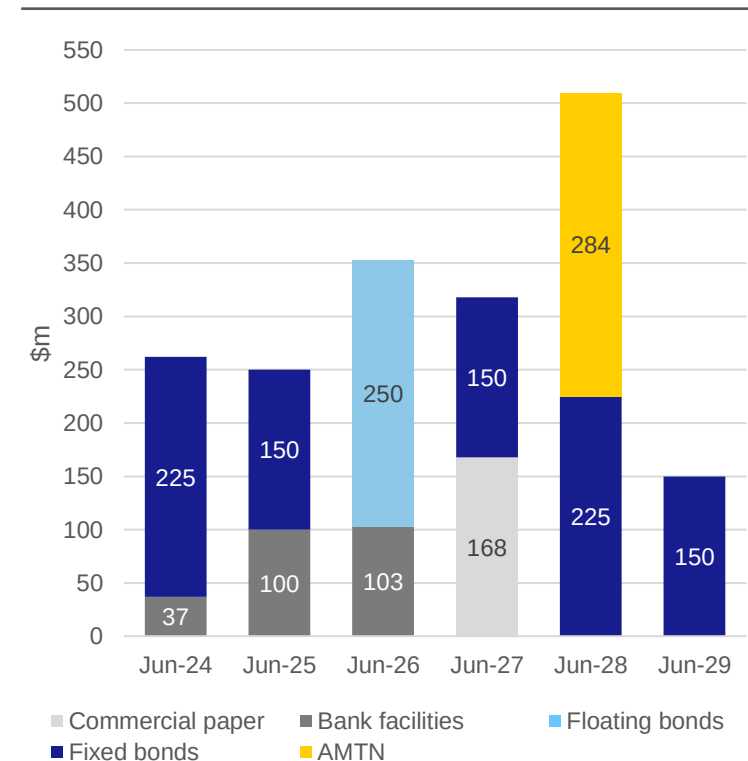
Strong financial metrics with strong covenant headroom and liquidity to support the planned capex

- Total drawn debt of \$1,817 million at 30 June 2023, an increase of 23% or \$340 million on June 2022
- Committed undrawn bank facility headroom of circa \$963 million (Jun-22: \$955 million), and \$106 million in available cash (Jun-22: \$25 million)
- Raised \$625 million of new borrowings through four NZDCM issues in the period comprising:
 - a \$150 million and \$100 million wholesale floating rate note issues; and
 - a \$225 million and \$150 million listed fixed rate bond issues
- A- credit rating maintained

Key credit metrics

	Test	Jun-23	Jun-22
Gearing covenant ¹⁰	≤ 60%	18.2%	15.6%
Interest coverage covenant ¹¹	≥ 2.0x	6.57x	2.58x
Debt to enterprise value		12.7%	12.3%
Net debt to enterprise value		12.0%	12.1%
FFO interest cover ¹²	≥ 2.5x	5.0x	2.6x
FFO to net debt ¹²	≥ 11.0%	18.5%	6.4%
Weighted average interest cost		5.03%	4.32%
Average debt maturity profile (yrs)		2.65	2.29
Percentage of fixed borrowings		63.2%	71.5%

Drawn debt maturity profile by financial year



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, depreciation, revaluations and derivative changes (broadly EBITDA) divided by interest

12. Test is S&P's A- rating threshold for Auckland Airport

Dividend

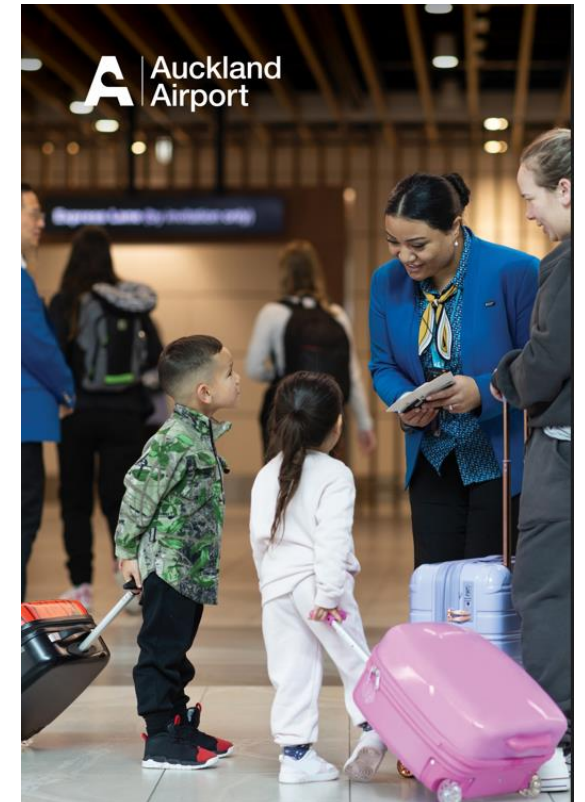
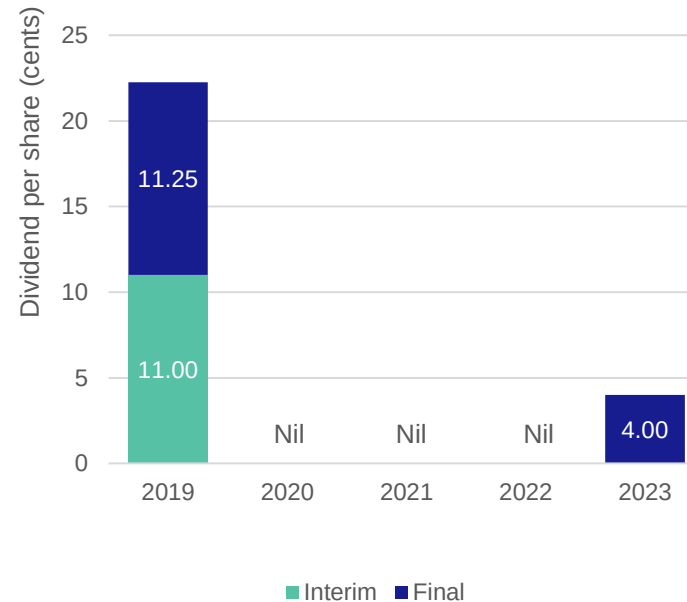
Final dividend for FY23 of 4.0 cents per share

- In June 2023, Auckland Airport revised its dividend policy to:
 - pay 70% to 90% 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 range, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time
- A final dividend of 4.0 cents per share has been declared for FY23 and is imputed to 100% for qualifying shareholders, representing a pay-out of 73% of second half underlying profit

Dividend reinvestment plan

- Shareholders can once again participate in Auckland Airport's dividend reinvestment plan (in full or in part) at a discount of 2.5%
- Any shareholder that elects to participate will remain in the plan at the same participation level until they elect to terminate or amend their participation level
- Dividend reinvestment plan application forms must be received by 27 September 2023 to confirm participation in the plan with the trading period for setting the DRP strike price from 27 September 2023 to 3 October 2023. The DRP strike price will be announced on 5 October 2023

Auckland Airport dividends per share



Dividend Reinvestment Plan

Offer Document

Auckland International Airport Limited

This is an important document. If you have any questions in relation to the Dividend Reinvestment Plan, or are in any doubt as to how to act, please contact your financial adviser.

August 2023

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Building a better future



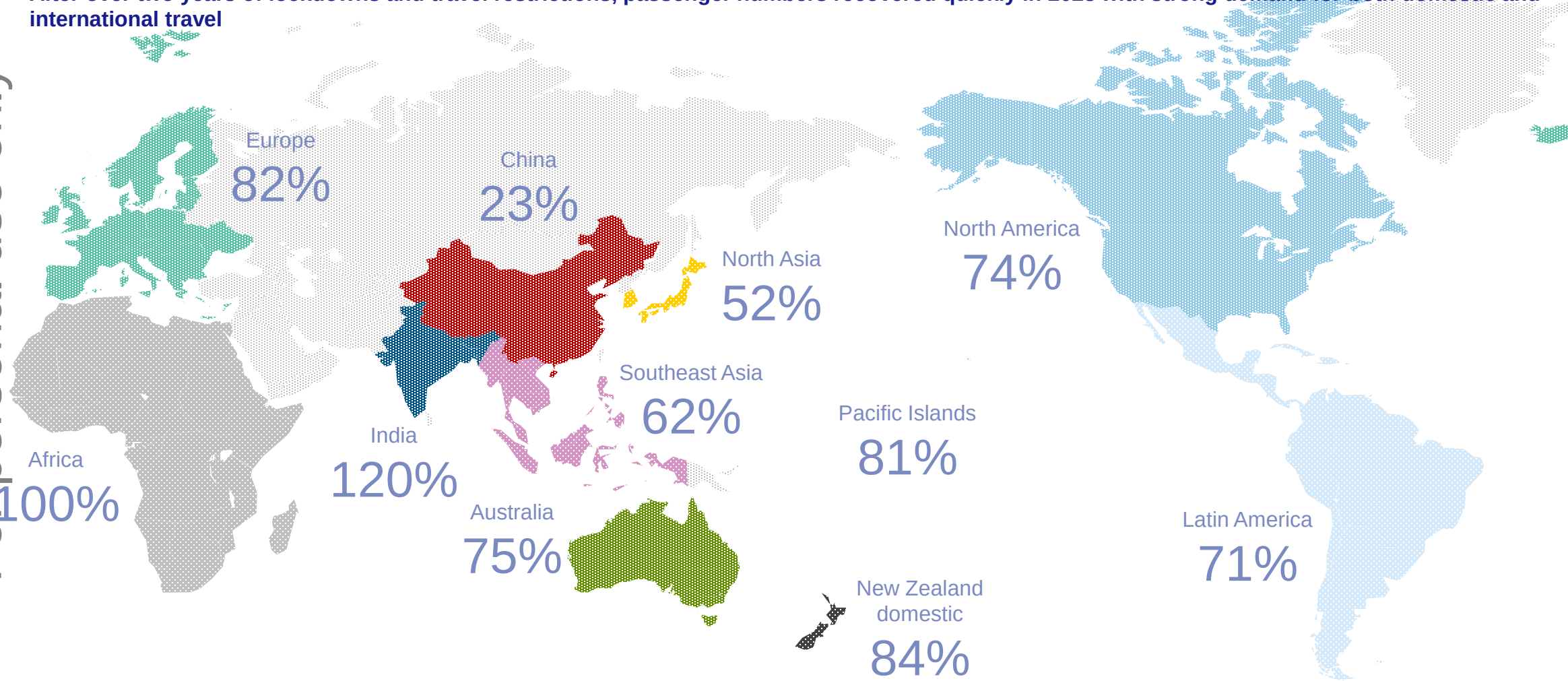
Passenger markets are recovering

2023 Annual Results

After over two years of lockdowns and travel restrictions, passenger numbers recovered quickly in 2023 with strong demand for both domestic and international travel

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Note:

