Media Statement | 19 August 2021

FY21 Annual Results: Future focused and resilient despite market conditions

Highlights

- **First full-year underlying loss in the history of Auckland Airport**
- **Restructured funding and covenants support recovery and future development plans**
- **Reset infrastructure programme and new precinct retail development to be aligned with international aviation recovery**
- **New domestic hub to be merged into the international terminal**
- **New retail outlet centre featuring more than 100 stores and food outlets planned**
- **New sustainability strategy and goals - a pathway to Net Zero Carbon emissions by 2030**
- **Auckland Airport to give permanent employees $1,500 in airport shares to thank them for their efforts over the past year**

Auckland Airport today announced its financial results for the 12 months ended 30 June 2021.

Auckland Airport Chair Patrick Strange said: “It has been a year of disruption, resilience and adaptation for Auckland Airport as we worked through the pandemic to keep New Zealand safely connected to the world. Our results continue to reflect the serious impact that COVID-19 has had on our business and the wider aviation sector. This week’s national lockdown is a reminder that while there is still a great deal of uncertainty, the accelerating vaccination programme allows us to plan beyond the current phase of the pandemic with increasing confidence.

“I want to thank our people for the way they have responded to the COVID-19 crisis. They have put health and safety and the community first, working hard to always meet public-health requirements even as the apparent risks of the virus and the protocols for managing it were constantly shifting. In this difficult environment our team has remained committed to our recovery, planning ahead to strengthen the business and position us to succeed as demand returns.”

Key performance data for the full year includes:

- Total number of passengers decreased to 6.4 million, down 58.5% on the previous financial year. International passenger numbers (including transits) were 0.6 million while domestic passenger numbers were 5.8 million
- Operating EBITDAFI was down by 34.1% to $171.5 million[1]
- Reported profit after tax was up 139.4% to $464.2 million
- Underlying profit fell by $230.3 million to a loss of $41.8 million[1]
- Earnings per share was up 107.2% to 31.5 cents per share (principally as a result of investment property revaluations)
- Underlying profit per share fell to a loss of 2.8 cents per share[1]
- Revenue was down 50.4% to $281.1 million
- No final dividend will be paid

Chief Executive Adrian Littlewood said the 2021 financial year had been a year like no other for Auckland Airport, with the lowest number of international arrivals and departures since 1972.

“COVID-19 changed our business overnight bringing constant upheaval to almost every part of our operation. But throughout all the uncertainty of the past 18 months, our team’s determination to get the job done and go the extra mile for New Zealand has never faltered.

“I’m really proud of our team and their work to keep Kiwis connected to each other and the world and in recognition of their efforts we are giving $1500 in shares to each of our permanent employees – both as an acknowledgement of their hard work but also the critical role they will play as aviation recovers.”

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

Mr Littlewood said the recovery of domestic travel had continued in the 2021 financial year, with domestic passenger numbers reaching 5.8 million, 17% down on the previous year.

Overall, total domestic and international travel was down 58% in the 2021 financial year on the previous period, with 6.4 million passengers. International traffic remained low with 0.6 million international passengers including transits at Auckland Airport in the 12 months to 30 June 2021, down 93% year on year.

Auckland Airport's investment property division continued to perform strongly in the 12 months to 30 June, with occupancy remaining at 99% at the end of the 2021 financial year despite the impact of COVID-19. Investment property annual rent roll increased 12.5% to $117 million and the portfolio value grew 29% to $2.6 billion.

Auckland Airport's recovery strategy

In 2020 Auckland Airport outlined a three-stage plan through and beyond the pandemic: Respond, Recover, Accelerate.

Mr Littlewood said Auckland Airport had gone further to control costs and reset the business in the 2021 financial year to ensure it reflected the new operating environment, including:

- Scaling back operating activity resulting in a significant reduction in operating expenses
- Repaying the remaining $425 million US Private Placement (USPP) borrowings. This, in addition to closing out a number of interest rate and currency hedges, is expected to reduce Auckland Airport's 2022 financial year interest expense by more than $10 million
- This month banks supported Auckland Airport's request to renew nearly $700 million of debt facilities due to mature between January and April 2022. From January 2022, Auckland Airport has agreed that the interest cover covenant currently waived by lenders will convert from an EBIT-based measure to a new EBITDA-based measure.

Mr Littlewood said taking these steps had renewed Auckland Airport's confidence in its ability to fund the planned infrastructure programme for the 2022 financial year and beyond.

"In the 2021 financial year we continued to support our business partners who are critical to the long-term success of our precinct, working with organisations to provide relief on a case-by-case basis, depending on the impact and type of business," Mr Littlewood said.

For example, Auckland Airport provided $9.0 million in aircraft parking support and $3.9 million in rent reductions to off-terminal property tenants in the 12 months to 30 June, including precinct retailers whose businesses have been impacted by lower foot traffic. Much larger abatements were provided to our in-terminal retailers, and despite facing a tough operating environment, occupancy remains at 96% across both terminals. Investment property occupancy remains at 99%.

Mr Littlewood said another area of focus for the 2021 financial year was the development of a new sustainability strategy and goals. He said Auckland Airport had set a pathway to achieve Net Zero Carbon emissions by 2030, including transitioning away from natural gas in the terminal. It had also completed its first report in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).

"Auckland Airport was one of New Zealand's early adopters of sustainability principles and we have made considerable progress in the areas of emissions reductions, energy savings, and waste management. Having largely met our previous objectives, we are lifting our sights with new sustainability targets, setting out how we will create value for our people and communities; contribute to the economy; and help tackle global challenges such as climate change."

Infrastructure

Prior to the outbreak of COVID-19, Auckland Airport had begun delivering on over $2.0 billion of core aeronautical infrastructure projects with eight anchor projects in either construction or feasibility and design.

Mr Littlewood said despite the impact of the pandemic on the aviation sector, Auckland Airport’s capital investment in the 2021 financial year had continued, focusing on the upgrade and renewal of core infrastructure and to take advantage of the low traffic environment on the airfield and roads to minimise disruption. This included:

- $26 million invested in runway and wider airfield pavement replacements and upgrades
- $69 million in roading upgrades and construction of a mass transit system, including a $21 million contribution towards improvements along State Highway 20B which added high-occupancy vehicle lanes, cycling and walking paths, as well as road safety improvements to the important Auckland Airport-Puhunui-Britomart public transport connection.

Mr Littlewood said Auckland Airport had also carried out significant work to reset and reprioritise its infrastructure development plan.

“We have used this time to create a refreshed infrastructure development pathway that is realistic, prioritises the right projects, and is in line with aviation’s recovery.

“Our priority development is construction of a new domestic hub to be merged into the international terminal at the eastern end of the building, providing a much-improved customer experience for travellers connecting between major New Zealand destinations and our global air connections. For Auckland-based travellers, a new transport hub with upgraded pedestrian, transport links, and car parking will offer a smooth connection into the terminal building.

The first $30 million stage of the $1 billion-plus domestic hub is expected to get underway in early 2022, focusing on demolition works to clear the footprint of building. Mr Littlewood said the next major phase of development would be determined by a range of factors including the speed of aviation’s recovery.

“Kiwis have told us they want an improved domestic experience and we are getting on with it with an infrastructure development pathway that will be strongly matched to aviation’s recovery and is supported by Air New Zealand and the Board of Airline Representatives of New Zealand (BARNZ).

“Along with the domestic hub we are continuing to progress three more of our anchor projects: our $160 million-plus programme of transport upgrades; a $200 million-plus transport hub; and upgrades to the existing domestic terminal. Anchor projects that remain on hold are the international airfield and taxiway expansion; new cargo precinct; new international arrivals area and the second runway.”

Retail business

Today Auckland Airport announced plans to strengthen the precinct shopping experience further with the development of a 23,000m^2-plus outlet centre, generating more than 500 new jobs across more than 100 stores and food outlets. (see accompanying media release) Key highlights include:

- Outlet centre to be located on the north-eastern edge of the precinct offering sought-after premium and lifestyle brands to consumers at often heavily discounted prices
- Sustainable design principles to underpin development with Auckland Airport targeting Green Star design and build
- Careful precinct-wide planning and ongoing investment in transport will continue to prioritise terminal-bound traffic and enable public transport
- Major phases of development to be influenced by the strength of the retail market and the recovery of aviation

Looking ahead

Auckland Airport continues to adopt more conservative planning assumptions than those of the International Air Travel Association (IATA), which is forecasting global travel to fully recover and exceed pre-pandemic levels in 2023. Mr Littlewood said a full recovery may take longer.

“Our financial performance is strongly linked to passenger volumes, so our recovery will be greatly influenced by the return of domestic and international travel and changes in border settings. There are encouraging signs with vaccination programmes now ramping up here and around the world but we expect to see further volatility in domestic and international travel in the short term, with the global aviation market gradually rebuilding in 2022.”

Due to uncertainty in the market, Mr Littlewood said Auckland Airport was currently unable to provide underlying earnings guidance for the 2022 financial year.

Capital works will continue to advance existing transport infrastructure projects and the delivery of core maintenance upgrades, with capital investment expected to be between $250 million and $300 million in the 2022 financial year.

Mr Littlewood said Auckland Airport would remain focused on the recovery of the tourism sector by supporting the Government in safely reopening the border, taking a leading role in a public/private sector work programme to develop options for future border settings.

"With New Zealand's path to recovery ahead of us it is important that Auckland Airport keeps delivering for our country. From safety protocols in the terminals to upgrading our infrastructure, this is the work that will ensure we deliver the strongest long-term prospects for New Zealand while helping to return our business to profitable and sustainable growth."

ENDS

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Note 1. Underlying profit / (loss) reconciliation

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2021 and 30 June 2020.

	2021			2020		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[1]	**171.5**	**-**	**171.5**	**260.4**	**-**	**260.4**
Investment property fair value increase	527.3	(527.3)	-	168.6	(168.6)	-
Property, plant and equipment revaluation	(7.5)	7.5	-	(45.9)	45.9	-
Fixed asset write-offs, impairments and termination costs[1]	-	2.5	2.5	-	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	-	(19.4)	(19.4)	-	-	-
Derivative fair value movement	(0.5)	0.5	-	(1.9)	1.9	-
Share of profit of associates and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	-	-	-	(7.7)	-	(7.7)
Depreciation	(124.7)	-	(124.7)	(112.7)	-	(112.7)
Interest expense and other finance costs	(94.0)	-	(94.0)	(71.8)	-	(71.8)
Taxation (expense)/credit	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit/(loss) after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

Notes

1. 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

As set out in the table above, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:

- We have reversed out the impact of revaluations of investment property in 2021 and 2020. 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 class of assets within property, plant and equipment in the 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult
- We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial

year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. 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 intends to hold 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 2021 and 2020 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives.
- We have also reversed out the taxation impacts of the above movements in both the 2021 and 2020 financial years.

AKL 4NZ

Auckland Airport

Annual Report 2021

We are working for New Zealand.

We are committed to growing our country's success in travel, trade and tourism, building a vibrant economic hub that will create enduring value for generations to come.

We are working for Marlene and her family

We are working for New Zealand businesses, large and small

Our success is built on New Zealand's success. Trade to and from New Zealand has faced significant challenges. We are working hard to keep our country connected to world markets.

New Zealand's health and safety is our priority. Our safe border management has helped to keep our country moving, supporting domestic tourism and the restart of international travel.

We are working for the Berry family

Welcome

Photography – Annual Report 2021
Richard Maher, Alan Gibson, Jordan Tan, Ollie Dale, Mariska Steyn and Helen Twose

ABOUT THIS REPORT

Welcome to our 2021 annual report – AKL | 4NZ

This report provides a look inside one year of disruption, resilience, and adaptation for Auckland Airport as we worked through the pandemic to keep New Zealanders safely connected to each other and the world.

In the past, Auckland Airport has published an annual report, financial statements and a stand-alone sustainability report. We know that our people, shareholders, business partners and the community are interested in our track record across all of these aspects, which is why we have combined our operational, sustainability and a summary of our financial performance into one report for the first time.

Using the combined approach, we have prepared this report to align with our sustainability framework: Purpose, Place, People and Community. In addition to the financial summary in this report, detailed financial statements and notes can be found in the separate financial report.

A second change to this annual report is the inclusion of climate change-related information following the guidelines of the Taskforce for Climate-related Financial Disclosures (TCFD). We have taken the step of publishing our approach to carbon and related climate-risk in order to prepare ourselves and our investors for mandatory climate-related risk reporting in 2023. The full climate change disclosure report can be found on our website: www.aucklandairport.co.nz

Finally, we have incorporated elements of the Integrated Reporting framework. We see advantages in progressively adopting the Integrated Reporting approach, which is focused on explaining to shareholders how the company creates value from invested capital and human and natural resources.

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

2021 / key numbers

Our performance in the 12 months to 30 June 2021

6.44m

Passengers

Domestic
5.84m
▼ 17.1%

International
559k
▼ 92.8%

International transits
43k
▼ 94.1%

Revenue
$281.1m
▼ 50.4%

Operating EBITDAFI
$171.5m
▼ 34.1%

Reported profit
$464.2m
▲ 139.4%

Underlying profit/(loss)
($41.8m)
▼ 122.2%

Dividend per share
0.0c
Interim 0.0¢ **Final** 0.0¢

Underlying earnings/(loss) per share
(2.8) cents
▼ 119.0%

Five-year average annual shareholder return
4.5%

Net capex additions[1]
$195.7m
▼ 47.2%

1 Net capital expenditure additions after $1.4 million of write-offs and impairments

2021 / key statistics

Health and safety
▲ **28.7%**
above target

safety observations and hazards reported
2,356

Auckland Airport became a Quarantine Free Travel Airport specified under the COVID-19 Public Health Response

Auckland Airport achieved the Airport Council International's Airport Health Accreditation in November 2020

Auckland Airport's 200-plus front-line employees completed more than 5,600 nasopharyngeal tests in FY21

Diversity
37%
of overall workforce is female

62.5%
of Board is female

25%
of leadership team is female

43%
of senior leaders[1] are female

5%
of people leaders[2] are of Maori/Pasifika ethnicity

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

Environment
4,705 (tonnes CO_2e)
▼ 22%
Scope 1 and 2 carbon emissions (tonnes CO_2e)

129,514 (m^3)
▼ 59%
Water usage (m^3)

844 (tonnes)
▼ 18%
Waste to landfill (tonnes)

Setting sustainability pathway

In the 2021 financial year we updated our approach to sustainability, identifying the four key pillars of Purpose, Place, People and Community and setting new company sustainability goals and targets including achieving Net Zero Carbon by 2030. See p14-p15 for further details.

Purpose	Place	People	Community
Kaupapa	Kaitiakitanga	Whānau	Hapori

Auckland Airport Community Trust
$325,431
granted to community projects by the Auckland Airport Community Trust to support learning, literacy and life skills in South Auckland

Working for New Zealand

Patrick Strange
Chair

Adrian Littlewood
Chief Executive

Nau mai and welcome

Auckland Airport is working for New Zealand and throughout our half-century of service, we've connected our nation to the world, linked our exporters to global markets, brought travellers to our shores and – in times of crisis – welcomed Kiwis home.

The 2021 financial year has been like no other on record for Auckland Airport, but our commitment to doing the best for our country remains steadfast. This is all thanks to our airport team.

We could not be prouder of the way our team has responded to the COVID-19 crisis. They have worked hard to maintain New Zealand's airlinks to the world while doing all they can to contain a virus that has taken the lives of millions of people around the globe. Our people adjusted their approach where necessary to always meet public-health requirements for safe operations even as the apparent risks of COVID-19 and the protocols for managing it were constantly shifting.

Auckland Airport would not be in the position it is today if it weren't for the remarkable efforts of our team through such uniquely trying times. In recognition of this we will be giving our permanent employees $1500 in shares. We offer our continued and sincere thanks to our employees and to our shareholders for their ongoing support.

Our strategy

In the 2020 financial year we outlined a three-stage plan for through and beyond the pandemic: Respond, Recover, Accelerate. Through careful financial management Auckland Airport was able to regroup so we could plan and begin our recovery in the best possible shape. This included a comprehensive approach to scaling down the business: reducing operating and capital expenditure; suspending or deferring major infrastructure projects; restructuring our bank debt; and raising $1.2 billion of new equity from shareholders.

The 2021 financial year has been another difficult period for Auckland Airport. International traffic remains extremely low and we have gone further to reset the business to ensure it reflects our new operating environment. This includes continuing to prioritise health and safety, control costs and support our business partners [see p24-p29]. We recognise that many organisations have a stake in Auckland Airport and our long-term success will be dependent on the stability of our relationships and working closely together on the recovery.

Our recovery pathway

To chart a course through recovery, we established two key areas of focus for the business in the 2021 financial year:

- Recovery of the tourism sector, including supporting the Government in safely reopening the border for quarantine-free travel with low-risk countries
- Resetting our infrastructure development plan, ensuring capital works are aligned with the recovery in aviation and forecast aeronautical demand and financial performance.

An airport is a complicated system with many moving parts. We have taken a partnership approach with the airport community of airlines, border agencies, essential service providers (retail and food and beverage), government departments and ground operators, working together to ensure the reopening of borders was handled as safely and effectively as possible.

This means Auckland Airport was able to assist the Government in its decision-making with an understanding of the practical needs of the aeronautical sector. With our aviation partners and government agencies on both sides of the Tasman, we helped to design a risk-based quarantine-free travel system to support airlinks between New Zealand and other low-risk countries. This work underpinned the plan supporting quarantine-free travel with Australia and the Cook Islands, and involved Auckland Airport splitting the international terminal into two areas to protect the safety of travellers, airport workers and our community [see p24-p25].

This work was a huge achievement for our team, not only in keeping people safe but also in steering our organisation towards our recovery path. By 30 June 2021, 316,000 international and transit passengers had passed through the split terminal since it went live on 16 April 2021 – still a fraction of pre-pandemic international travel numbers but a sign that we are moving forward.

The opening of quarantine-free travel with Australia and then with the Cook Islands marked our transition into the 'recover' stage of our strategic plan.

The suspension of the trans-Tasman bubble and the Cook Islands bubble serve as a strong reminder that higher vaccination rates will be necessary to support the recovery of international travel. As vaccination rollouts gather momentum over the coming months we expect demand for international travel to gradually build during the 2022 calendar year.

We were also encouraged by the return of domestic travel in the 2021 financial year, achieving 78% of pre-COVID-19 levels in the final quarter. We continue to take great care in creating protocols that support safe air travel at all alert levels, including during this week's level 4 lockdown.

Infrastructure development

When COVID-19 began its march around the globe, our team moved quickly to suspend and preserve work on our capital projects so these could be restarted when conditions made it possible to do so.

The low-demand environment created by COVID-19 has provided a unique opportunity for us to bring forward activities focused on the upgrade and renewal of core infrastructure. Taking advantage of reduced air and road traffic and to minimise disruption, in the 2021 financial year we invested:

- $26 million in runway slab replacement and in pavement upgrades to the airfield
- $69 million in upgrades to our core roading network and construction of high-occupancy vehicle lanes along State Highway 20B
- $7 million in upgrades to the airfield fuel network.

Recognising the uncertainty around future aeronautical demand, our people also carried out significant work in the 2021 financial year to reprioritise and reset our infrastructure development programme.

Our refreshed plan reconfirms our commitment to our key anchor infrastructure projects, but restarting some of these developments will be determined by the longer-term recovery in aviation and we will align construction with growth in demand [see p32].

We have reconfirmed our priority development as well: a new purpose-built domestic hub merged into the eastern end of the international terminal, providing a much-improved customer experience for travellers. During the 2021 financial year, we consulted with border agencies and airlines to design a development pathway for the $1 billion-plus facility [see p32], which is supported by Air New Zealand and the Board of Airline Representatives of New Zealand (BARNZ).

We will take advantage of the current low passenger environment by progressing enabling works in early 2022 to demolish legacy infrastructure east of the international terminal to make way for the development.

Meanwhile, we are also continuing to invest in the existing domestic terminal to increase its resilience and service level while the new facility is being built.

Creating value: Our purpose, place, people and community

From front-line staff in the terminals, to professional support workers and maintenance teams, our organisation is run by people who want to do the right thing. They are guided by strong values and a sincere belief in Auckland Airport's place at the heart of our city and community. They share a desire to be part of an organisation that is a good neighbour, a valued citizen and is respectful of its environment.

In the 2021 financial year we updated our approach to sustainability, identifying the four key pillars of Purpose, Place, People and Community and setting some new company sustainability goals and targets, including being Net Zero Carbon by 2030. By embedding sustainability across all aspects of our business, our commitment is to protect, preserve and create value for the benefit of our stakeholders and future generations.

Results

Auckland Airport is a long-standing multi-generational business and we remain confident about our future, but our 2021 financial year results reflect the difficult operating conditions we currently face.

In the year to 30 June, revenue was down 50.4% to $281.1 million, while earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) was down 34.1% to $171.5 million.

Total reported profit after tax was up 139.4% to $464.2 million, underlying net profit fell by $230.3 million to a loss of $41.8 million, resulting in an underlying loss per share of 2.8 cents for the 2021 financial year. No final dividend will be paid in line with our banking covenant waivers.

Our property division continued to perform strongly in the 12 months to 30 June [see p34-p35]. Investment property rent roll has increased 12.5% to $117 million, our portfolio value has grown 29% to $2.6 billion, and our weighted average lease term has strengthened to 9.7 years.

In the 2022 financial year, capital expenditure is expected to be between $250 million and $300 million. Looking ahead, while operating expenses will remain well below levels seen in the 2019 financial year, we are forecasting a significant increase in operating expenditure in the 12 months to 30 June 2022 to facilitate the following:

- The expected increase in international travel in the 2022 calendar year as vaccination rates rise
- An intensive repairs and maintenance programme in the international terminal while traveller numbers are low
- Ensuring employee numbers are able to support quality delivery of our compliance and strategic activities.

Airline consultation

Our regulatory framework requires us to begin consultation with airlines on new aeronautical pricing for 2023 to 2027 by the end of the 2022 financial year. However, we are consulting with airlines regarding a potential deferral of the final pricing decision until we see a stronger recovery in aeronautical activity and there is more certainty on the future trajectory of growth in travel.

Looking ahead

With New Zealand's path to recovery ahead of us, it is important that Auckland Airport keeps delivering for our country. From safety protocols in the terminals to upgrading our infrastructure, this is the work that will ensure we deliver the strongest long-term prospects for New Zealand while helping to return our business to profitable and sustainable growth.

We are planning an exciting expansion to our precinct retail business [see p34]: the construction of a fashion outlet centre on the edge of the airport offering a net lettable area of more than 23,000m^2. Purpose-built fashion outlet centres are well-established at airports internationally and we have been exploring the concept for many years as part of our long-term planning. We believe it will be a great addition to the airport's eco-system.

Auckland Airport's performance is strongly linked to passenger volumes, so our recovery will be greatly influenced by the return of international travel. We continue to adopt more conservative planning assumptions than those of the International Air Travel Association (IATA), which is forecasting global travel to fully recover and exceed pre-pandemic levels in 2023. We believe a full recovery might take longer and we are also expecting further volatility in domestic and international aviation markets in the short term.

Because of uncertainty in the market, we are currently unable to provide underlying earnings guidance for the 2022 financial year.

Lastly, Justine Smyth will stand down as a director at the annual meeting later this year, a role she has filled since 2012. We sincerely thank her for her outstanding contribution.

Auckland Airport's journey through COVID-19 is not over yet, but thanks to the resourcefulness and determination of our people and the ongoing support of our community, customers and investors, we can be confident of the course we have set.

Patrick Strange
Chair

Adrian Littlewood
Chief Executive

Underlying net profit / (loss)

($41.8m)

▼ 122.2%

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons against different companies can be made with confidence and that there is integrity in our reporting approach. However, we believe that an underlying profit measurement can also assist investors to understand what is happening in a business like Auckland Airport, where revaluation changes can distort financial results or where one-off transactions, both positive and negative, can make it difficult to compare profits between years.

For several years, Auckland Airport has referred to underlying profit alongside reported results. We do so when we report our results, but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items).

In referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result. The reconciliation between underlying profit and reported profit for the current reporting period can be found on p67.

Chief Executive's farewell

Earlier this year, I announced my decision to step down as chief executive.

It's been an absolute honour to lead Auckland Airport for almost nine years through times of incredible growth and more recently during a stern test of our resilience.

I never imagined my final year in this role would be marked by the closing of New Zealand's border, but I wouldn't have wanted to be anywhere else during these difficult times and I have been constantly impressed by the commitment and resilience of our team.

My sincere thanks go to everyone who helped get the business through the challenges of the past 19 months. I also want to acknowledge my gratitude to employees, Board members, shareholders, business partners and our community for their support throughout my time at Auckland Airport. I'll be staying in the role until later this year while the recruitment process continues.

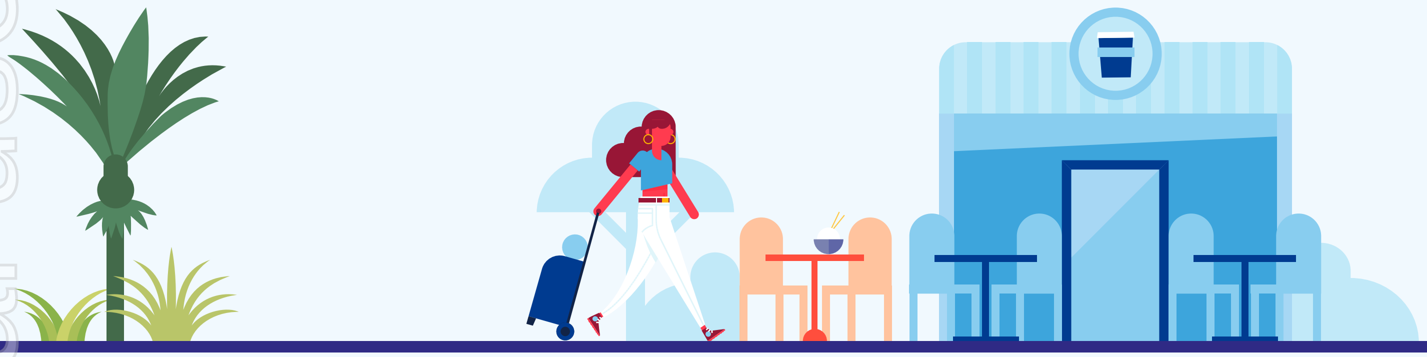
As aviation and tourism move into a recovery phase and our substantial development programme gears up again the years ahead will be really exciting for Auckland Airport. I look forward to watching the business rebuild and grow again.

Adrian Littlewood
Chief Executive

The Board is currently part-way through an international search for a new chief executive, to be appointed later this year.

Time to set some new sustainability goals

As a long-term multi-generational business, it is natural for us to take a long-term approach to our place in the world, the New Zealand economy and the local environment and community in which we operate.



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. With these objectives largely met, we are lifting our sights and challenging ourselves again by setting new sustainability targets, setting out how we will create value for our people and communities; contribute to the economy; and help tackle global challenges such as climate change.

As our business steadily recovers from the impact of COVID-19 the challenge is to ensure Auckland Airport is fit for the future and positioned to:

- Identify and successfully manage emerging risks and opportunities
- Meet regulatory requirements and stakeholder expectations
- Create environmental, social, cultural and wider-economic value as well as direct economic value.

To understand our future challenges and where we should focus our energies over the next decade, we embarked on a four-stage process. This process comprised a review of the wider business environment and relevant trends, a materiality assessment to understand what matters most to our business and to our communities, a benchmarking review and, finally, development of a new sustainability strategy.

How we talk about sustainability

Our overarching business strategy is aligned with our sustainability strategy which has four key pillars: Purpose, Place, People and Community. It is also framed by Auckland Airport's guiding star, the single ambition that unites and drives us as we work to safely connect New Zealand to the world:

We are working for New Zealand. We are committed to growing our country's success in travel, trade and tourism, building a vibrant economic hub that will create enduring value for New Zealand and generations to come.

1. Purpose Kaupapa

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

2. Place Kaitiakitanga

Creating value for future generations and protecting the planet

3. People Whānau

Creating value for our employees

4. Community Hapori

Creating value for Auckland

Our long-term ambitions

Our aspiration is to create natural, social, cultural and wider-economic value as well as direct economic value. We will know we are there when:

Around the world we are a good global citizen who our peers look to for guidance and direction, and investors seek out based on our financial performance, risk management, environmental, social and governance (ESG) performance, and the creation of long-term value.

In our country we are recognised as an important New Zealand business that leads the way in transforming our business model to create non-financial value as well as direct economic value for our shareholders. We are known as a responsible business that is fair and open.

Our neighbours are proud that we are part of their community. We grow and prosper together with a focus on employment, education and the environment. We use our place, position and partnerships to recognise the importance of, and to work alongside, mana whenua, and to improve the well-being of the local and wider New Zealand communities.

At home (our employees, tenants and customers) we have the benefit of a diverse workforce and an inclusive culture and we continue to be a place where others aspire to work. We are creating a vibrant business and community hub where other businesses choose to be.

2030 TARGETS

Purpose Kaupapa

85%
CUSTOMERS RATE THEIR OVERALL **EXPERIENCE** AS 'EXCELLENT' OR 'VERY GOOD' BY 2030

100%
OF PROCUREMENT ACTIVITY IS ALIGNED WITH **SUSTAINABLE PROCUREMENT** GUIDELINES ISO20400 BY 2030

TSR
ROLLING 3 YEAR **TOTAL SHAREHOLDER RETURN** EXCEEDS COST OF EQUITY BY 1%

Place Kaitiakitanga

Net Zero
SCOPE 1 AND 2 **CARBON** EMISSIONS BY 2030

20%
REDUCTION IN **POTABLE WATER** USE BY 2030 FROM 2019 LEVELS

20%
REDUCTION IN **WASTE TO LANDFILL** BY 2030 FROM 2019 LEVELS

People Whānau

40 | 40 | 20
GENDER BALANCE ACROSS AUCKLAND AIRPORT'S BOARD, LEADERSHIP TEAM AND ITS DIRECT REPORT POPULATIONS BY 2025

Safety
YEAR ON YEAR IMPROVEMENT IN NUMBER OF **HIGH-QUALITY** SAFETY **OBSERVATIONS** PER EMPLOYEE

20%
OF PEOPLE LEADERS OF **MAORI/PASIFIKA** ETHNICITY BY 2030

Ethnicity
WORKFORCE REFLECTIVE OF THE ETHNICITY OF NEW ZEALAND BY 2030

Community Hapori

40%
OF EMPLOYEES PARTICIPATING IN **COMMUNITY VOLUNTEER** PROGRAMME BY 2030

Apprenticeship
CREATE A PATHWAY FOR **WOMEN, MAORI AND PASIFIKA** INTO TRADES, WITH 30% OF TOTAL TRADE STAFF SOURCED FROM A TARGETED APPRENTICESHIP SCHEME BY 2030

What matters most

In 2020 we carried out a comprehensive review of the issues and topics that matter most to our business and our stakeholders. We looked at matters that were materially important and to those issues that we, as a business, have influence over. This review was undertaken just as COVID-19 was beginning to impact New Zealand and it was completed August 2020 following the long autumn lockdown.

Our material issues

Auckland Airport considers material issues as those that are important to us and our many stakeholder groups; those that we can influence; and the environmental or social issues that we have an impact on.

1. Health, safety and security

Auckland Airport is a Port of First Arrival and major infrastructure operator; therefore, the health, safety 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, something that has been highlighted in the 2021 financial year with the outbreak of COVID-19 and its impact on our operations, people and customers.

2. 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. As the border gradually re-opens we will play a vital role in helping the economy and community to re-build.

3. Customer experience

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

4. Aircraft noise

We continue to work with our airline and air navigation partners to manage aircraft noise and the impact it has on the community. Although aviation activity has decreased during the past year, the impact of aircraft noise on people living and working beneath flight paths is ongoing and this was amplified by the return of flights after lockdowns in 2020 and 2021. Auckland Airport funds a comprehensive noise mitigation programme to reduce the impact of aircraft noise on the community.

5. 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. This is especially important following the restructuring of our workforce after the outbreak of COVID-19.

6. Climate change risk 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.

7. 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 to guide our decision-making through the planning, design and construction phases.

8. Community and mana whenua involvement

Auckland Airport's location is of historical and cultural significance to Māori. Building strong and enduring relationships with mana 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.

Who we are and what we do

Auckland Airport is New Zealand's largest owner and operator of an airport, providing infrastructure and services to facilitate the movement of aircraft, passengers and cargo. Prior to the outbreak of COVID-19, over 75% of international passengers arrived at or departed from New Zealand through Auckland Airport, generating more than 21 million domestic and international passenger movements. Traditionally, the aeronautical business segment contributes approximately 50% of total company revenue.

Today Auckland Airport is still the busiest airport in the country with 6.4 million passenger movements, the vast majority being domestic travellers.

Auckland Airport's consumer segment includes the provision of amenities for retail businesses both in the terminal and within the surrounding precinct. It also includes the operation of car parking facilities and two hotels on the airport precinct, the Novotel and Ibis, and digital channels. These activities enhance our customer proposition by providing important services in and around the airport that are valued by customers travelling through the precinct.

The investment property portfolio has grown strongly in recent years, through developing and managing in excess of 500,000m² of new facilities ranging from logistics and distribution warehouses to office buildings. This property portfolio is now valued at $2.6 billion, with an annual rent roll of $117 million. Auckland Airport has 185 hectares available for investment property development.

Our value creation model outlines how we create value for our key stakeholders through our business activities, and identifies the inputs that we rely on to enable us to deliver that value and meet our strategic objectives.

We own and operate Auckland Airport

14
international airlines servicing 27 destinations in FY21[1]

6.4m
Passenger movements overall in FY21[2]

98,689[3]
Aircraft movements in FY21[3]

166,441T
of cargo in FY21[4]

- 31.4% of total revenue from aeronautical income
- 40km roads
- 1.4 million m² of runway and pavement
- Two terminals with over 170,000m² of floor area

We are a property developer and owner

$2.6b
Real estate, including logistics and distribution warehouses, office buildings, and shopping centres

$117m
Rental income per annum

99%
Real estate average occupancy rate[5]

- $415 million development completed in FY21
- 185ha available for development

We provide important services to consumers, our tenants and their employees

24/7
Service providing aviation, fire, medical and marine search and rescue services

120
Terminal-based retail tenants

- 145 business tenants outside the terminal
- Enhanced digital shopping services introduced in response to COVID-19
- Two hotels
- Car-parking facilities with over 13,000 car parks

We are a substantial employer and enabler of employment

441
Employees with diverse skills and capabilities

20,000
people typically employed on airport precinct

1 29 airlines serving 41 international destinations pre-pandemic in FY19
2 21.1 million in FY19
3 178,771 in FY19
4 190,905 tonnes in FY19

5 Landside property portfolio

Auckland Airport's business model

EXTERNAL ENVIRONMENT

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

SUSTAINABILITY

The way we create value is shaped by our approach to sustainability

GUIDING STAR

We are working for New Zealand. We are committed to growing our country's success in travel, trade and tourism, building a vibrant economic hub that will create enduring value for New Zealand and generations to come.

