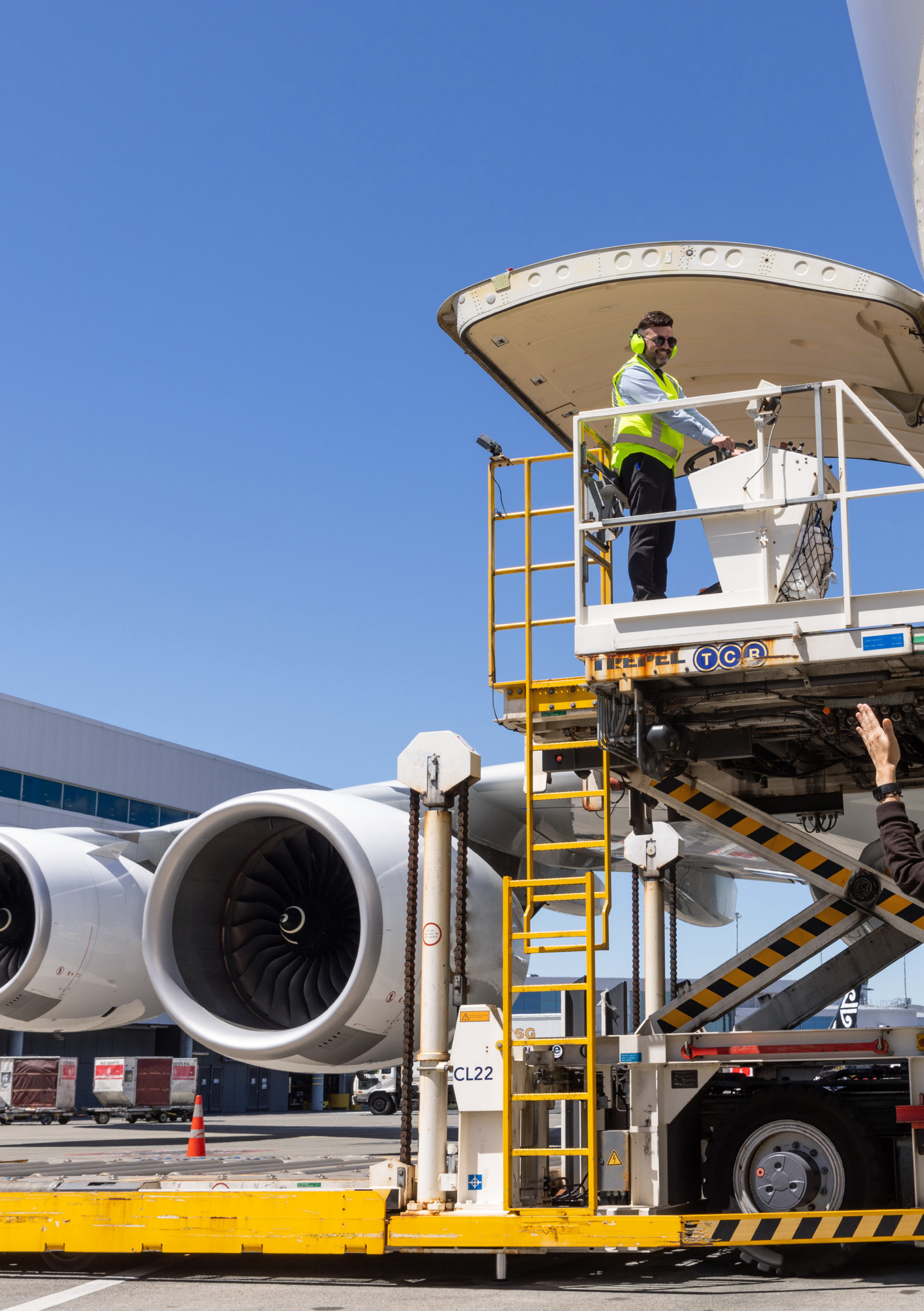
Auckland Airport

Interim Financial Statements 2023



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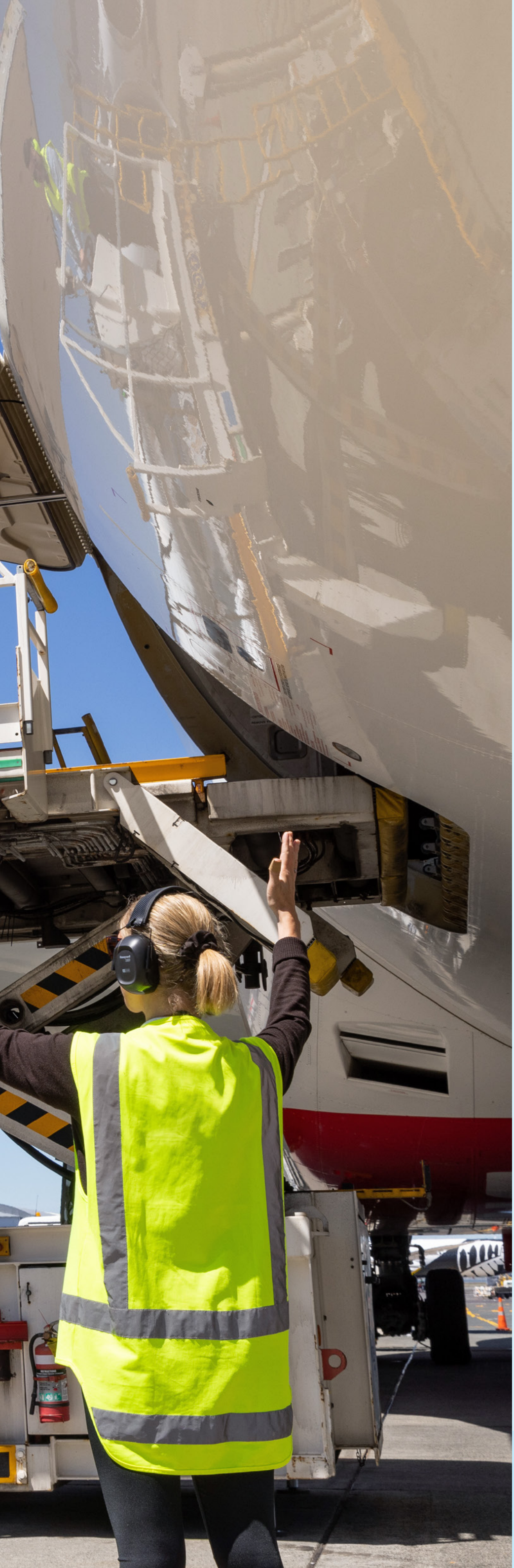

Contents

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Income			
Airfield income		40.9	26.2
Passenger services charge		60.6	8.2
Retail income		59.4	6.9
Rental income		78.8	63.0
Rates recoveries		6.4	4.3
Car park income		27.5	8.7
Interest income		1.0	0.2
Other income		13.2	8.7
Total income		287.8	126.2
Expenses			
Staff	5	29.5	21.7
Asset management, maintenance and airport operations		40.8	29.5
Rates and insurance		17.4	10.4
Marketing and promotions		1.9	0.8
Professional services and levies		3.0	1.2
Fixed asset write-offs	3	0.1	0.1
Other expenses		6.1	2.6
Reversal of expected credit losses		-	(0.4)
Total expenses		98.8	65.9
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		189.0	60.3
Investment property fair value change	10	(93.8)	131.5
Derivative fair value change		(0.3)	(0.6)
Share of profit/(loss) of associate and joint ventures	7	3.0	(17.4)
Earnings before interest, taxation and depreciation (EBITDA)[1]		97.9	173.8
Depreciation		68.7	53.7
Earnings before interest and taxation (EBIT)[1]		29.2	120.1
Interest expense and other finance costs	5	30.7	26.8
Profit/(loss) before taxation	4	(1.5)	93.3
Taxation benefit		(6.3)	(15.5)
Profit after taxation, attributable to the owners of the parent		4.8	108.8
Earnings per share		Cents	Cents
Basic earnings per share	11	0.33	7.39
Diluted earnings per share	11	0.33	7.39

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to the 2022 Financial Report, note 3(e).