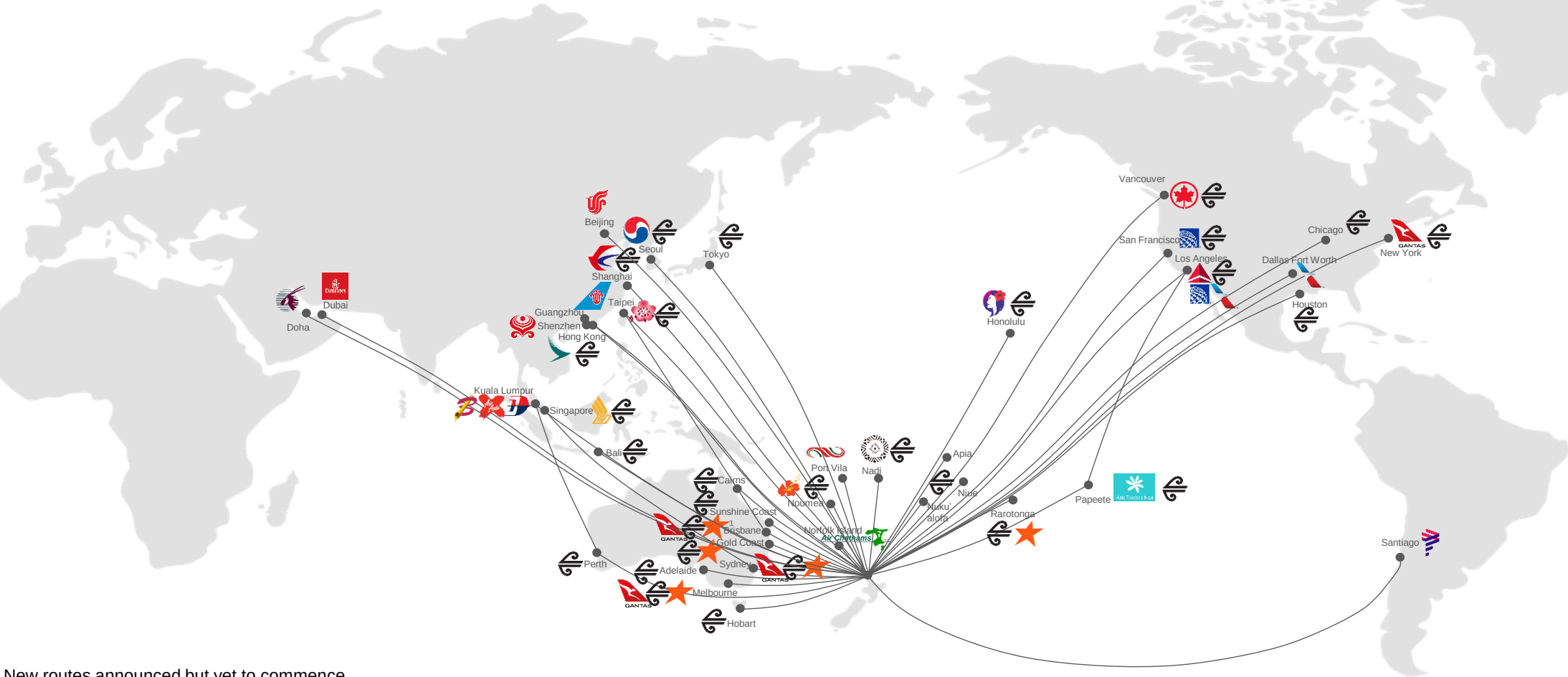
Each percentage outlined above represents the bi-directional recovery of international passenger movements between New Zealand and that specific international market for the year to 30 June 2023 compared to the year ended 30 June 2019. Source: Stats NZ.

New Zealand domestic at 84% shows recovery of the domestic travel market within New Zealand for the year ending 30 June 2023 compared to the year ended 30 June 2022. Source: Auckland Airport

New Zealand is reconnecting to the world

2023 Annual Results

With the restart of services and the launch of new routes, during 2023, 25 airlines connected Auckland Airport with 40 destinations across the Middle East, Asia, the Americas and the Pacific Islands versus compared to 29 airlines and 43 destinations pre-COVID



New routes announced but yet to commence

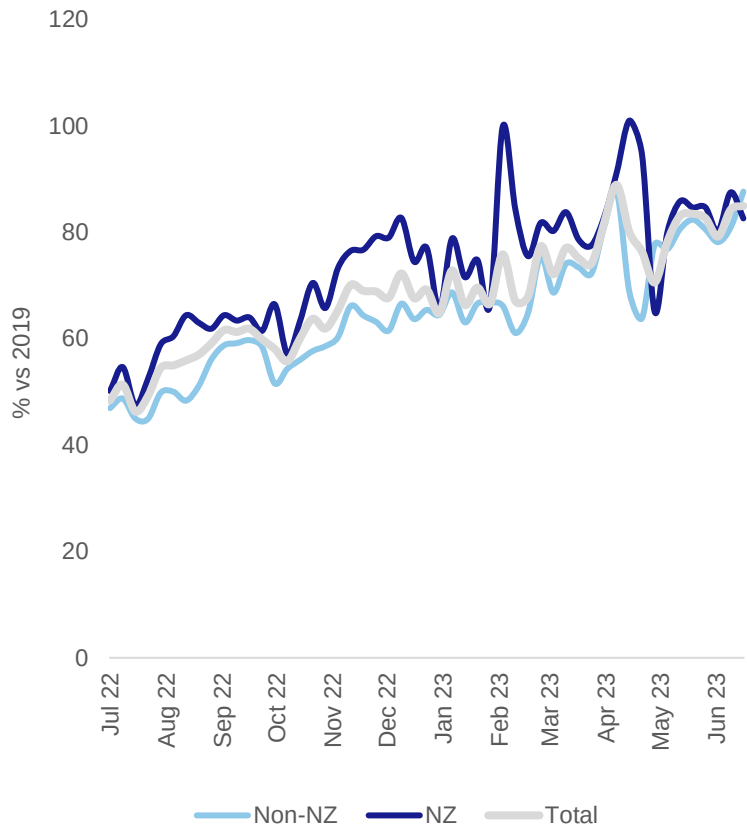
-    AKL - LAX
-  AKL - PER - KUL

The recovery in travel remains broad based

2023 Annual Results

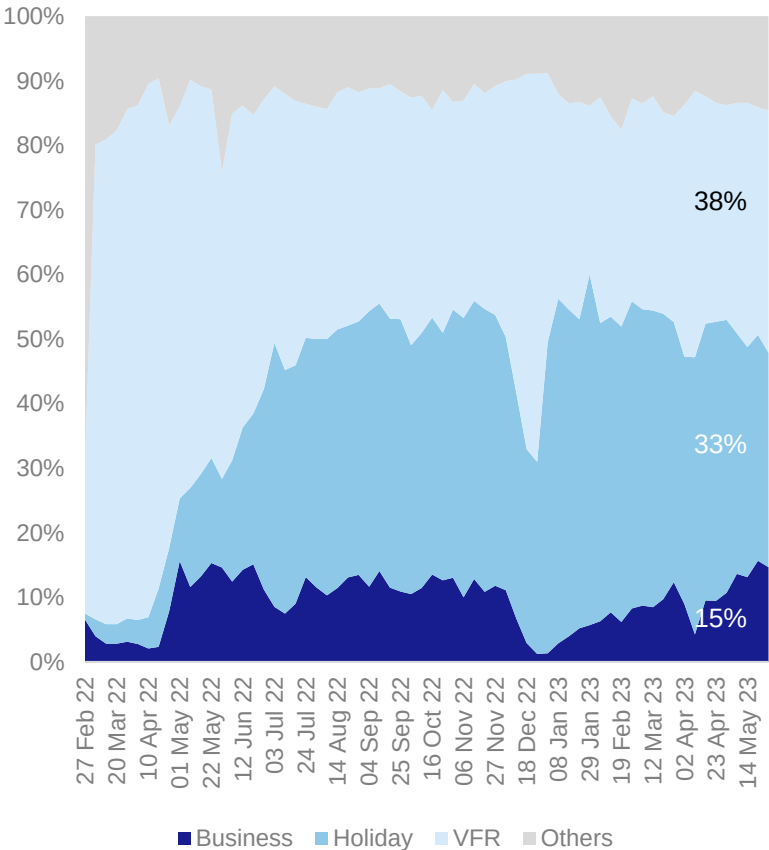
Strong recovery in aviation markets across both Kiwi outbound travellers and international visitors, with a diverse mix of reasons for travel, despite COVID-19 related airline capacity shortages leading to very high air fares

New Zealand arrivals



Source: Stats NZ

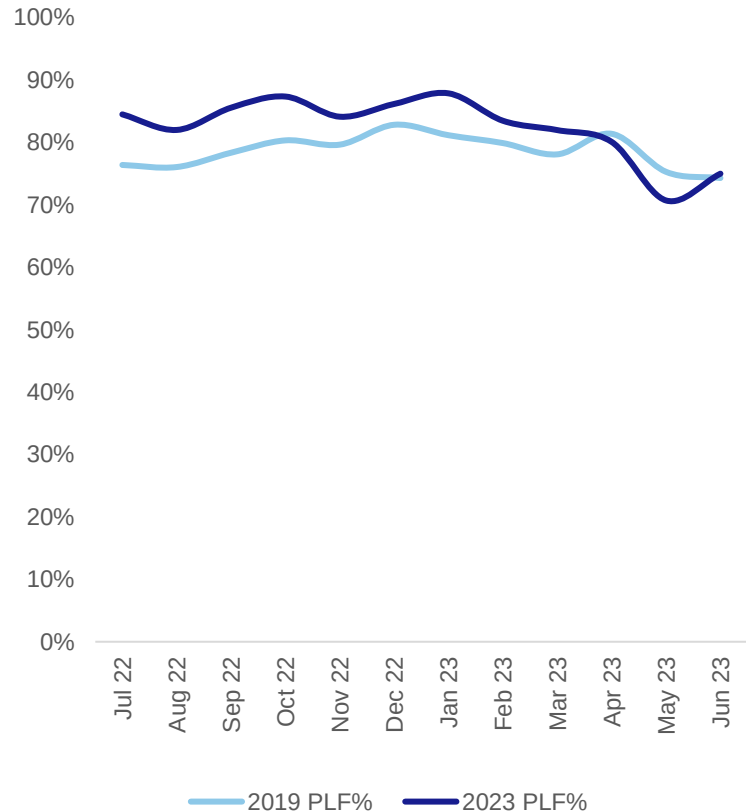
Weekly visitor arrivals' purpose of travel



Source: Stats NZ

Note: VFR purpose of travel is visiting friends and relatives

International load factors (PLF) at Auckland



Source: Auckland Airport

We remain focused on improving efficiency and customer experience

2023 Annual Results

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Flight	STA	ETA	OBK	Origin	CV	Gate	A/C	Reg	Status	15:54
NZ144	1455	1454	1453	BNE	01	10	ZKNHB		Processing	
NZ102	1505	1511	1513	SYD	05	4	ZKNNF		Processing	
NZ991	1510	1508	1509	APW	05	8	ZKNNB		Processing	
MU779	1545	1604		PVG	01	7	B2002		Delayed	
D7288	1615	1607		SYD	01	9	9MXBH			
QF145	1615	1637		SYD	02	15R	VHVZI		Delayed	
LA800	1635	1609		SYD	03	6	CCBGG		Early	
NZ104	1655	1709		SYD	05	18	ZKOKM			
NZ188	1705	1652		OOL	05	4	ZKNE			
NZ953	1705	1658		NAN	06	3	ZKNZN			
NZ146	1715	1800		BNE	06	17	ZKOKS		Delayed	
CA783	1730	1734		PEK	03	10	B7878			
NZ937	1730	1912		IUE	01	13	ZKNG		Rescheduled	



Observation

Action

- The rebound of passenger numbers, combined with staff shortages across the aviation industry (e.g. airport, baggage handlers, security and biosecurity screening) put pressure on arrival processing and the customer experience has not been acceptable
- A taskforce with representatives from across the airport community has identified a number of initiatives to improve customer experience, such as dedicated biosecurity lanes for New Zealand and Australian passport holders, as well as improved use and sharing of data with joint border agencies to aid passenger processing

- Airport rosters are typically based on airline schedules, so the closer airline performance is to schedule, the more efficiently the system is able to process customers
- Recent on-time arrival performance has adversely impacted customer experience
- We are also working collaboratively with airlines to improve on-time performance and the airport community to flex and adapt when things don't go to plan

- On time departure performance for both domestic and international services remains below historical averages, impacting customers and the environment from additional fuel burn
- To improve operational efficiency, we are building data and machine learning capabilities.
- This will better predict aircraft push backs and taxi times to help airlines reduce their carbon emissions and cut unnecessary taxiway wait times for aircraft and the passengers onboard

Transforming the aviation system at Auckland

Airline consultation on the 10-year capital programme concluded in the year with circa \$6.7 billion of investment planned for Auckland Airport over PSE4 and PSE5 that will transform the aviation system

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Ten-year roadmap

Projects are subject to change and may be replaced, deferred or cancelled

Significant progress continues towards terminal integration

Substantial enabling works continue on the new domestic terminal that is planned to be tightly integrated with the existing international terminal building

- Detailed consultation with airline stakeholders concluded
- Detailed design of the integrated facility now underway with expectation of the completion of detailed design in calendar 2024
- Construction on key enabling works projects progressing well including:
 - completed the relocation of the airport operations centre to a new purpose-built facility that enables closer collaboration between airport stakeholders;
 - construction of the new Eastern Bag Hall including increased capacity; and
 - relocation of eastern airfield operations including livestock, ULDs, airside waste disposal facility and Checkpoint Charlie