Strategic direction

Respond, Recover, Accelerate

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
Whanau

Creating value for our employees

Community
Hapori

Creating value for Auckland

Negative impact of COVID-19 on aviation

Capacity limits of the infrastructure sector

Physical and transitional climate change risks

Ongoing regulatory oversight

Increasing stakeholder expectations

Technological advancements

Globalisation

Inputs

OUR FINANCIAL CAPITAL

- Debt, equity
- Profit
- Credit rating

OUR ASSETS

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

OUR SKILLS AND KNOWLEDGE

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

OUR EMPLOYEES

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

OUR COMMUNITY AND RELATIONSHIPS

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

OUR ENVIRONMENT

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

Business Activities

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, DIVERSE, SAFE AND MOTIVATED WORKFORCE

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

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

Purpose
Kaupapa

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

Auckland Airport is an organisation that strives to create value for New Zealand no matter what the circumstance.

Ordinarily, the efficient operation of an airfield relies on planning and order: a carefully designed network of systems and processes which comes together through the collaborative commitment of all the organisations that make up Auckland Airport.

But when the pandemic arrived, everything changed almost instantly.

Since February 2020, COVID-19 has brought constant upheaval to almost every part of our business, but our team's determination to get the job done and go the extra mile for New Zealand has never faltered. In difficult circumstances they have continued to keep the terminals and airfield safe and secure, working through lockdowns as essential workers and fronting up for fortnightly nasopharyngeal tests for months on end to keep themselves and the community safe.

"COVID-19 created the perfect storm for our organisation and tested the character of our staff like no other," said Anna Cassels-Brown, Auckland Airport's General Manager Operations.

"I always knew we had an outstanding team here at Auckland Airport, and what they've had to deal with to keep the operation running smoothly through every extreme of the COVID pandemic, as well as keep themselves, whānau and community safe from COVID-19 is frankly incredible."

INNOVATION IN SALIVA TESTING

Almost half of Auckland Airport's staff work directly at the border, the front-line of New Zealand's efforts to keep the pandemic out of the country. With those staff required to have regular tests for COVID-19, the airport was quick to recognise the value of reliable, non-invasive testing methods for keeping the community safe.

That's why Auckland Airport co-funded New Zealand business Rako Science to trial a fast-turnaround, accurate saliva test, providing a site in the international terminal for airport workers to take part.

Auckland Airport's Health and Safety Advisor John Vazey joined the trials. "I took part in the trials because a reliable, non-invasive saliva test can help reduce the risk of outbreaks in the community by increasing the frequency of testing.

"If we're going to be dealing with this virus for a long time, we'll need easy, frequent and cost-effective ways to test large workforces," he said.

Throughout the pandemic, Auckland Airport has followed the Ministry of Health's protocols and guidelines to keep the community safe, and welcomes the Government's recent decision to introduce saliva testing for border workers. Staff who took part in the saliva tests did so on a voluntary basis and the saliva tests did not replace the nasal-swab testing required by the Government's border policies.

Adapting airport operations to meet New Zealand's needs

As COVID-19 sent much of the world into lockdown, the virus quickly pushed Auckland Airport in new and challenging directions.

"The world changed overnight and we had no choice but to change with it," Anna said. "Safety and security always comes first for us. We recognised early on that we would need to make big changes inside the international terminal in order to safely reconnect families and bring international travellers home," Anna said.

In 2020, the team at Auckland Airport began to re-imagine how our existing international terminal infrastructure could be repurposed to achieve two goals:

- The separation of incoming travellers potentially carrying COVID-19 into the country, from departing passengers and airport workers, recognising the key role airports play as a first line of defence against the spread of the virus
- Enabling New Zealand to open its borders again to quarantine-free travel with other low-risk countries, helping to reconnect whānau and support New Zealand's economic rebuild, and marking a critical first step in Auckland Airport's recovery.

We could not achieve this alone. A constellation of organisations deliver aviation services at Auckland Airport and significant operational changes would need everyone to work together.

"Well ahead of travel bubbles with Australia and the Cook Islands we were working closely with government border and health agencies, airline partners, ground handlers, cleaning companies and transport operators to rethink the future of travel at Auckland Airport," Anna said.

The team envisaged a bold solution: the development of two separate and virtually self-sufficient international terminals contained within one existing building, including constructing a brand new arrivals processing area out of a ground-floor international zone previously used for bus operations.

Putting customer care first

Auckland Airport's Operations Performance Delivery Manager Mark Wilson, who jointly led the project, said teams prioritised travellers' comfort and health and safety while rethinking every detail: how to reorganise the layout inside the terminal to prevent high-risk travellers from interacting with low-risk travellers; providing access to food and drink to high-risk travellers transiting through New Zealand; supplying personal protective equipment (PPE) for staff; what to do with baggage; and how to manage physical distancing.

"We always work closely with our stakeholders but this was just next level," Mark said. "We repeatedly trialled the terminal split putting 14 flight arrivals through the new process to ensure we got it right. We were on a mission to get this set up and working well for New Zealand and everyone brought that sense of pride to the project."

Auckland Airport also worked hard with stakeholders to set the standard for COVID-19 health and safety measures, becoming a Quarantine-Free Travel Airport specified under the COVID-19 Public Health Response Act 2020 in April 2021 [see sidebar story, p24]. Auckland Airport also achieved Airport Council International's Airport Health Accreditation in November 2020.

The split terminal went live on 16 April this year, just ahead of the trans-Tasman quarantine-free travel arrangements being put into place.

"To witness all of those family reunions at the quarantine-free arrivals gate, after so many months of hard work and planning: it was a wonderful moment for the entire airport team," Mark said. "It's disappointing to see the pause in the bubble but we're hopeful it won't be long before we see travel kickstart again with Australia."

Today the eastern side of the international terminal building, including the food court and retail area, forms Zone A: Safe Travel Area and is used by quarantine-free arrivals and all departures. Passengers do not mingle with those arriving from high-risk countries, and their experience of the terminal is very similar to what travellers were familiar with pre-COVID-19.

A second self-contained zone on the international terminal's western side forms Zone B: Health Management Area, a separate, enclosed airport arrivals processing area, with passengers processed by border agencies before being taken to their managed isolation facilities. Auckland Airport has ensured the care and comfort of transit passengers in Zone B, providing them with access to food and essential supplies, and customer welfare checks.

Craig Chitty, New Zealand Customs Service Manager Passenger Operations at Auckland Airport, said: "The challenges faced by border sector agencies, Auckland Airport, and the wider aviation industry was unprecedented. I have never been involved in such an effective working relationship with public and private sector groups before.

"The expertise and ideas each party could bring to the table quickly established a working model that could easily adapt to changing needs. What it demonstrated to me was that with good people and good communication you can achieve amazing outcomes".

> What it demonstrated to me was that with good people and good communication you can achieve amazing outcomes.
>
> **Craig Chitty**
> New Zealand Customs Service

Scaling down the business

At the same time as adapting the airport operation, Auckland Airport has been focused on keeping the company going through the most difficult period of its history and setting it up for recovery in the long term.

"Like everyone in aviation it's been quite a ride for Auckland Airport, and we've fought hard to get our organisation back on the right path," said Auckland Airport's chief financial officer Phil Neutze. "Quarantine-free travel to Australia and the Cook Islands marked an important milestone in our recovery, but as we have seen with the current suspension of these arrangements, the return of international travel remains uncertain in the short-term and low international passenger volumes continue to have an impact across our business."

The strong cost controls that Auckland Airport introduced following the outbreak of COVID-19 continued throughout the 2021 financial year, with core operating expenses reduced significantly in the 12 months to 30 June.

Maintaining a prudent approach to financial management has remained a priority and in June 2021 the remaining $425 million US Private Placement (USPP) borrowings was repaid. This, combined with the cancellation of cross-currency hedges associated with the USPP borrowings and some future fixed interest rate hedges, means Auckland Airport's 2022 financial year interest expense is expected to reduce by more than $10 million.

In August 2021, banks supported Auckland Airport's request to renew nearly $700 million of debt facilities due to mature between January and April 2022. From January 2022, Auckland Airport has agreed that the interest cover covenant currently waived by lenders will convert from an EBIT-based measure to a new EBITDA-based measure. Phil said taking these steps had renewed Auckland Airport's confidence in its ability to fund the planned infrastructure programme for the 2022 financial year and beyond.

Auckland Airport's aeronautical business in the time of COVID-19

The recovery of domestic travel continued into the 2021 financial year, with passenger numbers reaching 5.8 million, 17% down on the previous year. In the three months to 30 June, domestic passenger numbers reached 78% of the equivalent period in 2019.

Overall, total domestic and international travel was down 58% on the previous year with 6.4 million passenger numbers. Unsurprisingly, the 2021 financial year had the lowest number of international passengers since 1972, with 0.6 million international passengers including transits passing through the international terminal in the 12 months to 30 June 2021 (down 93% on the previous financial year).

Scott Tasker, Auckland Airport's General Manager Aeronautical Commercial, said the airport was pleased by the early launch of quarantine-free travel to Australia and the Cook Islands. However, demand had been patchy with passengers wary about being caught up in overseas lockdowns and the suspensions of the trans-Tasman bubble in July and the Cook Islands bubble in August. In the two and a half months to 30 June 2021, a total of 264,000 passengers travelled to and from Australia and 14,000 passengers travelled to and from the Cook Islands.

"We believe the return of trans-Tasman travel and further recovery in the international market will be driven by the uptake of vaccinations with new airlinks most likely to be re-established with countries that have advanced vaccination roll-outs, such as Singapore," Scott said.

While border restrictions impacted the viability of many international air routes in the 12 months to 30 June 2021, three new trans-Tasman routes were announced: Air New Zealand introduced an Auckland to Hobart service and Qantas launched Auckland services to the Gold Coast and Cairns.

Our international network currently connects Auckland Airport and New Zealand to 27 Asia, Pacific and Middle-Eastern cities operated by 14 airlines ensuring that essential travel and cargo flows continue.

Scott said the Government's international air-freight capacity support scheme has continued to play an important role in

connecting New Zealand to its international markets. The cargo capacity and connectivity at Auckland Airport has ensured that essential imports and high-value goods exports have continued to flow in and out of New Zealand. In the 2021 financial year 166,000 tonnes of international cargo passed through Auckland Airport, 88% of New Zealand's airfreight cargo.

The longer-term recovery

Beyond the airport precinct, Scott said Auckland Airport has been thinking longer term, helping to develop a recovery path for all of New Zealand which relies heavily on commercial aviation.

"We've been working with our airline partners and tourism industry leaders to develop plans to revive global markets as the recovery continues, as well as supporting the New Zealand Government to prepare for a recovery in international travel as it becomes safe to do so."

Scott said much of this work focused on innovation, with two key projects carried out in the 2021 financial year:

- Trialling new saliva-based testing technologies for staff working at the border to help test the concept and to support the evolution of New Zealand's COVID-19 response [see sidebar story on p24]
- Auckland Airport played a leading role, alongside partner airports, airlines and government agencies on both sides of the Tasman, in designing, testing and implementing a quarantine-free travel system that has ultimately enabled a safe restart of travel between New Zealand, Australia and the Cook Islands.

Auckland Airport continues to work proactively with airline partners to maintain the future connectivity of New Zealand's international network for both the travel market and cargo flows.

"Auckland Airport's airline customers remain engaged in the New Zealand market because Auckland and New Zealand's pre-pandemic passenger and cargo demand growth were strong and most airlines experienced commercial success.

"Tourism New Zealand research shows that consideration for travel to New Zealand has continued to strengthen in key offshore visitor source markets during the pandemic; for example, in the US market the number of active potential travellers to New Zealand has increased by 50% from 2018 to 2021."

Scott said the recovery of New Zealand's international air connections, providing travellers with choice in airlines, convenient flight routings and affordable airfares, is highly dependent on the clarity and timing of changes to New Zealand's border settings early in the 2022 calendar year. The recovery in New Zealand's air cargo capacity and connectivity, required for high-value exports and essential imports, is also dependent on changes to border settings.

"Clarity in timing is important to ensure we retain the confidence of airlines to keep New Zealand firmly in their network and fleet deployment plans as the international aviation industry starts to recover global connectivity," Scott said.

88%

of New Zealand's airfreight cargo passed through Auckland Airport

BEHIND THE SCENES: ENHANCED INFECTION PREVENTION

Auckland Airport has been busily fine-tuning our cleaning protocols since the outbreak of COVID-19: where essential workers clean, how they clean, and what to wear when they clean.

With the international terminal now segregated into two different zones, Auckland Airport's Head of Guest Experience Lauri Solecki said a stack of new procedures and guidelines had been developed to keep people safe.

"The control of COVID-19 is Auckland Airport's number one priority," Lauri said. "We are hugely grateful to the essential workers who are carrying out these cleaning duties, particularly on the front-line in Zone B. Because of the amazing work they do the airport is open for flight operations and we really appreciate their dedication and commitment."

Auckland Airport's enhanced cleaning standards outline in meticulous detail how terminals should be sanitised. Everything is planned and choreographed, from cleaning standards for different zones; protocols to ensure airport workers are equipped with the right levels of personal protective equipment (PPE); use of PPE donning and duffing stations; and guidance around more frequent routine testing for airport workers going into higher-risk areas.

For example, after an international arriving flight has been processed through Zone B and passengers have been taken to go into mandatory managed isolation, cleaners thoroughly disinfect along every step of the passenger journey, including wiping down walls, rubbish bins, doors, handrails, bathrooms and escalators.

Other protection measures include travellers having access to disinfectant wipes stationed at doors and baggage trolleys, as well as use of hand sanitiser stations. There are 128 sanitiser units in the international terminal alone.

In addition, Zone B operates on an independent network of utilities including heating, ventilation and air conditioning, while a UV filtration system further treats and cleans the air. Auckland Airport is also currently trialling air purifiers inside lifts.

This work helped us to meet government requirements to become a Quarantine Free Travel Airport under the COVID-19 Public Health Response Act 2020.

128

Sanitiser units in the international terminal

58%

Decrease in domestic and international travel compared to previous year

> Your actions have been critical to the survival of my business as a travel retailer. Regular contact throughout those horrible months, along with your empathy and understanding, has been much appreciated.

Costa Kouros
AWPL Retail Solutions Limited
Thank you note received by Auckland Airport during the 2021 financial year

Standing alongside our business partners

Few industries have been upended by COVID-19 like aviation. That's had a domino effect for New Zealand tourism operators and many of the companies that operate from the airport.

However, despite facing a tough operating environment, our 120-plus terminal-based retailers remain committed to the airport, with only one tenant vacating their store early. Occupancy remains at 96% across our terminals.

"It's been a tough period for many organisations in our airport eco-system and we've been there working right alongside them, doing what we can to support them and always acting with integrity," said Lucy Thomas, Auckland Airport's Head of Retail.

"Even with the low levels of passenger numbers, we've been delighted to see travellers enjoying their favourite airport experiences such as visiting those cafés and restaurants and shops that did their very best to stay open even in trying times. We know how much effort our retailers and food operators have put into making sure they meet Ministry of Health safety standards, and the support from travellers has been hugely appreciated."

In the 2021 financial year, Auckland Airport extended ongoing support to tenants, working with organisations to provide relief on a case-by-case basis, depending on the impact and type of business. This included:

- Providing a total of $3.9 million in rent reductions to off-terminal property tenants in the 12 months to 30 June, including precinct retailers whose businesses have been impacted by lower foot traffic
- More than $185 million of abatements to our in-terminal retailers across both international and domestic operations
- Providing $9 million of aircraft parking support (free of charge) to our airline partners for planes not in use.

With reduced foot traffic, Auckland Airport also moved fast to support new ways for airport retailers to do business and connect with their customers. The domestic terminal became home to five pop-up stores during the 2021 financial year, giving international retailers the opportunity to get their products to a new customer market.

Digital infrastructure played a helping hand too, with Auckland Airport shifting the focus of our online shopping experience, The Mall, from international to domestic travellers. For the first time, in October last year, people flying within New Zealand were able to access premium products from luxury and duty free international retailers via a new click-and-collect service at the domestic terminal. Demand has been building steadily, with monthly orders growing 12% (on average) since January 2021.

> Our family-owned business of 35 years would not have made it through 2020 without the support of the Auckland Airport retail team.

Sam Hulton, Mountain Jade
Thank you note received by Auckland Airport during the 2021 financial year

Technology

Auckland Airport made significant investment in cyber security in the 2021 financial year to keep our systems, infrastructure and information safe.

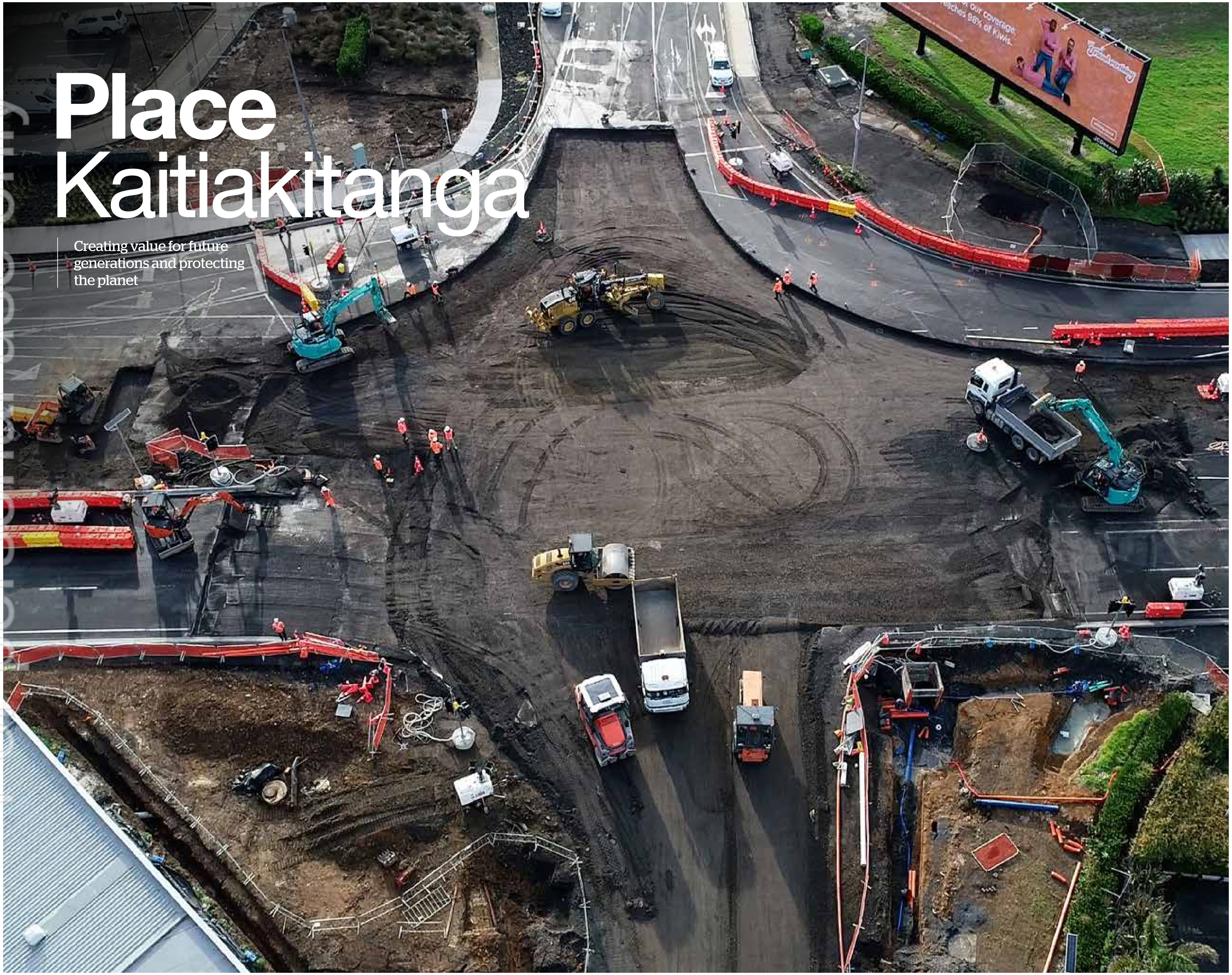
Jonathan Good, Auckland Airport's General Manager Technology and Marketing, said multiple new security protections had been introduced to our end-points (remote devices such as laptops and smartphones) to further protect the business.

"At the network level we have added new tools and protections using the latest artificial intelligence to monitor for anything suspicious. At the risk and governance level we have also updated our standards and policies as we constantly improve and test our tools in the fast-changing world that we face," he said.

The technology team has also focused on quality staff communications, education and training to ensure our Auckland Airport employees can help keep our systems and data safe and secure.

Place
Kaitiakitanga

Creating value for future generations and protecting the planet

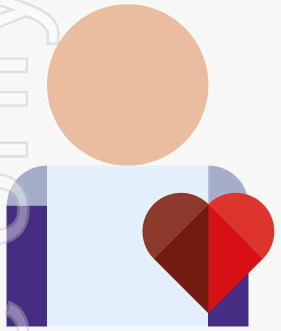


With fewer aircraft in the sky, roading upgrades, maintenance work and property development speed ahead.

The evolution of Auckland Airport into an economic centre for Auckland and New Zealand has continued throughout the 2021 financial year, despite the impact of the pandemic on the aviation sector.

From wildlife protection to roading upgrades and new property developments, Auckland Airport's General Manager Infrastructure André Lovatt said the wider Auckland Airport precinct was far from idle in the 12 months to 30 June 2021.

"Auckland Airport's ambition to create a thriving economic hub for New Zealand remains unchanged," André said. "The international terminal may be quieter, but in consultation with our airlines and border agencies, we have continued work to reset long-term aeronautical infrastructure development plans and to protect the environment, ensuring Auckland Airport remains safe, resilient and prosperous for many years to come."



WORKING WITH MANA WHENUA ON THE SH20B UPGRADE

Auckland Airport aims to nurture positive, collaborative and enduring partnerships with mana whenua through genuine engagement. We work with mana whenua to develop solutions that are then reflected in the design and delivery of Auckland Airport's projects.

When Auckland Airport collaborated with Waka Kotahi/NZTA and Auckland Transport on upgrades to State Highway 20B, we were able to build on our long-standing relationship with mana whenua to work alongside Te Ākitai Waiohua in the partnership. Each party provided valuable input throughout the programme as SH20B was widened to deliver better options for travellers, including public-transport users, cyclists and walkers. Te Ākitai shared their unique knowledge and ensured their narratives and tikanga were an authentic part of the design process.

Auckland Airport values our relationships with mana whenua because we recognise the history and significance of this land and its people as we shape the future of the precinct.

Built environment: Resetting the infrastructure blueprint

In the space of a few short weeks last summer, COVID-19 managed to undo years of preparation to deliver billions of dollars of new infrastructure at Auckland Airport, including several major projects that were underway or about to begin in order to accommodate growth in travel. They were:

- A 250,000m² expansion to the airfield
- A 30,000m² expansion to the international arrivals areas
- The $100 million Northern Network airport roading upgrade
- A new $1 billion-plus domestic jet facility.

In the 2021 financial year, André said the team had worked hard to reset the infrastructure plan and position Auckland Airport strongly for the inevitable recovery in aviation with development to be staged in line with the aviation sector's recovery.

"We have revisited and reset our infrastructure development roadmap in consultation with our airline partners, to ensure it properly reflects the reality of a post-pandemic recovery, while serving the needs of airline customers and the travelling public.

"We have a refreshed blueprint for the future, and while it reconfirms our long-term commitment to our eight core anchor infrastructure projects, the creation of a new integrated domestic facility will be the first of these priority projects," he said.

Along with a new domestic hub, we are continuing to progress three more of our anchor projects: the $160 million-plus programme of transport upgrades; upgrades to the existing domestic terminal; and the $200 million-plus transport hub. Anchor projects that remain on hold are the international airfield and taxiway expansion; new cargo precinct; new international arrivals area and the second runway.

> We now have a new blueprint for the future, and while it reconfirms our long-term commitment to our eight core anchor infrastructure projects, the creation of a new integrated domestic facility will be the first of these priority projects.

André Lovatt
General Manager – Infrastructure

Merging the domestic and international terminal

Auckland Airport has announced plans to begin groundwork for a new purpose-built domestic facility to be merged into the eastern end of the existing international terminal and provide seamless connections between domestic and international flights.

Site preparation will begin early next year for the project, which is likely to be around three times the size of the current domestic terminal once completed, when accounting for shared check-in (kiosk-based) for both international and domestic travellers.

"Even though international passenger numbers are currently at historic lows it is important to set the wheels in motion now in preparation for aviation's recovery. Kiwis want a better domestic travel experience at Auckland Airport and that's what we're focused on delivering," André said.

The first $30 million stage of the project is expected to get underway in early 2022, relocating important back-of-house infrastructure that lies within the footprint of the planned domestic hub. This will include demolishing the eastern baggage hall and relocating key utilities and the airport operations centre.

"We previously had around 30,000 people arriving and departing at the international terminal every day. That's fallen by around 97% to just a thousand or so a day currently. We're taking advantage of the downturn where we can to clear the site, while bringing forward upgrades of core utilities critical to the functioning of the airport while passenger numbers are low."

Beyond demolition, the next major phase of the $1 billion-plus domestic hub will be determined by a range of factors including the speed of aviation's recovery.

Transport upgrades push forward

Roading

When it comes to transport infrastructure around the airport precinct, airline and commercial customers require seamless access into and around the airport.

In the 2021 financial year, both the northern and southern entrances to the airport precinct benefited from significant upgrades that will serve the needs of road users and the Auckland region well into the future.

Auckland Airport is investing around $160 million in these projects, including upgrades to the inner roading network. We recognise disruption on the roads can be frustrating and we are committed to completing these projects as soon as possible.

To the north, we continued to progressively complete work on our $100 million-plus Northern Network anchor infrastructure roading project, with the majority of works to be completed in October 2021. Along with other maintenance upgrades, this project was prioritised to provide long-term resilience to the transport network and key services while taking advantage of reduced traffic to complete the project and minimise disruption to road users.

The Northern Network includes key improvements such as a new one-way exit road system for the international terminal, and the widening of George Bolt Memorial Drive to include high occupancy vehicle lanes with shared pedestrian and cycle paths alongside and new wayfinding gantries overhead, as well as major services upgrades to support the operation of the airport.

"We know how important the George Bolt Memorial Drive upgrade is in creating a resilient and reliable linkage between the airport and the central city. By widening the road, we're increasing its capacity, resilience and supporting public-transport options," André said.

To the south, Auckland Airport's joint project with Waka Kotahi/NZ Transport Agency (NZTA), Auckland Transport, and mana whenua Te Ākitai Waiohua on SH20B is adding mass-transit lanes, with Auckland Airport contributing $32 million to the project. The upgraded SH20B connects to a new bus/rail interchange at Puhinui Station, providing a 45-minute public-transport service between Britomart and the airport.

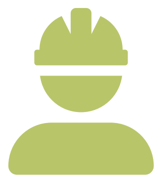
45min
Public transport service between Britomart and the airport

Airfield works

The pandemic has provided an unexpected window for Auckland Airport to accelerate maintenance work with fewer flights making it safer, easier and more cost effective to bring forward scheduled projects.

In the 2020 financial year, Auckland Airport embarked on a three-year period of pavement renewal throughout the airfield. This work continued during the 2021 financial year, with 365 concrete slabs and over 15,000m² of asphalt replaced across the airfield's runway, taxiways and apron in the 12 months to 30 June.

The downturn in aircraft movements also provided an opportunity to replace sections of the runway in two tranches. The first took place at the eastern touchdown zone, involving the replacement of 280 half-metre-thick slabs of concrete. This project created 150 jobs and took 11 weeks to complete by August 2020.



150
Construction jobs created – replacing 363 concrete slabs on runway sections.

FASHION OUTLET CENTRE PLANNED FOR AIRPORT PRECINCT

Auckland Airport has unveiled plans to develop a quality outlet centre on the edge of the airport precinct, generating more than 500 new jobs across more than 100 stores and food outlets.

Mark Thomson, Auckland Airport's General Manager of Property and Commercial, said there was a significant gap in the market for a purpose-built fashion outlet centre and the airport had been exploring the concept for several years.

"We are pleased to be introducing this development to Auckland. It will be the first of its kind in New Zealand, offering an exciting new shopping experience for Kiwis and travellers arriving to and departing from the airport.

"Fashion outlet centres are well-established internationally, particularly at international airports like Auckland Airport. There is also a strong strategic fit – we believe focusing on a development that is anchored in the domestic market will strengthen our business, while also creating a point of difference and enhanced travel experience for visitors to Auckland," Mark said.

Outlet centres have opened up near airports in cities like Brisbane, Perth and Vancouver, offering sought-after premium and lifestyle brands to consumers at often heavily discounted prices.

Mark said the centre, to be located on undeveloped land on the north eastern edge of the airport precinct, will offer a net lettable area of more than 23,000m². The development will be underpinned by sustainable design principles, with Auckland Airport targeting Green Star design and build. It will also have a modern and distinctive New Zealand feel, providing strong connections between indoor and outdoor spaces.

Careful precinct-wide planning and ongoing investment in transport will continue to prioritise terminal-bound traffic and enable public transport, creating a seamless travel experience for all visitors to the precinct. Outlet centre opening hours will be timed to avoid flight schedule peaks.

"Many New Zealanders will be familiar with visiting this type of bespoke fashion outlet shopping centre on trips overseas," said Mark. "Our development will look to focus on a popular range of brands that will complement the existing mix of retail we have here at Auckland Airport, providing visitors to and workers in the precinct more variety and choice.

He said major phases of development would be influenced by the strength of the retail market and the recovery of aviation.

"There's still work to do in order to bring this project to life, but we have an extraordinary site and design, the investment fundamentals are strong, and the support from retailers and consumers for this concept has been very encouraging."

After the completion of the eastern section, attention moved to the western touchdown zone and the replacement of a further 83 slabs. A 150-strong construction team worked on the project which was completed in December 2020.

Investment property:

Amid the pandemic, our portfolio continues to grow

The development of the airport precinct into a hub for commerce continued, with Auckland Airport's commercial property business performing strongly in the 2021 financial year.

Our investment property rent roll increased 12.5% to $117 million, driven by the addition of new developments to the portfolio and by rental growth within the existing property portfolio.

The commercial investment property portfolio is now valued at $2.6 billion, up 29% in the year to 30 June 2021, with the weighted average lease term strengthening to 9.7 years in the period.

"Property investment occupancy at the end of the 2021 financial year was 99%, which is testament to the strong tenant covenant throughout our portfolio and the support we have been able to provide those companies who were hardest hit by the pandemic [see p29]," said Mark Thomson, Auckland Airport's General Manager Property and Commercial. "We are proud of the support that we have been able to provide, not only because it is the right thing to do but also because it is necessary to retain services that support airport workers."

Mark said rapid growth in ecommerce combined with structural shifts in the logistics sector mean The Landing, Auckland Airport's light industrial and logistics business park, is well positioned for continued future property growth as commercial tenants place greater emphasis on locations that are close to urban areas. Strong customer enquiry from the logistics sector is expected to continue well into the 2022 financial year.

In March 2021, a significant milestone was achieved with the completion of the 85,000m² distribution centre and head office for Foodstuffs North Island at The Landing. It is the largest distribution complex in New Zealand and has extensive sustainability elements interwoven through its design and material selection. It features the country's largest rooftop solar array with 2,915 photovoltaic panels and a rated output of 1.166MW to power the building.

Foodstuff's adjoining office building is 5-star rated Green Star for its design and build which incorporates other environment-friendly features such as rainwater capture, 32 electric vehicle (EV) chargers and electric forklifts in the distribution centre; this means the new facility is likely to deliver further emissions reductions. This facility recently won the Commercial Architecture Award at the Te Kāhui Whaihunga/New Zealand Institute of Architecture Auckland Awards.

The new development of a specialised waste facility for Interwaste was also delivered in the 2021 financial year, with the operation treating and processing waste from Auckland Airport as well as from Ports of Auckland, Port of Tauranga, and District Health Boards. In addition, Auckland Airport advanced construction on the structures and façades of the 5-star Te Arikinui Pullman Hotel (a joint venture with Tainui Group Holdings) and the 4-star Mercure Hotel during the 12 months to 30 June 2021, with the fit-out of both hotels scheduled for completion when market conditions improve.

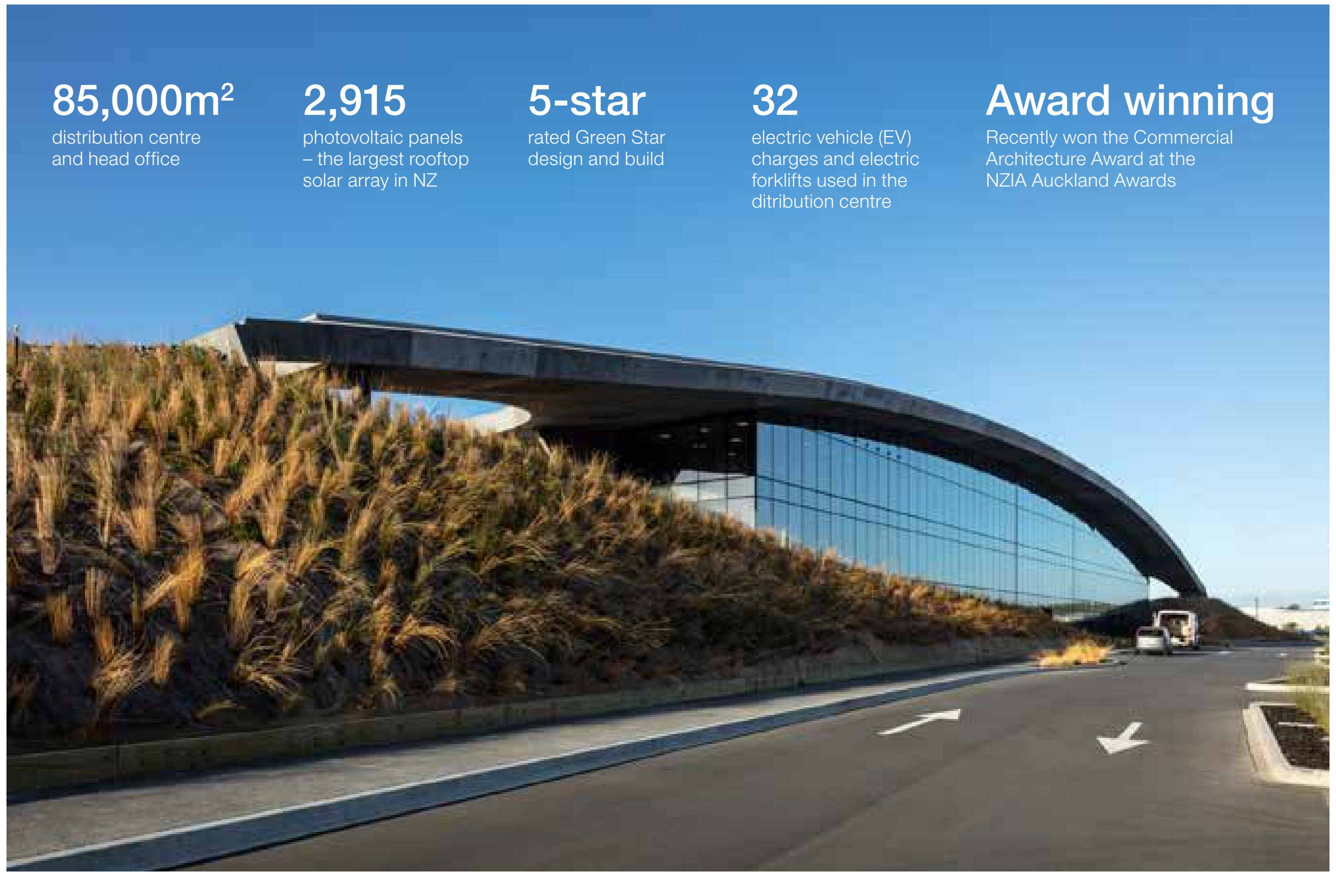
"We are continuously incorporating sustainability principles into all of our investment projects, including on-going

Te Arikinui Pullman Hotel – under construction

discussions with tenants who have requested sustainability to be integrated into new build projects. We are also working with them on how to reduce consumption and waste, as well as increasing the availability of renewable and low-emissions fuels to consumers within the airport precinct," said Mark.