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2022 AND 31 DECEMBER 2021. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2022 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Profit for the period	4.8	108.8
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Fair value gains recognised in the cash flow hedge reserve	22.7	38.9
Realised losses/(gains) transferred to the income statement	1.6	5.3
Tax effect of movements in the cash flow hedge reserve	(6.8)	(12.4)
Total cash flow hedge movement	17.5	31.8
Movement in cost of hedging reserve	(0.8)	(0.7)
Tax effect of movement in cost of hedging reserve	0.2	0.2
Items that may be reclassified subsequently to the income statement	16.9	31.3
Total other comprehensive income	16.9	31.3
Total comprehensive income for the period, net of tax, attributable to the owners of the parent	21.7	140.1

These interim financial statements were approved and adopted by the Board on 22 February 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

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Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
Six months ended 31 December 2022 (unaudited)				
At 1 July 2022		1,680.2	(609.2)	5,040.2
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Reclassification to retained earnings		-	-	(0.2)
Shares issued	11	0.6	-	-
Long-term incentive plan		-	-	-
At 31 December 2022		1,680.8	(609.2)	5,040.0

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
Six months ended 31 December 2021 (unaudited)				
At 1 July 2021		1,679.2	(609.2)	5,099.9
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Reclassification to retained earnings		-	-	-
Shares issued	11	0.9	-	-
Long-term incentive plan		-	-	-
At 31 December 2021		1,680.1	(609.2)	5,099.9

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 (REVISED) FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2022 AND 31 DECEMBER 2021. THE FULL-YEAR FINANCIAL STATEMENTS TO 30 JUNE 2022 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

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
2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
-	-	-	-	4.8	4.8
-	17.5	(0.6)	-	-	16.9
-	17.5	(0.6)	-	4.8	21.7
-	-	-	-	0.2	-
-	-	-	-	0.6	1.2
(0.1)	-	-	-	-	(0.1)
2.0	35.2	(2.3)	50.9	1,976.3	8,173.7
2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5
-	-	-	-	108.8	108.8
-	31.8	(0.5)	-	-	31.3
-	31.8	(0.5)	-	108.8	140.1
-	-	-	-	-	-
-	-	-	-	-	0.9
(0.3)	-	-	-	-	(0.3)
1.7	(18.6)	(1.6)	37.0	1,880.9	8,070.2

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2022

	Notes	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Non-current assets			
Property, plant and equipment	9	7,130.3	6,986.1
Investment properties	10	2,848.4	2,897.4
Investment in associate and joint ventures	7	175.3	166.5
Derivative financial instruments		50.3	28.1
		10,204.3	10,078.1
Current assets			
Cash and cash equivalents		62.8	24.7
Trade and other receivables		58.7	28.5
Taxation receivable		21.7	21.6
		143.2	74.8
Total assets		10,347.5	10,152.9
Shareholders' equity			
Issued and paid-up capital	11	1,680.8	1,680.2
Reserves		4,516.6	4,500.0
Retained earnings		1,976.3	1,970.7
		8,173.7	8,150.9
Non-current liabilities			
Term borrowings	12	1,054.1	961.0
Derivative financial instruments		31.5	15.7
Deferred tax liability		412.0	411.9
Other term liabilities		3.2	3.3
		1,500.8	1,391.9
Current liabilities			
Accounts payable and accruals		109.5	87.1
Derivative financial instruments		0.1	0.9
Short-term borrowings	12	557.0	515.6
Provisions		6.4	6.5
		673.0	610.1
Total equity and liabilities		10,347.5	10,152.9

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THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		262.3	128.9
Interest received		1.0	0.2
		263.3	129.1
Cash was applied to:			
Payments to suppliers and employees		(92.4)	(72.7)
Interest paid		(30.6)	(26.8)
		(123.0)	(99.5)
Net cash flow from operating activities	6	140.3	29.6
Cash flow from investing activities			
Cash was provided from:			
Share of dividends received and repayment of partner contribution		0.3	2.5
		0.3	2.5
Cash was applied to:			
Property, plant and equipment additions		(205.1)	(124.4)
Interest paid – capitalised		(6.9)	(3.8)
Investment property additions		(36.4)	(18.4)
Investment in joint ventures		(6.1)	(5.9)
		(254.5)	(152.5)
Net cash flow applied to investing activities		(254.2)	(150.0)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		400.0	176.0
		400.0	176.0
Cash was applied to:			
Decrease in borrowings		(248.0)	(100.0)
		(248.0)	(100.0)
Net cash flow from financing activities		152.0	76.0
Net (decrease)/increase in cash held		38.1	(44.4)
Opening cash brought forward		24.7	79.5
Ending cash carried forward		62.8	35.1

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Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

1. Corporate information

Auckland International Airport Limited ('the company' or 'Auckland Airport') is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The 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, joint ventures and an associate ('the group').