Airfield expansion providing important capacity for growth



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Transport Hub that will transform the guest experience is taking shape



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Retail recovery is underway

2023 Annual Results

2023 has been a transformative year for retail at Auckland Airport. With the recovery in travel, the international retail precinct has reopened driving a significant lift in retail income

- By 30 June 2023, all stores in both the domestic and international retail concessions were open to the public, up from 90% and 45% respectively at 30 June 2022
- With a greater number of stores open and with increased trading hours, strong rental car sales and increased passenger flows, Retail income of \$130.9 million was up materially on the \$22.7 million in the prior year. As a result of these factors income per passenger¹³ lifted 105% to \$8.41 (FY19: \$10.96)
- Auckland Airport ran a competitive re-licencing process and subsequently selected global duty-free operator Lagardère AWPL as its duty-free partner and transitioned to a single operator in June 2023
- Initial duty free single operator observations have been positive with average transaction values higher than pre-COVID equivalent.
- Reflecting the progressive renegotiation of expiring retailer licences, retail rent abatements declined to \$58 million for the year, or 34% of FY22
- The omni-channel offering has resonated strongly with customers with the ease of pre-purchasing duty and tax-free goods in advance and collecting on the day of travel
- The off-airport duty and tax-free service via the Collection Point is recovering well leveraging the addition of new luxury stores from Auckland's premium retail districts. Income is up 5 times on the prior year

\$130.9 million	of Retail income in the year
\$8.41	of Retail income per PAX
115	Retail tenancies across the domestic & international terminals
100%	of retail stores open in the terminals



Newly opened Bistro Box at the International Terminal

13. Income per PAX calculated as total retail income divided by total PAX, excluding half of the transit PAX movements

Parking services continue to resonate with travellers

2023 Annual Results

With a full suite of products open for the year and ongoing strong demand for self-drive and premium products, Parking income outpaced the passenger recovery

- Parking revenue is up two-fold from the prior year to \$57.7 million reflecting the combined effects of the recovery in international passenger numbers, rise in the average period of stay and customers trading up in the period to higher-value parking products
- Domestic parking revenue recovered to be in-line with pre-COVID level, but International terminal parking was constrained with reduced spaces due to the Transport Hub construction. Travellers were however able to utilise Valet and Park and Ride products as an alternative
- New products opening in the year including a short-stay car park with designated accessible parking spaces and a mobility Valet product, providing ease of access at the front door of the international terminal

Development activity

- Construction of the Transport Hub continues to progress well with the ground floor drop off pick up due to open in 2H24 and the above ground parking levels by the end of calendar 2024. When finished, the Transport Hub will provide improved passenger amenity, connectivity and capacity for the terminal precinct
- \$90 million of new transport projects announced in the year to support passenger journeys including:
 - a new Park & Ride facility to connect southern travellers and due to open later in calendar 2024;
 - a new priority lane on Laurence Stevens Drive for public transport and high-occupancy vehicles to provide easier access into the airport; and
 - a new road, Te Ara Kōrako Drive, connecting George Bolt Memorial Drive and Nixon Road

7,214

Number of public car parks

1.9 million

Number of exits

\$5,761

Average revenue per car park



Construction of the Transport Hub

Investment property continues strong growth

2023 Annual Results

Development momentum underpinning strong growth

- Rental income up 27% to \$143 million reflecting a combination of lease renewals, new tenancies and \$8.4 million of 'straight-lined' future revenue recognition
- Rent roll in the year to June 2023 increased 15% to \$147 million
- Completed developments in the year include Healthcare Logistics and Kerry Logistics adding 23,600sqm of net lettable area
- Quality pipeline of nine new developments under construction which will add a further \$40 million in rental income once completed

Hotels

- Significant improvement in hotel occupancy during the year, reaching 75% for the year
- Fit out of the Te Ārikinui Pullman continues with opening planned before the end of this calendar year

\$2.9 billion

Portfolio value

535,058m²

Net lettable area

\$147 million

Rent roll

99.5%

Portfolio occupancy

8.6 years

Weighted average lease term

151ha

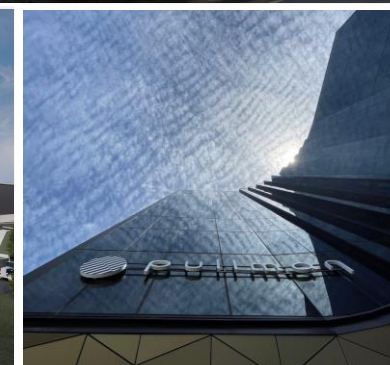
of land available for property development

75%

Annual hotel occupancy

\$216.35

Average hotel daily room rate



Projects currently under development

Sustainability remains central to our activities

2023 Annual Results

Sustainability is a key priority for us – our planned investments will help us move towards climate change goals and create a more sustainable airport



Purpose
Kaupapa

Material issues:

- Customer experience
- Wider economic contribution

Activities:

- Established centralised customer functions (including Insights, Customer Care and Contact Centre) to improve customer experience at Auckland Airport
- Participated in government business delegations to promote New Zealand offshore to help rebuild our tourism and export industries



Place
Kaitiakitanga

Material issues:

- Climate change risk and adaptation
- Minimising our environmental footprint

Activities:

- Undertook a coastal cleanup
- 27% reduction in scope 1 and Scope 2 emissions against a 2019 baseline
- Commenced programme to phase out gas from the terminals
- Relocated 227 native eels
- Introduced organic waste separation in the terminals
- Installed 24 EV chargers on the airfield



People
Whānau

Material issues:

- Health, safety, wellbeing and security
- Responsible employer

Activities:

- Safety & Risk Executive appointment.
- 'People First' HS&W strategy adopted
- 40:40:20 target achieved for Board/Executive/Tier 3 levels of leadership
- 10% of our employees identify as Māori or Pasifika, with 50 different ethnicities across our workforce.
- Implemented enhanced parental leave policy
- 12% of all permanent employees undertake paid volunteer leave



Community
Hapori

Material issues:

- Aircraft noise
- Community and mana whenua involvement

Activities:

- \$384,000 granted to community projects to support learning, literacy and life skills in South Auckland
- Celebrated Matariki with te reo Māori in the terminals
- Continued to work with alongside local iwi on the design of projects across the precinct
- Held a job fair to create employment opportunities for local people and connect them to jobs

Outlook

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Guidance

- As we look to the 2024 financial year, we continue to see positive signs in the recovery of the aviation industry with increased connectivity continuing to facilitate a recovery in travel
- Reflecting this, Auckland Airport is providing the following guidance for FY24 of:
 - underlying earnings of between \$260 million and \$280 million based on anticipated domestic and international passenger numbers of 8.5 million and 10.6 million respectively; and
 - capital expenditure of between \$1,000 million and \$1,400 million in the year reflecting the significant investment across the airport precinct
- 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



Welcome sign for the FIFA Women's World Cup

Regulatory



On 8 June 2023, Auckland Airport reset aeronautical prices covering the five year pricing period to 30 June 2027

- Airline charges will rise following the current price freeze, with the increases driven by a combination of:
 - \$2.5 billion of priced commissioned assets to be delivered during PSE4;
 - catch-up of the more than \$100 million revenue shortfall in FY23 (year one of PSE4) owing to the price freeze to support airlines during the early stages of the COVID-19 recovery; and
 - a higher target return reflecting updating all the data inputs of the Commission’s in-force 2016 cost of capital Input Methodology at the start of PSE4 and discontinuing the unwarranted 5bps downwards adjustment to asset beta for aeronautical activities
- No claw-back of the \$500 million plus aeronautical revenue losses in PSE3 caused by COVID-19
- Commerce Commission review of Auckland Airport’s PSE4 charges expected before the end of the 2024 financial year

Other regulation

- The Civil Aviation Bill has been passed. Act due to come into effect 5 April 2025
- The Commerce Commission’s draft WACC IM determination has been released, to be finalised in December 2023. The Draft decision includes a dramatic shift in methodology. The three regulated airports (supported by New Zealand Airports) have submitted strong evidence that the changes are ad hoc, unpredictable for future IM reviews, not evidenced and do not meet the Commission’s own clearly-stated decision-making framework



International airlines operating at Auckland Airport

Key aeronautical charges

	2022	2023	2024
Domestic Passenger Charge	\$3.10	\$3.10	\$5.05
Regional Passenger Charge	\$2.64	\$2.64	\$4.53
International Passenger Charge	\$15.49	\$15.49	\$21.20
MCTOW >40 tonnes landing charge per tonne	\$14.20	\$14.20	\$20.72

Note:

Refer to Auckland Airport’s schedule of standard charges for a full breakdown of aeronautical charges for PSE4

Appendix



Appendix: Associates' performance

2023 Annual Results



For the year ended 30 June (\$m)	2023	2022	Change
Queenstown Airport (24.99% ownership)			
Total Revenue	59.6	26.8	122%
EBITDA	43.9	14.0	214%
Underlying Earnings (Auckland Airport share)	5.7	0.3	1,325%
Domestic Passengers	1,633,459	1,096,655	49%
International Passengers	736,861	37,889	1,845%
Aircraft movements	16,235	9,691	68%
Novotel Tainui Holdings (50.00% ownership)			
Total Revenue	24.8	21.5	(14)%
EBITDA	6.6	12.3	(7)%
Underlying Earnings (Auckland Airport share)	1.8	4.1	(18)%
Average occupancy	71%	20%	



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Appendix: Underlying profit reconciliation

2023 Annual Results

For the year ended 30 June (\$m)	2023			2022		
	Reported profit	Adjustments	Underlying profit	Reported profit	Adjustments	Underlying profit
EBITDAFI per Income Statement	397.1	-	397.1	144.5	-	144.5
Investment property fair value change	(139.7)	139.7	-	204.4	(204.4)	-
Property, plant and equipment fair value change	(15.6)	15.6	-	(1.4)	1.4	-
Fixed asset write-offs, impairments and termination costs ¹⁴	-	2.8	2.8	-	6.9	6.9
Derivative fair value change	(0.7)	0.7	-	1.7	(1.7)	-
Share of profit / (loss) of associate and joint ventures	11.1	(3.6)	7.5	(12.8)	17.2	4.4
Depreciation	(145.3)	-	(145.3)	(113.1)	-	(113.1)
Interest expense and other finance costs	(62.7)	-	(62.7)	(53.7)	-	(53.7)
Taxation expense / (benefit)	(1.0)	(50.3)	(51.3)	22.0	(22.6)	(0.6)
Profit after tax	43.2	104.9	148.1	191.6	(203.2)	(11.6)

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2023 and 2022:

- we have reversed out the impact of revaluations of investment property in 2023 and 2022. 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, runways, taxi ways, aprons and infrastructure and building classes of assets within property, plant and equipment in 2023 and land and building classes of assets within property, plant and equipment in 2022;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2023 and 2022. 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 2023 and 2022 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 2023 and 2022 financial years.

Glossary

Annual results

AMTN	Australian medium-term notes
BPS	Basis points
CPS	Cents per share
DRP	Dividend reinvestment plan
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
EV	Electric vehicle
FFO	Funds from operations
FY	Financial year to 30 June
GAAP	Generally accepted accounting principles
IM	New Zealand Commerce Commission Input Methodologies
MCTOW	Maximum certified take-off weight
NPAT	Net profit after tax
NZDCM	New Zealand debt capital markets
PAX	Passenger
PLF	Passenger load factor
PSE4	Regulatory price setting event 4
ULD	Unit load device
VFR	Visiting friends and relatives
WACC	Weighted average cost of capital

Results for announcement to the market		
Name of issuer	Auckland International Airport Limited	
Reporting Period	12 months to 30 June 2023	
Previous Reporting Period	12 months to 30 June 2022	
Currency	NZD	
	Amount (millions)	Percentage change
Revenue from continuing operations	\$625.9	108%
Total Revenue	\$625.9	108%
Net profit/(loss) from continuing operations	\$43.2	-77%
Total net profit/(loss)	\$43.2	-77%
Final Dividend		
Amount per Quoted Equity Security	\$0.04000000	
Imputed amount per Quoted Equity Security	\$0.01555556	
Record Date	26 September 2023	
Dividend Payment Date	06 October 2023	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$5.69	\$5.54
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	Ian Beaumont, General Counsel	
Contact person for this announcement	Stewart Reynolds	
Contact phone number	027 511 9632	
Contact email address	stewart.reynolds@aucklandairport.co.nz	
Date of release through MAP	24 August 2023	

Audited financial statements accompany this announcement.