Looking ahead to the 2022 financial year, he said foundations have been laid for continued portfolio growth. The property team has secured $160 million of development pre-commitments including from Geodis Wilson at Timberly Road (6,000m²); from Healthcare Logistics, a subsidiary of EBOS, in The Landing Business Park (12,000m²); and Auckland Airport is on track to deliver the 16,000m² Hellmann Global Logistics facility early in the 2022 financial year. These developments are included in our $117 million existing rent roll and are expected to add about $6 million in rental income to the business once completed.

Foodstuffs North Island – completed March 2021



Climate Change Disclosure

Auckland Airport recognises that 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 also recognise that the travel industry contributes to climate change.

We are committed to reducing our carbon footprint, improving our operational resilience and adapting to the predicted impacts of a changing climate now and into the future. We are also committed to supporting others, particularly in the aviation sector, to reduce carbon emissions.

In the 2021 financial year, for the first time, we adopted the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) to disclose the impact of climate change on our business and our impact on climate change. As we further identify, assess and manage climate change risks and new opportunities for our organisation, we will continue to increase our degree of disclosure. Auckland Airport expects to produce a disclosure fully aligned with the TCFD recommendations by 2023.

A copy of Auckland Airport's full Climate Change Disclosure Report is available on our website at www.aucklandairport.co.nz.

Governance and risk management

Auckland Airport has assessed physical and transitional risks for the business due to climate change and these risks are outlined in more detail in the full climate change disclosure report.

Our process for risk management is continuous and is designed to provide advanced warning of material risks before they eventuate.

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 receives an annual update on climate-related risks and opportunities and has delegated further risk oversight and monitoring to the Safety and Operational Risk Committee (SORC), which receives a quarterly update on enterprise-wide risks (including climate change), the controls in place to mitigate the risk and the planned actions to address them.

During the 2021 financial year, management also established a Sustainability Management Group, involving nine senior leaders from across the company, to oversee the implementation of our Sustainability Strategy including material climate change initiatives, ESG targets and our TCFD reporting.

Climate scenario analysis

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

To date Auckland Airport has undertaken analysis of current and future flooding and inundation risk under a high emissions scenario representative of a 4.8°C warming pathway (RCP 8.5). This analysis identified that without planned intervention, the frequency and intensity of inundation and flooding events on the airport precinct is predicted to increase significantly, eventually resulting in frequent interruption to business activity in 2090. This potential impact is being addressed by regular monitoring, maintenance and upgrades to existing infrastructure as well as strategic planning of future infrastructure.

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 access and manage relevant climate-related risks and opportunities.

Pathway to Net Zero

For the first time, we have set a pathway to reach Net Zero carbon emissions by 2030. This means reducing our scope 1 and 2[1] emissions as far as is feasible, which will be achieved by:

- Phasing out the use of natural gas in the international terminal
- Electrifying our corporate vehicle fleet
- Using refrigerants with the lowest global warming potential (GWP) possible
- Using 100% renewable electricity.

In 2030 should there be any residual emissions these will be neutralised by the purchase of certified carbon removals.

Supporting our business partners

Airlines flying to and from Auckland Airport are continuing to upgrade their fleets to more fuel-efficient aircraft. Auckland Airport recognises we have a role to play in assisting airlines to reduce their carbon emissions. We have worked with New Zealand's air navigation service provider Airways and airlines to help reduce aircraft fuel burn, with fuel-saving flight paths and the allocation of taxiways to minimise aircraft taxi time.

We also support our partners to reduce their carbon emissions through the introduction of equipment that reduce their dependence on aviation fuel while at our airport. This includes provision of Ground Power Units (GPUs) and Pre-Conditioned Air (PCA) at all international stands so that aircraft can be serviced by New Zealand's low-carbon electricity grid while preparing for the next flight, instead of burning jet fuel while on the ground.

1 Scope 1 is the emissions from sources that are owned or controlled by the company. Scope 2 is the emissions from the generation of purchased electricity consumed by the company.

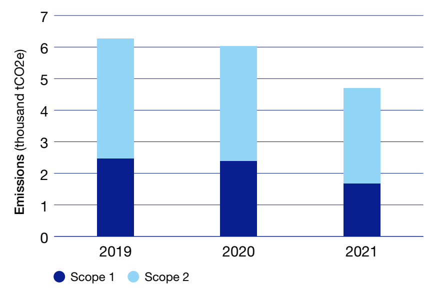
2 Previous years' scope 2 emissions have been re-stated in FY21 to include transmission and distribution losses from electricity lines owned by Auckland Airport

Environmental performance

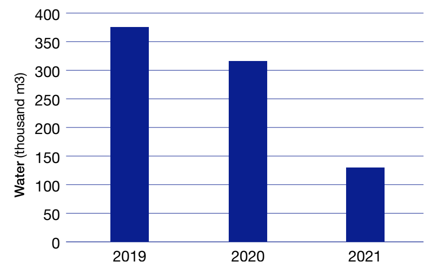
As a significant landowner, with property bordering the Manukau Harbour, Auckland Airport has an important role to play in protecting the natural environment for future generations. Over the last decade, we have made considerable progress in the areas of emissions reductions, energy savings and waste management. In the 2021 financial year we reset our environmental targets to set us up for the next 10 years.

Performance against these targets appears extraordinary during the 2021 financial year due to the low number of international passengers. However, this is expected to change in the coming years with the return of international travel and the additional airport precinct energy consumption that this will drive.

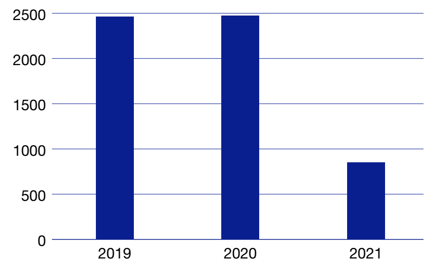
Scope 1 & 2 Carbon Emissions
FY19 – FY21



Water consumption
FY19 – FY21



Landfilled Waste
FY19 – FY21



Auckland Airport's FY21 Carbon Emissions

Scope	FY19	FY20	FY21
Scope 1	2,472	2,397	1,674
Scope 2[2]	3,802	3,648	3,031

For Auckland Airport's full 2021 financial year emissions profile refer to our Greenhouse Gas Inventory Report on the company website: www.aucklandairport.co.nz

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

People Whānau

Creating value for our employees

Challenges bring out the best in us

Auckland Airport's team is a resilient one.

Within a matter of weeks last autumn, the precinct – filled with travellers, restaurants and busy arrivals boards – became an airport with virtually no international flights. The border closed and the only long-haul passenger flights that did arrive were carrying people potentially infected with COVID-19.

"These last 19 months have been a true test of our company's culture and resilience," said Auckland Airport's General Manager Corporate Services Mary-Liz Tuck.

"Our team has had to deal with near constant change and uncertainty, yet every day I'm proud to see examples of our values in action as our employees carry out their work with care, collaboration, integrity and respect."

Today, more than 80% of New Zealand's arriving international air traffic and 95% of international inbound cargo flows through Auckland Airport, making it one of our nation's most important first lines of defence against COVID-19, as well as a critical social and economic link to the world.

It is the team at Auckland Airport who help to ensure this vital link continues, all while maintaining the highest standards of health and safety, not only for passengers but also for themselves and the community.

"The safety and wellbeing of our team is as important to us as it is to their families at home, the community and to our stakeholders," Mary-Liz said.

SUPPORTING THROUGH OUR EXPERTISE

When the Auckland Regional Isolation and Quarantine Command Centre (RIQCC) was set up for the managed isolation and quarantine process for Kiwis arriving home, it needed someone with expertise on the aviation sector and the airport operation.

Auckland Airport moved Josh Wright, a 14-year veteran in Operations, into a liaison role with RIQCC. Josh's operational expertise gave RIQCC a thorough understanding of the processes involved in the air, at the border and inside the terminal.

With Josh's help, the RIQCC was better able to access and understand data forecasts, planning information, aeronautical regulations, flight schedules and the requirements of border agencies and airlines.

"The partnership with RIQCC was crucial in making it possible for Auckland Airport to host arrivals in quarantine-free travel," Josh said.

Health and safety management

Each time the city of Auckland experiences a lockdown a large portion of Auckland Airport's workforce continue to leave home and go to work. Deemed essential in their jobs, it is the airport's fire crew, cleaners, safety officers, maintenance teams and customer service staff who help to ensure the airfield and terminals keep operating 24/7.

"One of the wonderful things about the team at Auckland Airport is the pride they consistently show in their work, knowing that they are providing a service to New Zealand that really does matter."

Mary-Liz said safety protocols to protect employees were under constant review at Auckland Airport, particularly in areas of the international terminal where the chance of coming into contact with COVID-19 is higher. In the 2021 financial year, we continued to introduce and evolve infection-control measures [see story, p28], setting high standards for both terminals. This contributed to Auckland Airport becoming the first airport in New Zealand to achieve the Airports Council International's Airport Health Accreditation – an endorsement of our COVID-19 health and safety measures.

When COVID-19 vaccinations became available, Auckland Airport's front-line workforce was quick to sign up for them, receiving external expert advice on the vaccines, including on the science of immunisation and the public-health benefits. In support of the vaccine rollout, Auckland Airport provided discretionary sick leave to any staff members feeling unwell after their injection.

"We know that vaccination is the pathway forward to containing the virus and for our country's recovery. That's why we made sure our people were informed and educated on vaccination from the very start, by running sessions with medical experts and immunologists," Mary-Liz said.

Employees continued to respond to the requirement of ongoing routine testing for COVID-19, she said, with comprehensive internal policies and protocols around what was expected. Employees are able to access quick and regular nasopharyngeal testing at the international terminal, and members of our team have also taken part in a trial of new saliva testing technologies [see sidebar story, p24].

We know that vaccination is the pathway forward to containing the virus and for our country's recovery. That's why we made sure our people were informed and educated on vaccination from the very start, by running sessions with medical experts and immunologists.

Mary-Liz Tuck
General Manager Corporate Services

Safety performance targets

One positive result from the challenges of managing the impact of the pandemic has been the increased focus on health and safety more generally across the airport precinct.

Safety observations were up to 2,356 in the 2021 financial year, 28.7% above the target of 1830. Awareness of our Safety Management Systems sat at 82% (7% above target).

"Safety learning never stops at Auckland Airport. While we need to keep upskilling and refreshing our knowledge, we also need to keep innovating in how we deliver safety messages so the continuous education doesn't get tedious or people become complacent," Mary-Liz said.

Auckland Airport's communication on safety issues was a priority throughout the 2021 financial year, covering a range of channels including the company website, staff intranet, face-to-face briefings, electronic direct mail (eDM), and letters to tenants and stakeholders. Event highlights included:

- Auckland Airport's annual Safety Week taking place in October 2020, with several workshops and drop-in sessions covering safety topics from safe driving airside to mental health
- A 'Back to Work' safety campaign taking place in January 2021 for operational and engineering staff following the summer holiday break
- A Safety Management System Café being established in April 2021, offering fast and active kiosk-style learning on emergency planning, document control, reporting, bow-tie risk assessments, change management and auditing
- More than 150 employees attending the St Johns Mental First Aid course, focused on building mental-health skills and support. The course helps participants to recognise and provide mental-health first aid and understand the importance of self-care.

During the 2021 financial year, the visibility and real-time use of hazard and risk registers was improved by uploading them to the company's electronic portal for employees, and also making them available electronically to third-party contractors.

A resilient culture

Following many months of disruption, pressure and change, Auckland Airport looked inward during the 2021 financial year and carried out a study of our workplace culture.

Taking a 'snackable' approach, Mary-Liz said the aim of the culture study was to find out where the organisation was succeeding or falling short within its own walls, and what it would take to improve.

The May Culture Check-in found a resilient and strong culture, a highly engaged workforce and a good understanding of our purpose and sustainability pillars.

"We asked people to describe our culture and the top five words were diverse, inclusive, collaborative, respectful and siloed. Overall it was encouraging, and it also gave us a very clear challenge to work on," Mary-Liz said.

The key messages for the leadership team were consistent with previous surveys and focused on how information is shared, leadership effectiveness and visibility, recognition, looking after people's well-being and creating a workplace that is inclusive.

Mary-Liz said the leadership team was acting quickly on employee feedback with an action plan to make Auckland Airport an even better place to work, including offering more flexibility around ways of working. "We know in a company as diverse as ours that we need to do as much as we can to break down the internal silos and work on the 'one team' approach. We believe the changes we are making will make our team and our business stronger."

The safety and wellbeing of our team is as important to us as it is to their families at home, the community and to our stakeholders.

Mary-Liz Tuck
General Manager Corporate Services

Diversity

Auckland Airport is committed to building a more diverse, inclusive and equitable workplace. Mary-Liz said the company recognised it still had work to do in this regard, particularly in retaining senior females and building diverse talent in middle management.

"As we reset our business rhythms and re-establish our ways of working, we are focused on creating a sense of place where everyone is able to thrive, and one where others aspire to work," Mary-Liz said.

During the 2021 financial year, employees involved in the Manu Ao development programme [see sidebar story, p42] led an initiative to bring Matariki to life for the Auckland Airport team, with education campaigns, online quizzes, te reo Māori greetings in the terminal and a delicious hangi feast for staff.

Auckland Airport is also resetting our welcome for new staff members with the introduction of an onboarding programme called Tomokanga, due to launch in August 2021 and celebrating the organisation's evolving diverse workforce with the spirit of manaakitanga.

As we reset our business rhythms and re-establish our ways of working, we remain focused on creating a sense of place where everyone is able to thrive, and one where others aspire to work.

Mary-Liz Tuck
General Manager Corporate Services

KEY LESSONS FROM MANU AO DEVELOPMENT COURSE

Manu Ao, a leadership programme for Māori staff, supports Auckland Airport's sustainability goals and is expected to have a lasting impact on the company and our communities.

Facilitated by Indigenous Growth Ltd and funded by Te Puni Kokiri, Manu Ao enables Māori staff to chart a career course in the corporate world and develop their leadership skills.

Programme participant Erina Kent said the Manu Ao course had been transformational. "I've developed practical tools to help me get the most out of both my interactions with others and the working week within a professional environment.

"One of the great things about the programme has been the whanaungatanga, meeting people from all over the organisation, sharing challenges and growing personally and professionally - it's bonded us together. In Māori that translates as Haumi ē! Hui ē! Tāiki ē!"

As part of the course, participants worked on projects in three separate rōpū (teams). One rōpū has worked on a project to revitalise employee onboarding, helping new staff find a sense of place at the airport. Another team's project focused on internal cultural competency - improving the understanding of Māori culture, te reo and tikanga throughout the organisation. The third has looked at an internal mentoring programme to attract, retain and encourage Māori towards senior management and improve the diversity of the people employed by Auckland Airport.

Manu Ao involved 11 days of intensive workshops and training. "We came together as a group at the start of October - and we've completed our fourth wānanga workshop," said Erina. "There's been work and coaching that we've done in between each wānanga, driving our individual work and our team projects."

Participants presented their projects to an executive panel and graduated from the programme in February 2021.

Haumi ē! Hui ē! Tāiki ē!

Developing our people

Despite the challenges of operating during a pandemic, Auckland Airport continued to provide training and development for our people through the 2021 financial year.

"We know that at some stage the pandemic will subside and an economic recovery will lead to increased competition for key talent. So, we continue to remain focused on long-term succession planning particularly for our critical roles," Mary-Liz said.

Along with on-the-job development opportunities, secondment opportunities were available to staff members [see sidebar story, p40] and the leadership team took part in a Leadership Shadow exercise, challenging its members to reflect on how their actions impact organisational culture. Also, Auckland Airport's people and capability team worked with four senior leaders and 20 young leaders to help them build insights and skills to support them in their roles.

Looking ahead, Auckland Airport's staff will be able to take part in a new programme offering them a day off work to volunteer and contribute to the South Auckland community.

Refreshed safety targets

Auckland Airport set new safety targets for the 2021 financial year:

1,830 High-Quality Safety Observations (based on the average number of observations per worker last year)

RESULT:

2,356

28.7% above target

Maintain 75% awareness of our Safety Management System

RESULT:

82%

7% above target

Maintain no more than 10% of actions outstanding in Risk Manager (maintaining last year's excellent result)

RESULT:

6.5%

3.5% ahead of our target

Our diversity numbers

37%
of overall workforce is female

62.5%
of of Board is female

25%
of leadership team is female

43%
of senior leaders[1] are female

5%
of people leaders[2] are of Maori/ Pasifika ethnicity

1 Direct reports to the leadership team with substantive roles

2 Staff members with at least one direct report

Community Hapori

Creating value for Auckland

Oke Charity was a grant recipient in the Twelve Days of Christmas programme, which distributes currency placed in donation globes by travellers in Auckland Airport's terminals

Long-standing connections continue

South Auckland is a strong, vibrant community, but the past year has been particularly tough for the neighbourhoods immediately surrounding Auckland Airport.

Auckland Airport's General Manager Corporate Services Mary-Liz Tuck said that while the pandemic had disrupted many of the airport's activities, the company's long-standing connection and care for our local community had far from stopped.

"We're a long-term business with more than 50 years of history in South Auckland and we bring the same long-term view to our community relationships," she said. "We know our success is built on the success of the community around us. As we rebuild our business, we want to focus our efforts and resources on ensuring the community is first to feel the benefits."

Auckland Airport continues to work in partnership with the Ministry of Social Development and the Auckland Business Chamber in supporting Ara, the Business and Employment Hub operating at the airport precinct. Even though the aviation sector has felt the full impact of job losses, Ara has continued to connect local job seekers with a variety of employment and training opportunities around the wider airport precinct [see sidebar story, p46]. Ara has held a successful job expo aimed at students and under the auspices of the Ara Education Charitable Trust, has secondary school students honing their

CONSTRUCTION CAREERS TAKING SHAPE

Getting local high school students into a career in construction has taken a step forward with the establishment of a renovation hub at Auckland Airport during the 2021 financial year.

In a unique collaboration between eight schools, Auckland Airport and other construction-based businesses, industry training organisations, and local and central government, the Ara house renovation project is giving students their first taste of working on a building site.

Sarah Redmond, schools' engagement manager for the Ara Education Charitable Trust, based at Auckland Airport, said teams of students undertaking trades-based study at school take houses earmarked for demolition and turn them back into liveable homes. Not only does it provide hands-on experience, with the construction industry generating up to 50% of the waste going to landfill, it also brings wider sustainability benefits.

"Renovating an existing house allows students to work in all the trades – everything from plumbing in a new bathroom to reglazing windows – while experiencing what it will be like to work on site in real life. We're working to upskill our young people, so employers are really keen to take them on for apprenticeships," said Sarah.

"It's also about smoothing that tricky transition from school through to work by stitching together the different education providers, businesses and government agencies that can support our young people."

Within the project there is a specific programme aimed at boosting the number of Māori/ Pasifika women taking up work opportunities in the construction sector.

"Again, it's about supporting these young women so they can successfully move into the workforce, as well as opening their eyes to the breadth of job opportunities in this sector. It's an exciting industry with so many different, and well paid, career paths. We're also hoping that from this we can be part of the solution to raising household income levels in South Auckland."

And as Auckland Airport looks to the future restart of its infrastructure programme, these young people will form the talent pipeline needed for the construction projects.

> It's an exciting industry with so many different, and well paid, career paths. We're also hoping that from this we can be part of the solution to raising household income levels in South Auckland.
>
> **Sarah Redmond**
> Schools' Engagement Manager
> Ara Education Charitable Trust

Supporting our wider community

Clockwise from top left: Middlemore Foundation and Soundraise were Twelve Days of Christmas grant recipients; Auckland Airport continues to support the Life Education Trust

construction skills on a house renovation project located on Nixon Road.

Auckland Airport's community programme also included many other highlights for the 2021 financial year, including:

- We continued to support the work of Life Education Trust Counties Manukau, a not-for-profit organisation that aims to provide children with the education and support to make good choices and live healthy, happy lives. The partnership with Life Education, which goes back to 1988, saw Auckland Airport contribute $50,000 and continue providing maintenance support for the Trust's mobile classrooms
- Through the Auckland Airport Community Trust, $325,431 has been granted to a range of community groups and projects. Many of the Trust's grants were to community groups responding directly to the challenge of COVID-19, including responding to increased demand on foodbanks from families experiencing hardship
- The generous donations of travellers through our terminals saw $100,000 redistributed to 12 South Auckland charities through the 12 Days of Christmas grants programme. The work of all the recipient charities aligns with our community focus on empowering people through education, helping people into employment, and protecting the environment
- For 16 years Auckland Airport's Emergency Services (AES) team has been a driving force behind the Leukaemia Blood Cancer NZ's Firefighter Sky Tower Stair Challenge, with Auckland Airport providing $15,000 of sponsorship support and our AES crew fundraising for the cause. Since the first challenge in 2005, members of AES have raised more than $500,000 for the charity by racing the 200m vertical climb via 51 flights of steps, while wearing full firefighting kit
- When COVID-19 meant the temporary closure of our international terminal Strata Lounge, frozen and dry goods to the value of $23,000 was donated to the South Auckland Christian Foodbank
- The cultural and youth performance celebration that is ASB Polyfest was back in full force, with $20,000 of support from Auckland Airport and on-site representation from the Ara Education Charitable Trust.

"We continue to look for opportunities to grow our connections with mana whenua," said Mary-Liz. "This begins within our own organisation, supported by our new Manu Ao Māori leadership cohort [see sidebar story, p42]. We are uniquely placed in having a beautiful marae at the heart of our precinct, Te Manukanuka o Hoturoa, to provide the cultural and educational setting for the airport and wider community. As we have come back together as an organisation to navigate the post-COVID-19 world the marae has provided the setting for us to reconnect, grow and develop, both in our business operations and as part of the wider community."

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 in order to minimise the impact of financial, operational and sustainability risk on its 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.

The company has undertaken a robust risk assessment process to identify and minimise the impact of financial, operational and sustainability risk on its business. This process is continuous and is designed to provide advanced warning of material risks before they eventuate. The process includes:

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

Audit and financial risk

The Audit and Financial Risk Committee is responsible for financial risk management oversight.

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

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

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

Safety and operational risk

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

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

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

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

In 2021, the company updated its reporting system to specifically link to and track Auckland Airport's identified critical health and safety risks. As part of a continual review cycle, updated bow tie risk assessments were conducted for half of the critical risks prior to 30 June 2021, with the remainder programmed to be completed by the end of the 2021 calendar year. The bow tie assessments cover risks across the airfield, aerodrome, security, health, natural disasters, high risk works and asset failure.

The company has a crisis management team (CMT) which has an established governance structure to effectively manage fast evolving risk situations in a robust and practical way. In January 2020, the CMT was initiated for the COVID-19 response and was finally stood down in November 2020, but is reinstated when required including with changes to the Government's Alert Levels. The CMT is responsible for making strategic, business response, emergency communications, staff health and welfare and government relations decisions. The CMT is made up of leadership team members and senior employees from across the company.

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, as well as external audits as part of the Accident Compensation Corporation's Workplace Safety Management Practices programme.

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 and the role that the tourism sector plays in all areas of sustainability.

As set out above, 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 the 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, the company is committed to external disclosure and benchmarking, and reports on a number of sustainability performance indicators.

In 2021, Auckland Airport implemented its refreshed supplier code of conduct, which confirms the company's commitment to operate in a responsible and sustainable manner and its commitment to work with suppliers that share these values. The code of conduct includes the company policy to limit the risk of modern slavery occurring within its own business, infiltrating its supply chains or through any other business relationship. The company will not tolerate any form of modern slavery in its operations or supply chain and is committed to building a supply chain that aligns with this approach. The refreshed supplier code of conduct reflects Auckland Airport's expectations for the conduct of all suppliers, contractors, and consultants.

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. In 2021, management developed Auckland Airport's Sustainability Pathway to 2030, which outlined climate change as a material issue to the organisation and included the recommendation to begin disclosing climate-related risks and opportunities aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework. Management also established a Sustainability Management Group involving leadership team members and senior employees from across the company, to oversee the implementation of the refreshed sustainability strategy including material climate change issues and initiatives.

Being a responsible business is a core part of the company's focus. By respecting people, the community and the environment, Auckland Airport is able to grow its business sustainably and create value for all stakeholders in the long term.

Corporate governance

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

The Board confirms that in the year to 30 June 2021, 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 and deals with the company's:

- 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 Act 2000.

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

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.

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

The Auckland Airport Board

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

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

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

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

Director	Qualifications	Gender	Location	Date of appointment	Tenure (years)	Independence
Patrick Strange	BE (Hons), PhD, CFInstD	M	NZ	22 October 2015	6	Yes
Mark Binns	LLB	M	NZ	1 April 2018	3	Yes
Dean Hamilton	BCA, CMInstD	M	NZ	1 November 2018	3	Yes
Julia Hoare	BCom, FCA, CMInstD	F	NZ	23 October 2017	4	Yes
Liz Savage	BEng, MSc, MAICD	F	AUS	23 October 2019	2	Yes
Tania Simpson	BA, MMM, CFInstD	F	NZ	1 November 2018	3	Yes
Justine Smyth (CNZM)	BCom, FCA, CFInstD	F	NZ	2 July 2012	9	Yes
Christine Spring	BE, MSc Eng, MBA, CMInstD	F	NZ	23 October 2014	7	Yes

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

Retiring director

Justine Smyth, CNZM, became a director of the company in 2012. Justine will officially retire from the Board at the 2021 annual meeting.

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. The areas of skill and experience the Board considers to be particularly relevant include: listed governance experience, iwi relations, technology/digital, aviation economics and operations, sustainability, capital markets/capital structure, financial, property/retail and construction and development.

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

A definition of categories referred to above can be found on the company website at corporate.aucklandairport.co.nz/governance.

Diversity

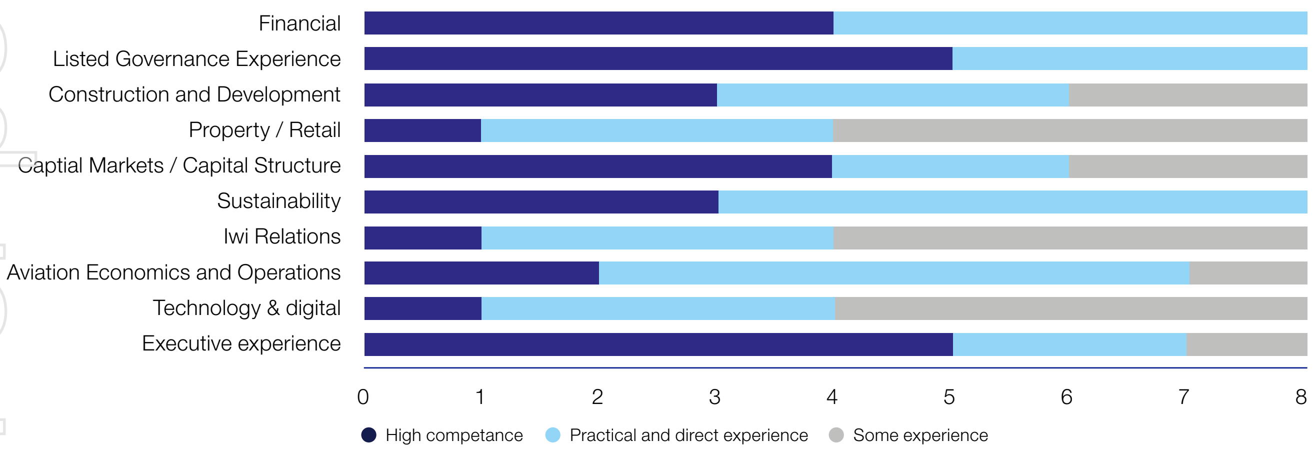
The company strongly values and supports diversity, however there is further work to be done in this area, particularly in building our talent pipeline and in retaining senior females. Auckland Airport strives for the company and its leadership, management and employees to reflect the diverse range of individuals and groups within our society. This commitment is reflected in our diversity and inclusiveness policy which applies to all employees, contractors and directors. All activities at Auckland Airport are inclusive of a wide spectrum of perspectives, and all employees have the opportunity and are encouraged to contribute to the company in their own way.

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 and Capability 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 system bias
- Ensuring people processes are equitable, inclusive and supportive of our diverse workforce;
- Partnering with the community and its members to share their cultures, languages and capabilities
- Attracting and retaining diverse talent
- Having systems in place to enable employees to report discrimination concerns
- Providing opportunities for employees to showcase their unique talents and cultures, perspectives and life experiences including through programmes like the Manu Ao leadership development initiative.

The People and Capability Committee of the Board receives regular updates on diversity and inclusion activities and an annual diversity and inclusion report from management on diversity within the company. In addition, the senior management team receives regular reports on diversity and wider gender demographics (where available) to assess how the company is tracking against the policy at the end of each reporting period. Auckland Airport continues to make good progress in delivering its diversity and inclusion objectives although has several areas of focus to improve on, including building diverse talent at middle management (Tier 4) levels.



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

	FY21				FY20		
	Male	Female	% of Female (2021)	Age range	Male	Female	% Female
Board	3	5	62.5%	48-69	3	5	62.5%
Leadership Team	6	2	25.0%	41-57	6	2	25.0%
Senior Leaders	16	12	42.8%	29-60	26	18	40.9%
All other employees	259	146	36.0%	20-75	283	174	38.1%

Auckland Airport has a majority of women on its Board with the chairs of three of its committees also being women.

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

Enhanced parental leave

Auckland Airport provides a parental leave policy for permanent full-time and part-time employees, regardless of gender, sexuality, age or whether giving birth or adopting a child. If someone has been employed by Auckland Airport for a minimum of 12 months then the company tops up the Government's parental leave payments so that the employee receives 80% of their wages or salary for a period of 18 weeks. In the 2021 financial year, 13 female employees and 1 male employee took parental leave with four returning during the reporting period and six due to return in the coming year.

Nomination and appointment of directors

The Board has established the Nominations Committee to focus on 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 has determined that directors will hold office for an initial term of no longer than three years following their first appointment. Directors may offer themselves for re-election by shareholders at the end of each three-year term. If the director is appointed by the Board between annual meetings, the three years apply from the date of the meeting next following that interim appointment. The Board's charter records these requirements, which are subject to any limitations imposed by shareholders in the annual meeting and the requirements of the constitution relating to the retirement of directors by rotation. 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.

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

Directors and officers insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, Auckland Airport has continued to indemnify and insure its directors and officers against liability to other parties (except to the company or a related party to the company) that may arise from their position as directors. 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. When COVID-19 protocols allow, each Board meeting includes either a safety walk, an engagement with a business unit of the company or tour of a particular infrastructure asset or construction project. Directors have also participated in construction contractor safety and engagement forums facilitated by the company. 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. With the most recent formal external review being completed in August 2021.

Board committees

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

The Board has established the following standing committees.

Aeronautical Pricing Committee

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

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

Audit and Financial Risk Committee

Members: Julia Hoare (Chair), Dean Hamilton, Justine Smyth CNZM, Christine Spring

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

Development Committee

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

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

Nominations Committee

Members: Patrick Strange, Mark Binns, Dean Hamilton, Julia Hoare, Liz Savage, Tania Simpson, Justine Smyth CNZM, Christine Spring

The Nominations Committee's focus is the appointment and nomination of directors to the Board. The members of this committee do not meet separately as all matters to be discussed by this committee are discussed in the presence of the full Board.

People and Capability Committee

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

The role of the People and Capability Committee is to ensure that the company has sound remuneration policies and processes in place and to provide oversight for the company's human resource practices. This committee's charter outlines the relative weightings and remuneration components, as well as performance criteria.

Safety and Operational Risk Committee

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

The Safety and Operational Risk Committee is responsible for oversight of the company's safety (including workplace health and safety) and operational risk management programme. The company reports to the Safety and Operational Risk Committee on a number of safety and operational matters including passenger injury rates, employee injury rates, comparisons of contractor and employee injury rates, safety observations conducted and compared to the same month in the prior year.

The following table shows each director's Board committee memberships, 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 2020 to 30 June 2021. The table does not record Board calls held in between scheduled Board meetings.

Director disclosure

Directors' holdings and disclosure of interests

Directors held interests in the following shares in the company as at 30 June 2021:

Patrick Strange	Held personally	11,981
	Held on behalf by other person	13,358
Mark Binns	Held personally	4,235
	Held jointly with other person	17,432
Dean Hamilton	Held personally	3,333
Julia Hoare	Held personally	6,342
Liz Savage	Held Personally	
	Held on behalf by other person	2,190
Tania Simpson	Held personally	3,333
Justine Smyth, CNZM	Held personally	16,776
	Held jointly with other persons	
Christine Spring	Held personally	13,726

No directors held any interests in debt securities (including listed bonds) in the company as at 30 June 2021.

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.