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 22 February 2023.

2. Basis of preparation and accounting policies

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

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

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Financial Report for the year ended 30 June 2022.

These interim 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.

The accounting policies set out in the 2022 Financial Report have been applied consistently to all periods presented in these interim financial statements.

There were no new accounting standards, interpretations or amendments with a material impact on these interim financial statements.

Climate-related disclosure standard

In 2021, the New Zealand Government passed legislation to enable mandatory climate-related disclosures for large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers. This means that for the reporting periods starting on/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.

3. Changes in key estimates and judgements

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. The following key estimates and judgements, relating to COVID-19, were generated on the same basis as at 30 June 2022:

Abatements
The group continues to provide abatements to retailers and property tenants significantly affected as the aviation industry recovers from the COVID-19 pandemic. During the period ended 31 December 2022, the group recognised $51.4 million of abatements as negative variable lease payments (period ended 31 December 2021: $98.6 million). These abatements were consistent with expectations and were factored into fair value and impairment assessments at 31 December 2022.

Fixed asset write-offs and impairments
Capital expenditure work in progress totalling $0.1 million was written off during the period ended 31 December 2022 (period ended 31 December 2021: $0.1 million).

During the period ended 31 December 2022, no capital expenditure or fixed asset impairments have been recognised or reversed (period ended 31 December 2021: nil).

Provision for expected credit losses
During the period ended 31 December 2022, the provision has decreased by $0.2 million reflecting the recovery of outstanding debt (period ended 31 December 2021: decreased by $0.4 million).

Fair value assessments of property, plant and equipment
There have been no material changes in the fair value assessments of property, plant and equipment. Refer to note 9 for further details.

Fair value assessments of investment property
At 31 December 2022, independent valuations of investment property were performed by Colliers, Savills and JLL. The valuations concluded that there was a fair value decrease of $93.8 million (31 December 2021: increase of $131.5 million). Refer to note 10 for further details.

Recovery from the COVID-19 pandemic
The recovery from COVID-19 is now well underway. In response to the pandemic, Auckland Airport had initiated a number of actions as reported in the 2020, 2021 and 2022 Financial Statements.

The following measure remained in place throughout the six-month period ended 31 December 2022:

- Suspension of dividends (see note 8)

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

Period	Interest coverage covenant
Jun-22	1.25x
Dec-22	1.25x
Jun-23	2.00x
Dec-23	2.00x
Jun-24	2.50x
Dec-24 onwards	3.00x

Auckland Airport's actual interest coverage for the 12 months ended 31 December 2022 was 4.99x. Given the strong rebound in the aviation market during the six-month period ended 31 December 2022 and industry-wide optimism for further recovery, Auckland Airport's 12-month interest coverage metrics are likely to progressively strengthen going forward.

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 monthly. The chief executive assesses the performance of the operating segments based on segment EBITDAFI. Interest income and expenditure, taxation, 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 borrowings 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-waivered 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 six-month period ended 31 December 2022 (31 December 2021: $0.8 million).

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 $51.2 million of abatements to retailers during the six-month period ended 31 December 2022 (31 December 2021: $94.4 million). Refer to note 3 for further information.

Property

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

The group provided $0.2 million of rent abatements to property tenants during the six-month period ended 31 December 2022 (31 December 2021: $3.4 million).

	Aeronautical $M	Retail $M	Property $M	Total $M
Six months ended 31 December 2022 (unaudited)				
Total segment income	121.7	90.4	72.0	284.1
Total segment expenses	38.4	16.1	13.0	67.5
Segment EBITDAFI[1]	83.3	74.3	59.0	216.6
Six months ended 31 December 2021 (unaudited)				
Total segment income	46.4	17.9	60.0	124.3
Total segment expenses	36.5	6.8	9.3	52.6
Segment EBITDAFI[1]	9.9	11.1	50.7	71.7

1 EBITDAFI is a non-GAAP measure. Refer to the 2022 Financial Report, note 3(e).

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2021: nil).