Section 1: Issuer information				
Name of issuer	Auckland International Airport Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	AIA			
ISIN (If unknown, check on NZX website)	NZAIAE0002S6			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	X		
Record date	Close of trading on 26 September 2023			
Ex-Date (one business day before the Record Date)	25 September 2023			
Payment date (and allotment date for DRP)	6 October 2023			
Total monies associated with the distribution ¹	\$92,015,673			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD – New Zealand Dollar			
Section 2: Distribution amounts per financial product				
Gross distribution ²	\$ 0.05555556			
Gross taxable amount ³	\$ 0.05555556			
Total cash distribution ⁴	\$ 0.04000000			
Excluded amount (applicable to listed PIEs)	\$ N/A			
Supplementary distribution amount	\$0.00705882			
Section 3: Imputation credits and Resident Withholding Tax ⁵				
Is the distribution imputed	Fully imputed			
	Partial imputation			
	No imputation			

¹ Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

² "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

³ "Gross taxable amount" is the gross distribution minus any excluded income.

⁴ "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

⁵ The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

If fully or partially imputed, please state imputation rate as % applied ⁶	28%	
Imputation tax credits per financial product	\$ 0.01555556	
Resident Withholding Tax per financial product	\$ 0.00277778	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	2.5%	
Start date and end date for determining market price for DRP	27 September 2023	3 October 2023
Date strike price to be announced (if not available at this time)	5 October 2023	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New Issue	
DRP strike price per financial product	\$TBC	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	27 September 2023	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Ian Beaumont, General Counsel	
Contact person for this announcement	Stewart Reynolds Head of Strategy, Planning and Performance	
Contact phone number	+64 27 511 9632	
Contact email address	stewart.reynolds@aucklandairport.co.nz	
Date of release through MAP	24 August 2023	

⁶ Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

2023 Report

Compliant with the NZ XRB's Climate-related
Disclosure Standards and aligned with
the recommendations of the TCFD

Climate Change Disclosure

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KIA ORA



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 to the aeronautical community and New Zealand, 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 the resilience of our business strategy and adapting to the predicted effects of a changing climate, now and into the future. We are also committed to supporting our partners, particularly in the aviation sector, to reduce carbon emissions.

Our climate disclosure plans

Auckland Airport has voluntarily published climate-related disclosures aligned with the TCFD recommendations for two years.

For the third year, we are following the guidelines of the Task Force on Climate Related Disclosures (TCFD) to disclose the impact of climate change on our business and our impact on climate change. This year, we are compliant with the New Zealand External Reporting Board's (XRB) Climate-related Disclosure standards.

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2021

- Adopted the guidelines of TCFD to disclose the impact of climate change on our business for the first time
- Identified and assessed climate-related risks and opportunities
- Set a suite of new sustainability targets to 2030

2022

- Continued to align our climate change disclosure with TCFD guidelines
- Identified additional physical climate-related risks and improved understanding of the potential impacts of the physical risks under different scenarios
- Identified a much broader range of transitional risks relating to policy, market and reputation
- Escalated climate-related risks to sit within the company executive-level risks, increasing Board oversight of risks and controls

2023

- Advanced our understanding of climate-related risks by fully complying with the XRB standard one year before it becomes mandatory
- Conducted climate scenario analysis across three possible futures, drawing from the tourism sector and property and construction sector-wide scenarios
- Evaluated and quantified the potential financial impact of material climate-related risks
- Measured a broader range of climate-related metrics
- Undertook further modelling of climate-related physical risks

2024

- Track performance against climate-related metrics and targets
- Continue to advance our understanding of physical climate-related risks and plan and adapt to these
- Review quantification of financial impact of climate change as understanding of risks improves

Climate-related Disclosure Standards

In 2015, the Financial Stability Board established the 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 XRB has published a suite of 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**

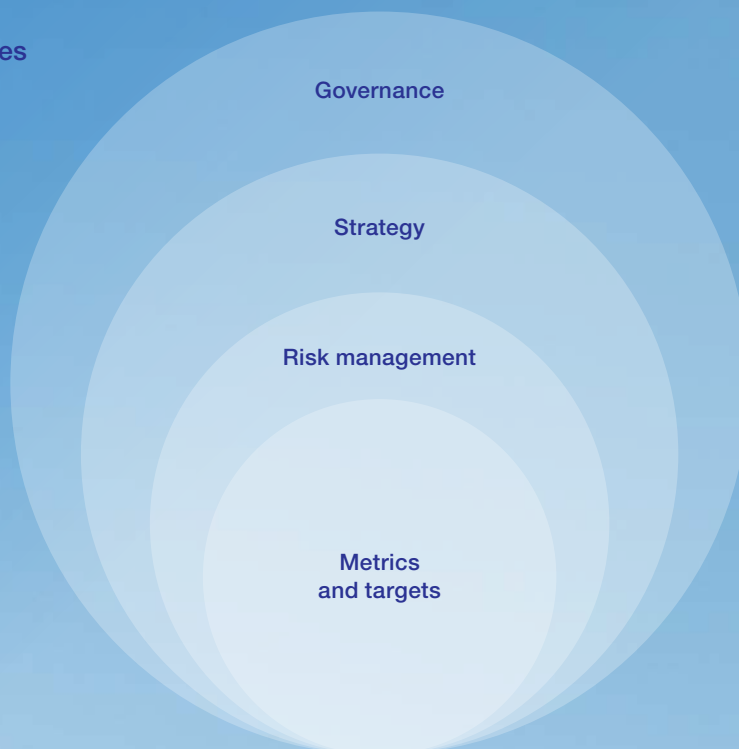
The actual and potential impacts of the climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

- **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



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. In the development of Auckland Airport's new business strategy, Building a Better Future, climate change was a key consideration. 'Future Resilience' is one of the five foundations that make up our strategic vision. Further information about our Building a Better Future strategy and future resilience foundation can be found in the 2023 Annual Report.

The Board also considers climate change when setting management incentives. In the 2023 financial year, all members of the executive leadership team, including the Chief Executive, had a portion of remuneration linked to sustainability key performance indicators including climate change. Sustainability metrics and targets are set by management and approved by the Board, and performance against these tracked over time.

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 Board assesses a range of skills, including sustainability and climate change competencies on a skills matrix. Two Board members have been assessed as having high competence in climate change and sustainability in the 2023 financial year, with a further four having practical and direct experience and two with some experience.

Management responsibilities for climate-related risks 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-related risks, and the Chief of each business unit is responsible for assessing and monitoring the risks specific to their business unit.

The Sustainability team oversees the implementation of the sustainability programme including material climate change initiatives and controls. This includes ongoing monitoring of climate change modelling and research, and the advancement of our ongoing climate change disclosures.

Figure 1. Governance of climate-related risks at Auckland Airport



Strategy

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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 analysis 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.

Current climate-related impacts

While the full impact of climate change is yet to affect businesses, the Board and management are conscious of these risks and have maintained comprehensive business interruption and major disruption insurance to mitigate the impact of physical climate change impacts.

The 2023 financial year brought with it several extreme weather events that financially impacted Auckland Airport. In January 2023, Auckland Airport experienced the most significant flooding that has ever occurred in its International Terminal due to Auckland receiving 201mm of rainfall within 24 hours (see case study). Two weeks later Cyclone Gabrielle brought high winds making the airfield unsafe for ground handling and baggage operations. As at 30 June 2023, Auckland Airport has incurred \$8.4 million in flood-related expenses. However, Auckland Airport is yet to quantify the full extent of its losses. Further costs associated with necessary remedial works, lost productivity and revenue are likely to become clearer over time.

These events, as well as additional impacts associated with the transition to a low carbon economy, illustrate the scale of risk climate change poses to Auckland Airport and the wider tourism industry. This demonstrates the importance of understanding these risks and preparing transition and adaptation plans.



Case study: January 2023 floods

On 27th January 2023, Auckland received the highest ever recorded level of rainfall in a 24-hour period, which came on top of an already wet summer with January 2023 being the wettest month since records began in 1853. Flooding around the city was widespread, with water levels up to rooftops in some areas. Multiple lives were lost in the floods and landslides that occurred over the Auckland Anniversary weekend.

Auckland Airport received over 200 mm of rainfall in a single day. The worst impacts were felt inside the International Terminal, where flooding halted all passenger processing and restricted aircraft movements. With the local transport networks also disrupted, and accommodation across the city limited, many passengers slept in the International Terminal with some choosing to stay for up to four days. The flooding also impacted the whole aviation network, with many long-haul flights diverted to Christchurch Airport and several flights having to return to their place of origin. The generosity and teamwork of Auckland Airport employees, contractors and airline partners in response to the event ensured domestic travel was able to resume after approximately 24 hours and international flights after 37 hours. Flood Modelling, undertaken by Auckland Airport in 2020 and 2022, demonstrated that the international

terminal was safe from flooding until well into the 2040s. However, the unprecedented level of rainfall received on 27th January came much earlier than predicted under even the worst case climate scenario. This event demonstrated the importance of transition and adaptation plans. While the 'worst-case' scenario cannot necessarily always be foreseen and planned for, it is important to remain adaptive and consider climate change in all aspects of company operations. Auckland Airport has a comprehensive stormwater masterplan that guides infrastructure development around the



201mm

of rainfall fell in 24 hours at
Auckland Airport

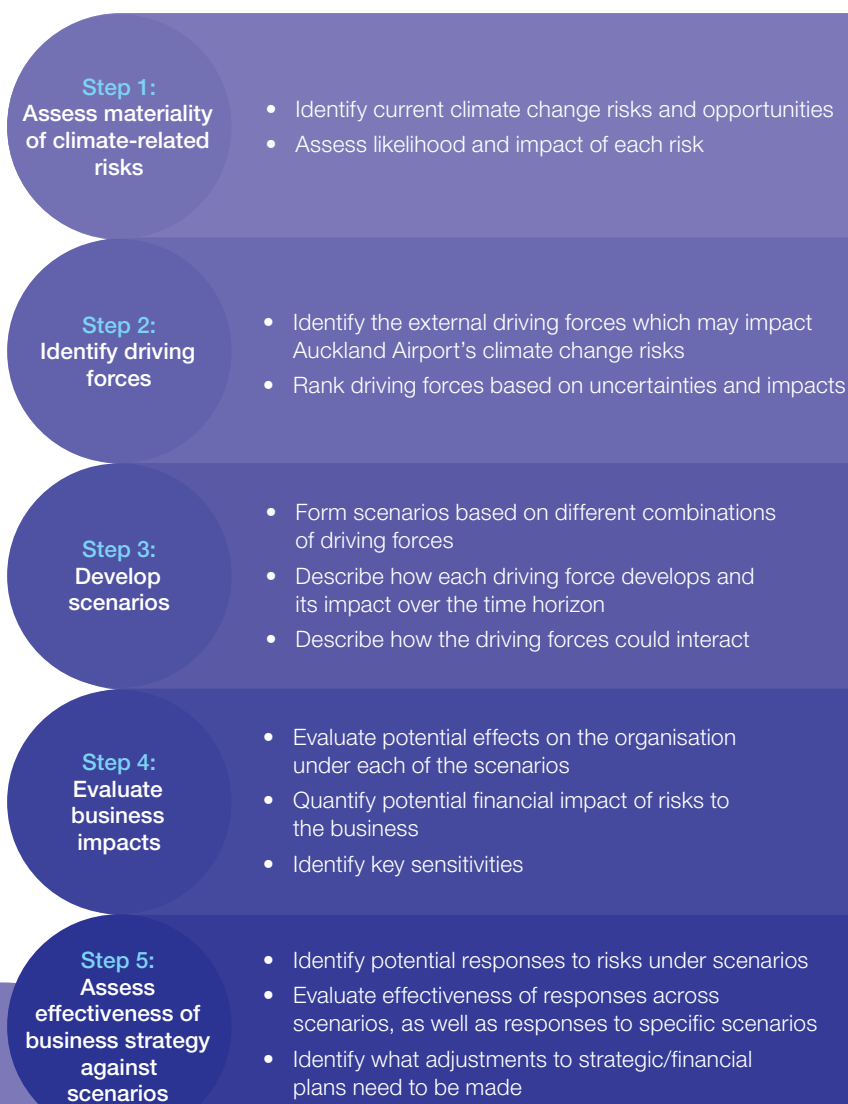
precinct. Upgrades to the stormwater network commenced in 2020, carried out in parallel with our infrastructure development programme. Since the January flooding event, key projects have been brought forward to improve resilience against severe weather events. Stormwater improvements were incorporated into upgrades along George Bolt Memorial Drive, the new terminal exit road and the under-construction Te Ara Kōrako.