	Board			Audit and Financial Risk			People & Capability			Safety and Operational Risk			Development Committee			Aeronautical Pricing		
Name	Member	No. of Meetings	No. of Meetings Attended	Member	No. of Meetings	No. of Meetings Attended	Member	No. of Meetings	No. of Meetings Attended	Member	No. of Meetings	No. of Meetings Attended	Member	No. of Meetings	No. of Meetings Attended	Member	No. of Meetings	No. of Meetings Attended
Patrick Strange	●	11	11	●	5	5	●	4	4	●	5	5	●	1	1	●	1	1
Mark Binns	●	11	11				●	4	4				●	1	1			
Dean Hamilton	●	11	11	●	5	5				●	5	4				●	1	0
Julia Hoare	●	11	11	●	5	5							●	1	1	●	1	1
Elizabeth Savage	●	11	11				●	4	4	●	5	5				●	1	1
Tania Simpson	●	11	11				●	4	4	●	5	5						
Justine Smythe	●	11	11	●	5	5	●	4	4							●	1	1
Christine Spring	●	11	11	●	5	5				●	5	5	●	1	1	●	1	1

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 2021:

Patrick Strange
Chair, Chorus Limited (and subsidiary company)
Director, Mercury NZ Limited

Mark Binns
Chair, Crown Infrastructure Partners Limited
Director, Te Puia Tapapa GP Limited
Trustee, Auckland War Memorial Museum
Chair, Hynds Limited
Director, Hynds Holdings Limited
Trustee, Fletcher Building Retirement Plan

Dean Hamilton
Chair, Fulton Hogan Limited
Director, Tappenden Holdings Limited (and associated companies)
Director, The Warehouse Group Limited

Julia Hoare
Director, The a2 Milk Company Limited (and subsidiary company)
Director, Port of Tauranga Limited
Director, Meridian Energy Limited

Liz Savage
Chair, Queensland Government Tourism Recovery Action Plan (Industry Panel)
Director, Intrepid Group Limited, The Intrepid Foundation Limited (Australian company)
Director, North Queensland Airports (Australian group of companies)
Director, People Infrastructure Limited (Australian company)

Tania Simpson
Deputy Chair, Reserve Bank of New Zealand
Director, Tainui Group Holdings Limited
Director, Moko Club NZ Limited
Deputy Chair, Waitangi National Trust
Member, Waitangi Tribunal
Director, Waikato-Tainui Fisheries Limited
Director, Kōwhai Consulting Limited

Justine Smyth, CNZM
Chair, Spark New Zealand Limited
Chair, New Zealand Breast Cancer Foundation

Christine Spring
Director, Unison Networks Limited (and subsidiary company)
Director, Western Sydney Airport Limited (Australian company)
Director, NZ Windfarms Limited (and subsidiary companies)
Chair, Isthmus Group Limited

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

This year, for the first time, the company has combined its operational, sustainability, and a summary of its financial performance into one Report as these aspects are considered inter-dependent rather than standalone.

Auckland Airport discloses the impact of climate change on the business and the impact of the business on climate change. In 2021, the company is following the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) for the first time.

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

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

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

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

Auditors

External audit

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

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

The external 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 EY, 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 and company information

The company's communications framework and strategy are designed to ensure that communications with shareholders and all other stakeholders are managed effectively. This strategy forms part of the company's disclosure and communications policy. It is the company's policy that external communications will be accurate, verifiable, consistent and transparent.

The chief executive, chief financial officer and the investor relations specialist are appointed as the points of contact for analysts. The investor relations specialist is the point of contact for shareholders and can be reached at investors@aucklandairport.co.nz. The chair, chief executive, chief financial officer, general counsel and head of communications and external relations are appointed as the points of contact for media.

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

- The corporate section of the company website (corporate.aucklandairport.co.nz/investors)
- 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 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 21 October 2021 at 10.00 am.

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 2021.

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

As announced on 17 March 2020, Auckland Airport cancelled the FY20 interim dividend. In addition, in obtaining waivers from potential breaches of its financial covenants for the period through to the end of December 2021, the company agreed with its lenders to suspend dividend payments so long as the waivers are in place. As no dividend is payable, the dividend reinvestment plan is not currently operating. Further details are available at corporate.aucklandairport.co.nz/investors/shares-and-bonds.

Earnings per share

Earnings in cents per ordinary share were 31.58 cents in 2021 compared with 15.16 cents in 2020.

Credit rating

As at 30 June 2021, 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 2021 is below:

Size of holding	Number of shareholders	%	Number of shares	%
1 - 1,000	12,781	24.81	5,629,564	0.39
1,001 - 5,000	29,499	57.26	62,233,363	4.23
5,001 - 10,000	4,711	9.14	33,520,008	2.28
10,001 - 50,000	4,021	7.79	77,611,245	5.27
50,001 - 100,000	323	0.63	21,951,211	1.49
100,001 and over	190	0.37	1,271,702,846	86.35
Total	51,516	100%	1,472,648,237	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 2021 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 2021 was 1,472,648,237.

20 largest shareholders

The 20 largest shareholders of Auckland Airport as at 30 June 2021 are as follows:

Shareholders	Number of shares	% of capital
Auckland Council	266,328,912	18.09
HSBC Nominees (New Zealand) Limited[1]	161,487,983	10.97
HSBC Nominees (New Zealand) Limited[1]	141,284,445	9.59
Citibank Nominees (NZ) Limited[1]	94,697,931	6.43
JPMorgan Chase Bank[1]	82,172,129	5.58
J P Morgan Nominees Australia Limited	59,591,630	4.05
HSBC Custody Nominees (Australia) Limited	47,054,891	3.20
Accident Compensation Corporation[1]	35,736,087	2.43
TEA Custodians Limited[1]	34,919,578	2.37
BNP Paribas Nominees Pty Limited	26,174,405	1.78
New Zealand Superannuation Fund Nominees Limited[1]	23,145,256	1.57
BNP Paribas Nominees NZ Limited Bpss40[1]	22,842,230	1.55
Custodial Services Limited	15,967,784	1.08
Citicorp Nominees Pty Limited	15,845,777	1.08
Cogent Nominees Limited[1]	15,621,113	1.06
Custodial Services Limited	14,410,798	0.98
BNP Paribas Nominees Pty Limited	14,187,353	0.96
New Zealand Depository Nominee	12,548,208	0.85
FNZ Custodians Limited	12,460,258	0.85
Premier Nominees Limited[1]	12,195,970	0.83

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

Company information

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

Regulatory environment

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

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

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

None of the NZX, the ASX or the FMA has taken any disciplinary action against the company during the financial year ending 30 June 2021.

Donations

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

- Donated $85,000 to various charities including to Counties Manukau Life Education Trust, Leukaemia and Blood Cancer New Zealand and The Polyfest Trust
- Granted $356,682 to the Auckland Airport Community Trust. The Trust distributed these funds in the 2021 calendar year to residents and community groups living and working in the Trust's area of benefit
- Contributed $320,000 to the Ara Charitable Trust.

The above figures do not include a further $99,996 in donations made by generous travellers into the charity globes in our terminals, which was then donated to another 12 community groups.

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 2021 are below:

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

Remuneration

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

Impact of COVID-19 on remuneration in the 2021 financial year

The COVID-19 pandemic had a significant impact on the company, its operations and revenue. A wage and salary freeze remained in place for those members of the workforce on individual employment agreements, however this has been lifted for the 2022 financial year.

As at 30 June 2021, Auckland Airport has 151 employees on Collective Employment Agreements and 298 on Individual Employment Agreements.

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. Auckland Airport also meets directors' reasonable travel and other costs associated with the company's business.

Review and approval

Each year, the People and Capability 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 15% of their base fees to acquire shares in the company for an initial three-year term. Following this term, director's may elect any contribution rate if their aggregate shareholding is equal to, or above, their base fees. To achieve this, the 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.

2021 financial year

In light of the impact of COVID-19 on the company, at the 2020 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 director's have resolved to not seek any change to the total directors' fee pool in 2021.

In the 2021 financial year, the directors received the following remuneration for their governance of Auckland Airport.

Remuneration received by directors by Board member

Name	Director's fee (excluding expenses)[1]
Patrick Strange	$251,671
Mark Binns	$134,781
Dean Hamilton	$157,421
Julia Hoare	$170,171
Liz Savage	$145,821
Tania Simpson	$145,821
Justine Smyth	$170,761
Christine Spring	$171,911

1. The above director remuneration includes the 15% of the base fees payable to them that they are required to use to acquire shares in the company under the share purchase plan for their initial three-year term, after which directors may elect any contribution. All directors remain at 15%, with the exception of Mark Binns from 1 April 2021 no longer contributing and Elizabeth Savage from 1 October 2020 contributing 20% instead of 15%. The directors took a 20% fee reduction from 16 March 2020 to 1 September 2020.

Base fees of directors by position (from June 2021)

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

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

Employee remuneration

Remuneration philosophy

The company's remuneration philosophy is to ensure that:

- Staff are fairly and equitably remunerated relative to similar companies and positions within the New Zealand market
- Staff are strongly motivated to deliver shareholder value
- The company is able to attract and retain high-performing employees who will ensure the achievement of business objectives.

Performance and development

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.

Annual remuneration review

The company's annual remuneration review process requires 'one-over-one' approval. This means that the approval of the Board is required for the implementation of changes to the chief executive's remuneration, as recommended by the People and Capability Committee. Likewise, the approval of the People and Capability Committee is required for the implementation of changes to the remuneration of the leadership team. The total pool available for remuneration adjustments is set by the Board at the time the annual budget is approved.

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.

Health and other insurances

The company provides subsidised health insurance to all employees on Collective Employment Agreements. Permanent employees on an Individual Employment Agreement are eligible to participate in the company's Group Health Scheme at their own cost. The costs are paid by the employee and the insurance covers the employee, their partner and any children under 21 years of age. The company's health insurance is currently supplied by Southern Cross Health Society.

The company also provides permanent employees with the opportunity to obtain income protection and life insurance at their own cost. The company fully subsidises the cost of these insurances for employees on Collective Employment Agreements. Permanent employees on Individual Employment Agreements pay the costs for their insurances through a compulsory 1% pay deduction from their fixed annual remuneration.

The company also provides employees with domestic and international travel insurance when the travel is work related.

Superannuation

All employees are eligible to participate in KiwiSaver. The company contributes up to 3% of each employee's paid remuneration. Any permanent employee who joined the company prior to 31 March 2012 was eligible to participate in either the Auckland Airport Mastertrust superannuation scheme (or the Lump Sum National superannuation scheme if prior to 1992). There is no cap on the amount that can be contributed by permanent employees on Individual Employment Agreements. The amount that can be contributed by permanent employees on Collective Employment Agreements is not capped, however, the company's total contribution is capped at 6% of salary, inclusive of any KiwiSaver contribution already made by the company. Up to the cap, the company contributes $1.20 (less tax) for every $1.00 contributed by the employee.

Fixed annual remuneration

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.

Short-term incentives

In the 2021 financial year, 38 senior employees, as well as all members of the leadership team, were invited to participate in the company's discretionary short-term incentive scheme. The short-term incentive is an additional payment which is an at-risk component of employee's fixed annual remuneration and is payable in cash on achievement of performance targets.

Given the impact of COVID-19 on Auckland Airport's business, no short-term incentive was paid for the 2021 financial year.

For employees who are not members of the leadership team, the short-term incentive targets range between 10% and 20% of the fixed annual remuneration. The short-term incentive target for members of the leadership team is 35% of their fixed annual remuneration and the chief executive's short-term incentive target is 50% of his base salary.

For delivering above-target performance, an employee can earn an above-target short-term incentive payment as set out in the table below.

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

Individual component

Half the short-term incentive 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. Operation of the short-term incentive scheme is conditional on company-wide health and safety targets being met.

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.

Company component

Half of the short-term incentive is based on the company's achievement of annual financial targets set by the Board.

The company component has a clear measure in place to determine achievement or non-achievement in any one year – the achievement of the annual earnings before interest, taxation, depreciation, amortisation, fair value adjustments and investments in associates (EBITDAFI) target. If the company achieves a financial result that is significantly below the EBITDAFI target, then no company component is paid to employees. If the company achieves a financial result that is significantly above the EBITDAFI target, then payment of the company component is capped at 120% of the target for non-executive employees and 140% of the target for the leadership team and chief executive.

The Board may make one-off adjustments to the company component of the short-term incentive to guard against windfall payments, as a result of financial outcomes that employees did not influence or to ensure that employees are not unfairly penalised for material one-off adverse events outside of their control.

Long-term incentive

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

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

At the end of the 2021 financial year, the total current value of long-term incentives in place for Auckland Airport's leadership team and chief executive was $1.0 million.

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

Remuneration of employees

Below is the number of employees and former employees of the company, excluding directors, who received remuneration and other benefits that totalled $100,000 or more, in their capacity as employees during the 2021 financial year.

Amount of remuneration	Former employees	Current employees
$100,001 to $110,000	4	23
$110,001 to $120,000	1	35
$120,001 to $130,000	3	37
$130,001 to $140,000	1	25
$140,001 to $150,000	3	18
$150,001 to $160,000	2	13
$160,001 to $170,000	1	11
$170,001 to $180,000	1	8
$180,001 to $190,000	2	5
$190,001 to $200,000	1	9
$200,001 to $210,000		3
$210,001 to $220,000		3
$230,001 to $240,000	1	1
$240,001 to $250,000		1
$250,001 to $260,000		4
$270,001 to $280,000		1
$280,001 to $290,000	1	
$290,001 to $300,000	1	
$310,001 to $320,000	2	
$330,001 to $340,000		1
$350,001 to $360,000		2
$370,001 to $380,000	1	
$420,001 to $430,000	1	
$430,001 to $440,000	2	
$450,001 to $460,000		1
$460,000 to $470,000		1
$510,001 to $520,000		1
$550,001 to $560,000		1
$1,650,001 to $1,660,000		1

Employee remuneration in the preceding table includes salary, short-term and long-term incentives, the company's contributions to superannuation and health, life and income protection insurance plans and redundancy payments.

Chief Executive remuneration

Base salary

Over the course of the financial year, the chief executive, Adrian Littlewood, was paid a base salary of $1,279,307.

Shares

The chief executive held 152,542 shares personally in the company as at 30 June 2021 and 225,471 shares were held on trust under the long-term incentive plan which have not yet vested. A total of 1,900 shares are held on trust under the employee share purchase plan which have not yet vested.

Short-term incentives

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

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

Given the impact of COVID-19 on Auckland Airport's business, no short-term incentive performance payment was earned by the chief executive in the 2020 financial year.

Long-term incentives

The chief executive participated in the Auckland Airport long-term incentive plan in the 2021 financial year.

Scheme	Financial year of grant	Grant	Number granted	Financial year exercised	Share price at exercise	Value at exercise
Share-based scheme	2017	$309,377	46,538	2020	$9.00	$418,842
Share-based scheme	2018	$631,188	67,652	Exercisable in 2021	N/A	N/A
Share-based scheme	2019	$429,240	60,202	Exercisable in 2022	N/A	N/A
Share-based scheme	2020	$659,820	71,318	Exercisable in 2023	N/A	N/A
Share-rights scheme	2021	$660,335	93,931	Exercisable in 2024	N/A	N/A

1. Value of loan amount provided for purchase of shares.

Superannuation

The chief executive is a member of KiwiSaver. As a member of the scheme, the chief executive is eligible to receive a company contribution up to 3% of gross taxable earnings, including the short-term incentive (for performance during 2021). For the 2021 financial year, the company contribution was $47,847 compared to $67,922 in the 2020 financial year.

Notice and termination period

The notice period for the chief executive under the terms of his employment agreement is 6 months and his paid termination period is 12 months. On 20 May 2021 the chief executive gave notice of his intention to step down from his role towards the end of 2021.

Summary

The remuneration earned by the chief executive in the 2021 financial year is summarised below:

	2021 financial year	2020 financial year
Base salary	$1,279,307[1]	$1,241,743[1]
Short-term incentive earned	$835,843[2]	$0[3]
KiwiSaver, insurance and other statutory benefits	$86,120	$80,382
Sub-total	$2,201,270	$1,322,125
Long-term incentive	$315,594[4]	**$461,757[5]**
TOTAL	**$2,516,864**	**$1,322,125**

1 This amount reflects a 20% reduction in base salary from 16 March 2020 to 1 September 2020 (consistent with the reduction of directors fees) as a result of the impact of COVID-19.
2 The FY21 STI will be payable in the 2022 financial year.
3 During the 2021 financial year, no payments were made to the chief executive in respect of his FY20 STI targets
4 The 2021 financial year long-term incentive payment of $351,594 reflects the pre-tax value of the grant made in 2018 financial year as shown in the previous table.
5 The 2020 financial year long-term incentive payment of $461,757 reflects the pre-tax value of the grant made in the 2017 financial year as shown in the previous table.

Financial summary

The outbreak of COVID-19 and the introduction of border restrictions around the world have continued to significantly impact Auckland Airport in the 2021 financial year.

Total passenger numbers fell to levels not seen since the mid-1990s with the impact being felt across all of the company's business segments, from aviation to transport, retail and hotels. As a result, in the 2021 financial year revenue decreased by 50.4% to $281.1 million. Reflecting reduced passenger volumes, aeronautical revenues declined 62.2% on the prior year, and retail and carparking revenues decreased 87.4% and 42.9% respectively. Despite the challenging trading environment, property rental income grew by 13.6% in the period due to completed developments and rental growth within the existing portfolio.

In response to the reduced aeronautical activity, Auckland Airport undertook a range of cost reduction measures, resulting in a significant reduction in operating expenses. These measures partially offset the impact of lower revenue, with EBITDAFI declining to $171.5 million. Reported profit after tax of $464.2 million in the 2021 financial year was up 139.4% from the $193.9 million of the prior year, reflecting $527.3 million of investment property revaluation gains. But after excluding this and other one-off and unrealised items, the underlying result was a loss of $41.8 million..

	2021 $M	2020 $M	% change
Income	281.1	567.0	(50.4)
Operating expenses	109.6	306.6	(64.3)
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**171.5**	**260.4**	**(34.1)**
Reported profit after tax	464.2	193.9	139.4
Underlying profit after tax	**(41.8)**	**188.5**	**(122.2)**
Earnings per share (cents)	31.5	15.2	107.2
Underlying earnings/(loss) per share (cents)	(2.8)	14.7	(119.0)
Ordinary dividends for the full year			
– cents per share	–	–	n/a
– value distributed	–	–	n/a

Capital expenditure in the year was reprioritised to focus on asset resilience and asset renewals in this unique low-demand environment. The company's balance sheet remains strong, with banking facilities extended and the interest coverage banking covenant amended to provide financial flexibility to manage through the uncertain recovery pathway.

The Board has resolved not to pay a final dividend in 2021 due to the ongoing impacts of the COVID-19 pandemic. Under the terms of the covenant waivers in place from June 2020 until December 2021 granted by Auckland Airport's banking group, dividend payments are suspended until the covenant waivers expire.

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2021 and 30 June 2020.

	2021			2020		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[1]	**171.5**	–	**171.5**	**260.4**	–	**260.4**
Investment property fair value increase	527.3	(527.3)	–	168.6	(168.6)	–
Property, plant and equipment revaluation	(7.5)	7.5	-	(45.9)	45.9	–
Fixed asset write-offs, impairments and termination costs[1]	–	2.5	2.5	–	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	–	(19.4)	(19.4)	-	–	–
Derivative fair value movement	(0.5)	0.5	-	(1.9)	1.9	–
Share of profit of associates and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	–	–	-	(7.7)	–	(7.7)
Depreciation	(124.7)	–	(124.7)	(112.7)	–	(112.7)
Interest expense and other finance costs	(94.0)	–	(94.0)	(71.8)	–	(71.8)
Taxation (expense)/credit	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit/(loss) after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

Notes

1. 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

As set out in the table above, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:

- We have reversed out the impact of revaluations of investment property in 2021 and 2020. 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 class of assets within property, plant and equipment in the 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult
- We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. 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 intends to hold 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 2021 and 2020 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives
- We have also reversed out the taxation impacts of the above movements in both the 2021 and 2020 financial years.

Corporate directory

Directors

Patrick Strange, chair
Mark Binns
Dean Hamilton
Julia Hoare
Liz Savage
Tania Simpson
Justine Smyth (CNZM)
Christine Spring

Senior management

Adrian Littlewood, chief executive officer
Philip Neutze, chief financial officer
Anna Cassels-Brown, general manager operations
Jonathan Good, general manager technology and marketing
André Lovatt, general manager infrastructure
Scott Tasker, general manager aeronautical commercial
Mark Thomson, general manager property and commercial
Mary-Liz Tuck, general manager corporate services and general counsel

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General Counsel and General Manager Corporate Services

Mary-Liz Tuck

Auditors

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

This annual report is dated 19 August 2021 and is signed on behalf of the Board by:

Patrick Strange
Chair of the Board

Julia Hoare
Director

Auckland Airport

AKL 4NZ

Auckland Airport

Financial Report 2021

Financial Statements

This annual report covers the performances of Auckland International Airport Limited (Auckland Airport) from 1 July 2020 to 30 June 2021. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2021 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2021

Introduction

In a year characterised by disruption, resilience and adaptation, Auckland Airport is pleased to present the financial results for the year to 30 June 2021.

The COVID-19 pandemic, with its subsequent border closures and collapse in aeronautical travel, has created one of the most challenging years in the airport's history. As the gateway to New Zealand and New Zealand to the world, Auckland Airport has been on the frontline of the country's response to the pandemic.

In 2021, total passenger numbers were down significantly on pre-pandemic levels. The recovery of domestic passengers during the year has been a positive indicator of New Zealanders' willingness to travel within New Zealand while international border restrictions were in place. The commencement of quarantine-free travel between New Zealand and Australia in the second half of the 2021 financial year and later with the Cook Islands were positive developments in the recovery of the business and indicate a pathway to reconnecting New Zealand with the world. However, the ongoing recurrences of COVID-19 in the community in Australia suggest that the international recovery will not be without its challenges.

Responding to the pandemic has posed significant operational challenges throughout the year. Despite this, the safety and well-being of those who work at the airport, our customers and the thousands of passengers who continued to use the airport every day have been at the forefront of our operation.

We scaled back operating activity to reflect the current trading environment, resulting in a significant reduction in operating expenses. Similarly, capital expenditure in the year was prioritised to focus on asset resilience and renewal in the low demand environment.

The company's balance sheet remains strong, supported by the successful $1.2 billion equity raise in April 2020. In August 2021, Auckland Airport extended its banking facilities and amended key lending covenants to improve financial flexibility to cope with the uncertain COVID-19 recovery pathway.

Despite all of the disruption of the last 12 months, we remain committed to customer service and providing a safe and efficient travel experience. During this ongoing period of uncertainty, we will continue to deliver on what is most important for our customers, our community, our country, our people and our investors.

This financial report analyses our results for the 2021 financial year and its key trends. It covers the following areas:

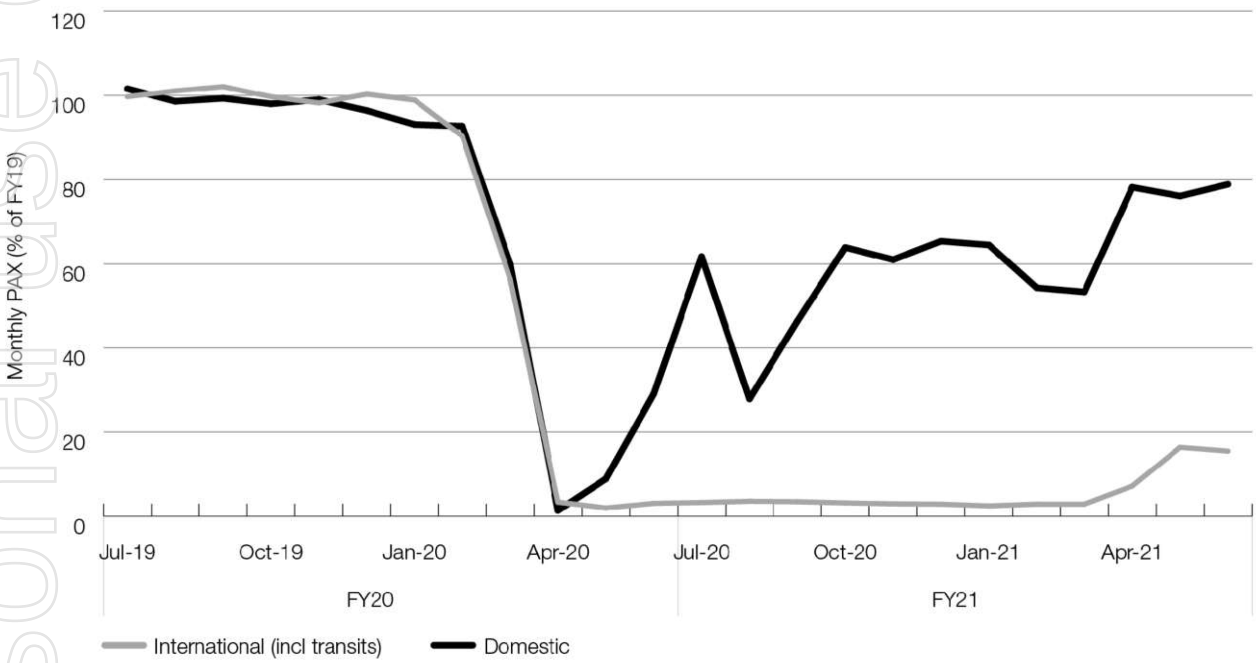
- 2021 Financial performance;
- 2021 Financial position; and
- 2021 Returns for shareholders.

2021 Financial performance

This financial summary provides an overview of the financial results and key trends for the year ended 30 June 2021 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.

The global spread of COVID-19 and the subsequent imposition of travel restrictions have continued to significantly impact Auckland Airport in 2021. Total passenger numbers during 2021 fell to levels not seen since the mid-1990s with the impacts being felt across all business segments, from aviation to transport, retail and hotels.

Monthly passenger numbers



With the relaxation of domestic travel restrictions and success in managing community outbreaks, domestic passenger numbers have steadily increased throughout the year. International passenger flows are a key driver of Auckland Airport's financial performance and with the borders shut to all but returning New Zealand residents, international passenger volumes remained subdued for the majority of the year. In the final quarter some green shoots emerged with the resumption of quarantine-free travel with Australia and then the Cook Islands. While these signalled the first tangible steps on the pathway to an international recovery, the ongoing recurrences of COVID-19 in the community in Australia have interrupted the operation of this bubble and suggest that the international recovery will not be without its challenges.

In the 2021 financial year, revenue decreased by 50.4% to $281.1 million. Aeronautical revenues decreased 62.2% on the prior year, reflecting reduced passenger volumes as a result of ongoing travel restrictions. Retail and car parking revenues decreased 87.4% and 42.9%, respectively. Despite the economic headwinds, property rental income delivered strong growth of 13.6% in the period as a result of completed developments contributing income and rental growth in the existing portfolio.

Our reported profit after taxation for the 2021 financial year was $464.2 million, driven by $527.3 million of investment property revaluation gains and other items. After removing the impact of property and derivative revaluation movements and other one-off and unrealised items, Auckland Airport incurred an underlying loss after taxation of $41.8 million. A summary of the financial results for the year to 30 June 2021 and the 2020 comparative is shown in the table below.

	2021 $M	2020 $M	% change
Income	281.1	567.0	(50.4)
Operating expenses	109.6	306.6	(64.3)
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**171.5**	**260.4**	**(34.1)**
Reported profit after tax	464.2	193.9	139.4
Underlying profit/(loss) after tax	**(41.8)**	**188.5**	**(122.2)**
Earnings per share (cents)	31.5	15.2	107.2
Underlying earnings/(loss) per share (cents)	(2.8)	14.7	(119.0)
Ordinary dividends for the full year			
– cents per share	-	-	N/A
– value distributed	-	-	N/A

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 between different companies can be made with confidence and that there is integrity in our reporting approach. However, we believe that an underlying profit measurement can also assist investors to understand what is happening in a business 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 our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our pre-COVID-19 policy to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items). However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result.

2021 Financial performance CONTINUED

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2021 and 2020.

	2021			2020		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[1]	**171.5**	**-**	**171.5**	**260.4**	**-**	**260.4**
Investment property fair value increase	527.3	(527.3)	-	168.6	(168.6)	-
Property, plant and equipment revaluation	(7.5)	7.5	-	(45.9)	45.9	-
Fixed asset write-offs, impairments and termination costs[1]	-	2.5	2.5	-	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	-	(19.4)	(19.4)	-	-	-
Derivative fair value movement	(0.5)	0.5	-	(1.9)	1.9	-
Share of profit of associate and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	-	-	-	(7.7)	-	(7.7)
Depreciation	(124.7)	-	(124.7)	(112.7)	-	(112.7)
Interest expense and other finance costs	(94.0)	-	(94.0)	(71.8)	-	(71.8)
Taxation (expense)/credit	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit/(loss) after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

1 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

As set out in the table above, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:

- We have reversed out the impact of revaluations of investment property in 2021 and 2020. 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 class of assets within property, plant and equipment in 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult;
- We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. 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 intends to hold 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 2021 and 2020 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 2021 and 2020 financial years.

Key performance measures

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

Measure	2021	2020	2019	% change 2020–2021	% change 2019–2020
Total aircraft seat capacity					
International aircraft seat capacity	1,834,995	10,550,424	14,062,761	(82.6)	(25.0)
Domestic aircraft seat capacity	7,566,978	8,645,575	11,424,084	(12.5)	(24.3)
Passenger movements					
International passengers	559,061	7,739,260	10,506,660	(92.8)	(26.3)
International transit passengers	43,064	734,686	1,011,328	(94.1)	(27.4)
Domestic passengers	5,841,514	7,047,108	9,593,625	(17.1)	(26.5)
Maximum certified take-off weight (MCTOW)					
International MCTOW (tonnes)	1,771,014	4,669,929	5,894,112	(62.1)	(20.8)
Domestic MCTOW (tonnes)	1,637,867	1,830,711	2,372,412	(10.5)	(22.8)
Cargo volume					
Volume of international movements (tonnes)	166,441	165,005	190,905	0.9	(13.6)
Passenger spend rate (PSR)					
Change in international terminal PSR	(21.6%)	(0.5%)	6.6%		
Income per passenger (IPP)					
Retail IPP[1]	$2.77	$9.34	$10.96	(69.9)	(15.5)
Average revenue per parking space (ARPS)					
Change in ARPS	(42.9%)	(26.5%)	3.8%		
Return on investment					
Return on capital employed	6.1%	2.9%	8.3%		
Airport Service Quality (ASQ)					
International	N/A[2]	4.35[2]	4.26		2.1
Domestic	4.20[2]	4.02[2]	4.03	4.5	(0.3)
Rent roll					
Annual rent roll $m (property division)	117.0	104.0	100.0	12.5	4.0
EBITDAFI					
EBITDAFI per passenger	$26.62	$16.78	$26.28	58.3	(36.1)
Environmental					
Scope 1 and 2 carbon emissions (tCO_2e)	4,705	6,045[3]	6,274[3]	(22.2)	(3.6)
Water usage (m^3)	129,514	315,652	375,968	(59.0)	(16.0)

1 Retail IPP restated as retail income over total PAX, compared to the previous metric that reflected retail income over international PAX.
2 As a result of the COVID-19 restrictions, ASQ data was not available for the international terminal between April 2020 and June 2021 and the domestic terminal between April 2020 and September 2020.
3 Previous years' scope 2 emissions have been restated in FY21 to include transmission and distribution losses from electricity lines owned by Auckland Airport.

2021 Financial performance CONTINUED

Revenue

In the 2021 financial year, revenue decreased by 50.4% to $281.1 million, with reduced passenger numbers having an impact across most business segments including aeronautical, retail, parking, hotels and to a lesser extent property.

The table below summarises revenue by line of business for the year to 30 June 2021 and the prior period comparative.

	2021 $M	2020 $M	% change
Operating revenue			
Airfield landing charges	45.8	88.4	(48.2)
Airfield parking charges	18.2	12.2	49.2
Total airfield income	64.0	100.6	(36.4)
Passenger services charge	24.2	133.0	(81.8)
Total aeronautical income	88.2	233.6	(62.2)
Retail income	17.8	141.5	(87.4)
Car parking income	28.7	50.3	(42.9)
Rental income - Property	100.5	88.5	13.6
Rental income - Aeronautical	14.4	20.3	(29.1)
Rental income - Retail	0.3	0.4	(25.0)
Total rental income	115.2	109.2	5.5
Rates recoveries	7.8	7.7	1.3
Interest income	4.9	1.7	188.2
Other income	18.5	23.0	(19.6)
Total revenue	**281.1**	**567.0**	**(50.4)**

In addition to responding to challenges in our own business, Auckland Airport recognises we are part of a wider community and that we continue to have a role to play in supporting our industry partners throughout the COVID-19 disruption. In support of airlines, Auckland Airport continued to suspend certain aircraft parking charges in the year allowing non-operating aircraft to park free of charge. We also continued to support retailers and tenants to manage through the ongoing disruption by providing abatements of more than $185 million to our in-terminal retailers.

Airfield income

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

Total airfield income decreased by $36.6 million, or 36.4%, to $64.0 million with aircraft movements of 98,689, down 29.1% from the 2020 financial year reflecting the reduction in air services as a result of the imposition of travel restrictions.

Total MCTOW across international and domestic landings decreased by 47.6% in the year. The larger decline in MCTOW relative to aircraft movements reflects the significant reduction in long-haul services which are provided by larger aircraft compared to smaller short-haul and domestic aircraft.

	2021	2020	% change
Aircraft movements			
International	15,106	44,961	(66.4)
Domestic	83,583	94,175	(11.2)
Total aircraft movements	**98,689**	**139,136**	**(29.1)**
MCTOW (tonnes)			
International MCTOW	1,771,014	4,669,929	(62.1)
Domestic MCTOW	1,637,867	1,830,711	(10.5)
Total MCTOW	**3,408,881**	**6,500,640**	**(47.6)**

Airfield parking charges income was $18.2 million in the 2021 financial year, an increase of 49.2% on the prior year. This was driven by aircraft being parked on the airfield for longer periods given the reduced activity levels. Auckland Airport continued to support its airline partners, providing $9 million of relief in the year from aircraft parking charges for non-operating aircraft.

Passenger services charge

Passenger services charge (PSC) income decreased by 81.8% to $24.2 million in the 2021 financial year as a result of significantly reduced international activity.

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

	2021	2020	% change
Auckland Airport passenger movements			
International arrivals	261,469	3,948,248	(93.4)
International departures	297,592	3,791,012	(92.2)
International passengers excluding transits	**559,061**	**7,739,260**	**(92.8)**
Transit passengers	43,064	734,686	(94.1)
Total international passengers	**602,125**	**8,473,946**	**(92.9)**
Domestic passengers	5,841,514	7,047,108	(17.1)
Total passenger movements	**6,443,639**	**15,521,054**	**(58.5)**

International passenger movements

International passenger numbers decreased by 92.9% in the year to 30 June 2021, reflecting the continued impact of international travel restrictions and despite the start of quarantine-free travel from Australia in April 2021.

The final quarter of the year to 30 June 2021 saw increased international passenger movements compared to the first three quarters as family, friends and tourists travelled to and from countries with quarantine-free travel arrangements with New Zealand. International passenger movements for the three-month period from April 2021 to June 2021 totalled 330,926, an increase of 293.0% on the 84,196 passenger movements of the preceding quarter.