(c) Reconciliation of segment EBITDAFI to income statement

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Segment EBITDAFI[1]	216.6	71.7
Unallocated external operating income	3.7	1.9
Unallocated external operating expenses	(31.3)	(13.3)
Total EBITDAFI as per income statement[1]	189.0	60.3
Investment property fair value increase	(93.8)	131.5
Derivative fair value change	(0.3)	(0.6)
Share of profit/(loss) of associate and joint ventures	3.0	(17.4)
Depreciation	(68.7)	(53.7)
Interest expense and other finance costs	(30.7)	(26.8)
Profit/(loss) before taxation	(1.5)	93.3

1 EBITDAFI is a non-GAAP measure. Refer to the 2022 Financial Report, note 3(e).

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

5. Profit for the period

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Staff expenses comprise:		
Salaries and wages	31.3	25.5
Capitalised salaries and wages	(7.0)	(4.7)
Employee benefits	2.8	3.1
Share-based payment plans	(0.2)	0.1
Defined contribution superannuation	0.9	0.9
Government wage subsidy	-	(4.2)
Other staff costs	1.7	1.0
	29.5	21.7
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	18.0	14.1
Interest on bank facilities and related hedging instruments	9.6	10.5
Interest on AMTN notes and related hedging instruments	6.9	4.6
Interest on commercial paper and related hedging instruments	3.1	1.4
	37.6	30.6
Less capitalised borrowing costs	(6.9)	(3.8)
	30.7	26.8
Interest rate for capitalised borrowings costs	4.77%	4.32%

The interest expense amounts disclosed in the table above are net of the impact 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 $35.6 million for the period ended 31 December 2022 (restated 31 December 2021: $25.6 million).

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

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Profit after taxation	4.8	108.8
Adjustments for:		
Depreciation	68.7	53.7
Deferred taxation benefit	(6.5)	(16.2)
Fixed asset write-offs	0.1	0.1
Share-based payments	(0.2)	0.1
Equity-accounted loss/(earnings) from associate and joint ventures	(3.0)	17.4
Investment property fair value decrease/(increase)	93.8	(131.5)
Derivative fair value decrease	0.3	0.6
Items not classified as operating activities:		
(Increase)/decrease in property, plant and equipment retentions and payables	(4.9)	36.3
Increase in investment property retentions and payables	(3.9)	(1.4)
Increase in investment property lease incentives and receivables	(1.8)	(8.3)
Items recognised directly in equity	1.0	0.6
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(30.2)	3.4
Decrease in taxation receivable/(payable)	(0.1)	0.6
Increase/(decrease) in accounts payable and provisions	22.3	(34.5)
Decrease in other term liabilities	(0.1)	(0.1)
Net cash flow from operating activities	140.3	29.6

7. Associate and joint ventures

Movement in the group's carrying amount of investments in associate and joint ventures

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M
Investment in associate and joint ventures at the beginning of the period	166.5	154.4
Further investment in joint ventures	6.1	5.9
Share of profit/(loss) after tax of associate and joint ventures	3.0	(17.4)
Share of dividends received and repayment of partner contribution	(0.3)	(2.5)
Investment in associate and joint ventures at the end of the period	175.3	140.4

Share of (loss)/profit after tax of associate and joint ventures

In the comparative six-month period ended 31 December 2021, the group recognised its $20.5 million share of a $41.0 million revaluation loss on the Pullman hotel. The hotel is under construction and owned by Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture). The revaluation loss arose due to an increase in construction costs compared to an independent valuation of the hotel as at expected completion during the financial year ended 30 June 2024.

The construction of the hotel was split into two phases due to the impact of COVID-19. The first phase was to complete the facade and structural elements under the original contract, which was completed on time and to budget. The second phase was to carry out all internal fit-outs ready for opening. During the six months ended 31 December 2021, the joint venture re-tendered the second phase at a higher cost than the original contract. The total cost of the project is forecast to be $221.0 million. The second phase started in January 2022 and is currently tracking to budget and programme.