Scenario analysis

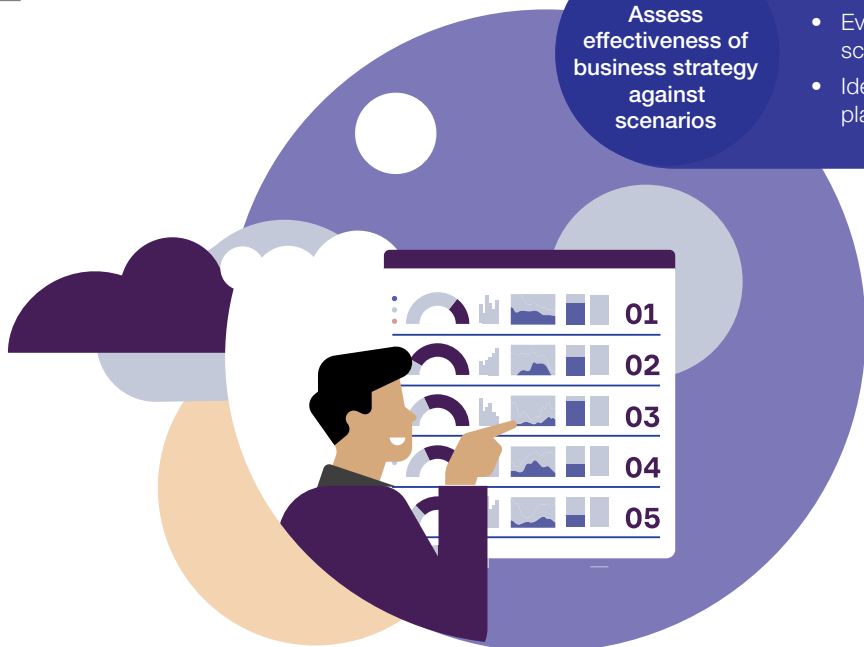
During the 2023 financial year, Auckland Airport undertook scenario analysis to further test the organisation's resilience against climate change. Drawing from the sector-wide scenarios developed for the tourism and construction and property sectors, Auckland Airport developed three climate-related scenarios that cover all relevant aspects to the business. These scenarios describe plausible and distinct futures with different assumptions of the potential climate-related impacts.

Auckland Airport followed TCFD guidance for scenario analysis as summarised in Figure 2. A range of internal stakeholders from the sustainability and strategy teams led the development of the scenarios with input from the Executive Leadership Team in a workshop format. The three scenarios represent a rapid and orderly transition (low emissions scenario), a disorderly and delayed transition (a medium emissions scenario) and a hothouse world where emissions continue to rise unabated (a high emissions scenario). Physical climate change modelling has been undertaken using representative concentration pathways (RCP) 2.6, 4.5 and 8.5. These scenarios are outlined on the the following page.

Figure 2. A summary of the scenario analysis process undertaken.

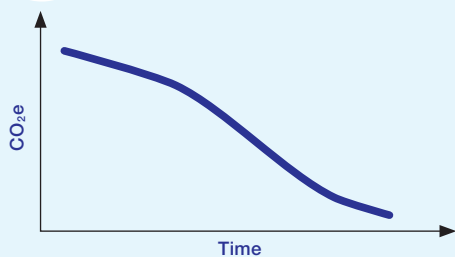


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Scenario 1: An Orderly, Rapid Transition



Tightening of international frameworks results in global emissions peaking around 2030 and declining rapidly in an orderly fashion in line with a 1.5°C pathway.

IMPACT ON AUCKLAND AIRPORT

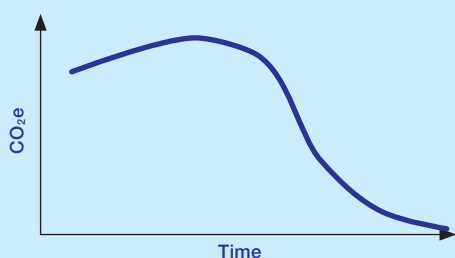
- High transition risk in the short term: regulatory changes and market demand drives innovation so decarbonisation becomes the norm
- Low physical risk: limited interruption to business activity from physical climate change impacts

DRIVING FORCES

- 1. Temperature and weather patterns**
 - Lowest modelling pathways (RCP 2.6 and similar): ~1.5°C temperature increase
 - The frequency and intensity of severe weather events slightly amplify over time
- 2. Price of carbon**
 - Moderate increases in the price of carbon which impacts the cost of infrastructure development programme and price of travel
- 3. Attitudes towards high carbon activities**
 - Public becomes more aware of the carbon impact of business activities (aviation, transport and construction), resulting in increased demand for low carbon transport
- 4. State of biodiversity in New Zealand**
 - Physical impacts are limited and efforts to maintain New Zealand's unique biodiversity are successful so the country remains an attractive nature-based tourism destination
- 5. Government regulation**
 - International aviation is included in national carbon budgets and targets
 - Strong decarbonisation policy nationally and globally
- 6. Technology development**
 - Successful development and deployment of low carbon aviation technologies in the 2030s due to financial incentives and market demand



Scenario 2: A Disorderly and Delayed Transition



Global emissions peak around 2040, after which rapid decarbonisation occurs to limit warming to 2°C.

IMPACT ON AUCKLAND AIRPORT

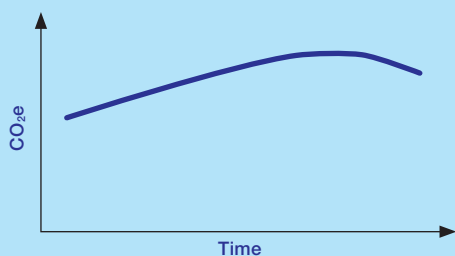
- High transition risk: Sudden push for rapid decarbonisation post-2040 to limit warming to 2°C
- Physical risk: Infrequent disruption to critical infrastructure

DRIVING FORCES

- 1. Temperature and weather patterns**
 - Medium modelling pathways (RCP 4.5 and similar): ~2.4°C temperature increase
 - Severe weather events slowly increase in frequency and intensity
- 2. Price of carbon**
 - High increase in carbon price which impacts the cost of infrastructure development and price of travel
- 3. Attitudes towards high carbon activities**
 - Post-2040, very little tolerance for high emitting activities
- 4. State of biodiversity in New Zealand**
 - Slow, irreversible biodiversity decline
 - NZ's efforts to maintain its unique biodiversity are unsuccessful and therefore the country is increasingly less appealing as a destination for nature-based tourism
- 5. Government regulation**
 - Little additional decarbonisation policy until post-2040, after which policy is rapidly updated to limit physical impacts of climate change
- 6. Technology development**
 - Slow deployment of low carbon technologies in short-term, with rapid uptake in later years to meet Carbon Offsetting and Reduction Scheme for International Aviation targets
 - Main focus of decarbonisation is on short regional routes



Scenario 3: A Hothouse World



Global emissions continue to rise. Efforts to mitigate climate change are only implemented by the largest global emitters once it is too late.

IMPACT ON AUCKLAND AIRPORT

- Low transition risks: limited climate change policy or reputational risk
- High physical risks in long term: frequent severe weather events cause regular disruption to critical assets

DRIVING FORCES

- 1. Temperature and weather patterns**
 - Highest modelling pathways (RCP 8.5 and similar): ~4.3°C temperature increase
 - Increase in frequency and severity of weather events over time
- 2. Price of carbon**
 - Does not increase much from current price
- 3. Attitudes towards high carbon activities**
 - Public aware of climate change but don't change behaviours
 - Business activity is unconstrained and unchallenged
- 4. State of biodiversity in New Zealand**
 - Physical impacts are widespread and biodiversity declines over time
 - New Zealand tourism pivots to focus on cultural elements to attract international tourists
- 5. Government regulation**
 - Little to no decarbonisation policy for aviation
 - Reversal of national or global decarbonisation policy
- 6. Technology development**
 - Aviation continues to rely on fossil fuels for the vast majority of its activities as decarbonisation efforts are unsuccessful
 - Limited uptake of zero emissions aircraft in NZ

Climate-related risks and opportunities

For the past two years, Auckland Airport has published a wide range of climate-related risks and opportunities.

In the 2023 financial year, we undertook a comprehensive risk assessment against the three climate-related scenarios using the Auckland Airport risk assessment matrix. The financial impact of each risk ranked “high” or “critical” was then quantified under each scenario. A second materiality lens was then applied based on the financial impact. This identified four material risks which are outlined in Table 1 below. Quantifying the financial implications of the climate change risks we face has required many assumptions which will be refined over time as our understanding of climate-related risks and opportunities matures.

Auckland Airport continues to consider climate-related risks and opportunities as part of Auckland Airport’s strategic planning, including our short-term asset management plans, medium-term capital projects, long-term masterplan for the whole of the Auckland Airport precinct. We use the following definitions when referring to different planning timeframes:

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

Table 1: Financial impact of material climate change risks

Risk type	Anticipated impact on Auckland Airport	Potential financial impact of unmitigated risk and timeframe	Quantification methodology	Current and future controls
Physical (Flooding)	Costs of damage to infrastructure, and loss of revenue from business interruption and operational delays due to flooding of areas and assets critical to airport operations	\$0–\$70 million per event Long term	- Estimated potential financial impact is the cost associated with a significant flooding event with a 100-year Annual Return Interval under RCP 2.6, 4.5 and 8.5 - Validated against experience from flooding event in January 2023 - Considers the impact of sea level rise under each scenario	- Stormwater masterplan kept up to date considering latest climate change modelling - Maintenance of infrastructure undertaken in consideration of climate change - Implementation of stormwater network upgrades to withstand future severe weather events - Investment in stormwater network brought forward as a result of January 2023 flooding - Development of a second runway further inland and on higher ground - Insurances held for business interruption and damage
Transition (Policy and Legal)	Loss of revenue due to moderation in growth caused by external decarbonisation policy and pricing mechanisms	\$0–\$35 million Medium term	- Potential financial impact is an annualised figure of reduction in the 2050 net profit after tax (NPAT) from retail, carparking, transport licence fees and hotels compared to unconstrained forecast - Aeronautical income assumed to be unchanged as the building blocks methodology will recover aeronautical charges over the reduced passenger volumes - Internal price elasticity figures have been used to determine impact on passenger demand if an emissions-related levy is introduced compared to forecast passenger numbers to 2050	- 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
Transition (Reputation)	Loss of revenue due to moderation in growth caused by changes to public sentiment towards air travel due to carbon footprint	\$0–\$40 million Long term	- Potential financial impact is an annualised figure of reduction in the 2050 net profit after tax (NPAT) from retail, carparking, transport licence fees and hotels compared to unconstrained forecast - Aeronautical income assumed to be unchanged as the building blocks methodology will recover aeronautical charges over the reduced passenger volumes - Assumes that Auckland Airport forecast annual passenger growth is reduced between 2035 and 2050	- Effective monitoring of consumer perceptions in New Zealand and key inbound markets - Maintaining a diverse portfolio of markets and strengthening short-haul markets - Provision of infrastructure to enable adoption of low-carbon aircraft energies and technologies

Risk type	Anticipated impact on Auckland Airport	Potential financial impact of unmitigated risk and timeframe	Quantification methodology	Current and future controls
Transition (Reputation)	Higher interest rates and cost of capital if investors and financiers avoid aviation sector due to carbon footprint	Too uncertain to quantify Medium term	- This risk has not been quantified as there is insufficient information available to develop assumptions on how this could impact Auckland Airport. - However, this risk is deemed material, so it remains within the disclosed risks.	- Decarbonisation of operational emissions and investment in low-carbon infrastructure - Transparent disclosure of greenhouse gas inventory and decarbonisation initiatives

Climate-related risks have the potential to impact assets, as noted in our 2023 Financial Statements. No risks or opportunities identified are considered to have impacts warranting material changes to the valuation of Auckland Airport's assets given the long-term nature of the assessment and the mitigations that are planned in advance.