Passenger arrivals were down by 93.4% in the 2020 financial year. With the resumption of quarantine-free travel to Australia in the final quarter of the 2021 financial year, arrivals from Australian permanent residents increased to 86,187 passengers from 7,157 passengers in the previous quarter. Based on the country of last permanent residence, Australian arrivals outnumbered New Zealanders by 41.8% between May and June 2021. This reflects the respective population's willingness to cross the Tasman with the ongoing risk of lockdowns and border closures.

2021 Financial performance CONTINUED

The table below shows the top 20 volumes of passenger arrivals at Auckland Airport by country of last permanent residence in the 2021 financial year.

	International passenger arrivals				
Country of last permanent residence	2021	2020	% change	% of total 2021 arrivals	% of total 2020 arrivals
Australia	110,782	655,655	(83.1)	42.4	16.6
New Zealand	81,032	1,835,148	(95.6)	31.0	46.5
United Kingdom	14,235	156,262	(90.9)	5.4	4.0
United States of America	9,130	226,693	(96.0)	3.5	5.7
China, People's Republic of	4,637	203,274	(97.7)	1.8	5.1
Cook Islands	3,500	10,618	(67.0)	1.3	0.3
India	2,516	48,092	(94.8)	1.0	1.2
Canada	2,316	52,370	(95.6)	0.9	1.3
Samoa	2,076	22,981	(91.0)	0.8	0.6
Hong Kong (Special Administrative Region)	1,659	31,157	(94.7)	0.6	0.8
Singapore	1,561	26,652	(94.1)	0.6	0.7
South Africa	1,424	22,248	(93.6)	0.5	0.6
Germany	1,204	58,436	(97.9)	0.5	1.5
Japan	1,118	68,482	(98.4)	0.4	1.7
Fiji	1,039	23,925	(95.7)	0.4	0.6
Korea, Republic of	864	52,555	(98.4)	0.3	1.3
France	807	28,877	(97.2)	0.3	0.7
Netherlands	725	19,795	(96.3)	0.3	0.5
Malaysia	676	20,844	(96.8)	0.3	0.5
Thailand	581	12,248	(95.3)	0.2	0.3

Source: Statistics New Zealand

Visitor arrivals by purpose of visit

The most common purpose of international arrivals to New Zealand was visiting friends and relatives (30.5%).

Purpose of visit		2021	2020	% change	% of total
	Holiday	10,418	936,169	(98.9)	4.0
	Visit friends/relatives	79,791	626,849	(87.3)	30.5
Foreign residents	Business/conference	14,916	233,351	(93.6)	5.7
	Education/medical	1,893	45,209	(95.8)	0.7
	Other (incl. not stated/not captured)	73,419	271,522	(73.0)	28.1
New Zealand residents		81,032	1,835,148	(95.6)	31.0

Source: Statistics New Zealand

Domestic passenger movements

With the success in managing the community outbreaks of COVID-19 and the relaxation of domestic travel restrictions, an increasing number of Kiwis took the opportunity to travel, do business and see more of our beautiful country. Domestic passenger movements steadily increased during the year with a total of 5,841,514 passenger movements in the year to 30 June 2021, a 17.1% drop on 2020 and down by 39.1% on the pre-COVID 2019 equivalent.

Recovery of the domestic market continues to remain promising with domestic passenger movements in the last quarter of the 2021 financial year down by 22.3% on the equivalent period in 2019.

Aeronautical prices

FY21 was the fourth year of the FY18-FY22 aeronautical pricing schedule. On 22 February 2019, Auckland Airport discounted our previously published aeronautical prices for FY20-FY22 in response to the Commerce Commission's final opinion regarding our target return for the period. The prices shown in the table below reflect these discounts.

	2020 $	2021 $	2021 price change %	2022 $	2022 price change %
International PSC[1]	14.91	15.21	2.0	15.49	1.8
Domestic PSC[1]	2.62	2.86	9.2	3.10	8.4
Regional PSC[1]	2.35	2.49	6.0	2.64	6.0
Transits PSC[1]	5.11	5.66	10.8	6.24	10.2

1 PSC charges applied to passengers two years and older.

Retail income

Auckland Airport earns concession revenue from retailers within the domestic and international terminals, including Duty Free, Specialty, Luxury and Destination stores, Food and Beverage outlets, Foreign Exchange and Advertising. In addition, retail income is generated through off-airport duty and tax-free sales collected by passengers from our international terminal collection points.

Increased domestic travel has provided an improved trading environment for domestic retailers, especially over the holiday periods. In addition to existing stores, Auckland Airport opened new pop-up retail concepts during the year, which were well received by the travelling public.

With a greater variety of retail options that appeal to the growing domestic travel market, it was pleasing to see the domestic passenger spend rate exceed pre-COVID-19 levels by 13.8%. This reflected the growth in the food and beverage and specialty categories.

The Mall, our online duty and tax-free shopping experience, is now in its third year of trading. The launch of The Mall for collections in the domestic terminal has provided customers with a new online retail range and has given retailers exposure to a new customer base.

With significantly lower passenger volumes, the majority of retail stores within the international terminal remained closed during the year. With the commencement of quarantine-free travel across the Tasman, over 30 stores in the international terminal reopened in the final quarter of the 2021 financial year. It was pleasing to see Duty Free PSR over May and June exceed pre-COVID-19 levels. Notwithstanding this, international retail PSR decreased by 21.6% for the full year as a result of store closures and fewer ranges on offer during the period.

Reflecting the low passenger volumes, Auckland Airport provided more than $185 million of abatements to our in-terminal retailers across both international and domestic operations. As a result, total retail income for the 2021 financial year was $17.8 million, a decrease of 87.4% or $123.7 million on the previous financial year. Auckland Airport's total retail income per total passengers was $2.77 for the 2021 financial year, down from $9.34 in the prior year. This reflects the international border restrictions as well as the relief packages and new concession structures Auckland Airport provided our retail tenants during the year.

2021 Financial performance CONTINUED

Car parking income

Car parking income in the 2021 financial year was $28.7 million, a decrease of $21.6 million, or 42.9% on the prior year.

Domestic parking rebounded in 2021 reflecting the resumption in domestic travel and an increased propensity to park relative to other transport options. Domestic Park and Ride exits were down 42% on pre-COVID-19 levels, in line with the domestic passenger recovery. In response to the increase in domestic car parking demand, Auckland Airport continued to optimise capacity, including reallocating spaces between staff and public, re-purposing taxi parking areas, upgrading customers to Valet and utilising spare international parking capacity. No new car parks were built in the year to 30 June 2021.

With the resumption of trans-Tasman quarantine free travel, international parking products including Valet were reopened in the final quarter of the year.

The average revenue per parking space decreased by 42.9% as a result of ongoing international border restrictions impacting international parking demand during the majority of the year.

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

The table below outlines the number of car parking spaces available at 30 June 2021 and 30 June 2020.

Parking capacity as at 30 June	2021	2020	change	% change
International terminal	3,118	3,315	(197)	(5.9)
Domestic terminal	3,396	2,396	1,000	41.7
Park and Ride[1]	3,772	4,372	(600)	(13.7)
Valet	1,995	1,995	-	-
Staff	800	800	-	-
Total	**13,081**	**12,878**	**203**	**1.6**

1 This includes spaces used for temporary car rental storage lease.

Rental income

Auckland Airport earns rental income from space leased in facilities, such as terminals, cargo buildings and from stand-alone investment properties. Total rental income in the financial year was $115.2 million, an increase of 5.5% on the prior year.

Property rental income (excluding aeronautical and retail rental income) was $100.5 million in 2021, an increase of $12.0 million, or 13.6%, on the prior year. Revenue growth in the year reflected the completion of new property assets, the full-year impact of developments completed during the previous financial year and rent reviews. Newly completed developments in the year included those for Foodstuffs North Island, Interwaste and DHL and the leasing of the remaining units at 27 Timberly Road. Rental income is expected to continue to grow in 2022 with the completion of current projects such as Hellmann Worldwide Logistics, Geodis Wilson, Healthcare Logistics and the full-year impact of the Foodstuffs development.

Auckland Airport continued to support certain property tenants in the financial year through $3.9 million of rental abatements, with a focus predominantly on those tenants most strongly affected by the drop in passenger numbers.

Reflecting lower passenger activity, income from the ibis Budget Hotel fell $4.4 million, or 57.0%, compared to the previous financial year. Following the opening of trans-Tasman quarantine-free travel, occupancy in the final quarter of the year rose to 78.7%, from 44.2% in the first nine months of the year.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, plus transport licence fees to taxis, shuttles and other operators. Total income from these sources was $18.5 million, a decrease of $4.5 million, or 19.6%, on the previous financial year. This included a $2.9 million reduction in transport licence fees from taxis, reflecting subdued international passenger volumes and a $1.0 million reduction in marketing contributions revenue which is tied to the volume of retail sales.

Expenses

Total expenses, including depreciation, interest and taxation were $357.3 million in the 2021 financial year, a decrease of $137.3 million, or 27.8%, on the prior year.

Operating expenses

As part of our COVID-19 response strategy, Auckland Airport instigated a cost reduction programme, generating savings across the business in discretionary and activity-based operating expenditure. Total operating expenses (excluding depreciation, interest and taxation) were $109.6 million in the 2021 financial year, a decrease of $197.0 million, or 64.3%, on the prior year.

	2021 $M	2020 $M	% change
Operating expenses			
Staff	45.6	62.9	(27.5)
Asset management, maintenance and airport operations	53.4	77.5	(31.1)
Rates and insurance	20.8	18.0	15.6
Marketing and promotions	1.0	8.3	(88.0)
Professional services and levies	3.6	6.2	(41.9)
Fixed asset write-offs, impairment and termination costs	2.5	117.5	(97.9)
Reversal of fixed asset impairment and termination costs	(19.4)	-	N/A
Other expenses	6.3	9.5	(33.7)
Expected credit losses/(release)	(4.2)	6.7	(162.7)
Total operating expenses	**109.6**	**306.6**	**(64.3)**
Depreciation	124.7	112.7	10.6
Interest	94.0	71.8	30.9
Taxation	29.0	3.5	728.6
Total expenses	**357.3**	**494.6**	**(27.8)**

Staff costs fell $17.3 million, or 27.5%, in the year, primarily as a result of a decrease in headcount across the organisation and a wage reduction volunteered by staff that continued until the end of August 2020. The 2021 financial year also included $2.0 million from the Government wage subsidy, compared with $4.1 million in 2020.

Asset management, maintenance and airport operation expenses decreased by $24.1 million, or 31.1%, in the 2021 financial year. This reduction reflected the full-year impact of outsourced operations that were scaled down as a result of reduced aeronautical activity, including baggage handling, bus services supporting airside operations and Park and Ride, Valet parking and the Strata Lounge. Similarly repairs and maintenance activities were reduced due to lower asset utilisation. These reductions were partially offset by additional costs to operate Zone B, a dedicated processing facility within Pier B to process international arrivals from non-Safe Travel Zone countries.

Rates and insurance expenses increased by $2.8 million, or 15.6%, in the 2021 financial year reflecting Auckland Council's rates increase of 2.5% and the completion of several new investment properties. Rates increases on completed investment properties are offset by increases in rates recoveries from tenants. COVID-19 also drove higher insurance costs in the period.

2021 Financial performance CONTINUED

With the closure of New Zealand's borders for the majority of the financial year, marketing and promotional activity declined significantly, reflecting the cessation of aeronautical marketing.

Fees for professional services saw a reduction of $2.6 million, or 41.9%, to $3.6 million in the 2021 financial year, reflecting greater use of internal resources and rationalisation as part of the company's cost reduction plan.

During the 2021 financial year, Auckland Airport reversed $19.4 million of one-off provisions made in 2020, mostly driven by lower construction termination costs than were initially forecast.

Other expenses decreased by $3.2 million, or 33.7%, in the 2021 financial year. This included $1.2 million of hotel cost reductions, credit card charges, office overheads and other corporate expenditure. In addition, Auckland Airport subsequently recovered a net $4.2 million from debtors in the year that was provided for at 30 June 2020.

Depreciation

Depreciation expense in the 2021 financial year was $124.7 million, an increase of $12.0 million, or 10.6%, on the previous financial year. This reflects a combination of fixed assets commissioned in the year, the annualised impact of the fixed assets commissioned partway through the 2020 financial year, and an increase in the depreciable amount of the infrastructure and runway, taxiways and aprons asset classes following their revaluation at 30 June 2020.

Interest

Interest expense rose in the 2021 financial year to $94.0 million, an increase of $22.2 million, or 30.9%, on the prior year. This was driven by $23.5 million of one-off costs associated with the prepayment of USPP debt and the close-out of cross-currency and interest rate swap costs in the year. These changes are expected to result in more than $10.0 million of interest expense savings in the 2022 financial year.

Excluding the one-off costs associated with the USPP prepayment and the close-out of various swaps, normalised interest expense in the year decreased 1.8% to $70.5 million. This reflected lower average debt levels, partially offset by an increase in the average interest rate for the year from 3.89% to 4.16%.

Taxation

Taxation expense was $29.0 million in the 2021 financial year, an increase of $25.5 million on the previous financial year. This largely reflects the deferred tax impact of revaluation movements of the non-land component of investment property and financial derivatives. These fair value movements are excluded from underlying tax, which resulted in an underlying tax credit of $16.9 million, $23.3 million less underlying tax than the $6.4 million underlying tax expense in 2020. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

Share of profit from associates

Our total share of the profit from associates in the 2021 financial year was $21.1 million, comprising Tainui Auckland Airport Hotel Limited Partnership (TAAH) of $20.7 million and Queenstown Airport of $0.4 million. This was an increase of $12.7 million on the $8.4 million share of profit of associates in the 2020 financial year. The main contributing factors to this increase were TAAH's $15.0 million property revaluation gains and derivative fair value gains of $0.7 million.

On an underlying basis, these fair value gains are excluded and this resulted in an underlying share of profit of associates of $5.4 million, comprising $5.0 million from TAAH and $0.4 million from Queenstown Airport. This was a $3.8 million reduction on the $9.2 million in the 2020 financial year.

Queenstown Airport

Queenstown Airport's net profit after tax for the 2021 financial year decreased by 90.3% to $1.7 million. Auckland Airport’s 24.99% share of Queenstown Airport’s net profit after tax was $0.4 million, a $4.1 million decrease on the $4.5 million in the previous financial year.

	2021 $M	2020 $M	% change
Financial performance			
Total revenue	27.8	46.7	(40.5)
EBITDAFI	17.1	31.3	(45.4)
Total net profit after tax	1.7	17.6	(90.3)
Passenger performance			
Domestic passengers	1,311,416	1,287,072	1.9
International passengers	25,280	583,219	(95.7)
Total passengers	**1,336,696**	**1,870,291**	**(28.5)**

Queenstown Airport's passenger volumes were down 28.5% to 1,336,696 in the 2021 financial year. International passengers fell 95.7% due to COVID-19 border restrictions and domestic passengers increased by 1.9% on the 2020 financial year supported by a strong domestic recovery.

In the 2021 financial year, Auckland Airport did not receive a dividend from our investment in Queenstown Airport. Queenstown Airport's directors have also resolved not to pay a dividend for the 2021 financial year.

Tainui Auckland Airport Hotel Limited Partnership

At 30 June 2021, Auckland Airport had a 50% investment in the Novotel hotel joint venture with Tainui Group Holdings. In the 2021 financial year, Auckland Airport’s share of underlying profit from this investment was $5.0 million, an increase of $0.3 million, or 6.4%, compared with the previous financial year. Auckland Airport's share of the joint venture's reported profit in the 2021 financial year was $20.7 million, which includes the $15.0 million of property revaluation gains and $0.7 million of derivative fair value gains.

The Novotel continued to be exclusively used as a managed isolation facility for the entire year.

Tainui Auckland Airport Hotel 2 Limited Partnership

A limited 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. Auckland Airport and Tainui Group Holdings each holds a 50% stake in the partnership. To date, Auckland Airport has contributed $37.4 million of equity into this partnership.

The partnership continued construction of the 311 room five-star Pullman Hotel during the year with construction broken into two phases, the first phase being to complete the structure and full exterior so that the building is weather-tight. The second phase will involve the completion of the remaining interior fit-out works of the hotel and will be undertaken when the demand outlook is favourable.

Two of Auckland Airport’s senior management team 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.

2021 Financial performance CONTINUED

Fair value changes

In the 2021 financial year, investment property fair value changes resulted in a gain in the income statement of $527.3 million. The main drivers of this fair value increase were a $363.1 million uplift for the industrial category driven by continued capitalisation rate compression and a $118.1 million uplift for vacant land due to higher valuation rates per square metre.

As at 30 June 2021, the land asset class within property, plant and equipment was revalued. These revaluations resulted in a combined $762.4 million increase in the carrying value of this asset class, comprising a $7.5 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a $769.9 million increase in revaluation reserve (representing upwards revaluations in excess of any previous downwards revaluations booked to reported profit for other assets). Further information is included in note 2(f) of the financial statements.

2021 Financial position

As at 30 June	2021 $M	2020 $M	% change
Non-current assets	9,657.0	8,460.2	14.1
Current assets	125.8	837.0	(85.0)
Total assets	**9,782.8**	**9,297.2**	**5.2**
Non-current liabilities	1,523.3	2,192.8	(30.5)
Current liabilities	326.0	467.3	(30.2)
Equity	7,933.5	6,637.1	19.5
Total equity and liabilities	**9,782.8**	**9,297.2**	**5.2**

As at 30 June 2021, the book value of Auckland Airport's total assets was $9,782.8 million, an increase of $485.6 million, or 5.2%, on the prior financial year. The increase in total assets reflects the combined effects of the $527.3 million investment property revaluation gain, the $769.9 million revaluation gain relating to land within the property, plant and equipment asset class, and net capital expenditure in the year of $195.7 million (after capital expenditure impairments). This was partially offset by a $685.8 million reduction in cash that was used to repay debt and settle derivative financial instruments.

Shareholders' equity was $7,933.5 million as at 30 June 2021, an increase of $1,296.4 million, or 19.5%, on 30 June 2020. The movement in equity largely reflects the investment property revaluation gains which are included in retained earnings and property, plant and equipment revaluation gains which are predominantly reflected in the property, plant and equipment revaluation reserve.

Gearing, measured as debt to debt plus the market value of shareholders' equity, decreased to 11.6% as at 30 June 2021, from 19.4% as at 30 June 2020.

Capital expenditure

As part of our COVID-19 response strategy, Auckland Airport suspended most of its aeronautical investment programme, focusing capital expenditure activities in the 2021 financial year on asset resilience and renewals.

For the financial year to 30 June 2021, gross capital expenditure totalling $197.1 million was incurred (before impairments), down 47.2% on the prior year and the lowest level of capital expenditure since 2015. Activity in the year was focused mainly on two main areas, the renewal of core infrastructure assets to take advantage of the low demand environment, and the delivery of transport and investment property projects. Refer table below for a summary of capital expenditure in the year.

Category	2021			2020	%	Key 2021 projects
	Gross capex	Write-offs and impairments	Net capex	Net capex	change	
	$M	$M	$M	$M		
Aeronautical	48.1	(1.0)	47.1	152.4	(69.1)	Activity in the year was focused on core infrastructure renewals including continued work on airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishment at both terminals and an upgrade to the domestic terminal's fire systems was commenced. In addition, Auckland Airport developed a satellite passenger processing facility to enable the segregation of international passengers.
Infrastructure and other	75.1	(1.1)	74.0	49.1	50.7	Activity in the year was focused on the continued works associated with the Northern Transport Network project, scheduled for completion in 2021 and the creation of dedicated High Occupancy Vehicle lanes on State Highway 20B. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	72.6	(0.1)	72.5	146.2	(50.4)	Activity in the year included the completion of the facilities for Foodstuffs NZ and Interwaste and an expansion for DHL. Construction works commenced on three pre-leased developments for Hellmann Worldwide Logistics and Geodis Wilson, both scheduled for completion in the first half of 2022, and EBOS Healthcare Logistics, scheduled for completion early in the 2023 financial year. In addition, activity continued on the Te Arikinui Pullman Auckland Airport Hotel.
Retail	0.1	1.0	1.1	10.7	(89.7)	Retail capital expenditure in 2021 included the continued investment in The Mall, Auckland Airport's OMNI channel retail platform.
Car parking	1.2	(0.2)	1.0	12.4	(91.9)	Activity in the year primarily related to renewal of car park guidance systems and barrier arms.
Total	**197.1**	**(1.4)**	**195.7**	**370.8**	**(47.2)**	

During the 2021 financial year, work also began on the development of a trigger-based infrastructure plan that aligns Auckland Airport's future investment programme with the expected recovery in aviation. The first major project under the new trigger-based plan will be a new domestic terminal to integrate jet operations with the existing international facility. Concept design work and consultation with stakeholders around key elements of the design occurred in the financial year.

Capital expenditure outlook for FY22

Capital investment for the year to 30 June 2022 will continue to be focused on delivering core airfield renewals such as runway slab/apron replacements, airfield ground lighting and fuel system upgrades, and completing existing roading infrastructure projects and pre-leased property developments. In addition, work will continue on the design, planning and enabling works for the integration of domestic jet operations into the international terminal.

Reflecting this, capital expenditure for the 2022 financial year is forecast to be between $250 million and $300 million.

Category	Forecast 2022 ($M)	
	Low	High
Aeronautical	119.7	146.6
Infrastructure and other	74.7	80.8
Property development	50.5	64.2
Retail and car parking	5.1	8.4
Total capital expenditure	**250.0**	**300.0**

2021 Financial position CONTINUED

Aeronautical activity will be primarily focused on the airfield. The downturn in flights that came with COVID-19 has created opportunities to increase airfield renewal and upgrade activity including slab, apron, airfield ground lighting renewals and fuel system upgrades with minimal disruption to the travelling public. We also intend to upgrade fire systems in the domestic terminal, replace an ageing airbridge at the international terminal and continue with a programme of general terminal renewals. In addition, changes to security regulations are resulting in upgrades to security screening in the domestic terminal in FY22.

In the 2022 financial year, Auckland Airport plans to progress the design and commence enabling works for the terminal integration programme including associated projects such as extending the operational life of the current domestic terminal, a new multi-storey car park, and demolishing a power centre, operations centre and baggage hall to make way for the new integrated domestic terminal. The worldwide COVID-19 pandemic continues to impose significant uncertainty on the timing of major aeronautical development, however we remain committed to the principle of developing new capacity as and when demand triggers are met. Key stages of this transformational project will be aligned to the recovery in aviation.

Other infrastructure projects in the 2022 financial year will include the completion of Northern Transport Network work on George Bolt Memorial Drive and a new international terminal exit road. In addition, Auckland Airport intends to continue to invest in renewal and upgrades of utility networks and core IT infrastructure, including a major upgrade to the campus fibre network to ensure diversification and resilience of service, as well as ongoing investment in cyber security.

Property projects planned for 2022 include the completion of the Hellmann Worldwide Logistics and Geodis Wilson developments and continuation of the EBOS Healthcare Logistics facility. Auckland Airport and Tainui Group Holdings plan to also make further equity contributions to our existing joint venture for the development of the Te Arikinui Pullman Auckland Airport Hotel. In addition, Auckland Airport will continue to explore new pre-leased property development opportunities.

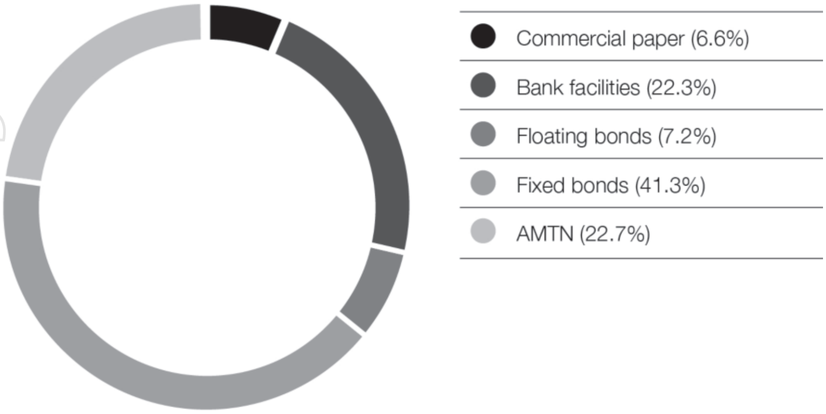
Borrowings

As at 30 June 2021, Auckland Airport's total borrowings were $1,392.8 million, a decrease of $752.4 million, or 35.1% on the previous year. The decrease in borrowings reflects repayment of debt during the year as well as decreases in the fair value of existing debt owing to increases in market interest rates and the strengthening of the New Zealand exchange rate.

As at 30 June 2021, Auckland Airport's borrowings comprised: AMTN notes totalling $315.8 million; New Zealand fixed rate bonds totalling $575.0 million; New Zealand floating rate bonds totalling $100.0 million; drawn bank facilities totalling $310.0 million; and commercial paper totalling $92.0 million.

Short-term borrowings with a maturity of one year or less totalled $220.0 million as at 30 June 2021 and comprised $92.0 million of commercial paper and $128.0 million of drawn bank facilities.

Borrowings by type



In June 2021, Auckland Airport prepaid $425.0 million (US$350.0 million) of outstanding USPP notes. The prepayment of principal, accrued interest and associated swap close-out costs amounted to $438.4 million.

The AMTN borrowings were revalued at year-end to reflect the reduction in value due to the depreciation of the Australian dollar versus the New Zealand dollar, as well as interest rate movements. The AMTN debt carrying value decreased by $15.1 million. The exchange 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 2021, Auckland Airport had fixed rate bonds outstanding of $575.0 million and floating rate notes of $100.0 million. A full breakdown of the maturities of these notes is available in note 18(a).

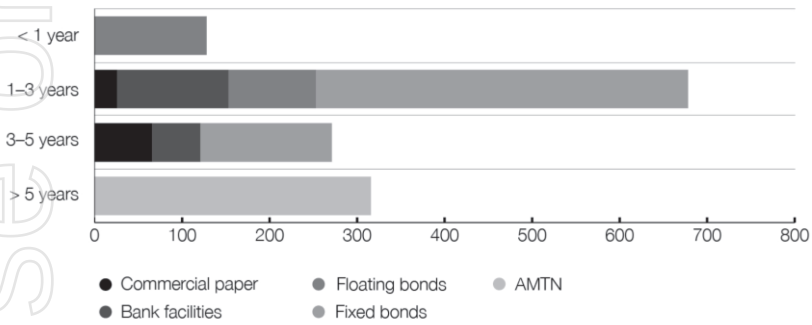
As at 30 June 2021, Auckland Airport had total bank facilities of $1,141.7 million, of which $310.0 million was drawn and $831.7 million was available in a standby capacity. At 30 June 2021, we had a mix of drawn and undrawn facilities with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

In response to the expected impact of travel restrictions from COVID-19, in April 2020 Auckland Airport obtained waivers from its banking group from two financial covenants, interest coverage and gearing for the period through to 31 December 2021. Recognising the ongoing uncertainty associated with the shape and timing of the expected recovery in aviation, in August 2021 we reached agreement with our lenders to extend the maturities on all our bank facilities due to mature before 30 June 2022 and to convert the existing interest coverage covenant from an EBIT-based measure to an EBITDA-based measure from 1 January 2022. Both the existing interest coverage and gearing covenant waivers will expire on 1 January 2022. Further information is available in note 3(d) and note 24 of the financial statements.

2021 Financial position CONTINUED

The commercial paper programme had a balance of $92.0 million as at 30 June 2021. As the commercial paper is supported by undrawn facilities which mature in November 2022 and August 2024, they are included in the one-to-three-year and three-to-five-year brackets for the purpose of the following debt maturity profile chart as at 30 June 2021, matching the maturity of the supporting bank facilities.

Debt maturity profile at 30 June 2021



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

Credit metrics and key lending covenants	Covenant	2021	2020
Gearing	≤ 60%	15.3%	23.5%
Interest coverage	≥ 1.5x	0.75x	2.62x
Debt to enterprise value		11.6%	19.4%
Net debt to enterprise value		10.9%	12.5%
Debt to underlying EBITDAFI		9.0x	5.0x
Funds from operations interest cover		1.5x	3.4x
Funds from operations to net debt		3.9%	18.6%
Weighted average interest cost[1]		5.43%	3.89%
Average debt term to maturity (years)		2.92	4.66
Percentage of fixed borrowings		80.4%	65.4%

1 2021 includes one off close out costs for interest rate swaps, USPP notes and associated cross currency swaps of $23.5m. Excluding these costs the weighted average interest cost was 4.16%

Credit rating

As at 30 June 2021, Standard & Poor's long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'.

Cash flow

Cash flow summary	2021 $M	2020 $M	% change
Net cash inflow from operating activities	61.0	175.8	(65.3)
Net cash outflow from investing activities	(216.5)	(396.6)	(45.4)
Net cash inflow/(outflow) from financing activities	(530.3)	948.8	(155.9)
Net (decrease)/increase in cash held	**(685.8)**	**728.0**	**(194.2)**

Net cash inflow from operating activities was $61.0 million in the 2021 financial year, a decrease of $114.8 million, or 65.3%, on the previous financial year. This is broadly in line with the decline in earnings during the financial year.

Net cash outflow applied to investing activities was $216.5 million in the 2021 financial year, a decrease of $180.1 million, or 45.4%.

Net cash outflow from financing activities was $530.3 million in the 2021 financial year, a decrease of $1,479.1 million, on the previous financial year. This was mainly due to $640 million of borrowings repaid during the year, including all remaining USPP debt and a $150.0 million NZDCM bond maturity. The financing cash inflows of the previous financial year were considerably higher, reflecting the $1.2 billion equity raise in April 2020.

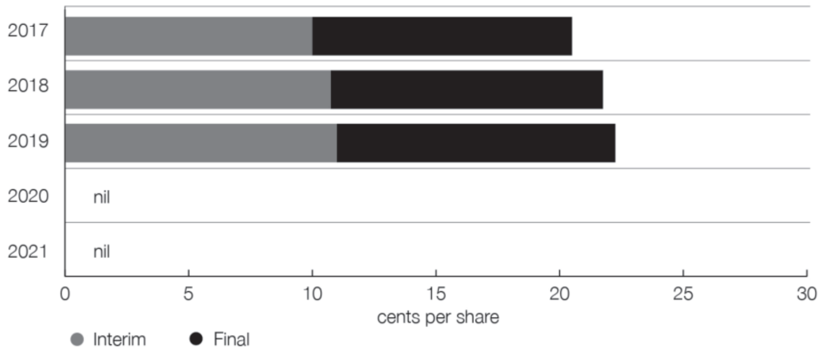
2021 Returns for shareholders

Dividend policy

Auckland Airport's pre-COVID-19 dividend policy was to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items), noting that, in special circumstances, the directors may consider the payment of ordinary dividends above or below this level, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

However, dividends are temporarily suspended until 1 January 2022 while Auckland Airport has financial covenant waivers in place with our banks. Our dividend policy is reviewed annually.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price rose 10.7% in the year to 30 June 2021, from $6.57 to $7.27.

Total shareholder return, including the share price movement relating to the 2021 financial year, was 10.7%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	$	$	cps	$	%
1 July 2016 to 30 June 2021	6.50	7.27	73.50	1.51	4.5%[1]

1 We have updated our return methodology to reflect the timing of cash flows. For shareholders that participated pro-rata in the April 2020 equity raise, the annualised five-year return would be 5.8%.

Financial statements

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Income			
Airfield income		64.0	100.6
Passenger services charge		24.2	133.0
Retail income		17.8	141.5
Rental income		115.2	109.2
Rates recoveries		7.8	7.7
Car park income		28.7	50.3
Interest income		4.9	1.7
Other income		18.5	23.0
Total income		281.1	567.0
Expenses			
Staff	5	45.6	62.9
Asset management, maintenance and airport operations		53.4	77.5
Rates and insurance		20.8	18.0
Marketing and promotions		1.0	8.3
Professional services and levies		3.6	6.2
Fixed asset write-offs, impairment and termination costs	5	2.5	117.5
Reversal of fixed asset impairment and termination costs	5	(19.4)	-
Other expenses		6.3	9.5
Expected credit losses/(release)		(4.2)	6.7
Total expenses		109.6	306.6
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		171.5	260.4
Investment property fair value change	12	527.3	168.6
Property, plant and equipment fair value change	11(a)	(7.5)	(45.9)
Derivative fair value change	18(b)	(0.5)	(1.9)
Share of profit of associate and joint ventures	8	21.1	8.4
Impairment of investment in joint venture	8	-	(7.7)
Earnings before interest, taxation and depreciation (EBITDA)[1]		711.9	381.9
Depreciation	11(a)	124.7	112.7
Earnings before interest and taxation (EBIT)[1]		587.2	269.2
Interest expense and other finance costs	5	94.0	71.8
Profit before taxation		493.2	197.4
Taxation expense	7(a)	29.0	3.5
Profit after taxation attributable to the owners of the parent		464.2	193.9

		Cents	Cents
Earnings per share			
Basic and diluted earnings per share	10	31.54	15.16

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

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Profit for the year		464.2	193.9
Other comprehensive income			
Items that will not be reclassified to the income statement			
Net property, plant and equipment revaluation movement	11(a), 16(b)	769.9	(599.8)
Tax on the property, plant and equipment revaluation reserve	16(b)	-	(32.5)
Movement in share of reserves of associate and joint ventures	8, 16(f)	8.2	-
Items that will not be reclassified to the income statement		778.1	(632.3)
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)	57.7	(44.5)
Realised gains transferred to the income statement	16(d)	12.1	(2.2)
Tax effect of movements in the cash flow hedge reserve	16(d)	(19.5)	13.1
Total cash flow hedge movement		50.3	(33.6)
Movement in cost of hedging reserve	16(e)	3.9	2.7
Tax effect of movement in cost of hedging reserve	16(e)	(1.1)	(0.8)
Items that may be reclassified subsequently to the income statement		53.1	(31.7)
Total other comprehensive income		831.2	(664.0)
Total comprehensive income for the year, net of tax attributable to the owners of the parent		1,295.4	(470.1)

The notes and accounting policies on pages 27 to 74 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 2021

	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 2021										
At 1 July 2020		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,308.2	6,637.1
Profit for the year		-	-	-	-	-	-	-	464.2	464.2
Other comprehensive income		-	-	769.9	-	50.3	2.8	8.2	-	831.2
Total comprehensive income		-	-	769.9	-	50.3	2.8	8.2	464.2	1,295.4
Reclassification to retained earnings	16(b)	-	-	(3.7)	-	-	-	-	3.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.4	-	-	-	-	0.4
At 30 June 2021		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,776.1	7,933.5
For the year ended 30 June 2020										
At 1 July 2019		468.2	(609.2)	4,968.8	1.4	(67.1)	(5.8)	28.8	1,247.8	6,032.9
Profit for the year		-	-	-	-	-	-	-	193.9	193.9
Other comprehensive income		-	-	(632.3)	-	(33.6)	1.9	-	-	(664.0)
Total comprehensive income		-	-	(632.3)	-	(33.6)	1.9	-	193.9	(470.1)
Reclassification to retained earnings	16(b)	-	-	(2.8)	-	-	-	-	2.8	-
Shares issued	15	1,210.4	-	-	-	-	-	-	-	1,210.4
Long-term incentive plan	16(c)	-	-	-	0.2	-	-	-	-	0.2
Dividend paid	9	-	-	-	-	-	-	-	(136.3)	(136.3)
At 30 June 2020		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,308.2	6,637.1

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2021

	Notes	2021 $M	Restated 2020 $M
Non-current assets			
Property, plant and equipment	11(a)	6,832.0	6,060.8
Investment properties	12	2,641.4	2,054.2
Investment in associate and joint ventures	8	154.4	114.7
Derivative financial instruments	18	29.2	230.5
		9,657.0	8,460.2
Current assets			
Cash and cash equivalents	13	79.5	765.3
Trade and other receivables	14	25.4	34.7
Taxation receivable		20.9	21.6
Derivative financial instruments	18	-	15.4
		125.8	837.0
Total assets		9,782.8	9,297.2

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

	Notes	2021 $M	2020 $M
Shareholders' equity			
Issued and paid-up capital	15	1,679.2	1,678.6
Reserves	16	4,478.2	3,650.3
Retained earnings		1,776.1	1,308.2
		7,933.5	6,637.1
Non-current liabilities			
Term borrowings	18(a)	1,172.8	1,824.4
Derivative financial instruments	18	67.9	134.6
Deferred tax liability	7(c)	279.8	231.7
Other term liabilities		2.8	2.1
		1,523.3	2,192.8
Current liabilities			
Accounts payable and accruals	17	103.4	106.3
Derivative financial instruments	18	1.9	3.0
Short-term borrowings	18(a)	220.0	320.8
Provisions	21	0.7	37.2
		326.0	467.3
Total equity and liabilities		9,782.8	9,297.2

These financial statements were approved and adopted by the Board on 19 August 2021.