At 31 December 2021, an independent valuation performed by JLL determined a fair valuation of $180.0 million, resulting in a revaluation loss of $41.0 million for the joint venture. Auckland Airport's share of the revaluation loss was $20.5 million. The valuation was prepared on the basis of 'material valuation uncertainty', and therefore the valuer advised that less certainty should be attached to the valuation than would normally be the case.

At 31 December 2022, the group assessed that the carrying value of the Pullman hotel was not materially different from fair value given there was no material change in the key valuation inputs since the December 2021 valuation, or the forecast completion cost. The next planned revaluation will align with the Novotel valuation for the year ended 30 June 2023.

Carrying value of investments in associate and joint ventures

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Tainui Auckland Airport Hotel Limited Partnership	40.6	40.6
Tainui Auckland Airport Hotel 2 Limited Partnership	36.8	30.6
Queenstown Airport Corporation Limited	97.9	95.3
Total	175.3	166.5

8. Distribution to shareholders

As part of the changes negotiated to Auckland Airport's banking covenants in February 2022, Auckland Airport agreed that no dividends will be paid until after 31 December 2022 (period ended 31 December 2021: no dividend paid).

The company has a dividend reinvestment plan, but this was inactive during the period as no dividend was paid.

9. Property, plant and equipment

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Carried at fair value	6,696.0	6,662.0
Carried at cost	231.2	221.7
Work in progress at cost	527.9	358.6
Accumulated depreciation	(324.8)	(256.2)
Net carrying amount	7,130.3	6,986.1

The group carries land, buildings and services, infrastructure and runway, taxiways and aprons at fair value.

At 31 December 2022 and 31 December 2021 the group undertook a desktop review of the property, plant and equipment balances carried at fair value.

- For land assets previously formally revalued using the discounted cash flow approach, the 31 December 2022 desktop assessment compared today's expectations regarding the timing and shape of the recovery from COVID-19 with the independent valuers' views at the last formal valuation as at 30 June 2022. Those expectations have remained materially unchanged.
- For land assets previously formally revalued using the market value alternative use and direct sales comparison approaches, the desktop assessment considered the outcome of the investment property desktop review described in note 10, in particular the vacant land component.
- For all other assets previously formally revalued using the optimised depreciated replacement cost approach, the desktop assessment considered movements in the capital goods price index.

These assessments indicated that there was no material fair value movement in any class of property, plant and equipment from 30 June 2022.

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

Additions to property, plant and equipment were $214.5 million for the six months ended 31 December 2022 (six months ended 31 December 2021: $90.7 million).

There were transfers to investment property of $1.6 million during the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

The following categories of property, plant and equipment are leased to tenants:

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $319.8 million (30 June 2022: $319.8 million);
- Land associated with retail facilities within terminal buildings carried at $1,452.4 million (30 June 2022: $1,452.4 million); and
- Space within terminal buildings, being 15% of total floor area or $217.5 million (30 June 2022: 14% of total floor area or $183.0 million).

10. Investment properties

	Unaudited 6 months to 31 Dec 2022 $M	Audited 12 months to 30 Jun 2022 $M
Balance at the beginning of the period	2,897.4	2,641.4
Additions	41.4	39.5
Transfer from property, plant and equipment (note 9)	1.6	0.7
Write-offs	-	-
Change in net revaluations	(93.8)	204.4
Lease incentives capitalised	0.7	8.2
Lease incentives amortised	(1.5)	(2.4)
Spreading of fixed rental increases	2.6	5.6
Balance at the end of the period	2,848.4	2,897.4

Investment property is measured at fair value, which reflects market conditions at balance date. To determine fair value, the group ordinarily commissions investment property valuations at 30 June each year and undertakes a desktop review at 31 December each year. Auckland Airport also reviews investment properties that are recently constructed or in the latter stages of construction at 31 December each year.

At 31 December 2022 and 31 December 2021, the group undertook more comprehensive desktop revaluations than the desktop reviews the group ordinarily performs at 31 December each year. The changed approach was considered prudent due to changes in market capitalisation rates.

During the period ended 31 December 2022, an increase in capitalisation rates indicated a potential decrease in investment property valuations. However, this was partially offset by growth in market rental rates across the industrial asset class.