Climate-related opportunities

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.

These opportunities have not been quantified as they are not considered to have a material financial impact on the business.

Business model and transition plan

Auckland Airport groups its revenue-making activities into three categories: aeronautical, retail and carparking, and commercial property. A full business model description, and the refreshed company strategy, can be found in Auckland Airport's Annual Report for the 2023 financial year on the company's website.

Auckland Airport's company strategy places a focus on sustainability. In 2020, we committed to reaching net zero direct (scope 1 & 2) emissions by 2030, developing a decarbonisation pathway which reflects a 90% reduction in scope 1 & 2 emissions from 2019 levels. Further information can be found in the metrics and targets section on page 14.

Our company strategy shapes our capital plan. The decarbonisation pathway, as well as physical climate adaptation measures such as upgrades to our stormwater system, are integrated into budgets for capital projects to ensure a transition to a low carbon, climate-resilient future is part of every project. Following the flooding event in January 2023, Auckland Airport brought forward investment in planned stormwater upgrades. Our company strategy and capital allocation are likely to continue to evolve over time as the understanding of climate-related risks and opportunities, and the transition and adaptation measures required, improves.



Risk management

Our enterprise risk management framework and company policy guide our approach to managing risks 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 matrix 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.

Managing climate-related risks

Climate-related risks and opportunities have been identified and assessed using climate science, independent peer reviewed research, climate scenario modelling specific to Auckland Airport and in-house expertise. Following the initial assessment of climate-related risks (in accordance with TCFD guidance) in the 2021 financial year, management undertakes a yearly review identifying and assessing climate-related risks and their impacts. This review is led by the Sustainability team with input from the Executive Leadership team and function leads across the business. These function leads represent the various operations that have the potential to be impacted by climate change. The function leads have expertise and responsibilities to identify the potential ways that climate change may impact their area of Auckland Airport operations.

Key components of the annual review include:

- Identifying new information or data that may change the underlying assumptions of the risk, for example, policy changes or updates to climate models
- Assessing each risk against the risk assessment matrix for the low, medium and high emissions scenarios.

Priority physical and transitional climate-related risks (those with a materiality of medium, high, or extreme) are included in Auckland Airport's enterprise-wide risk register, which is updated by management on a quarterly basis. In the 2022 financial year, climate-related risks were escalated to be classified an executive-level risk. 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.

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.



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.

1. Scope 1 = direct emissions from business activity. Scope 2 = indirect emissions from the generation of purchased electricity.

Net Zero

scope 1 and 2 emissions by 2030 resulting in

↓90%

reduction in emissions from 2019 levels (27% reduction in FY23)

↓20%

reduction in potable water use from 2019 levels by 2030 (29% reduction in FY23)

↓20%

reduction in waste to landfill from 2019 levels by 2030 (3% reduction in FY23)

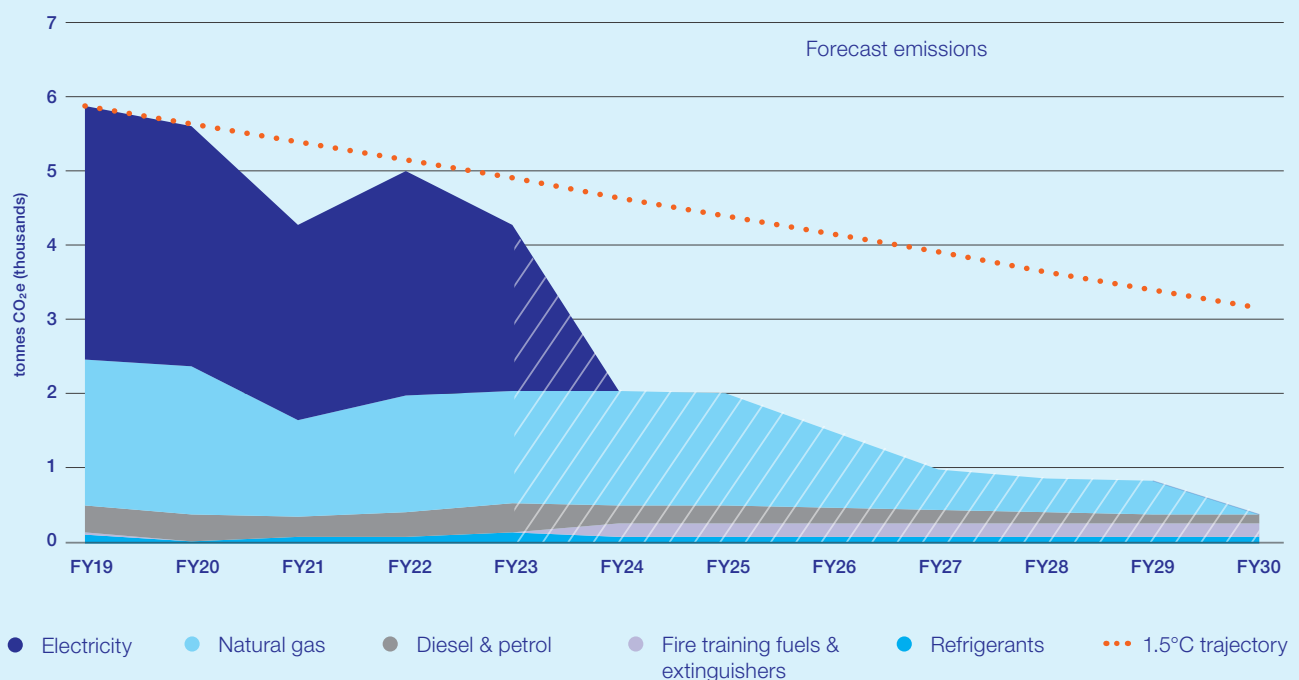
Our planned pathway to Net Zero aligns with a 1.5-degree warming trajectory and will see us reduce scope 1 and 2 emissions¹ by 90% by 2030. We will achieve this by:

- Using electricity generated from a mix of on- and off-site renewable generation, likely from 2024.
- 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

From 2030, the residual emissions (estimated to be 10% of 2019's scope 1 & 2 emissions) will be permanently neutralised through the purchase of certified carbon removals. The certification scheme has not yet been decided.

Auckland Airport's scope 1 and 2 decarbonisation pathway

The decarbonisation pathway aligns with a 1.5°C trajectory and FY23 performance shows a 27% reduction from the baseline year.



Reducing our indirect emissions

Scope 1 and 2 emissions make up only a small proportion of Auckland Airport's greenhouse gas emissions inventory. The vast majority of emissions that occur as a consequence of the operation of New Zealand's largest airport are outside of our operational control. We are actively partnering with stakeholders across the airport ecosystem to address these emissions and work towards Aotearoa New Zealand's goal to reach net zero by 2050.

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 two banks of common-use electric vehicle (EV) chargers on the airfield to support ground handlers in their transition to electric ground support equipment (GSE)
- Supplying ground power units (GPUs) and pre-conditioned air 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 also be installed at all gates in our new domestic jet facility, opening 2028/2029
- 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.

Auckland Airport remains committed to supporting initiatives to work through the challenges in decarbonising aviation. Following the publication of New Zealand's first Emissions Reduction Plan in 2022, a joint government-industry leadership body, Sustainable Aviation Aotearoa, was established to prepare for and accelerate the adoption of lower emissions aircraft. Auckland Airport is proud to be an active member of this group. We are also working closely with our airline partners to understand their plans to introduce alternative aircraft fuels and technologies, and the infrastructure requirements to enable these to be deployed at Auckland Airport.

Emissions reduction has been integrated into the large-scale infrastructure development programme planned over the next ten years. We are working with our design and construction partners to reduce embodied carbon in the materials of our developments. Where possible, projects are targeting

sustainability certification, including the Transport Hub which is targeting a Gold Parksmart rating for the car park, the first parking building expected to achieve the Parksmart rating in New Zealand, and a 5-Star Green certification for the adjoining office building. 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.

We are also future-proofing our transport network to enhance connectivity and provide for low-emission transport modes.

Other scope 3 emissions are made up of potable water use and wastewater treatment, waste sent to landfill, staff business travel, and tenant electricity use.

Auckland Airport's 2023 carbon emissions

This year, our scope 1 and 2 emissions have decreased as we progress along our decarbonisation pathway. Natural gas use has decreased with the introduction of our first electric heat pump which has reduced the need for gas boilers to operate at full capacity. Electricity emissions have also dropped, however this is largely due to the lower emission factor for New Zealand grid electricity this year from a higher percentage of renewable electricity being generated within the country. It is expected that scope 1 and 2 emissions will continue to reduce over time as natural gas continues to be phased out from the terminal and electric vehicles continue to be purchased.

Scope 3 emissions, on the other hand, have increased year-on-year with the acceleration of business activity post-COVID-19. Waste and water use have increased due to the tripling of passengers between 2022 and 2023. Business travel and construction activity have also increased as border restrictions have lifted and the business financial performance recovers.

This year we have introduced a much broader range of scope 3 emissions (including aircraft full flight emissions and airside vehicles), so total reported scope 3 emissions have increased significantly year-on-year. We expect to also report on surface access (staff, tenant and passenger commuting) emissions in future years once higher quality data is available.

Below is a summary of Auckland Airport's greenhouse gas emissions.

Scope		FY19	FY20	FY21	FY22	FY23
Scope 1	Tonnes CO ₂ e	2,472	2,397	1,674	2,004	2,060
Scope 2 ²	Tonnes CO ₂ e	3,423	3,224	2,615	3,007	2,231
Scope 3	Tonnes CO ₂ e	6,228	5,185	16,497	77,523 ³	2,579,061 ⁴
Scope 1 & 2 emissions intensity	tonnes CO ₂ e per m ² terminal area	39.23	36.10	28.06	25.69	25.75
Scope 1 & 2 emissions intensity	tonnes CO ₂ e per passenger	0.30	0.39	0.73	0.94	0.27

2. FY19-FY22 scope 2 emissions have been restated in FY23 as the methodology for calculation has changed. Electricity transmission and distribution (line losses) for the entire Auckland Airport precinct (including tenants) is now included in scope 3 instead of separating into scope 2 and scope 3.

3. In FY22 Auckland Airport reported aircraft landing and take-off emissions for the first time, resulting in a much higher scope 3 emissions footprint.

4. In FY23 Auckland Airport introduced a wider range of scope 3 emissions sources in an aim to align disclosure with the international Airport Carbon Accreditation framework. This includes aircraft full flight emissions as well as contractor vehicles, airside vehicles and tenant electricity use.

For the full 2023 emissions profile, please refer to Auckland Airport's Greenhouse Gas Emissions Inventory Report on the company website. This report outlines further detail about the calculation methodology for Auckland Airport's emissions, including consolidation approach, emission factors and excluded emissions.

Information within the Greenhouse Gas Emissions Inventory Report is stated in accordance with the requirements of the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ("the GHG Protocol").

Additional climate-related metrics

Auckland Airport has quantified the following additional climate-related metrics in the 2023 financial year.