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

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		271.2	586.0
Interest received		4.9	1.6
		276.1	587.6
Cash was applied to:			
Payments to suppliers and employees		(116.5)	(242.5)
Income tax paid		(0.6)	(94.2)
Interest paid		(98.0)	(75.1)
		(215.1)	(411.8)
Net cash flow from operating activities	6	61.0	175.8
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.4	0.1
Repayment of partner contribution/dividends received from associate and joint ventures	8	5.0	14.9
		5.4	15.0
Cash was applied to:			
Property, plant and equipment additions		(141.9)	(240.5)
Interest paid - capitalised	11(a), 12	(6.5)	(11.8)
Investment property additions		(58.1)	(136.1)
Investment in joint ventures	8	(15.4)	(23.2)
		(221.9)	(411.6)
Net cash flow applied to investing activities		(216.5)	(396.6)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	15	-	1,178.1
Increase in borrowings	18(a)	105.0	125.0
Settlement of cross-currency interest rate swaps		79.6	-
		184.6	1,303.1
Cash was applied to:			
Decrease in borrowings	18(a)	(714.9)	(250.0)
Dividends paid	9, 15	-	(104.3)
		(714.9)	(354.3)
Net cash flow applied to financing activities		(530.3)	948.8
Net (decrease)/increase in cash held		(685.8)	728.0
Opening cash brought forward		765.3	37.3
Ending cash carried forward	13	79.5	765.3

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2021

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

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 reregistered 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 19 August 2021.

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.

(c) New accounting standards and interpretations

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with Software-as-a-Service (SaaS) applications. The new interpretation only permits capitalisation for SaaS in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense. The decision did not address the accounting for other components of cloud technology such as Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS). The group currently capitalises configuration and customisation costs for SaaS, IaaS and PaaS.

The group has commenced a review of its cloud-based applications to determine which are captured by the new interpretation and whether the previously capitalised amounts are material for restatement. Due to the complexity of historical SaaS projects, the entity is still in the process of obtaining the required information to analyse the impact of the agenda decision. Based on analysis performed as at the date of this report, the group estimates that, as at 30 June 2021, software assets with a carrying value of up to $15.6 million may be affected by the decision. In the year ended 30 June 2021, the group significantly reduced its capital expenditure programme, including SaaS projects. Therefore, any reclassification to operating costs for current year expenditure is likely to be outweighed by a decrease in depreciation in respect of projects that were capitalised in prior years. The group estimates that, for the year ended 30 June 2021, the potential increase in operating costs is unlikely to exceed $2.9 million and the potential decrease in depreciation is unlikely to exceed $9.8 million. The group intends to complete its review before 31 December 2021 and may restate its financial statements if material.

The group has changed its presentation of lease incentives and receivables arising from fixed future rental revenue increases on investment property. The group previously recognised these within trade and other receivables but now recognises them within investment properties. As a result of recent lease agreements, the impact of lease incentives and receivables has grown and is expected to become more material in future. The comparative amounts to 30 June 2020 have been restated in the consolidated statement of financial position and at notes 6, 12 and 14. There has been no impact on reported profit.

There are no other new or amended standards that are issued but not yet effective that are expected to have a material impact on the group.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries over which the group has control. On consolidation, all inter-company balances and transactions, income and expenses, and profit and losses resulting from transactions within the group have been eliminated in full.

(e) Investments in associate and joint ventures

The equity method of accounting is used for the three investments over which the group has significant influence but not a controlling interest.

Under the equity method, the investment in the associate is carried at cost plus post-acquisition changes in the group's share of net assets of the associate less impairment losses. Goodwill relating to the associate is included in the carrying amount of the investment.

The group's share of the associate and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves and the property, plant and equipment revaluation reserve is recognised in other comprehensive income and accumulated as a separate component of equity in the share of reserves of associate and joint ventures. The post-acquisition movements are included after adjustments to align the accounting policies with those of the group.

(f) Property, plant and equipment

Properties held for airport operations purposes are classified as property, plant and equipment.

Property, plant and equipment are initially recognised at cost.

Vehicles, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Land, buildings and services, runway, taxiways and aprons and infrastructural assets are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance date.

Revaluations

Revaluation increases are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Revaluation decreases are recognised in the income statement, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Land (including reclaimed land)	Indefinite
Buildings and services	5 - 50 years
Infrastructural assets	5 - 80 years
Runway, taxiways and aprons	12 - 40 years
Vehicles, plant and equipment	3 - 10 years

Leased assets

Space within the terminals and certain properties used for aeronautical purposes, where the group acts as a lessor, are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and adjustments to rentals depending on the passenger numbers.

To manage credit risk exposure where considered necessary, the group may obtain bank guarantees for the term of the lease.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(g) Investment properties

Investment properties are properties held by the group to earn rental income, for capital appreciation or both (including property being constructed or developed for future use as investment property). Land held for a currently undetermined future use is classified as investment property.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

2. Summary of significant accounting policies CONTINUED

Investment properties are measured initially at cost and then subsequent to that initial measurement are stated at fair value. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement.

If the fair value of investment property under construction cannot be reliably determined but it is expected that the fair value of the property can be reliably determined when construction is complete, then investment property under construction will be measured at cost until either its fair value can be reliably determined or construction is complete.

Transfers are made to investment property when there is a change in use. This may be evidenced by ending of owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

A property transfer from investment property to property, plant and equipment or inventory has a deemed cost for subsequent accounting at its fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the group accounts for such property as an investment property only subsequent to the date of change in use.

Investment properties where the group acts as a lessor are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and other adjustments to rentals, with any credit risk being managed in the same way as described for property, plant and equipment leased assets (refer to note 2(f)).

(h) Impairment of non-financial assets

Property, plant and equipment and investments in associate and joint ventures are assessed for indicators of impairment at each reporting date. For further information, refer to note 11(c) and note 8.

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation is suspended if active development of the qualifying asset is suspended for an extended period. Other borrowing costs are expensed as incurred.

(j) Financial instruments

The group's financial assets comprise cash and cash equivalents, accounts receivable and dividends receivable (classified as financial assets at amortised cost) and derivatives (classified as financial assets at fair value through profit and loss or designated as a hedge).

The group's financial liabilities comprise accounts payable and accruals, borrowings, provisions, other liabilities (classified as financial liabilities at amortised cost) and derivatives (classified as financial liabilities at fair value through profit and loss or designated as a hedge).

Cash

Cash in the statement of financial position and the cash flow statement comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

Accounts receivable

Accounts receivable are recognised and carried at the original invoice amount less an allowance for impairment. Auckland Airport applies the "simplified approach" for including a general provision for expected credit losses as prescribed by NZ IFRS 9. This approach permits the use of lifetime expected loss provisions for all trade receivables. In addition, the collectability of individual debtors is reviewed on an ongoing basis and a specific provision for expected credit losses is made when there is evidence that Auckland Airport will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated.

Lease incentives and receivables

Lease incentives are initially recognised at value of the incentive and amortised over the term of the lease. Other lease receivables may arise when fixed future retail or rental revenue increases are recognised on a straight-line basis over the term of the lease (refer to note 2(l)). The group assesses lease incentives and receivables for impairment at each reporting date and recognises impairment losses as prescribed by NZ IFRS 9.

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).

(k) Issued and paid-up capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the group reacquires its own shares, those treasury shares are recognised as a reduction in shareholders' equity.

(l) Revenue recognition

Airfield income
Airfield income consisting of landing charges and aircraft parking charges is paid by the airlines and recognised as revenue when the airport facilities are used.

Passenger services charges
Passenger services charges relating to arriving, departing and transiting passengers are paid by the airlines and recognised as revenue when the airport facilities are used by the passengers.

Retail and rental income
Retail concession fees are recognised as revenue on an accrual basis based on the turnover of the concessionaires and in accordance with the related agreements. Rent abatements are recognised as an offset to revenue as negative variable lease payments when the group has a contractual or constructive obligation to adjust fixed rent in response to significant reductions in passenger numbers or similar material adverse change. Fixed retail and rental income increases are recognised as revenue on a straight-line basis over the term of the leases, which may result in lease receivable balances. The group assesses lease receivable balances for impairment at each reporting period (refer note 2(j)).

Car park income
Revenue from public car parks is recognised when the car park utilisation has been completed. Revenue from staff car parks is recognised as revenue when the airport facilities are used.

Other income
Other income includes revenue from utilities provided to our tenants, such as electricity, water and gas. Revenue from utilities is recognised and billed based on customer consumption.

Interest income
Interest income is recognised as interest accrues using the effective interest method.

Dividend income
Dividends are recognised when the group's right to receive payment is established.

(m) Employee benefits

Employee benefits, including salaries and wages, superannuation and leave entitlements are expensed as the related service is provided.

The group also provides benefits to executives and employees of the group in the form of share-based payment transactions, whereby executives and employees render services in exchange for shares or rights over shares (equity-settled transactions) and/or cash settlements based on the price of the group's shares against performance targets (cash-settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity-settled transactions
The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

Cash-settled transactions
The fair value of cash-settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change in the employee entitlements liability.

(n) Income tax and other taxes

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income.

Deferred tax
Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Under NZ IAS 12, the measurement of deferred tax depends on whether an entity expects to recover an asset through use or by selling it and includes a rebuttable presumption that an investment property is recovered entirely through sale. The group has rebutted that presumption since it retains ownership in all investment property and recovers the value through use, being operating leases to tenants.

Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the income statement.

Goods and services tax (GST)
Revenue, expenses, assets and liabilities are stated exclusive of GST, except for receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the cash flow statement on a gross 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

3. Significant accounting judgements, estimates and assumptions

In producing the financial statements, the group makes judgements, estimates and assumptions based on known facts at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements that have the most significant effect on the amounts recognised and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(a) Fair value of investment property

Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology are disclosed in note 12.

(b) Carrying value of property, plant and equipment

Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

The carrying value of property, plant and equipment and the valuation methodologies and assumptions are disclosed in note 11(c).

(c) Movements in the carrying value of property, plant and equipment

When revaluations are carried out by independent valuers, the valuer determines a value for individual assets. This may involve allocations to individual assets from projects and allocations to individual assets within a class of assets. The allocations to individual assets may be different to the allocations performed at the time a project was completed or different to the allocations to the individual asset made at the previous asset revaluation. These differences at an asset level may be material and can impact the income statement.

(d) COVID-19

During March 2020 the World Health Organization declared a global pandemic in relation to COVID-19. The New Zealand Government responded to COVID-19 by closing the international border for non-residents and introducing an alert level system with restrictions on business activity and societal interaction. This had a significant impact on Auckland Airport. Passenger numbers fell, both domestically and internationally, significantly impacting both the aeronautical and non-aeronautical business activities of the company. In response, Auckland Airport initiated a number of actions as reported in the 2020 Financial Statements.

The following measures remained in place throughout the 2021 financial year:

- Suspension of dividends (see note 9);
- Reduced operating expenditure;
- Suspension of some capital expenditure projects; and
- Financial covenant waivers until 31 December 2021 (see note 18(a)).

During the financial year ended 30 June 2021, New Zealand and Australia remained predominantly COVID-19 free, allowing a substantial recovery in domestic passenger numbers. As a result, in April 2021 the New Zealand and Australian Governments introduced the trans-Tasman travel bubble allowing two-way quarantine-free border crossings for passengers travelling between New Zealand and Australia. This delivered a partial recovery of international passenger numbers through Auckland Airport during the final quarter of the 2021 financial year.

Since then, however, Australia has experienced widespread outbreaks of the highly infectious delta variant, sending several states into lockdown. On 23 July, the New Zealand Government announced the suspension of quarantine-free trans-Tasman travel until 17 September, and this initial eight-week suspension might be extended. As a result, Auckland Airport brought forward its planned bank discussions regarding:

- extending nearly $700.0 million of bank facilities due to mature over January-April 2022 ($128.0 million drawn at 30 June 2021) to support short term liquidity; and
- modifying the interest coverage covenant after the current waiver expires on 1 January 2022.

The company is very pleased with the support provided by all eight banks which has resulted in $688 million of facilities being extended by between 7-19 months from the original maturity dates and the interest coverage covenant being converted from the previous 1.5x EBIT-based measure (excluding revaluations) to a new EBITDA-based measure (also excluding revaluations) that steps up progressively broadly in line with the anticipated recovery in international passengers. The EBITDA-based interest coverage covenant will start at 2.0x for calendar 2022, rising to 2.5x for calendar 2023 and settling at 3.0x for calendar 2024 onwards. As previously, there will be two measurement dates each year, these being 30 June and 31 December. The company forecasts that it will exceed the new covenant at the first measurement date on 30 June 2022.

The pandemic has continued to impact key estimates and judgements used in these financial statements, including:

- Recognition of rent abatements as negative variable rent (see note 2(l) and note 5);
- Impairment and write-off of capital works in progress (see note 11 and note 12);
- Provision for expected credit losses (see note 14); and
- Revaluations of property, plant and equipment and investment properties (see note 11 and note 12).

(e) Non-GAAP financial information

In reporting financial information, the group presents the following non-GAAP performance measures, which are not defined or specified under the requirements of NZ IFRS:

- EBITDAFI (Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures);
- EBITDA (Earnings before interest expense, taxation and depreciation); and
- EBIT (Earnings before interest expense and taxation).

The group believes that these non-GAAP measures, which are not considered to be a substitute for or superior to NZ IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The non-GAAP measures are consistent with how the group's financial performance is planned and reported to the Board and Audit and Financial Risk Committee. However, the non-GAAP measures may not be comparable to similarly titled amounts reported by other companies.

4. Segment information

(a) Identification of reportable segments

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

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

(b) Types of services provided

Aeronautical

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

New Zealand's international border remained closed to non-residents for the majority of the year ended 30 June 2021, significantly affecting airfield income and passenger services charges. The group provided $3.4 million of abatements to aeronautical customers during the year ended 30 June 2021. Refer to note 3 for further information.

Retail

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

The above-mentioned travel restrictions continued to affect retailers within the terminals and the group provided $185.4 million of abatements to retailers during the year ended 30 June 2021. Refer to note 3 for further information.

Property

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

The group provided $4.0 million of rent abatements to property tenants during the year ended 30 June 2021, but this was offset by new tenancies, with no material impact on total property rental revenue due to COVID-19 during the year.

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2021 financial year accounted for 31.0% of external revenue (2020: 26.6%). 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

4. Segment information CONTINUED

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2021				
Income from external customers				
Airfield income	64.0	-	-	64.0
Passenger services charge	24.2	-	-	24.2
Retail income	-	17.8	-	17.8
Rental income	14.4	0.3	100.5	115.2
Rates recoveries	0.8	1.6	5.4	7.8
Car park income	-	28.7	-	28.7
Other income	6.7	3.8	3.8	14.3
Total segment income	110.1	52.2	109.7	272.0
Expenses				
Staff	29.1	3.4	2.8	35.3
Asset management, maintenance and airport operations	29.1	5.4	4.3	38.8
Rates and insurance	5.8	3.3	9.4	18.5
Marketing and promotions	0.3	0.5	0.1	0.9
Professional services and levies	0.5	0.2	0.7	1.4
Fixed asset write-offs, impairment and termination costs	1.8	0.3	0.1	2.2
Reversal of fixed asset impairment and termination costs	(17.8)	(1.6)	-	(19.4)
Other expenses	1.0	0.6	1.0	2.6
Total segment expenses	49.8	12.1	18.4	80.3
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	60.3	40.1	91.3	191.7

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2020				
Income from external customers				
Airfield income	100.6	-	-	100.6
Passenger services charge	133.0	-	-	133.0
Retail income	-	141.5	-	141.5
Rental income	20.3	0.4	88.5	109.2
Rates recoveries	0.7	1.6	5.4	7.7
Car park income	-	50.3	-	50.3
Other income	7.7	8.1	3.1	18.9
Total segment income	262.3	201.9	97.0	561.2
Expenses				
Staff	37.3	6.0	4.3	47.6
Asset management, maintenance and airport operations	41.2	15.6	4.3	61.1
Rates and insurance	5.5	2.8	8.6	16.9
Marketing and promotions	4.4	2.9	0.3	7.6
Professional services and levies	1.5	0.4	1.5	3.4
Fixed asset write-offs, impairment and termination costs	105.4	8.4	1.8	115.6
Other expenses	5.2	1.1	2.7	9.0
Total segment expenses	200.5	37.2	23.5	261.2
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	61.8	164.7	73.5	300.0

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

(e) Reconciliation of segment income to income statement

	2021 $M	2020 $M
Segment income	272.0	561.2
Interest income	4.9	1.7
Other revenue	4.2	4.1
Total income	281.1	567.0

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

4. Segment information CONTINUED

(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.

	2021 $M	2020 $M
Segment EBITDAFI[1]	191.7	300.0
Unallocated external operating income	9.1	5.8
Unallocated external operating expenses	(29.3)	(45.4)
Total EBITDAFI as per income statement[1]	171.5	260.4
Investment property fair value increase	527.3	168.6
Property, plant and equipment revaluation	(7.5)	(45.9)
Derivative fair value increase/(decrease)	(0.5)	(1.9)
Share of profit of associate and joint ventures	21.1	8.4
Impairment of investment in joint venture	-	(7.7)
Depreciation	(124.7)	(112.7)
Interest expense and other finance costs	(94.0)	(71.8)
Profit before taxation	493.2	197.4

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

5. Profit for the year

	Notes	2021 $M	2020 $M
Retail and rental income includes:			
Variable lease payments		15.3	7.2
Rent abatements		(192.8)	(64.8)
Impairment of lease receivables		-	(15.6)
Staff expenses comprise:			
Salaries and wages		42.6	48.2
Employee benefits		1.5	4.6
Share-based payment plans	23	0.5	0.6
Defined contribution superannuation		1.6	1.9
Redundancies		-	5.9
Government wage subsidy		(2.2)	(4.1)
Other staff costs		1.6	5.8
		45.6	62.9
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs - property, plant and equipment	11(a)	0.1	22.1
Termination costs - property, plant and equipment		-	55.3
Impairment - property, plant and equipment	11(a)	2.3	39.7
Write-offs - investment properties	12	0.1	0.4
		2.5	117.5
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of termination costs - property, plant and equipment	21	(18.3)	-
Reversal of impairment - property, plant and equipment	11(a)	(1.1)	-
		(19.4)	-
Other expenses include:			
Directors' fees		1.3	1.4
Bad debts written off		-	0.6
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		35.9	40.7
Interest on bank facilities and related hedging instruments		19.3	16.9
Interest on USPP notes and related hedging instruments		9.8	13.5
Interest on AMTN notes and related hedging instruments		8.7	9.3
Interest on commercial paper and related hedging instruments		2.8	3.2
Close out cost of hedge accounted swaps linked to debt not refinanced	18(b)	11.6	-
Make-whole to USPP noteholders for prepayment	18(a)	44.4	-
Proceeds on close out of USPP related cross-currency swaps	18(a)	(32.0)	-
		100.5	83.6
Less capitalised borrowing costs	11(a), 12	(6.5)	(11.8)
		94.0	71.8
Interest rate for capitalised borrowing costs		4.16%	3.89%

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

5. Profit for the year CONTINUED

The gross interest costs of bonds, bank facilities, USPP notes, AMTN notes and commercial paper, excluding the impact of interest rate hedges, was $113.5 million for the year ended 30 June 2021 (2020: $81.1 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

	2021 $'000	2020 $'000
Audit of financial statements		
Audit and review of financial statements[1]	386.0	233.0
Other services		
Regulatory audit work[2]	50.1	50.0
Other services[3]	53.3	25.0
Total fees paid to auditor	489.4	308.0

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements. Included in the 2021 audit fee is an amount of $113,000 relating to the FY20 audit that was agreed and invoiced in 2021.
2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.
3 Other services include $30,000 relating to greenhouse gas inventory assurance and sustainability data quality non-assurance services. The group has also paid $14,000 to Deloitte for administrative and other advisory services to the Corporate Taxpayers Group, of which the group, alongside a number of other organisations, is a member. The remaining other services relate to independent AGM vote scrutineering ($6,000) and trustee reporting ($3,300).

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

	2021 $M	Restated 2020 $M
Profit after taxation	464.2	193.9
Non-cash items		
Depreciation	124.7	112.7
Deferred taxation expense	27.7	(53.8)
Fixed asset write-offs and impairment	2.5	62.2
Reversal of fixed asset impairment	(1.1)	-
Equity-accounted earnings from associate and joint ventures	(21.1)	(8.4)
Impairment of investment in joint venture	-	7.7
Property, plant and equipment fair value revaluation	7.5	45.9
Investment property fair value increase	(527.3)	(168.6)
Derivative fair value decrease	0.5	1.9
Items not classified as operating activities		
Gain on asset disposals	0.3	(0.1)
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	20.6	(47.4)
Decrease in investment property retentions and payables	4.3	2.9
Increase in investment property lease incentives and receivables	(13.9)	(12.9)
Items recognised directly in equity	0.8	0.5
Movement in working capital		
(Increase)/decrease in trade and other receivables	9.3	35.7
Increase/(decrease) in taxation payable	0.7	(36.9)
(Decrease)/increase in accounts payable and provisions	(39.4)	40.3
Increase in other term liabilities	0.7	0.2
Net cash flow from operating activities	61.0	175.8

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

7. Taxation

(a) Income tax expense

	2021 $M	2020 $M
The major components of income tax are:		
Current income tax		
Current income tax charge	1.2	57.4
Income tax (under)/over provided in prior year	0.1	(0.1)
Deferred income tax		
Movement in deferred tax	27.7	(53.8)
Total taxation expense	29.0	3.5

(b) Reconciliation between prima facie taxation and tax expense

	2021 $M	2020 $M
Profit before taxation	493.2	197.4
Prima facie taxation at 28%	138.1	55.3
Adjustments:		
Share of associates' tax paid earnings	(0.2)	(1.2)
Revaluation with no tax impact	(103.9)	(36.5)
Income tax over provided in prior year	(0.1)	(0.1)
Reinstatement of depreciation on buildings	-	(44.7)
Non-deductible asset write-offs, impairment and termination costs	(4.8)	32.9
Other	(0.1)	(2.2)
Total taxation expense	29.0	3.5

(c) Deferred tax assets and liabilities

	Balance 1 July 2020 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Balance 30 June 2021 $M
Deferred tax liabilities					
Property, plant and equipment	183.7	(5.6)	-	-	178.1
Investment properties	94.8	49.8	-	-	144.6
Other	0.2	3.5	-	-	3.7
Deferred tax liabilities	278.7	47.7	-	-	326.4
Deferred tax assets					
Cash flow hedge	40.6	-	(20.6)	-	20.0
Tax losses	-	26.3	-	-	26.3
Provisions, accruals and long-term incentive plan	6.4	(6.3)	-	0.2	0.3
Deferred tax assets	47.0	20.0	(20.6)	0.2	46.6
Net deferred tax liability	231.7	27.7	20.6	(0.2)	279.8

	Balance 1 July 2019 $M	Movement in income $M	Movement in other comprehensive income $M	Reinstatement of depreciation on buildings $M	Balance 30 June 2020 $M
Deferred tax liabilities					
Property, plant and equipment	202.3	(6.4)	32.5	(44.7)	183.7
Investment properties	88.9	5.9	-	-	94.8
Other	3.2	(3.0)	-	-	0.2
Deferred tax liabilities	294.4	(3.5)	32.5	(44.7)	278.7
Deferred tax assets					
Cash flow hedge	28.3	-	12.3	-	40.6
Provisions and accruals	0.8	5.6	-	-	6.4
Deferred tax assets	29.1	5.6	12.3	-	47.0
Net deferred tax liability	265.3	(9.1)	20.2	(44.7)	231.7

In March 2020, the Government reintroduced depreciation deductions on commercial buildings for tax purposes, applicable from 1 April 2020. The impact of this change increased the depreciable tax base for these assets, which resulted in a one-off reduction in deferred tax liability and a reduction in tax expense of $44.7 million in the year ended 30 June 2020.

(d) Imputation credits

	2021 $M	2020 $M
Imputation credits available for use in subsequent reporting periods at 30 June	0.8	0.2

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

8. Associate and joint ventures

(a) Tainui Auckland Airport Hotel Limited Partnership (joint venture)

The partnership formed by AAPC Properties Pty Limited (Accor Hospitality), Tainui Group Holdings Limited and Auckland Airport developed and operates a 4-star plus, 263-room Novotel hotel adjacent to the international terminal at Auckland Airport. On 31 October 2019, Auckland Airport increased its investment in Tainui Auckland Airport Hotel Limited Partnership from 40% to 50% by way of acquiring Accor Hospitality's remaining 10% stake in the partnership. The 10% stake was purchased for a consideration of $6.6 million, which included goodwill of $4.4 million.

The partnership has a balance date of 31 March 2021. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2021 and management accounts for the balance of the year to 30 June 2021.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel continues to be contracted to the New Zealand Government as a managed isolation facility (30 June 2020: $7.7 million impairment of goodwill).

Two of Auckland Airport's senior management staff are directors on the boards of both the Tainui Auckland Airport Hotel Limited Partnership and the Tainui Auckland Airport Hotel 2 Limited Partnership. No directors' fees are paid in relation to these appointments but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

Other transactions with the partnership are as follows:

	2021 $M	2020 $M
Rental income received	0.6	1.0
Future minimum rentals receivable under non-cancellable operating lease	10.5	15.0

(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 $37.1 million into the partnership (2020: had contributed $21.7 million into the partnership).

The group considers that there are no impairment indicators for its investment, which is measured at cost of the works under construction. The boards of both Tainui Group Holdings and Auckland Airport continue to consider the ongoing impact of COVID-19 and have resolved to continue construction of the hotel to be ready for the post-COVID-19 recovery. However, the remaining construction works is split into two phases. The first phase is to complete the facade and structural elements to make the building watertight and fit for code compliance. The second phase will be to carry out all internal fit-outs ready for opening. The timing of the second phase will depend on the recovery in international passenger numbers following COVID-19.

Other transactions with the partnership are as follows:

	2021 $M	2020 $M
Rental income received	0.7	-
Future minimum rentals receivable under non-cancellable operating lease	21.3	22.0

(c) Queenstown Airport Corporation Limited (associate)

On 8 July 2010, Auckland Airport invested $27.7 million in four million new shares (24.99% of the increased shares on issue) in Queenstown Airport Corporation Limited (Queenstown Airport) and formed a strategic alliance. The strategic alliance commits both airports to work together to drive more tourist traffic into New Zealand and through the two airports. The airport companies also pursue operational synergies and benefits in other areas, such as aeronautical operations, retailing activities and property development. The group does not earn fees for the services provided by Auckland Airport's management staff under the strategic alliance agreement. One of Auckland Airport's senior management staff is on the board of Queenstown Airport.

The group considers that there are no impairment indicators for its investment. Queenstown Airport has taken steps to reduce its cost structure, including the reduction of operating expenditure and an organisational restructure. In addition, discretionary capital expenditure has been reduced with a focus on maintaining critical services and meeting regulatory requirements. The company has reported a $34.5 million revaluation increase in the year ended 30 June 2021.

Summary financial information

The information below reflects the full amounts in the financial statements of the associate and joint ventures (not the group's share of those amounts) before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies with those of the group.

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2021	2020	2021	2020	2021	2020
	$M	$M	$M	$M	$M	$M
Revenue	25.1	29.8	-	-	27.8	46.7
EBITDA	13.2	10.2	-	-	17.1	31.3
Profit after taxation	9.9	7.1	-	-	1.7	17.6
Other comprehensive income/(loss)	-	-	-	-	33.1	(0.1)
Total comprehensive income for the year	9.9	7.1	-	-	34.8	17.5
Distributions						
Repayment of partner contribution/dividends received	(10.0)	(26.0)	-	-	-	(8.3)
Auckland Airport share of repayment of partner contribution/dividends received	(5.0)	(12.8)	-	-	-	(2.1)

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2021	2020	2021	2020	2021	2020
	$M	$M	$M	$M	$M	$M
Current assets	4.9	5.7	1.1	0.6	24.6	7.8
Non-current assets	59.0	60.1	73.0	42.8	403.3	390.7
Total assets	63.9	65.8	74.1	43.4	427.9	398.5
Current liabilities	52.5	5.5	-	-	4.0	24.1
Non-current liabilities	10.2	59.2	-	-	95.5	81.1
Shareholders' equity	1.2	1.1	74.1	43.4	328.4	293.3
Total equity and liabilities	63.9	65.8	74.1	43.4	427.9	398.5
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	0.6	0.6	37.1	21.7	82.0	73.4
Investment property depreciation and revaluation adjustment	29.5	13.8	-	-	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	36.2	20.5	37.1	21.7	81.1	72.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

8. Associate and joint ventures CONTINUED

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

	2021 $M	2020 $M
Investment in associate and joint ventures at the beginning of the year	114.7	105.7
Further investment in joint ventures	15.4	23.2
Share of profit of associate and joint ventures	6.1	8.4
Revaluation of investment property	15.0	-
Impairment of investment in joint venture	-	(7.7)
Share of reserves of associate and joint ventures	8.2	-
Share of dividends received or repayment of partner contribution	(5.0)	(14.9)
Investment in associate and joint ventures at the end of the year	154.4	114.7

9. Distribution to shareholders

	Dividend payment date	2021 $M	2020 $M
2019 final dividend of 11.25 cps	18 October 2019	-	136.3
Total dividends paid		-	136.3

Supplementary dividends are not included in the above dividends as the company receives an equivalent tax credit from Inland Revenue. There were no supplementary dividends in the year ended 30 June 2021 (2020: $9.7 million).

As part of the capital restructure undertaken in April 2020 in response to COVID-19, Auckland Airport agreed financial covenant waivers with its bank lenders and USPP noteholders and agreed that no dividends will be paid while those waivers are in effect. Hence no dividends were paid during, or declared for, the year ended 30 June 2021.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $464.2 million (2020: $193.9 million).

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

	2021 Shares	2020 Shares
For basic earnings per share	1,471,999,685	1,279,220,528
Effect of dilution of share options	-	-
For diluted earnings per share	1,471,999,685	1,279,220,528

The 2021 reported basic and diluted earnings per share is 31.54 cents (2020: 15.16 cents).

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 2021						
Balances at 1 July 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	202.1	202.1
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(56.9)	(0.3)	-	(132.1)	(189.3)
Balances at 1 July 2020	3,931.1	1,140.7	487.5	378.3	123.2	6,060.8
Additions and transfers within property, plant and equipment	-	(2.5)	81.8	27.5	18.5	125.3
Transfers from/(to) investment property	12.2	(1.7)	(0.2)	-	(0.1)	10.2
Revaluation recognised in property, plant and equipment revaluation reserve	769.9	-	-	-	-	769.9
Revaluation recognised in the income statement	(7.5)	-	-	-	-	(7.5)
Impairment	-	(0.5)	(0.5)	-	(1.3)	(2.3)
Reversal of impairment	-	1.1	-	-	-	1.1
Write-offs	-	-	(0.1)	-	-	(0.1)
Depreciation	-	(57.2)	(16.6)	(16.7)	(34.2)	(124.7)
Movement to 30 June 2021	774.6	(60.8)	64.2	10.8	(17.6)	771.2
Balances at 30 June 2021						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	219.9	219.9
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(164.1)	(311.8)
Balances at 30 June 2021	4,705.7	1,079.9	551.7	389.1	105.6	6,832.0

Additions for the year ended 30 June 2021 include capitalised interest of $4.1 million (2020: $6.8 million).

The group includes leased properties within property, plant and equipment when the properties are held for the purpose of airport operations. The following categories of property, plant and equipment are leased to tenants:

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $296.3 million (30 June 2020: $216.0 million);
- Land associated with retail facilities within terminal buildings carried at $2,004.8 million (30 June 2020: $1,667.5 million); and
- Terminal building premises (within buildings and services), being 13% of total floor area and carried at $120.1 million (30 June 2020: 13% of total floor area or $113.7 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2020						
Balances at 1 July 2019						
At fair value	4,645.4	981.8	402.7	343.7	-	6,373.6
At cost	-	-	-	-	174.4	174.4
Work in progress at cost	-	75.3	42.7	54.8	57.0	229.8
Accumulated depreciation	-	(0.4)	(42.3)	(52.0)	(106.0)	(200.7)
Balances at 1 July 2019	4,645.4	1,056.7	403.1	346.5	125.4	6,577.1
Additions and transfers within property, plant and equipment	-	179.3	73.2	4.8	37.1	294.4
Transfers from/(to) investment property	6.9	2.6	-	-	-	9.5
Revaluation recognised in property, plant and equipment revaluation reserve	(715.9)	-	75.3	40.8	-	(599.8)
Revaluation recognised in the income statement	(5.3)	-	(39.5)	(1.1)	-	(45.9)
Impairment	-	(32.5)	(5.3)	(0.9)	(1.0)	(39.7)
Write-offs	-	(7.4)	(1.9)	-	(12.8)	(22.1)
Depreciation	-	(58.0)	(17.4)	(11.8)	(25.5)	(112.7)
Movement to 30 June 2020	(714.3)	84.0	84.4	31.8	(2.2)	(516.3)
Balances at 30 June 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	202.1	202.1
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(56.9)	(0.3)	-	(132.1)	(189.3)
Balances at 30 June 2020	3,931.1	1,140.7	487.5	378.3	123.2	6,060.8

(b) Carrying amounts of land, buildings and services, infrastructure, runway, taxiways and aprons if measured at historical cost less accumulated depreciation

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2021						
At historical cost	153.9	1,335.3	412.8	365.2	219.9	2,487.1
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(621.4)	(162.3)	(221.4)	(164.1)	(1,169.2)
Net carrying amount	153.9	852.7	409.5	209.9	105.6	1,731.6
Year ended 30 June 2020						
At historical cost	153.3	1,310.3	394.8	349.8	202.1	2,410.3
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(584.4)	(149.0)	(214.2)	(132.1)	(1,079.7)
Net carrying amount	153.3	893.2	341.9	191.8	123.2	1,703.4

(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 2021 by Savills Limited (Savills), Jones Lang LaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Buildings and services, infrastructure and runway, taxiways and aprons were not revalued at 30 June 2021. The assessment is that there is not a material difference between the carrying value and the fair value of those asset classes at 30 June 2021.