The desktop revaluations were performed by Colliers, Savills and JLL based on key valuation metrics. The valuers did not re-inspect the properties but undertook relevant investigations, including considering any tenant changes, assessing market rentals and reviewing capitalisation rates in order to determine the desktop value of the group's investment properties. The desktop revaluations have been reviewed and assessed by management and subsequently adopted by the group, resulting in a fair value decrease of $93.8 million or 3.2% for the overall portfolio for the six months ended 31 December 2022 (31 December 2021: increase of $131.5 million or 4.9%).

The following categories of investment property are leased to tenants:

- Retail and service carried at $378.2 million (30 June 2022: $328.8 million);
- Industrial carried at $1,856.2 million (30 June 2022: $1,879.8 million); and
- Other investment property carried at $180.5 million (30 June 2022: $221.9 million).

11. Issued and paid-up capital and earnings per share

	Unaudited 6 months to 31 Dec 2022 $M	Unaudited 6 months to 31 Dec 2021 $M	Unaudited 6 months to 31 Dec 2022 Shares	Unaudited 6 months to 31 Dec 2021 Shares
Opening issued and paid-up capital	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	0.5	74,470	89,200
Shares vested to employees participating in long-term incentive plans	-	0.4	-	58,194
Closing issued and paid-up capital	1,680.8	1,680.1	1,472,269,601	1,472,182,031

Earnings per share
The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $4.0 million (six months ended 31 December 2021: $108.8 million).

The weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

	Unaudited 6 months to 31 Dec 2022 Shares	Unaudited 6 months to 31 Dec 2021 Shares
For basic earnings per share	1,472,220,223	1,472,086,424
Dilution effect of share options	60,776	336,096
For diluted earnings per share	1,472,280,999	1,472,422,520

The reported basic earnings per share for the six months ended 31 December 2022 is 0.33 cents (six months ended 31 December 2021: 7.39 cents).

The reported diluted earnings per share for the six months ended 31 December 2022 is 0.33 cents (six months ended 31 December 2021: 7.39 cents).

12. Borrowings

	Unaudited As at 31 Dec 2022 $M	Audited As at 30 Jun 2022 $M
Current		
Commercial paper	167.0	142.6
Bank facilities	65.0	73.0
Bonds	325.0	300.0
Total short-term borrowings	557.0	515.6
Non-current		
Bank facilities	125.0	165.0
Bonds	661.1	516.2
AMTN notes	268.0	279.8
Total term borrowings	1,054.1	961.0
Total		
Commercial paper	167.0	142.6
Bank facilities	190.0	238.0
Bonds	986.1	816.2
AMTN notes	268.0	279.8
Total borrowings	1,611.1	1,476.6

In the six-month period to 31 December 2022, the company undertook the following bank and financing activity:

- 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; and
- In November 2022 the company entered into the following new bank facilities:
  - a $125 million three-year facility with Commonweath Bank of Australia;
  - a $125 million four-year facility with Commonweath 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 Commonweath 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 that was 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.

As at 31 December 2022, the company had undrawn bank facilities of $1,013.0 million (30 June 2022: $954.5 million).

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.

The carrying amount of AMTN notes has reduced due to foreign exchange rate movements. The foreign currency exposure is fully hedged by cross-currency interest rate swaps, which have similarly reduced in value (refer to note 14).

13. Financial risk management

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

The interim financial statements do not include all financial risk management information and disclosures and should be read in conjunction with note 18 of the 2022 Financial Report.

Further information is also contained in the risk management section of the 2022 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2022.

14. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2022 (30 June 2022: nil).

The following financial instruments are carried at amortised cost, which approximates their fair value:

- Cash;
- Trade and other receivables;
- Accounts payable and accruals;
- Other term liabilities; and
- Borrowings issued at floating rates.

Borrowings issued at fixed rates, including bonds and AMTN notes, are also carried at amortised cost, which differs from their fair value. The fair values are shown in the table below for comparative purposes and are determined as follows:

- The group's bonds are classified as level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date; and
- 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.

	Unaudited		Audited	
	31 Dec 2022		30 Jun 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	986.1	983.1	816.2	816.5
AMTN notes	268.0	282.5	279.8	285.0

14. Fair value of financial instruments CONTINUED

The group's derivative financial instruments are carried at fair value and are classified as level 2. The fair values are determined on a discounted cash flow basis. The future cash flows are forecast using the key inputs presented in the table below. The forecast cash flows are discounted at a rate that reflects the credit risk of both counterparties to the derivative financial instruments.