Metric	FY23	Explanation
Amount or percentage of assets or business activities vulnerable to transition risks	Almost all (>90%) of the business may be impacted to some extent by climate-related transition risks	Auckland Airport's aeronautical and commercial lines of business may be impacted to varying degrees by transition risks associated with climate change. These impacts include reductions in revenue following potential changes in demand or volume of activity at Auckland Airport.
Amount or percentage of assets or business activities vulnerable to physical risks	13% of the Auckland Airport precinct	Percentage of land area modelled to be impacted by sea level rise and extreme weather events in future under RCP 8.5.
Proportion of revenue, assets, or other business activities aligned with climate-related opportunities, expressed as an amount or percentage	De minimis	Climate-related opportunities have been considered as having low materiality and therefore have not been quantified.
Amount, in reporting currency, of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	\$2.86 million	Capital expenditure on assets or projects which are separately identifiable, material and whose main purpose is mitigation of climate-related risks or realisation of opportunities. Given climate resilience and decarbonisation is a key focus for many Auckland Airport projects, capex has not been captured for those projects where it is not reasonably practical to separate sustainability elements from the rest of the project. For example, Mānawa Bay's fully electric food court, installation of larger stormwater infrastructure and Green Star rated buildings.
Internal emissions price	N/A	Auckland Airport does not use an internal emissions price for business activity. However, where needed, the current NZ Emissions Trading Scheme price is used. The future carbon prices under the tourism sector climate-related scenarios have been utilised within Auckland Airport's climate-related scenario analysis.
Proportion of management remuneration linked to climate-related risks or opportunities in the current period, expressed as a percentage, weighting, description or amount in reporting currency	10% of total Short-Term Incentive for Chief Executive and direct reports	The proportion of the Short-Term Incentive that is linked to climate change is confirmed by the Board for the Chief Executive at the start of the financial year.



Greenhouse Gas Emissions Inventory

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Introduction

This document is the annual greenhouse gas (GHG) emissions inventory for Auckland International Airport Limited (Auckland Airport) for the period 1 July 2022 to 30 June 2023.

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 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 2023 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.

Auckland Airport's decarbonisation pathway

In 2020, Auckland Airport committed to reaching net zero scope 1 & 2 emissions by 2030. A decarbonisation pathway has been set to see these emissions reduce by 90% from 2019 levels by 2030, aligning with a 1.5°C warming trajectory. In the 2023 financial year we continued to progress along this decarbonisation pathway, continuing to phase out assets which result in emissions, and improving efficiency across the business.

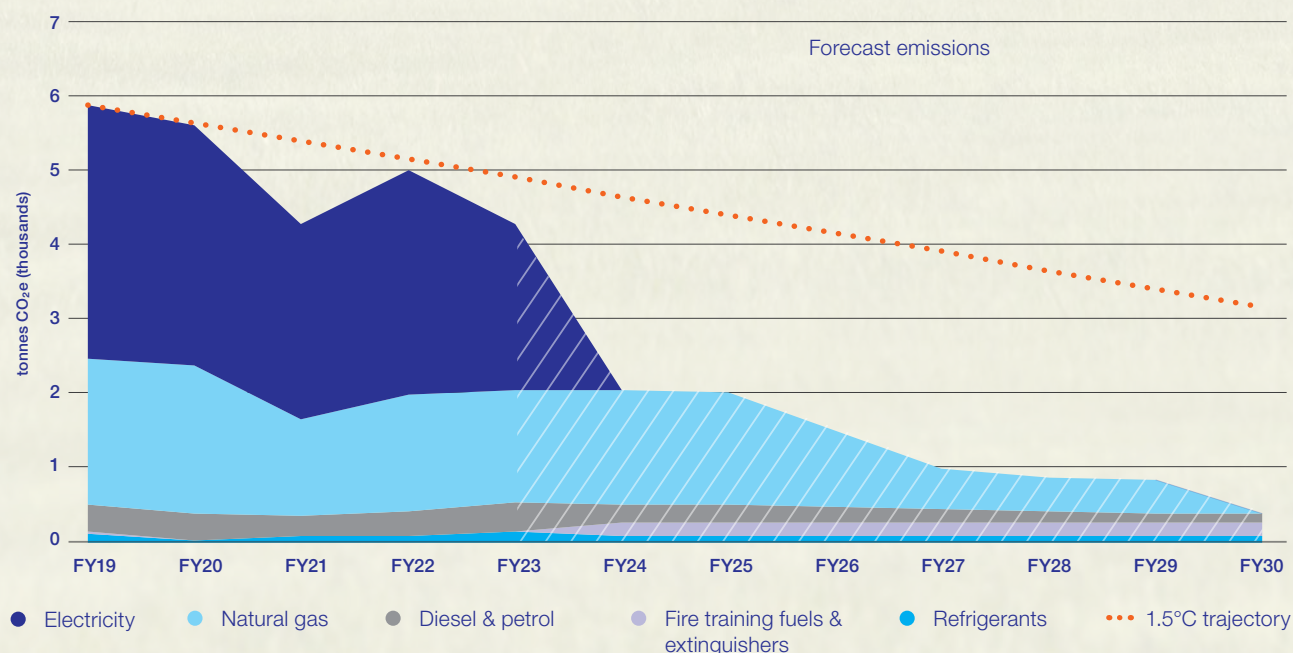
In the 2023 financial year Auckland Airport's operations produced **4,291 tCO₂e** of scope 1 and 2 emissions, equating to a **27%** reduction from the 2019 baseline year. This shows that we are well on the way to achieving a **90%** reduction from 2019 levels by 2030.

Refer to page 12 for an explanation of key terms used in this report.



Auckland Airport's scope 1 and 2 decarbonisation pathway

The decarbonisation pathway aligns with a 1.5°C trajectory and FY23 performance shows a 27% reduction from the baseline year.



In FY23 the verification process highlighted that electricity line losses were being double counted as scope 1 and 3 and it was recommended that they be defined as a scope 3 emission source. The decarbonisation pathway has been updated in FY23 to reflect this.

Our priority is to reduce emissions created by our day-to-day operations as much as we can, with any residual emissions (expected to be around 10% of 2019's scope 1 and 2 emissions) by 2030 neutralised through permanent carbon removals. We are:

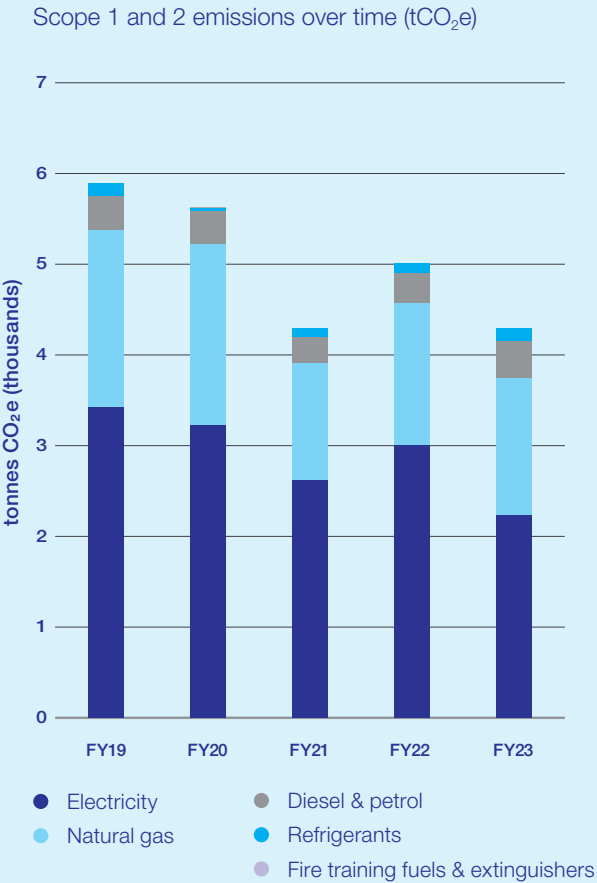
Using electricity generated from a mix of on- and off-site renewable generation

Phasing out the use of natural gas in the terminal through the incremental replacement of natural gas boilers with electric alternatives

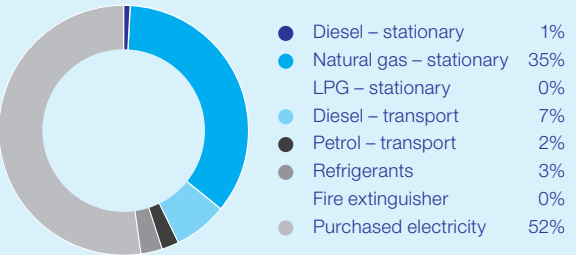
Electrifying our vehicle fleet

Using refrigerants with the lowest global-warming potential possible

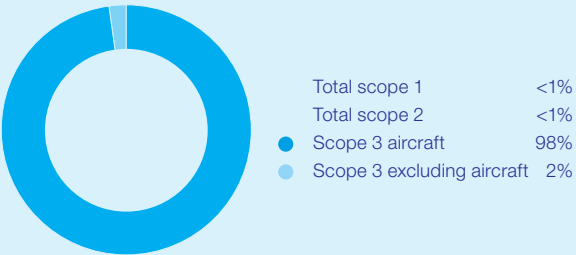
2023 Financial Year Performance



FY23 scope 1 and 2 emissions by source (tCO₂e)



FY23 breakdown of carbon footprint



Reducing our indirect emissions

Scope 1 and 2 emissions make up only a small proportion of Auckland Airport's GHG emissions inventory. In reality, the majority of emissions that occur as a consequence of the operation of New Zealand's largest airport are outside of our operational control.

We are actively partnering with stakeholders across the airport ecosystem to address these emissions and work towards Aotearoa New Zealand's goal to reach net zero by 2050.

Aircraft-related emissions

Aircraft emissions make up over 90% of our GHG emissions inventory. These emissions are tricky to tackle; they require significant technology changes to decarbonise.

We are working closely with our airline partners to understand their plans to introduce alternative aircraft fuels and technologies, and the infrastructure requirements to enable these to be deployed at Auckland Airport.

Sustainable Aviation Fuel (SAF) is widely considered the best option for decarbonisation of long-haul air travel.

The technology is proven, already available across the world and can be delivered to aircraft via Auckland Airport's existing refuelling hydrant system, however cost and security of supply remains a challenge.

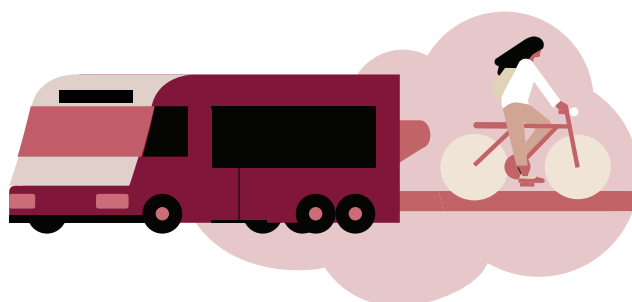
Air New Zealand's flagship shipment of SAF in September 2022 was delivered to Marsden Point and piped through existing fuel pipelines to Auckland Airport and through to aircraft.

We are also active members of Sustainable Aviation Aotearoa, which brings together government and industry to prepare for and accelerate the adoption of lower emissions aircraft.

In the short term, we are focusing on activities to decarbonise the airfield. These include:

- Provision of two banks of common-use electric vehicle (EV) chargers on the airfield to support groundhandlers in their transition to electric ground support equipment (GSE)
- Supplying ground power units (GPUs) and pre-conditioned air 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 also be installed at all gates in our new domestic jet facility, opening 2028/2029
- Work continues 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.

In the 2023 financial year, we have extended our GHG inventory to include full flight emissions (climb, cruise and descent) rather than just landing and take-off emissions that were reported in our FY22 GHG inventory.



Surface access

As the gateway to New Zealand, the journey to, from and between the terminals makes a lasting impression on our customers. It is our priority to facilitate a smooth and stress-free journey for passengers from the moment they step foot onto our precinct.

We are in a new chapter of building a better future for our travellers. The opening of our new Transport Hub (October 2024) will provide for a variety of transport options by placing existing and future public transport at the heart of Auckland Airport, provision for active modes and EV charging stations for the anticipated increase in EVs.



Property and construction

Emissions reduction has been integrated into the large-scale infrastructure development programme planned over the next 10 years. We are working with our design and construction partners to reduce carbon embodied in the materials of our developments.

The construction of the remote stands – spanning over 23 rugby fields in size – is using 108,000 tonnes of recycled concrete that previously formed the runway and using a low-carbon concrete to reduce emissions.



The design of the integrated domestic terminal is reducing embodied carbon through the use of engineered timber in the pier, cement reduction in the concrete specification and timber framing partitions.