Impairment and write-offs

Infrastructure and runway, taxiways and aprons were last revalued at 30 June 2020. Buildings and services were last revalued at 30 June 2019. To check for any indicators of impairment for these asset classes, which are periodically revalued using the optimised depreciated replacement cost method, the group considered the movements in the capital goods price index since 30 June 2020 and 30 June 2019, respectively. There are no indicators of impairment.

The group has also assessed indicators of impairment for assets held at depreciated cost. There are no indicators of impairment in the vehicles, plant and equipment portfolio. The group has re-assessed the capital work in progress portfolio and, for the year ended 30 June 2021, has reported additional impairments of $1.2 million. The impairment assessment methodology was consistent with the prior year and the group considered the following factors, including the extent to which projects:

- are designed, consented, currently active and intended to be completed;
- are still contemplated by the airport masterplan or are a strategic priority; and
- for aeronautical-related projects, whether or not they are still expected to be included in the regulated asset base.

Projects that did not satisfy the relevant above factors were written off. Where projects satisfied the relevant above factors, the group further categorised them according to the likelihood of being completed to the original scope and design. If a project is not completed to the original design, a portion of the work already performed may be abandoned in the future. Such projects were grouped according to the assessed likelihood of material future scope changes and impaired by between 25% and 75%.

Following the revaluations, and impairment of capital work in progress, the group has also considered whether there is any further indication of impairment at the cash-generating unit level. The group has assessed that it has a single core cash-generating unit, which comprises all assets other than investment property. The group has considered its enterprise market valuation and the long-term nature of its assets and concluded that there is no further impairment at the cash-generating unit level.

Fair value measurement

The valuers use different approaches for valuing different asset groups. Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value. Assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value.

The group's land, buildings and services, infrastructure, runway, taxiways and aprons are all categorised as Level 3 in the fair value hierarchy as described in note 18(c). During the year, there were no transfers between the levels of the fair value hierarchy.

Impact of COVID-19

Due to the effects of COVID-19, the previous valuations at 30 June 2020 were prepared on the basis of 'significant market uncertainty' or 'material valuation uncertainty', except for reclaimed land.

The valuations of airfield land and aeronautical land associated with aircraft, freight and non-retail terminal uses at 30 June 2021 are no longer subject to 'material valuation uncertainty' due to the strength of the property market and recent sales evidence.

The valuations of land associated with car park facilities and retail facilities within terminal buildings at 30 June 2021 remain subject to 'material valuation uncertainty' and therefore the valuers have advised that less certainty should be attached to their valuations than would normally be the case. The revenue streams remain severely affected by the closure of New Zealand's borders. The major inputs and assumptions that required judgement included forecasts of the international economic recovery from COVID-19, the recovery of domestic and international air travel and expected passenger flows. The valuers reviewed management's internal forecasts and compared them with external evidence including forecasts by the International Air Transport Association (IATA), published on their website www.iata.org/. The valuations have improved due to the ongoing vaccine rollout, evidence of growing passenger numbers and lower observed yields for retail properties.

The group has not revalued buildings and services, infrastructure or runways, taxiways and aprons at 30 June 2021 as the group assessed there is not a material difference between the carrying value and the fair value of those asset classes. The assessment was supported by an initial review by Beca at 31 December 2020, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence to assess the potential difference at 30 June 2021. Both the Beca review and management's assessment were based on movements in the capital goods price index, which is a relevant benchmark as when these asset classes are revalued, the valuation approach is the optimised depreciated replacement cost of the asset. The group and its valuers consider that those asset classes are no longer subject to 'significant market uncertainty'.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

The table below summarises the valuation approach and the principal assumptions used in establishing the fair values:

		2021		2020	
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)	$117 - 216	$160	$97 - 175	$132
Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison	Holding costs per sqm (excluding approaches)	$39 - 76	$55	$31 - 61	$44
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	9.49%	N/A	9.49%	N/A
	Rate per sqm (approaches)	$15 - 66	$25	$13 - 58	$22
Reclaimed land seawalls	Unit costs of seawall construction per m	$4,514 - 9,715	$7,297	$4,455 - 9,588	$7,202
Optimised depreciated replacement cost	Unit costs of reclamation per sqm	$165 - 167	$167	$165	$165
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	$188 - 1,202	$277	$155 - 1,061	$226
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison	Market rent (per sqm) – average	$48 - 328	$88	$38 - 325	$181
	Market capitalisation rate – average	3.83 - 6.13%	4.97%	4.88 - 6.75%	6.17%
	Terminal capitalisation rate	4.08 - 6.25%	5.22%	5.13 - 7.00%	6.42%
	Discount rate	5.75 - 8.00%	6.83%	7.00 - 9.00%	8.14%
	Rental growth rate (per annum)	2.00 - 2.60%	2.58%	2.35 - 2.57%	2.50%
Land associated with car park facilities	Discount rate	8.00 - 12.50%	10.36%	8.25 - 13.00%	10.76%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	6.50 - 8.75%	7.27%	6.75 - 9.00%	7.52%
	Revenue growth rate (per annum)	4.01 - 32.86%	15.11%	1.87 - 8.42%	4.43%
Land associated with retail facilities within terminal buildings	Discount rate	8.00 - 8.75%	8.72%	8.75 - 10.25%	10.18%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	7.25 - 7.50%	7.26%	7.63 - 7.88%	7.64%
	Revenue growth rate (per annum)	2.98 - 3.07%	2.98%	3.09 - 3.13%	3.13%
	Market capitalisation rate	6.00 - 6.50%	6.48%	6.88 - 7.88%	7.83%
Other land					
Direct sales comparison	Rate per sqm	$100 - 207	$128	$95 - 160	$114

Asset valuation approach	Inputs used to measure fair value	2021 Range of significant inputs	2021 Weighted average	2020 Range of significant inputs	2020 Weighted average
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,681 - 9,475	$8,577	$1,681 - 9,475	$8,577
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,009 - 4,689	$2,869	$1,009 - 4,689	$2,869
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	$158 - 5,832	$898	$158 - 5,832	$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	$141 - 450	$409	$141 - 450	$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	$58 - 185	$111	$58 - 185	$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	$323 - 95,559	$12,635	$323 - 95,559	$12,635
	Unit costs of fuel pipe construction per m	$3,047 - 4,352	$4,180	$3,047 - 4,352	$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	$340 - 532	$527	$340 - 532	$527
	Unit costs of asphalt pavement construction per sqm	$155 - 340	$337	$155 - 340	$337

The valuation inputs for land are from the 2021 valuation, while the prior year comparatives are from the 2020 valuation of these assets. The valuation inputs for infrastructure and runway, taxiways and aprons are unchanged from the 2020 valuation, while the valuation inputs for buildings and services are unchanged from the 2019 valuation. These asset classes were not revalued in 2021 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 2021

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 2021 Valuer	30 June 2021 $M	30 June 2020 Valuer	30 June 2020 $M
Airfield land, including land for runway, taxiways, aprons and approaches[1]	Savills	1,021.7	Savills	854.5
Reclaimed land seawalls[1]	AON / Savills	280.2	AON / Savills	273.7
Aeronautical land, including land associated with aircraft, freight and terminal uses[1]	JLL / Savills	583.3	JLL / Savills	452.3
Land associated with car park facilities[1]	CBRE	675.9	CBRE	573.3
Land associated with retail facilities within terminal buildings[1]	CBRE	2,004.8	CBRE	1,667.5
Other land[1]	JLL / Savills	139.8	JLL / Savills	109.5
Terminal buildings[2]	Beca	950.9	Beca	985.7
Other buildings[2]	Beca	129.0	Beca	155.1
Water and drainage[3]	Beca	161.6	Beca	164.6
Electricity[3]	Beca	48.6	Beca	49.6
Roads[3]	Beca	221.7	Beca	156.7
Other infrastructure assets[3]	Beca	119.8	Beca	116.7
Runway, taxiways and aprons[4]	Beca	389.1	Beca	378.4
Assets carried at fair value		6,726.4		5,937.6
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	105.6	N/A	123.2
Balance at 30 June		6,832.0		6,060.8

1 Land assets were revalued at 30 June 2021. This class was previously revalued at 30 June 2020.
2 At 30 June 2021, the assessment is that there is no material change in the fair value of buildings and services assets compared with carrying values. This class was last revalued at 30 June 2019.
3 At 30 June 2021, the assessment is that there is no material change in the fair value of infrastructure assets compared with carrying values. This class was last revalued at 30 June 2020.
4 At 30 June 2021, the assessment is that there is no material change in the fair value of runway, taxiways and aprons compared with carrying values. This class was last revalued at 30 June 2020.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

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 2021					
Balance at the beginning of the year (restated)	279.3	1,250.9	330.2	193.8	2,054.2
Additions	4.3	51.9	0.3	(0.2)	56.3
Transfers from/(to) property, plant and equipment (note 11)	(4.9)	4.9	(10.2)	-	(10.2)
Transfers within investment property	(0.6)	24.7	(24.1)	-	-
Write-offs	-	(0.1)	-	-	(0.1)
Investment property fair value change	23.4	363.1	118.1	22.7	527.3
Lease incentives capitalised	-	12.0	-	-	12.0
Lease incentives amortised	-	(1.7)	-	(0.1)	(1.8)
Spreading of fixed rental increases	-	3.7	-	-	3.7
Net carrying amount	301.5	1,709.4	414.3	216.2	2,641.4
Year ended 30 June 2020					
Balance at the beginning of the year	271.3	927.8	377.2	169.1	1,745.4
Additions	2.8	107.9	1.4	26.5	138.6
Transfers to property, plant and equipment (note 11)	(1.2)	-	(8.3)	-	(9.5)
Transfers within investment property	(0.9)	36.8	(35.9)	-	-
Write-offs	(0.1)	(0.1)	-	(0.2)	(0.4)
Investment property fair value change	7.2	168.5	(4.2)	(2.9)	168.6
Lease incentives capitalised (restated)	0.2	11.3	-	1.4	12.9
Lease incentives amortised (restated)	-	(1.3)	-	(0.1)	(1.4)
Net carrying amount (restated)	279.3	1,250.9	330.2	193.8	2,054.2

Additions for the year ended 30 June 2021 include capitalised interest of $2.4 million (2020: $5.0 million).

The group's investment properties are all categorised as Level 3 in the fair value hierarchy, as described in note 18(c).

During the year, there were no transfers of investment property between levels of the fair value hierarchy.

The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income, using market comparisons of capitalisation rates, supported by a discounted cash flow approach. Further details of the valuation methodologies and sensitivities are included in note 11(c). The valuation methodologies are consistent with prior years.

Impact of COVID-19
As a result of the impact of COVID-19, the independent valuations of the group's investment property portfolio at 30 June 2020 were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. As at 30 June 2021, the 'material valuation uncertainty' clause has been removed on all of the investment property valuations due to the strength of the property market and recent sales evidence, except for those relating to the two hotels in the group's retail and service investment property portfolio. The valuers have advised that the longer term impact of COVID-19 on the hotel sector is yet to be fully known so the valuations are subject to 'material valuation uncertainty' and that less certainty should be attached to their valuations than would normally be the case. The total carrying value of the two hotels is $67.5 million.

All valuations have been reviewed by the group's property management team, which has determined the valuations to be appropriate as at 30 June 2021.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

12. Investment properties CONTINUED

The principal assumptions used in establishing the valuations were as follows:

		2021		2020	
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)	$120 - 530	$270	$50 - 576	$259
	Market capitalisation rate	4.25 - 6.10%	5.34%	5.13 - 6.26%	6.13%
	Terminal capitalisation rate	4.50 - 6.63%	5.71%	5.38 - 6.75%	6.50%
	Discount rate	5.75 - 7.63%	6.86%	6.50 - 8.00%	7.66%
	Rental growth rate (per annum)	2.10 - 2.60%	2.50%	2.32 - 2.57%	2.38%
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)	$104 - 317	$150	$110 - 307	$147
	Market capitalisation rate	3.75 - 6.75%	4.39%	4.13 - 7.25%	5.30%
	Terminal capitalisation rate	3.75 - 7.25%	4.61%	4.13 - 7.63%	5.50%
	Discount rate	5.13 - 7.50%	6.08%	6.25 - 9.00%	7.12%
	Rental growth rate (per annum)	2.43 - 2.60%	2.50%	2.32 - 2.57%	2.48%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	$6 - 1,600	$180	$6 - 701	$141
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)	$49 - 424	$285	$49 - 444	$247
	Market capitalisation rate	4.50 - 7.00%	5.44%	5.13 - 7.25%	6.00%
	Terminal capitalisation rate	4.75 - 7.25%	5.72%	5.38 - 7.50%	6.27%
	Discount rate	6.00 - 8.00%	6.98%	6.75 - 9.25%	7.84%
	Rental growth rate (per annum)	2.00 - 2.60%	2.41%	2.32 - 2.57%	2.34%

The fair value of investment properties valued by each independent registered valuer is outlined below:

	2021 $M	Restated 2020 $M
Colliers International	570.4	434.4
Savills Limited	1,398.1	1,074.0
Jones Lang LaSalle Limited	670.1	537.3
Investment property carried at cost	2.8	8.5
Total fair value of investment properties	2,641.4	2,054.2

The investment properties assigned to valuers are rotated across the portfolio every three years, with the most recent rotation occurring in June 2019. 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:

	2021 $M	2020 $M
Rental income for investment properties	83.6	66.7
Recoverable cost income	6.9	6.7
Direct operating expenses for investment properties that derived rental income	(8.6)	(7.7)
Direct operating expenses for investment properties that did not derive rental income	(2.4)	(2.5)

The following categories of investment property are leased to tenants:

- Retail and service carried at $301.5 million (30 June 2020: $279.3 million);
- Industrial carried at $1,709.4 million (30 June 2020: $1,250.9 million); and
- Other investment property carried at $216.2 million (30 June 2020: $193.8 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2021 $M	2020 $M
Short-term deposits	79.0	765.1
Cash and bank balances	0.5	0.2
Total cash and cash equivalents	79.5	765.3

Cash and bank balances earn interest at daily bank deposit rates. During the year, surplus funds were deposited on the overnight money market and term deposit at a rate of 0.25 to 1.41% (2020: at a rate of 0.25 to 1.65%).

At 30 June 2021, Auckland Airport held total cash and cash equivalents of $79.5 million (2020: $765.3 million). The short-term deposits at 30 June 2021 ranged from $20.0 million to $36.0 million and were spread across three financial institutions to minimise credit risk, with those being ASB Bank, Bank of New Zealand and Westpac New Zealand (2020: $80.0 million to $330.0 million across five financial institutions). These financial institutions had a credit rating of 'A' or above from Standard & Poor's. The level of deposits at each financial institution recognises a balance between returns and credit risk.

Further details of Auckland Airport's credit risk objectives and policies is available in note 18(d).

14. Trade and other receivables

	2021 $M	Restated 2020 $M
Trade receivables	8.2	23.9
Less: Expected credit losses	(3.4)	(7.6)
Net trade receivables	4.8	16.3
Prepayments	7.2	9.2
GST receivable	-	3.2
Revenue accruals and other receivables	13.4	6.0
Total trade and other receivables	25.4	34.7

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

14. Trade and other receivables CONTINUED

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. Movements in the provision for expected credit losses have been included in other expenses in the income statement. The group has assessed its expected credit losses using a credit risk matrix. Customers were assigned to four categories and a risk weighting applied to aged overdue balances. Because of a lack of useful historical data on which to base the 2021 COVID-19-related receivables impairment analysis, the group has applied judgement using management experience and customer interactions since the emergence of COVID-19. The categories are:

- Extreme risk – Customers in voluntary administration, liquidation or similar;
- High risk – Retail and transport customers who are most affected by New Zealand's international border closures;
- Medium risk – Airlines and other customers who are expected to be affected by COVID-19 but have alternative revenue streams or funding support; and
- Low risk – Government agencies, stable property tenants, essential services, customers with explicit government support or with strengthened balance sheets.

15. Issued and paid-up capital

	2021 $M	2020 $M	2021 Shares	2020 Shares
Opening number issued and paid-up capital at 1 July	1,678.6	468.2	1,471,916,791	1,210,674,696
Shares fully paid and allocated to employees by employee share scheme	0.3	0.1	56,300	21,100
Shares vested for employees participating in long-term incentive plans	0.3	0.2	61,546	89,379
Shares issued under the dividend reinvestment plan	-	32.0	-	3,620,888
Shares issued under the $1.2 billion equity raise	-	1,178.1	-	257,510,728
Closing issued and paid-up capital at 30 June	1,679.2	1,678.6	1,472,034,637	1,471,916,791

All issued shares are fully paid and have no par value. The company does not limit the amount of authorised capital.

Each ordinary share confers on the holder one vote at any shareholder meeting of the company and carries the right to dividends.

Dividend reinvestment plan

The company has a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. The company considers whether the plan will apply to a dividend at each dividend announcement. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows. As mentioned in note 3(d) and note 9, no dividends were paid during, or declared for, the year ended 30 June 2021.

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.

Equity raise

On 6 April 2020, Auckland Airport announced an equity raise comprising a $1 billion underwritten private placement and a $200 million share purchase plan to reinforce its balance sheet and ensure the company remains well capitalised and solvent during the period of strict border controls and significantly reduced passenger numbers, revenue and profit. The company issued a total of 257,510,728 shares under the private placement and share purchase plan.

16. Reserves

(a) Cancelled share reserve

	2021 $M	2020 $M
Balance at the beginning and end of the year	(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

	2021 $M	2020 $M
Balance at 1 July	4,333.7	4,968.8
Reclassification to retained earnings	(3.7)	(2.8)
Revaluation	769.9	(599.8)
Movement in deferred tax	-	(32.5)
Balance at 30 June	5,099.9	4,333.7

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The $769.9 million increase in revaluation reserve, in the year ended 30 June 2021, relates to increases in land with no tax impact (2020: $599.8 million decrease in revaluation reserve, including a $715.9 million decrease in land with no tax impact, partially offset by revaluation increases of $75.3 million in infrastructure and $40.8 million in runway, taxiways and aprons, which are subject to deferred tax).

(c) Share-based payments reserve

	2021 $M	2020 $M
Balance at 1 July	1.6	1.4
Long-term incentive plan expense	0.2	0.2
Movement in deferred tax	0.2	-
Balance at 30 June	2.0	1.6

The share-based payments reserve records the value of historical equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

(d) Cash flow hedge reserve

	Notes	2021 $M	2020 $M
Balance at 1 July		(100.7)	(67.1)
Fair value change in hedging instrument		57.7	(44.5)
Transfers to the income statement relating to:			
Hedged transactions in the income statement		(0.5)	(2.2)
Close out of interest rate swaps linked to debt not refinanced	18(b)	11.6	-
Close out of USPP related cross-currency swaps	18(b)	1.0	-
Movement in deferred tax		(19.5)	13.1
Balance at 30 June		(50.4)	(100.7)

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 2021

16. Reserves CONTINUED

(e) Cost of hedging reserve

	Note	2021 $M	2020 $M
Balance at 1 July		(3.9)	(5.8)
Change in currency basis spreads (when excluded from designated hedges)		(3.0)	2.7
Transferred to the income statement on close out of USPP related cross-currency swaps	18(b)	6.9	-
Movement in deferred tax		(1.1)	(0.8)
Balance at 30 June		(1.1)	(3.9)

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

	2021 $M	2020 $M
Balance at 1 July	28.8	28.8
Share of reserves of associate and joint ventures	8.2	-
Balance at the beginning and end of the year	37.0	28.8

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

	2021 $M	2020 $M
Employee entitlements	8.4	8.6
GST payable	0.2	-
Property, plant and equipment retentions and payables	50.4	34.7
Investment property retentions and payables	8.1	12.4
Trade payables	1.3	7.9
Interest payables	8.1	14.5
Other payables and accruals	26.9	28.2
Total accounts payable and accruals	103.4	106.3

The above balances are unsecured.

The amount owing to the related parties at 30 June 2021 is $0.2 million (2020: $4.9 million), refer note 22.

18. Financial assets and liabilities

The total carrying amounts of the group's financial assets and liabilities are detailed below:

	Notes	2021 $M	2020 $M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	79.5	765.3
Trade and other receivables		18.2	22.3
		97.7	787.6
Derivative financial instruments			
Cross-currency interest rate swaps		-	15.2
Interest basis swaps		-	0.2
Total current financial assets		**97.7**	**803.0**
Non-current financial assets			
Derivative financial instruments			
Cross-currency interest rate swaps		29.2	229.6
		29.2	229.6
Derivative financial instruments			
Interest basis swaps		-	0.9
Total non-current financial assets		**29.2**	**230.5**
Total financial assets		**126.9**	**1,033.5**
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals		103.4	106.3
Short-term borrowings	18(a)	220.0	320.8
Provisions		0.7	37.2
		324.1	464.3
Derivative financial instruments			
Interest rate swaps - cash flow hedges		1.9	3.0
Total current financial liabilities		**326.0**	**467.3**
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	1,172.8	1,824.4
Other term liabilities		2.8	2.1
		1,175.6	1,826.5
Derivative financial instruments			
Interest rate swaps - cash flow hedges		67.9	134.6
Total non-current financial liabilities		**1,243.5**	**1,961.1**
Total financial liabilities		**1,569.5**	**2,428.4**

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 liabilities of $40.6 million (2020: derivative financial assets of $108.3 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(a) Borrowings

At the balance date, the following borrowings were in place for the group:

	Maturity	Coupon[1]	2021 $M	2020 $M
Current				
Commercial paper	< 3 months	Floating	92.0	91.9
Bank facility	31/01/2022	Floating	62.0	-
Bank facility	28/02/2022	Floating	66.0	-
Bonds	28/05/2021	5.52%	-	150.0
USPP notes	15/02/2021	4.42%	-	78.9
Total short-term borrowings			220.0	320.8
Non-current				
Bank facility	31/01/2022	Floating	-	10.0
Bank facility	28/02/2022	Floating	-	45.0
Bank facility	20/11/2022	Floating	83.0	-
Bank facility	30/11/2022	Floating	29.0	40.0
Bank facility	28/02/2023	Floating	15.0	15.0
Bank facility	16/08/2024	Floating	55.0	95.0
Bonds	11/10/2022	Floating	100.0	100.0
Bonds	9/11/2022	4.28%	100.0	100.0
Bonds	17/04/2023	3.64%	100.0	100.0
Bonds	2/11/2023	3.97%	225.0	225.0
Bonds	10/10/2024	3.51%	150.0	150.0
USPP notes	12/07/2021[2]	4.67%	-	80.0
USPP notes	15/02/2023[2]	4.57%	-	84.0
USPP notes	25/11/2026[2]	3.61%	-	449.5
AMTN notes	23/09/2027	4.50%	315.8	330.9
Total term borrowings			1,172.8	1,824.4
Total				
Commercial paper			92.0	91.9
Bank facilities			310.0	205.0
Bonds			675.0	825.0
USPP notes			-	692.4
AMTN notes			315.8	330.9
Total borrowings			1,392.8	2,145.2

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 In June 2021, the group elected to prepay outstanding USPP notes. Further details are provided on the following page.

Movement in borrowings

	2021 $M	2020 $M
Total borrowings at the beginning of the year	2,145.2	2,190.4
Decrease in borrowings during the year	(714.9)	(250.0)
Increase in borrowings during the year	105.0	125.0
Amortisation of premium received for issue at non-market rates	(0.4)	-
Revaluation of foreign denominated debt for changes in FX rate	(53.7)	31.0
Revaluation of debt in fair value hedge relationship	(88.4)	48.8
Total borrowings at the end of the year	1,392.8	2,145.2

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 2021, the only bank financing activities undertaken by the company were draw downs on current standby bank facilities totalling $105.0 million.

Bonds and notes
Borrowings under the bond programme are supported by a master trust deed. They are unsecured and unsubordinated.

In February 2021, the US$50.0 million 2010 Series A USPP notes were repaid upon maturity. The notes had a cross-currency swap hedging them at the same exchange rate as when the borrowings were undertaken, resulting in a net outflow of $64.8 million.

In May 2021, the $150.0 million seven-year 5.52% fixed-rate bond was repaid upon maturity.

In June 2021, the group elected to prepay the remaining outstanding USPP notes totalling US$350.0 million. All USPP notes were hedged with cross-currency swaps and had related basis reset swaps that were closed out at the same time.

Prepayment of the notes required 'make-whole' payments of $44.4 million to compensate investors for the effect of reduced interest rates available to them on reinvestment of the proceeds. The make-whole payments were partially offset by gains of $32.0 million on the related cross-currency swaps. This has resulted in a net expense of $12.4 million recognised as an interest expense.

Basis swaps not in a hedging relationship but related to the USPP notes were also closed out. Settlement of these swaps provided an inflow to Auckland Airport of $0.6 million.

The financial covenant waivers, granted by the group's banks, remain in place until December 2021 (inclusive). The group's banks have agreed to modify the interest coverage covenant from 1 January 2022. The modified covenant will convert from the previous 1.5x EBIT-based measure to a new EBITDA-based measure that steps up progressively broadly in line with the anticipated recovery in international passengers. The EBITDA-based interest coverage covenant will start at 2.0x for calendar 2022, rising to 2.5x for calendar 2023 and settling at 3.0x for calendar 2024 onwards. As previously, there will be two measurement dates each year, ie 30 June and 31 December.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(b) Hedging activity and derivatives

Cash flow hedges

At 30 June 2021, 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 2021 is $1,250.0 million (2020: $1,455.0 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on existing and future bank facilities, commercial paper and floating rate bonds. The interest payment frequency on these borrowings is quarterly.

For cash flow hedges, the effective part of the changes in fair value of the hedging derivative are deferred in other comprehensive income and are transferred to the income statement when the hedged item affects the income statement. Any gain or loss relating to the ineffective portion of the hedging instrument in cash flow hedge relationships are recognised in the income statement.

In May 2021, the group cancelled its plans to issue new floating rate debt and closed out $100.0 million of interest rate swaps that were intended to hedge that exposure. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and a realised loss of $11.6 million to close the swaps was reclassified from the cash flow hedge reserve to the income statement and recognised as an interest expense. That cost approximated the present value of the group's future interest savings without the swaps.

In June 2021, the group prepaid USPP notes totalling USD 350.0 million and simultaneously closed out the associated cross-currency swaps. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and realised losses of $1.0 million and $6.9 million were reclassified to the income statement, against interest expense, from the cash flow hedge reserve and cost of hedging reserve respectively. These were offset by a $39.9 million gain on the fair value component of the hedge, resulting in a net gain of $32.0 million. The net gain on the cross-currency interest rate swaps partially offset the $44.4 million make-whole cost to prepay the USPP notes. Further details are available at note 18(a).

During the year, the group assessed the remaining cash flow hedges to be highly effective and therefore they continue to qualify for hedge accounting.

Cross-currency swaps

The cross-currency interest rate swaps transform a series of known fixed interest rate cash flows in a foreign currency to floating rate NZD cash flows, mitigating exposure to fair value changes in the AMTN notes and previously the now repaid USPP notes.

For hedge accounting purposes, these swaps are aggregated and designated as two cash flow hedges and a fair value hedge. The fair value component transforms US and Australian fixed interest rates to US and Australian floating interest rates, respectively.

The change in the fair value of the hedged risk is attributed to the carrying value of the AMTN debt and previously also the USPP debt. This debt revaluation is recognised in the income statement to offset the mark-to-market revaluation of the hedging derivative.

The cross-currency basis element of the cross-currency interest rate swaps are excluded from the hedge designation and are separately recognised in other comprehensive income in a cost of hedging reserve. Additional detail on the treatment of the basis component can be found in note 16(e) – Cost of hedging reserve.

The cash flow components are hedge accounted as described above under Cash flow hedges.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Auckland Airport determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. Auckland Airport assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Auckland Airport's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

Gains or losses on the fixed interest bonds, USPP notes, derivatives and AMTN notes in a hedging relationship with fair value hedges recognised in the income statement in interest expense during the period were:

	2021 $M	2020 $M
Gains/(losses) on the USPP notes	80.3	(60.4)
Gains/(losses) on the AMTN notes	14.5	(19.7)
Gains/(losses) on the derivatives	(97.2)	79.0

As part of the issuance of the USPP notes and cross-currency interest rate swaps, additional basis swaps were taken out by the group to hedge the basis risk on the cross-currency interest rate swaps. The basis swaps converted the 10-year and 12-year fixed basis cost component of the cross-currency interest rate swaps to a much lower annual-resetting basis cost, thereby lowering the overall interest cost in New Zealand dollars of the US dollar USPP borrowings. The basis swaps were not hedge accounted. The basis swaps were closed out at a gain of $0.6 million when the USPP notes were prepaid (refer to note 18(a)).

Gains or losses on the basis swaps recognised in the income statement and the ineffective hedging component of the swaps recognised in the income statement relating to counterparty risk during the period were:

	2021 $M	2020 $M
Basis swaps transacted as hedges but not qualifying for hedge accounting	(1.1)	(0.6)
Credit valuation adjustments on hedges qualifying for hedge accounting	0.6	(1.3)
Derivative fair value change	(0.5)	(1.9)

The group has assessed that the sensitivity of reported profit to changes in the NZD/USD basis spreads is immaterial.

The details of the hedging instruments as at 30 June 2021 and 30 June 2020 are as follows:

As at 30 June 2021	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Carrying amount of the hedging instrument Assets $M	Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges								
Interest rate swaps	NZD	3.55%	0 - 8	NZ $1,250 million	Derivative financial instruments	-	69.8	(66.4)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:AUD	Floating	6	AU $260 million	Derivative financial instruments	29.2	-	24.6
Net hedging instruments						29.2	69.8	(41.8)

As at 30 June 2020	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Carrying amount of the hedging instrument Assets $M	Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges								
Interest rate swaps	NZD	3.68%	0 - 9	NZ $1,455 million	Derivative financial instruments	-	137.6	(134.2)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:USD	Floating	1 - 6	US $400 million	Derivative financial instruments	199.9	-	174.9
Cross-currency swaps	NZD:AUD	Floating	7	AU $260 million	Derivative financial instruments	44.9	-	38.8
Net hedging instruments						244.8	137.6	79.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 and 30 June 2020 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 2021		$M	$M	$M	$M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	-	-	520.0	-	-	32.5
Highly probable forecast variable rate debt	-	-	-	-	-	34.5
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	315.8	-	27.9	(26.7)
Net hedged items		-	835.8	-	27.9	40.3

	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 2020		$M	$M	$M	$M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	-	-	515.0	-	-	49.6
Highly probable forecast variable rate debt	-	-	-	-	-	93.0
Fair value and cash flow hedges						
USPP notes (US$50 million)	Short-term borrowings	-	78.9	-	14.1	(13.8)
USPP notes (US$400 million)	Term borrowings	-	613.5	-	188.4	(164.1)
AMTN notes (AU$260 million)	Term borrowings	-	330.9	-	42.4	(39.6)
Net hedged items		-	1,538.3	-	244.9	(74.9)

(c) Fair value

The group selects valuation techniques that aim to maximise the use of relevant observable inputs and minimise the use of unobservable inputs, provided that sufficient data is available. All assets and liabilities for which fair value is measured are assigned to levels within the fair value hierarchy. The different levels comprise:

- **Level 1** – the fair value is calculated using quoted prices for the asset or liability in active markets;
- **Level 2** – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3** – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

To determine the level used to estimate fair value, the group assesses the lowest level input that is significant to that fair value.

There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2021 (2020: Nil).

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

The group's bonds are classified as Level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The group's AMTN notes (and previously USPP 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. The fair value of the now repaid USPP notes was previously determined on the same basis using the USD Bloomberg curve.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	675.0	710.9	825.0	878.9
USPP notes	-	-	692.4	697.3
AMTN notes	315.8	323.6	330.9	316.0

The group's derivative financial instruments are interest rate swaps, cross-currency interest rate swaps and basis swaps. They arise directly from raising finance for the group's operations. All the derivative financial instruments with the exception of the basis swaps are hedging instruments for financial reporting purposes. The basis swaps are transacted as hedges but do not qualify for hedge accounting.

The group's derivative financial instruments are classified as Level 2. The future cash flows are estimated using the key inputs presented in the table alongside. The cash flows are discounted at a rate that reflects the credit risk of various counterparties.

Instrument	*Valuation key inputs*
Interest rate swaps	Forward interest rates (from observable yield curves) and contract interest rates
Basis swaps	Observable forward basis swap pricing and contract basis rates
Cross-currency interest rate swaps	Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates

(d) Financial risk management objectives and policies

(i) Credit risk

The group's maximum exposure to credit risk at 30 June 2021 is equal to the carrying value of cash, accounts receivable, dividends receivable and derivative financial instruments. Credit risk is managed by restricting the amount of cash and marketable securities that can be placed with any one institution, which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The group minimises its credit risk by spreading such exposures across a range of institutions, with Standard & Poor's credit ratings of 'A' or above (2020: 'A' or above).

Auckland Airport's cash and cash equivalents decreased significantly at 30 June 2021 compared to last financial year, following the repayment of a $150.0 million fixed-rate bond and $564.9 million repayment of USPP notes. Further details on the prepayments can be found in note 18(a).

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 2021, the group identified $3.4 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2020: $7.6 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 $2.7 million (2020: $2.1 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(ii) Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings on the money market, bank loans, commercial paper, USPP, AMTN notes and bonds.

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2021, this undrawn facility headroom was $831.7 million (2020: $936.3 million). The group's policy also requires the spreading of debt maturities.