	Unaudited Fair value As at 31 Dec 2022 $M	Audited Fair value As at 30 Jun 2022 $M	Valuation key inputs
Interest rate swaps			Forward interest rates (from observable yield curves) and contract interest rates
Assets	50.3	28.1	
Liabilities	(13.8)	(11.6)	
Cross-currency interest rate swaps			
Liabilities	(17.8)	(5.0)	Forward interest and foreign exchange rates (from observable yield curves and forward foreign exchange rates) and contract rates

15. Commitments

(a) Property, plant and equipment
The group had contractual obligations to purchase or develop property, plant and equipment for $206.8 million at 31 December 2022 (30 June 2022: $198.8 million).

(b) Investment property
The group had contractual obligations to purchase, develop, repair or maintain investment property for $24.6 million at 31 December 2022 (30 June 2022: $34.3 million).

(c) Joint ventures
At 31 December 2022, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) had contractual obligations of $38.3 million to develop a new Pullman hotel (30 June 2022: $82.0 million). The group's share of those commitments was $19.2 million at 31 December 2022 (30 June 2022: $41.0 million)

16. Contingent liabilities

Noise insulation

Auckland Airport Designation 1100, contained in the Auckland Unitary Plan, sets out Auckland Airports' obligations for noise mitigation for properties affected by aircraft noise. This includes obligations 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 $7.7 million (30 June 2022: $7.8 million).

Contractor claims

A contingent liability of $4.6 million (30 June 2022: $7.3 million) is estimated 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 the total uncertified contractor claims as a contingent liability.

17. Events subsequent to balance date

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.

Auckland Airport experienced 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 and is working with its insurance assessors to determine the flood-related losses and claims. It is too early to reliably estimate the value of the claims.

From 12 to 14 February 2023, the North Island of New Zealand was battered by Cyclone Gabrielle, bringing heavy rains and high winds to Auckland. There was no further material damage to Auckland Airport’s assets and the terminals remained open. However, all domestic flights and most international flights were cancelled for approximately two days.

On 17 February 2023, the directors of Queenstown Airport declared a final dividend of $6.0 million for the period ended 31 December 2022. The group’s share of the dividend is $1.5 million.

On 22 February 2023, the directors of Auckland Airport resolved that no interim dividend would be declared for the period ended 31 December 2022.

Deloitte.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Auckland International Airport Limited ('the Company') and its subsidiaries ('the Group') which comprise the consolidated interim statement of financial position as at 31 December 2022, and the consolidated interim income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 2 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of greenhouse gas inventory assurance reporting, trustee reporting and assurance reporting for regulatory reporting as well as non-assurance services provided to the Corporate Taxpayers Group of which the Company is a member. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Directors' responsibilities for the interim financial statements

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

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review 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 engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

Andrew Dick
Partner
for Deloitte Limited
Auckland, New Zealand
22 February 2023

Shareholder information

Reporting entity

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

The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156) and was granted Foreign Exempt Listing Entity status by ASX on 22 April 2016.

Stock exchange listings

The company's shares were quoted on the NZX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

The total number of voting securities on issue as at 31 December 2022 was 1,472,820,947.

Auditors

Deloitte Limited has continued to act as external auditor of the company and has undertaken a review of the interim financial statements for the six months ended 31 December 2022. The external auditor is subject to a partner rotation policy.

Credit rating

As at 31 December 2022, the S&P Global Ratings' long-term credit rating for the company was A- Stable Outlook.

Company publications

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

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 Secretary at the registered office.

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Financial calendar	Half-year	Full-year
Results announcement	February	August
Reports published	February	August
Annual meeting	-	October
Disclosure financial statements	-	November

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

Jonathan Good
chief digital officer

André Lovatt
chief infrastructure officer

Scott Tasker
chief customer officer

Mark Thomson
chief commercial officer

Mary-Liz Tuck
chief sustainability and masterplanning officer

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GENERAL COUNSEL

Ian Beaumont – Russell McVeagh

AUDITORS

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