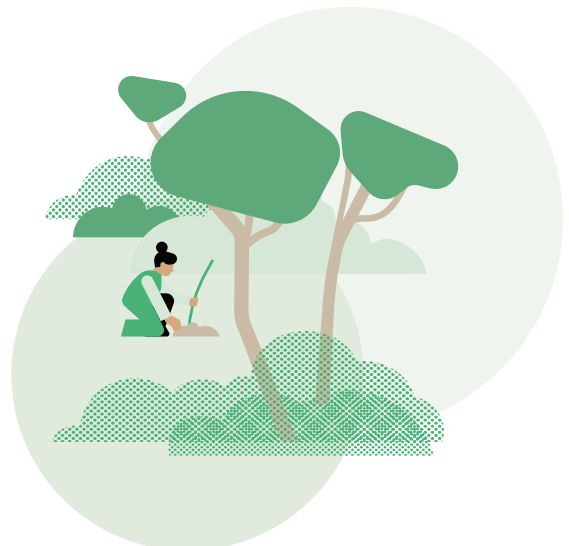
Where possible, projects are targeting sustainability certification. The Transport Hub is targeting a Gold Parksmart rating, the first parking building expected to achieve the Parksmart rating in New Zealand, and a 5-Star Green certification for the adjoining office building. The Manawa Bay premium outlet 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.

Manawa Bay is targeting a 5-Star Green rating for its design and build.



Other indirect emissions sources

Other scope 3 emissions are made up of potable water use and wastewater treatment, waste sent to landfill, staff business travel, and tenant electricity use. During the 2023 financial year, we have introduced organic waste separation for food and beverage operators in the terminals to further reduce waste to landfill. We have also developed a Circularity Plan for the Mānawa Bay premium outlet shopping centre which will guide the operation of the centre and support tenants to reduce their waste streams and keep materials in use at their highest value for as long as possible.



Greenhouse Gas Emissions Inventory

All emissions, except where stated, have been calculated using the latest version of the New Zealand Ministry for the Environment’s Measuring Emissions: A Guide for Organisations (2023).

Table 1: Greenhouse gas emissions inventory summary for Auckland Airport

Scope	Category	2022 emissions tCO ₂ e	2023 emissions (base year ¹) tCO ₂ e
Direct emissions (Scope 1)	Diesel – stationary	19.57	32.53
	Natural gas – stationary	1,561.91	1,514.02
	LPG – stationary	1.91	0.53
	Diesel – transport	256.51	294.39
	Petrol – transport	59.24	72.57
	Refrigerants	105.07	145.89
	Fire extinguisher	–	0.01
	Total scope 1	2,004.21	2,059.94
Indirect emissions (Scope 2)	Purchased electricity	3,007.06	2,230.72
	Total scope 2	3,007.06	2,230.72
Indirect emissions (Scope 3) ²	Electricity T&D losses	1,121.57 ³	1,123.22
	Natural gas T&D losses	Not measured	55.79
	Tenant electricity use	Not measured	7,455.68
	Business travel	154.47	251.65
	Waste landfilled	149.50	554.52
	Water supply and treatment	82.31	139.08
	Construction materials	9,956.83	25,408.18
	Construction vehicles	Not measured	5,982.41
	Airside vehicles and GSE	Not measured	7,658.56
	Aircraft landing and take-off and engine testing	66,058.81	Not measured ⁴
	Aircraft emissions	Not measured	2,530,432.29
	Total scope 3	77,523.49	2,579,061.38
Total emissions (Scope 1, 2 and 3)		82,534.76	2,583,352.04

This year, our scope 1 and 2 emissions have decreased as we progress along our decarbonisation pathway. Natural gas use has decreased with the introduction of our first electric heat pump which has reduced the need for gas boilers to operate at full capacity. Electricity emissions have also dropped, however this is largely due to the lower emission factor for New Zealand grid electricity this year from a higher percentage of renewable electricity being generated within the country. It is expected that scope 1 and 2 emissions will continue to reduce over time as natural gas continues to be phased out from the terminal and electric vehicles continue to be purchased.

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 (including aircraft full flight emissions). 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 7.

3. FY22 electricity transmission and distribution losses have been restated in FY23 as the methodology for calculation has changed. Line losses for the entire Auckland Airport precinct (including tenants) is now included in scope 3 instead of separating into scope 2 and scope 3.

4. Aircraft landing and take-off emissions have been replaced by aircraft full flight emissions in FY23.

Scope 3 emissions, on the other hand, have increased year-on-year with the acceleration of business activity post COVID-19. Waste and water use have increased due to the tripling of passengers between 2022 and 2023. Business travel and construction activity have also increased as border restrictions have lifted and the business financial performance recovers. This year we have introduced a much broader range of scope 3 emissions (including aircraft full flight emissions and airside vehicles), so total reported scope 3 emissions have increased significantly year-on-year. Surface access emissions (staff, tenant and passenger commuting) are intended to be included in future years once higher quality data is available.

Table 2: Greenhouse gas emissions intensity

Category	2022 value	2023 value
Scope 1 and 2 emissions intensity (kgCO ₂ e per m ² terminal area)	25.69	25.75
Scope 1 and 2 emissions intensity (kgCO ₂ e per passenger)	0.94	0.27

Emissions by gas type

Auckland Airport includes scope 1, 2 and select scope 3 emissions from the six Kyoto Protocol gases in its inventory expressed as carbon dioxide equivalent (CO₂e):

- Carbon dioxide (CO₂)
- Methane (CH₄)
- Nitrous oxide (N₂O)
- Hydrofluorocarbons (HFCs)
- Sulphur hexafluoride (SF₆)
- Nitrogen trifluoride (NF₃)
- Perfluorocarbons (PFCs)

Auckland Airport did not emit any SF₆, NF₃ or PFCs in the 2023 financial year.

Table 3: GHG emissions by gas type

Scope	tCO ₂	tCH ₄	tN ₂ O	tHFCs	Other tCO ₂ e	Total
Scope 1	1,902.17	4.93	6.95	145.89	–	2,059.94
Scope 2	2,167.63	58.33	4.76	–	–	2,230.72
Scope 3	2,524,408.22	1,426.99	18,770.50	–	34,455.67 ⁵	2,579,061.38
Total	2,528,478.02	1,490.25	18,782.21	145.89	34,455.67	2,583,352.04

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 SF₆ within electrical switchgear.

Table 4: GHG stock liability

Source	Quantity (kg)	Potential liability (tCO ₂ e)
HFC-32	261.72	177.18
HFC-134A	3,743.81	4,866.95
HCFC-123	1,590.00	125.61
HCFC-22	172.60	303.78
R-410A	985.10	2,056.89
R-454B	49.00	22.88
R-406A	10.24	19.90
SF ₆	147.47	3,362.38

Other emissions

During the 2023 financial year, Airport Emergency Services (AES) burnt 11.5 tonnes of wood for fire training. The CO₂ content of the wood was 9.91 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 (CH₄) and nitrous oxide (N₂O), which totals 0.83 tonnes.

Table 5: Biomass emissions

Emissions source	tCO ₂	tCH ₄	tN ₂ O	Total tCO ₂ e
Biomass	9.91	0.74	0.09	0.83

⁵ 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 tCO₂e.

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.

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.

Figure 1: Auckland Airport's business activities



Figure 2: Auckland Airport's organisational boundary



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GHG emissions source inclusions

The emissions sources in Table 6 have been included in the GHG emissions inventory.

Table 6: Included emissions sources, data collection methodology and assumptions

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.
Scope 1 – Petrol and diesel	Fuel purchased through company fuel cards. Supplier invoices for bulk diesel purchase.	Assumes that all company fuel cards have been captured.
Scope 1 – Refrigerants	Refrigerant leakage calculated through the 'top-up' method.	Assumes all refrigerant leakage has been identified and topped up.
Scope 1 – LPG	Supplier invoices for LPG purchase.	Assumes all invoices were captured within the finance system.
Scope 1 – 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 2022 New Zealand grid mix.
Scope 3 – Electricity T&D losses	Supplier invoices for monthly consumption.	Assumes that the T&D loss factor provided by the Ministry for the Environment is suitable for the Auckland Airport network.
Scope 3 – Natural gas T&D losses	Supplier invoices for monthly consumption.	Assumes that the T&D loss factor provided by the Ministry for the Environment is suitable for the Auckland Airport network.
Scope 3 – Tenant electricity usage	Monthly meter reading.	Assumes any electricity coming into the Auckland Airport network that is not used by Auckland Airport is used by tenants.
Scope 3 – Business travel	Third-party reporting for annual air travel and accommodation.	Assumes that all corporate travel has been booked through the travel provider.
Scope 3 – 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.
Scope 3 – Water supply and treatment	Quarterly invoicing/meter reading.	Assumes that meter reading has been done correctly.
Scope 3 – 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. Emission factors sourced from the New Zealand Green Building Council's Embodied Carbon Calculator (2023)	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.
Scope 3 – Construction vehicles	Quarterly reporting by contractors.	In FY23, actual data has only been captured for the second half of the financial year. Assumes that the first half of the financial year had equivalent fuel usage based on capital spend.

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Table 6 (continued): Included emissions sources, data collection methodology and assumptions

Emissions source	Summary of data source	Uncertainty (description)
Scope 3 – Airside vehicles and ground support equipment (GSE)	Surveys of operators of vehicles used on the Auckland Airport airfield.	Assumes that survey responses are representative of all airside vehicle operators on the Auckland Airport airfield.
Scope 3 – Aircraft emissions	Made up of jet fuel dispensed to aircraft, use of aircraft auxiliary power units (APU), and aircraft engine testing. Jet fuel dispensed to aircraft captured through metering information, APU use captured through surveys of airlines, and engine testing captured from the airport control tower. Emissions calculated using methodology and emission factors provided through the Airports Council International ACERT v6.0.	Assumes that jet fuel dispensed is a reasonable proxy for full flight emissions. Assumes that airline survey responses are representative of all airlines.

GHG emissions source exclusions

The following emissions sources have been excluded from the GHG emissions inventory.

Table 7: Excluded emissions sources

Emissions Source	Explanation
Auckland Airport 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 <i>de minimis</i> (too minor).
Staff mileage	Emissions associated with local travel by staff for work claimed as mileage are considered <i>de minimis</i> .
Surface access	Staff, tenants and passengers commuting to and from the airport is excluded due to an absence of robust data, however we intend to improve the quality of data and include this emission source in future years.
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 <i>de minimis</i> .
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 <i>de minimis</i> .
Construction waste	Construction waste is excluded from the inventory at this time due to an absence of data.
Industrial gases	Gases associated with welding and cutting are considered <i>de minimis</i> .

Base-year recalculation policy

This year, Auckland Airport have restated our base year to be the 2023 financial year, due to the addition of aircraft full flight and other scope 3 emissions. We have included the 2022 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.

Persons responsible

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Sustainability Advisor

Reviewed by: Andrea Marshall
Head of Masterplanning and Sustainability

Approved by: 
Mary-Liz Tuck
Chief Sustainability and Masterplanning Officer

Key terms used in 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.

CO₂e

Carbon dioxide equivalent. The six 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.

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.

GSE

Ground services equipment, used on the airfield to support aircraft operations.

Emission factor

As defined by the Intergovernmental Panel on Climate Change (IPCC), a co-efficient that quantifies the emissions or removals of a gas per unit activity.

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 CO₂ 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.





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 (the 'Company') and its subsidiaries ('Auckland International Airport Limited' or the 'Group') for the year ended 30 June 2023, comprising the Emissions Inventory and the explanatory notes set out on pages 1 to 12.

The Inventory Report provides information about the greenhouse gas emissions of Auckland International Airport Limited for the year ended 30 June 2023 and is based on historical information. This information is stated in accordance with the requirements of 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 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 Group's preparation of the Inventory Report. We also:

- Assessed the suitability in the circumstances of the Auckland International Airport Limited's use of 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

Group's use of 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 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 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 Group's compliance with the GHG Protocol are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Group may not have complied with 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 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 greenhouse gas inventory assurance reporting, trustee reporting and assurance reporting for regulatory reporting, and non-assurance services in relation to

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

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 Group 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 2023 have been prepared, in all material respects, in accordance with the requirements of 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 2023 are not prepared, in all material respects, in accordance with the requirements of the GHG Protocol.



Chartered Accountants

Auckland, New Zealand

24 August 2023