Bank facilities

				2021			2020		
			Facility	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Type	Bank	Maturity	currency	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M
Multi-currency facility	ANZ Bank New Zealand	31/1/2022	NZD	100.0	32.0	68.0	100.0	-	100.0
Multi-currency facility	Bank of China (New Zealand)	31/1/2022	NZD	30.0	30.0	-	30.0	10.0	20.0
Multi-currency facility	Bank of New Zealand	28/2/2022	NZD	50.0	40.0	10.0	50.0	40.0	10.0
Multi-currency facility	Bank of New Zealand	28/2/2023	NZD	80.0	-	80.0	80.0	-	80.0
Multi-currency facility	China Construction Bank Corporation	16/11/2022	NZD	95.0	83.0	12.0	95.0	-	95.0
Multi-currency facility	China Construction Bank Corporation	3/4/2024	NZD	30.0	-	30.0	30.0	-	30.0
Multi-currency facility	Commonwealth Bank of Australia	30/11/2022	AUD	96.7	29.0	67.7	96.3	40.0	56.3
Multi-currency facility	Mizuho Bank, Ltd. Sydney Branch OBU	3/4/2022	NZD	70.0	-	70.0	70.0	-	70.0
Multi-currency facility	Mizuho Bank, Ltd. Sydney Branch OBU	26/7/2024	NZD	100.0	55.0	45.0	100.0	95.0	5.0
Multi-currency facility	MUFG Bank, Ltd.	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
Multi-currency facility	MUFG Bank, Ltd.	28/2/2023	NZD	50.0	15.0	35.0	50.0	15.0	35.0
Multi-currency facility	Westpac New Zealand Limited	28/2/2022	NZD	50.0	26.0	24.0	50.0	5.0	45.0
Multi-currency facility	Westpac New Zealand Limited	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
			Total NZD equivalent	**1,141.7**	**310.0**	**831.7**	**1,141.3**	**205.0**	**936.3**

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 2021. 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 2021						
Financial assets						
Cash and cash equivalents	79.5	79.5	79.5	-	-	-
Accounts receivable	18.2	18.2	18.2	-	-	-
Derivative financial assets	29.2	25.7	6.6	8.8	5.1	5.1
Total financial assets	126.9	123.4	104.3	8.8	5.1	5.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(106.9)	(106.9)	(106.9)	-	-	-
Commercial paper	(92.0)	(92.0)	(92.0)	-	-	-
Bank facilities	(310.0)	(323.1)	(128.0)	(127.0)	(55.0)	-
Bonds	(675.0)	(731.3)	-	(525.0)	(150.0)	-
AMTN notes	(315.8)	(367.9)	-	-	-	(284.5)
Derivative financial liabilities	(69.8)	(73.7)	(17.0)	(28.7)	(20.1)	(7.9)
Interest payable	-	-	(44.2)	(61.0)	(28.5)	(19.1)
Total financial liabilities	(1,569.5)	(1,694.9)	(388.1)	(741.7)	(253.6)	(311.5)
Year ended 30 June 2020						
Financial assets						
Cash and cash equivalents	765.3	765.3	765.3	-	-	-
Accounts receivable	22.3	22.3	22.3	-	-	-
Derivative financial assets	245.9	255.9	35.2	65.1	30.5	125.1
Total financial assets	1,033.5	1,043.5	822.8	65.1	30.5	125.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(145.6)	(145.6)	(145.6)	-	-	-
Commercial paper	(91.9)	(92.0)	(92.0)	-	-	-
Bank facilities	(205.0)	(221.7)	(80.0)	(105.0)	(20.0)	-
Bonds	(825.0)	(911.9)	(150.0)	(300.0)	(375.0)	-
AMTN notes	(330.9)	(379.0)	-	-	-	(282.6)
USPP notes	(692.4)	(739.0)	(77.5)	(155.5)	-	(394.9)
Derivative financial liabilities	(137.6)	(146.4)	(18.0)	(45.4)	(45.4)	(37.6)
Interest payable	-	-	(74.1)	(115.5)	(67.5)	(54.0)
Total financial liabilities	(2,428.4)	(2,635.6)	(637.2)	(721.4)	(507.9)	(769.1)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(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, 80.4% (2020: 65.4%) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and eight years from 30 June 2021 (2020: one month and nine years).

At balance date, the company had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk after considering hedging instruments:

	2021 $M	2020 $M
Financial assets		
Cash and cash equivalents	79.5	765.3
	79.5	765.3
Financial liabilities		
Bank facilities	100.0	-
Commercial paper	6.9	6.9
AMTN notes	159.5	159.5
USPP notes	-	489.9
	266.4	656.3
Net exposure	186.9	(109.0)

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:

	2021 $M	2020 $M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.2)	1.1
Effect on equity before taxation	5.9	8.0
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.2	(1.1)
Effect on equity before taxation	(5.9)	(8.1)

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 2021 of $186.9 million (2020: -$109.0 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 2021 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 2021 and 30 June 2020, the group was exposed to foreign currency risk with respect to Australian and US dollars.

Exposure to the Australian dollar arises from Australian Medium Term Notes. This exposure has been fully hedged by way of cross-currency interest rate swaps hedging both principal and interest.

Exposure to the US dollar arose from USPP borrowings denominated in that currency. This exposure was fully hedged by way of cross-currency interest rate swaps combined with the basis swaps, hedging US dollar exposure on both principal and interest. The USPP borrowings and associated hedges were repaid and closed out during the year and there is no US dollar exposure at 30 June 2021. Further details are available at notes 18(a) and 18(b).

The cross-currency interest rate swaps correspond in amount and maturity to the relevant borrowings with no residual foreign currency risk exposure.

The cross-currency interest rate swaps consist of a fair value hedge component and a cash flow hedge component. The effective movements on the fair value hedge component are taken to the income statement along with all movements of the hedged risk on the USPP notes and 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 2021 and both the Australian and US dollars at 30 June 2020. 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:

	2021 $M	2020 $M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.4)	(0.6)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.3	0.5

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 0.9311 for AUD (2020: 0.9350 for AUD and 0.6454 for USD) 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 2021, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) and reduction in capital expenditure (note 11 and note 12) to improve the financial position of the group.

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2021 is 11.5% (2020: 19.4%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2021 is 'A- Stable Outlook' (2020: 'A- Stable Outlook').

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

19. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $31.5 million at 30 June 2021 (2020: $91.9 million).

(b) Investment property

The group had contractual obligations to either purchase, develop, repair or maintain investment property for $43.5 million at 30 June 2021 (2020: $64.6 million).

(c) 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 30 years (2020: one month and 31 years). Most leases with an initial period over three years include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions. A very small minority can be revised downwards under normal trading conditions. However, some of the retail concession arrangements contain provisions for rental to be adjusted downwards in the event of a fall in passenger numbers.

The future minimum lease receivables have been reduced where the group has contractual or constructive obligations to adjust fixed rent in response to COVID-19 and the associated reductions in passenger numbers.

Future minimum rental and retail income receivable under non-cancellable operating leases as at 30 June are as follows:

	2021 $M	2020 $M
Within one year	107.7	90.8
Between one and two years	93.7	89.9
Between two and three years	82.9	82.3
Between three and four years	73.7	73.2
Between four and five years	64.1	65.6
After more than five years	562.7	590.5
Total minimum lease payments receivable	984.8	992.3

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 $8.0 million (2020: $8.2 million), refer note 21.

Contractor claims

A contingent liability of $10.1 million (2020: $10.4 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 highly conservative view and recognised as a contingent liability the total uncertified contractor claims.

21. Provisions

Firefighting foam clean-up

The group has an obligation to dispose of PFOS/PFOA contaminated firefighting foam inventory. PFOS/PFOA containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand. The Ministry for the Environment is yet to determine if the airport sector will need to perform any additional decontamination tasks other than disposing of surplus inventory, but our investigations to determine the extent of any contamination are ongoing. The group has provided for the expected disposal costs as outlined in the table below. At this time, the potential cost of any yet to be determined decontamination obligations has not been provided for in the financial statements.

Noise mitigation
Annual projections of aircraft noise levels determine requirements for Auckland Airport to fund noise mitigation packages for dwellings and schools affected by aircraft noise. The company makes an annual offer to affected landowners and, on acceptance of an offer, the group records a provision for the estimated cost of installing that year's mitigation packages. The annual cost varies depending on the extent of properties affected and the number of offers accepted. As disclosed in note 20, it is estimated that further costs on noise mitigation should not exceed $8.0 million (2020: $8.2 million).

Contract termination costs
As a result of the significant disruption caused by the imposition of travel restrictions in reference to COVID-19, Auckland Airport suspended a number of construction contracts in the prior year. These contracts were for infrastructure projects that were providing additional capacity that was no longer considered necessary in the immediate future. The group provided $36.3 million as at 30 June 2020 for the future costs associated with the early termination of these construction contracts. During the year ended 30 June 2021, the group successfully concluded negotiations with all contractors, resulting in $18.0 million being used in settlements and $18.3 million being reversed to the income statement.

	Foam disposal $M	Noise mitigation $M	Contract termination $M	Total $M
Year ended 30 June 2021				
Opening balance	0.3	0.6	36.3	37.2
Provisions made during the year	-	0.2	-	0.2
Unused amounts reversed during the year	-	-	(18.3)	(18.3)
Expenditure for the year	(0.1)	(0.3)	(18.0)	(18.4)
Total provisions at year end	0.2	0.5	-	0.7
Year ended 30 June 2020				
Opening balance	0.9	0.5	-	1.4
Provisions made during the year	-	0.8	36.3	37.1
Expenditure for the year	(0.6)	(0.7)	-	(1.3)
Total provisions at year end	0.3	0.6	36.3	37.2

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% (2020: in excess of 18%).

On 28 October 2010, Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agreed to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for the consideration of $4.1 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels.

The obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

Transactions with Auckland Council and its subsidiaries are as follows:

	2021 $M	2020 $M
Rates	13.6	13.7
Building consent costs and other local government regulatory obligations	1.5	1.2
Water, wastewater and compliance services	1.3	3.1
Grounds maintenance	1.8	1.9

The amount owing to Auckland Council at 30 June 2021 is $0.2 million (2020: $4.4 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

22. Related party disclosures CONTINUED

Interest of directors in certain transactions
A number of the company's directors are also directors of other companies, and any transactions undertaken with these entities have been entered into on an arm's-length commercial basis, without special privileges. These include engineering works of $6.8 million by Fulton Hogan during the year ended 30 June 2021 (2020: $31.0 million). There are no amounts owing to Fulton Hogan at 30 June 2021 (2020: $0.5 million).

Associate and joint ventures
Refer to note 8 for details of transactions with associate entities and joint ventures as listed below:

- Tainui Auckland Airport Hotel Limited Partnership;
- Tainui Auckland Airport Hotel 2 Limited Partnership; and
- Queenstown Airport Corporation Limited.

(b) Key management personnel compensation

The table below includes the remuneration of directors and the senior management team:

	Note	2021 $M	2020 $M
Directors' fees		1.3	1.4
Senior management's salary and other short-term benefits		3.9	5.9
Senior management's share-based payments	23(b)	0.6	0.5
Total remuneration		5.8	7.8

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:

	2021 Shares	2020 Shares
Shares held on behalf of employees		
Opening balance	305,200	201,100
Shares issued during the year	96,300	102,631
Shares reallocated to employees	32,300	46,669
Shares fully paid and allocated to employees	(56,300)	(21,100)
Shares forfeited during the year	(34,200)	(24,100)
Total shares held on behalf of employees	343,300	305,200
Unallocated shares held by the purchase plan	21,900	20,000
Total shares held by the purchase plan	365,200	325,200

On 5 November 2020, 32,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 96,300 new shares were issued at a price of $5.664, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 5 November 2020. On 4 November 2019, 46,669 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 102,631 new shares were issued at a price of $7.933, being a 15% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 4 November 2019.

(b) Long-term incentive plan (LTI plan)

Share rights LTI plan

In August 2019, the directors introduced a new share rights LTI plan that vests from calendar year 2022 onwards. This replaces the legacy LTI plan disclosed below. Under the new LTI plan, share rights are granted to participating executives with a three-year vesting period. Share rights, once vested and exercised, entitle the participating executives to receive shares in Auckland Airport. The vesting rules and performance hurdles are described below.

Legacy LTI plan

In October 2015, the directors introduced an equity-settled LTI plan that vests from calendar year 2018 to calendar year 2021. Under the legacy LTI plan, shares are issued and then held in trust for participating executives for a three-year vesting period. The executives are entitled to the dividends on the shares during the vesting period at the same rate as paid to all ordinary shareholders. The vesting rules and performance hurdles are described below.

Vesting rules and performance hurdles

The vesting rules and performance hurdles are the same for both the share rights and the legacy LTI plans. The receipt of the shares, or vesting, is at nil cost to executives and subject to remaining employed by Auckland Airport during the vesting period and achievement of total shareholder return (TSR) performance hurdles. For 50% of the shares granted under the plans, all shares will vest if the TSR equals or exceeds the company's cost of equity plus 1% compounding annually (independently calculated by Jarden and PricewaterhouseCoopers). For the other 50% of shares granted, the proportion of shares that vest depends on Auckland Airport's TSR relative to a peer group. The peer group comprises the members of the Dow Jones Brookfield Airports Infrastructure Index (excluding Auckland Airport) at each grant date. To the extent that performance hurdles are not met or executives leave Auckland Airport prior to vesting, the shares or share rights are forfeited.

Share rights LTI plan

		Number of share rights				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
27 September 2019	30 September 2022	161,776[1]	-	-	-	161,776
4 December 2020	1 October 2023	-	213,020	-	-	213,020
Total share rights		161,776	213,020	-	-	374,796

1 The balance at the beginning of the year has been restated to include 11,511 of additional share rights that were granted in the year ended 30 June 2020 but omitted from the 2020 Financial Statements in error. There were no other changes required as a result of this restatement.

Legacy LTI plan

		Number of shares held on behalf of executives				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
23 October 2017	23 October 2020	123,094	-	61,547	61,547	-
24 September 2018	24 September 2021	116,385	-	-	-	116,385
Total shares		239,479	-	61,547	61,547	116,385

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
23 October 2017	23 October 2020	$6.25	1.79 - 3.06%	21.9%	$2.57	$7.36
24 September 2018	24 September 2021	$7.13	1.80 - 2.00%	18.2%	$3.08	N/A
27 September 2019	30 September 2022	$9.25	0.79 - 0.81%	19.8%	$4.01	N/A
4 December 2020	1 October 2023	$7.03	0.04 - 0.18%	35.0%	$3.41	N/A

It has been assumed that participants will remain employed with the company until the vesting date.

The share-based payment expense relating to the LTI plan for the year ended 30 June 2021 is $0.2 million (2020: $0.2 million) with a corresponding increase in the share-based payments reserve (refer note 16(c)).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

24. Events subsequent to balance date

On 23 July 2021, the New Zealand Government announced the suspension of quarantine-free trans-Tasman travel until 17 September 2021, and this initial eight-week suspension might be extended. As a result, Auckland Airport brought forward its planned bank discussions regarding extending bank facilities due to mature over January-April 2022 and modifying the interest coverage covenant after the current waiver expires on 1 January 2022. The company is very pleased with the support provided by all eight banks which has resulted in $688 million of facilities being extended by between 7-19 months from the original maturity dates and a new EBITDA-based measure (excluding revaluations) for the interest coverage covenant. Further information is available at note 3(d).

On 13 August 2021, the directors of Queenstown Airport resolved that no final dividend would be declared for the year ended 30 June 2021.

On 19 August 2021, the directors of Auckland Airport resolved that no final dividend would be declared for the year ended 30 June 2021.

Deloitte.

Audit Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Opinion

We have audited the consolidated financial statements of Auckland International Airport Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2021, 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 21 to 74, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, 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, sustainability data quality non-assurance services, independent AGM vote scrutineer, trustee reporting and assurance reporting for regulatory reporting as well as non-assurance services provided to the Corporate Taxpayers Group. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Fair Value of Revalued Property, Plant and Equipment

Land, buildings and services, runway, taxiways, aprons and infrastructure property, plant and equipment ('Revalued PPE') are recorded on the statement of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses (if any). The Group revalues these assets at regular intervals that are sufficient to ensure that the carrying values are not materially different to their fair values. The carrying value of these assets as at 30 June 2021 is $6,726.4 million.

Land assets were revalued at 30 June 2021. A revaluation gain of $769.9 million is recognised in other comprehensive income, which is offset by a revaluation loss of $7.5 million recognised in the income statement.

Buildings and services assets were last revalued at 30 June 2019. Runway, taxiways and aprons, and infrastructure were last revalued at 30 June 2020. The Group did not carry out revaluations in 2021 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.

Due to the effects of COVID-19, the valuations of land associated with car park facilities and retail facilities within the terminal buildings at 30 June 2021 remain subject to material valuation uncertainty and therefore the valuers have advised that less certainty should be attached to their valuations than would normally be the case. The valuations of airfield land, reclaimed land, and aeronautical land associated with aircraft, freight and non-retail terminal use at 30 June 2021 are not subject to material valuation uncertainty.

At 30 June 2021 runways, taxiways and aprons, and infrastructure assets are no longer subject to significant market uncertainty.

We consider the fair value of Revalued PPE to be a key audit matter due to the materiality of the carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.

In relation to the land assets revalued in the current year, our audit procedures focused on the valuation process, methodologies and key inputs.

We evaluated the Group's processes in respect of the independent valuations including the selected valuation methodologies, the internal data provided to the valuers where relevant, and the reconciliation of the valuations to the asset register.

We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the continued impact of COVID-19 with valuers.

Our procedures included:

- Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued, and ensuring the reports considered the impacts of COVID-19;
- Assessing the methodology for consistency with prior valuations and considering whether any changes to the methodology were required;
- Testing the key inputs to the valuations across a sample of properties by agreeing information to underlying records and comparing assumptions against market data where available;
- Challenging management's COVID-19 rental abatements analysis and ensuring that these were factored into the valuation process; and
- Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations.

For all other PPE carried at fair value, our audit procedures focused on the appropriateness of the Group's assessment that the carrying value is not materially different to fair value. Our procedures included:

- Assessing whether the capital goods price indices used by the Group are appropriate;
- Comparing the capital goods price indices and other relevant inputs to observable market data and testing the accuracy of the Group's calculation of changes; and
- Considering the appropriateness of the Group's assessment that carrying values are not materially different to fair value, including the Group's consideration of the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
Investment properties of $2,641.4 million are recorded at fair value in the statement of financial position at 30 June 2021. A revaluation gain of $527.3 million is recognised in the income statement. Revaluations are carried out annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land ($414.3 million) is valued using a direct sales comparison. Retail and service, industrial, and other investment properties ($2,227.1 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. As at 30 June 2021, the material valuation uncertainty has been removed on all investment property valuations except for those relating to the hotels in the Group's retail and service investment property portfolio. The total carrying value of the hotels is $67.5 million. We consider the valuation of investment properties to be a key audit matter due to the materiality of revaluation gains and carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.	Our audit procedures focused on the appropriateness of the valuation methodologies and key inputs applied in the models. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the continued impact of COVID-19 with valuers. We read the valuation reports for all properties and considered whether the methodology applied was appropriate for the property being valued. We assessed the methodology for consistency with the prior period and considered whether any changes to the methodology were appropriate. We performed testing on a sample of the valuation reports. Our procedures included: • Testing the key inputs to the valuations by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that the possible rental losses identified were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated 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
19 August 2021

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2021

Group income statement	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Income					
Airfield income	64.0	100.6	127.6	122.1	119.6
Passenger services charge	24.2	133.0	185.1	179.1	174.3
Retail income	17.8	141.5	225.8	190.6	162.8
Rental income	115.2	109.2	107.8	97.6	84.9
Rates recoveries	7.8	7.7	6.7	6.0	5.6
Car park income	28.7	50.3	64.2	61.0	56.3
Interest income	4.9	1.7	1.8	2.2	2.3
Other income	18.5	23.0	24.4	25.3	23.5
Total income	281.1	567.0	743.4	683.9	629.3
Expenses					
Staff	45.6	62.9	59.1	57.9	50.5
Asset management, maintenance and airport operations	53.4	77.5	81.1	69.5	55.6
Rates and insurance	20.8	18.0	16.1	13.7	12.2
Marketing and promotions	1.0	8.3	12.7	13.8	16.7
Professional services and levies	3.6	6.2	8.6	11.1	11.4
Fixed asset write-offs, impairment and termination costs	2.5	117.5	-	-	-
Reversal of fixed asset impairment and termination costs	(19.4)	-	-	-	-
Other expenses	6.3	9.5	11.0	11.5	9.8
Expected credit losses/(release)	(4.2)	6.7	-	-	-
Total expenses	109.6	306.6	188.6	177.5	156.2
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	171.5	260.4	554.8	506.4	473.1
Investment property fair value change	527.3	168.6	254.0	152.2	91.9
Property, plant and equipment fair value change	(7.5)	(45.9)	(3.8)	-	-
Derivative fair value change	(0.5)	(1.9)	(0.6)	(0.7)	2.5
Share of profit of associate and joint ventures	21.1	8.4	8.2	16.7	19.4
Gain on sale of associate	-	-	-	297.4	-
Impairment of investment in joint venture	-	(7.7)	-	-	-
Earnings before interest, taxation and depreciation (EBITDA)[1]	711.9	381.9	812.6	972.0	586.9
Depreciation	124.7	112.7	102.2	88.9	77.9
Earnings before interest and taxation (EBIT)[1]	587.2	269.2	710.4	883.1	509.0
Interest expense and other finance costs	94.0	71.8	78.5	77.2	72.8
Profit before taxation	493.2	197.4	631.9	805.9	436.2
Taxation expense	29.0	3.5	108.4	155.8	103.3
Profit after taxation attributable to the owners of the parent	464.2	193.9	523.5	650.1	332.9

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

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Group statement of comprehensive Income	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Profit for the period	464.2	193.9	523.5	650.1	332.9
Other comprehensive income					
Items that will not be reclassified to the income statement					
Property, plant and equipment net revaluation movements	769.9	(599.8)	87.6	1,189.6	-
Tax on the property, plant and equipment revaluation reserve	-	(32.5)	(24.6)	-	-
Movement in share of reserves of associate and joint ventures	8.2	-	-	8.0	7.5
Items that will not be reclassified to the income statement	778.1	(632.3)	63.0	1,197.6	7.5
Items that may be reclassified subsequently to the income statement					
Cash flow hedges					
Fair value gains/(losses) recognised in the cash flow hedge reserve	57.7	(44.5)	(47.1)	(9.5)	15.2
Realised (gains)/losses transferred to the income statement	12.1	(2.2)	1.6	2.9	6.7
Tax effect of movements in the cash flow hedge reserve	(19.5)	13.1	13.3	0.3	(6.1)
Total cash flow hedge movement	50.3	(33.6)	(32.2)	(6.3)	15.8
Movement in cost of hedging reserve	3.9	2.7	(4.8)	-	-
Tax effect of movements in the cash flow hedge reserve	(1.1)	(0.8)	2.3	-	-
Movement in share of reserves of associate and joint ventures	-	-	-	0.4	2.5
Movement in foreign currency translation reserve	-	-	-	0.8	0.2
Items that may be reclassified subsequently to the income statement	53.1	(31.7)	(34.7)	(5.1)	18.5
Total other comprehensive income/(loss)	831.2	(664.0)	28.3	1,192.5	26.0
Total comprehensive income for the period, net of tax attributable to the owners of the parent	1,295.4	(470.1)	551.8	1,842.6	358.9

Group statement of changes in equity	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
At 1 July	6,637.1	6,032.9	5,682.1	4,029.0	3,880.7
Profit for the period	464.2	193.9	523.5	650.1	332.9
Other comprehensive income/(loss)	831.2	(664.0)	28.3	1,192.5	26.0
Total comprehensive income	1,295.4	(470.1)	551.8	1,842.6	358.9
Reclassification to gain on sale of associate	-	-	-	8.5	-
Shares issued	0.6	1,210.4	64.0	55.9	15.6
Long-term incentive plan	0.4	0.2	0.1	0.2	0.1
Dividend paid	-	(136.3)	(265.1)	(254.1)	(226.3)
At 30 June	7,933.5	6,637.1	6,032.9	5,682.1	4,029.0

Group balance sheet	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Non-current assets					
Property, plant and equipment					
Land	4,705.7	3,931.1	4,645.4	4,625.3	3,437.2
Buildings and services	1,079.9	1,140.7	1,056.7	961.8	754.2
Infrastructure	551.7	487.5	403.1	356.2	332.9
Runways, taxiways and aprons	389.1	378.3	346.5	351.5	354.3
Vehicles, plant and equipment	105.6	123.2	125.4	83.2	69.2
	6,832.0	6,060.8	6,577.1	6,378.0	4,947.8
Investment properties	2,641.4	2,054.2	1,745.4	1,425.6	1,198.0
Investment in associate and joint ventures	154.4	114.7	105.7	104.4	171.6
Derivative financial instruments	29.2	230.5	162.6	110.4	82.1
	9,657.0	8,460.2	8,590.8	8,018.4	6,399.5
Current assets					
Cash	79.5	765.3	37.3	106.7	45.1
Inventories	-	-	-	0.2	0.1
Trade and other receivables	25.4	34.7	69.0	71.5	55.5
Dividend receivable	-	-	-	-	2.7
Taxation receivable	20.9	21.6	-	-	-
Derivative financial instruments	-	15.4	-	-	0.6
	125.8	837.0	106.3	178.4	104.0
Total assets	9,782.8	9,297.2	8,697.1	8,196.8	6,503.5
Shareholders' equity					
Issued and paid-up capital	1,679.2	1,678.6	468.2	404.2	348.3
Cancelled share reserve	(609.2)	(609.2)	(609.2)	(609.2)	(609.2)
Property, plant and equipment revaluation reserve	5,099.9	4,333.7	4,968.8	4,913.9	3,729.1
Share-based payments reserve	2.0	1.6	1.4	1.3	1.1
Cash flow hedge reserve	(50.4)	(100.7)	(67.1)	(38.2)	(32.0)
Cost of hedging reserve	(1.1)	(3.9)	(5.8)	-	-
Share of reserves of associate and joint ventures	37.0	28.8	28.8	28.8	20.4
Foreign currency translation reserve	-	-	-	-	(9.3)
Retained earnings	1,776.1	1,308.2	1,247.8	981.3	580.6
	7,933.5	6,637.1	6,032.9	5,682.1	4,029.0
Non-current liabilities					
Term borrowings	1,172.8	1,824.4	1,748.6	1,893.5	1,635.6
Derivative financial instruments	67.9	134.6	88.4	38.9	36.1
Deferred tax liability	279.8	231.7	265.3	251.4	237.8
Other term liabilities	2.8	2.1	1.9	1.8	1.5
	1,523.3	2,192.8	2,104.2	2,185.6	1,911.0
Current liabilities					
Accounts payable	103.4	106.3	102.4	148.0	132.3
Taxation payable	-	-	15.3	12.9	6.4
Derivative financial instruments	1.9	3.0	-	1.3	2.8
Short-term borrowings	220.0	320.8	441.8	166.8	421.1
Provisions	0.7	37.2	0.5	0.1	0.9
	326.0	467.3	560.0	329.1	563.5
Total equity and liabilities	9,782.8	9,297.2	8,697.1	8,196.8	6,503.5

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Group statement of cash flows	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	271.2	586.0	756.0	674.0	615.5
Interest received	4.9	1.6	2.0	2.0	2.3
	276.1	587.6	758.0	676.0	617.8
Cash was applied to:					
Payments to suppliers and employees	(116.5)	(242.5)	(203.6)	(180.5)	(156.3)
Income tax paid	(0.6)	(94.2)	(101.1)	(96.4)	(81.7)
Interest paid	(98.0)	(75.1)	(77.4)	(77.9)	(72.7)
	(215.1)	(411.8)	(382.1)	(354.8)	(310.7)
Net cash flow from operating activities	61.0	175.8	375.9	321.2	307.1
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment	0.4	0.1	-	-	0.1
Proceeds from sale of investment property	-	-	1.5	-	-
Proceeds from sale of investment in associate	-	-	-	357.4	-
Dividends from associate and joint ventures	5.0	14.9	9.2	15.4	20.2
	5.4	15.0	10.7	372.8	20.3
Cash was applied to:					
Purchase of property, plant and equipment	(141.9)	(240.5)	(239.1)	(310.3)	(247.9)
Interest paid - capitalised	(6.5)	(11.8)	(7.0)	(8.8)	(9.9)
Expenditure on investment properties	(58.1)	(136.1)	(81.0)	(77.1)	(81.2)
Investments in associates and joint ventures	(15.4)	(23.2)	(2.3)	-	(18.6)
Costs relating to sale of investment of associate	-	-	-	(10.1)	-
	(221.9)	(411.6)	(329.4)	(406.3)	(357.6)
Net cash applied to investing activities	(216.5)	(396.6)	(318.7)	(33.5)	(337.3)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	-	1,178.1	-	-	0.1
Increase in borrowings	105.0	125.0	150.0	301.1	538.4
Settlement of cross-currency interest rate swaps	79.6	-	-	-	-
	184.6	1,303.1	150.0	301.1	538.5
Cash was applied to:					
Decrease in borrowings	(714.9)	(250.0)	(75.0)	(329.0)	(305.0)
Dividends paid	-	(104.3)	(201.6)	(198.2)	(210.8)
	(714.9)	(354.3)	(276.6)	(527.2)	(515.8)
Net cash flow applied to financing activities	(530.3)	948.8	(126.6)	(226.1)	22.7
Net increase/(decrease) in cash held	(685.8)	728.0	(69.4)	61.6	(7.5)
Opening cash brought forward	765.3	37.3	106.7	45.1	52.6
Ending cash carried forward	79.5	765.3	37.3	106.7	45.1

Capital expenditure	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Aeronautical	48.1	205.0	106.0	280.6	255.4
Retail	0.1	14.0	19.0	12.5	7.2
Property development	72.6	146.6	87.8	80.2	85.7
Infrastructure and other	75.1	52.7	46.0	20.8	12.4
Car parking	1.2	14.7	25.3	11.1	14.0
Total	197.1	433.0	284.1	405.2	374.7

Passenger, aircraft and MCTOW	2021	2020	2019	2018	2017
Passenger movements					
International	602,125	8,473,946	11,517,988	11,266,382	10,820,535
Domestic	5,841,514	7,047,108	9,593,625	9,263,666	8,601,841
Aircraft movements					
International	15,106	44,962	57,082	55,693	54,879
Domestic	83,583	94,175	121,689	118,583	114,366
MCTOW (tonnes)					
International	1,771,014	4,669,929	5,894,112	5,798,018	5,609,244
Domestic	1,637,867	1,830,711	2,372,412	2,341,699	2,238,853

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Results at a glance

June 2021

	30 June 2021 $m	30 June 2020 $m	Movement %
Financial Results			
Income	281.1	567.0	(50.4)
Operating expenses	109.6	306.6	(64.3)
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	171.5	260.4	(34.1)
Share of profit of associate and joint ventures	21.1	8.4	151.2
Investment property fair value increases	527.3	168.6	212.8
Property, plant and equipment revaluation movement	(7.5)	(45.9)	83.7
Impairment of investment in joint venture	–	(7.7)	100.0
Derivative fair value movement	(0.5)	(1.9)	73.7
Depreciation	124.7	112.7	10.6
Interest expense	94.0	71.8	30.9
Taxation expense	29.0	3.5	728.6
Reported profit after taxation	464.2	193.9	139.4
Earnings per share	31.5 c	15.2 c	107.2
Underlying profit / (loss) after taxation[1]	(41.8)	188.5	(122.2)
Underlying earnings / (loss) per share	(2.8 c)	14.7 c	(119.0)
Dividends			
Total proposed dividend for the year (cents per share)	0.00 c	0.00 c	n/a
Total value of distributions for the year ($ million)	–	–	n/a
Financial Position			
Shareholders' equity	7,933.5	6,637.1	19.5
Total assets	9,782.8	9,297.2	5.2
Debt to debt plus equity	14.9%	24.4%	
Debt to enterprise value[2]	11.6%	19.4%	
Net debt to enterprise value[2]	10.9%	12.5%	
Capital expenditure[3]	195.7	370.8	(47.2)
Passenger and aircraft statistics – Auckland Airport			
International passenger movements including transits	602,125	8,473,946	(92.9)
Domestic passenger movements	5,841,514	7,047,108	(17.1)
Maximum certificated take-off weight (tonnes)	3,408,881	6,500,640	(47.6)
Aircraft movements	98,689	139,136	(29.1)
Queenstown Airport performance[4]			
International passenger movements	25,280	583,219	(95.7)
Domestic passenger movements	1,311,416	1,287,072	1.9
Revenue	27.8	46.7	(40.5)
EBITDAFI	17.1	31.3	(45.4)
Profit after taxation	1.7	17.6	(90.3)

58.5%

Total passengers down **58.5%** to **6,443,639**

34.1%

EBITDAFI down **34.1%** to **$171.5m**

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 2021 of $7.27 (30 June 2020 of $6.57)
3. Net capital expenditure additions after capex write-offs and impairments of $1.4 million in 2021 and $62.2m in 2020
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
5. 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 2021, prior annual and interim financial reports and Auckland Airport's market releases on the NZX and ASX

Results at a glance

continued

Appendix A

Reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2021 and 2020:

	2021			2020		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement[1]	**171.5**	**–**	**171.5**	**260.4**	**–**	**260.4**
Investment property fair value increase	527.3	(527.3)	–	168.6	(168.6)	–
Property, plant and equipment revaluation	(7.5)	7.5	–	(45.9)	45.9	–
Fixed asset write-offs, impairments and termination costs[1]	–	2.5	2.5	–	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	–	(19.4)	(19.4)	–	–	–
Derivative fair value movement	(0.5)	0.5	–	(1.9)	1.9	–
Share of profit of associates and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	–	–	–	(7.7)	–	(7.7)
Depreciation	(124.7)	–	(124.7)	(112.7)	–	(112.7)
Interest expense and other finance costs	(94.0)	–	(94.0)	(71.8)	–	(71.8)
Taxation (expense) / credit	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit / (loss) after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

Note:

1. 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

As per the above table, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:

- We have reversed out the impact of revaluations of investment property in 2021 and 2020. 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 class of assets within property, plant and equipment in 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult;
- We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. 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 intends to hold 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 2021 and 2020 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 2021 and 2020 financial years.

139.4%

Reported profit after tax up **139.4%** to **$464.2m**

122.2%

Underlying profit after tax down **$230.3m** to a loss of **$41.8m**

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Auckland Airport

Annual Results Presentation

19 August 2021

Adrian Littlewood
Chief Executive

Philip Neutze
Chief Financial Officer

Important notice

Disclaimer

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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. Similarly, unless otherwise indicated, all references to a year in the presentation are for the financial year ended 30 June.

Refer page 39 for a glossary of the key terms used in this presentation.

Highlights

Results at a glance

Revenue
$281.1m
▼ -50.4%

Reported profit after tax
$464.2m
▲ 139.4%
Earnings per share
31.5 cps

Passenger movements
6.4m
▼ -58.5%

Operating cashflow
$61.0m
▼ -65.3%

EBITDAFI
$171.5m
▼ -34.1%

Underlying loss[1]
$41.8m
▼ -122.2%
Loss per share
2.8 cps

Aircraft movements
98,689
▼ -29.1%

Capital investment[2]
$195.7m
▼ -47.2%

1. *Refer appendix for reconciliation of reported profit after tax to underlying profit after tax*
2. *Net capital expenditure additions after $1.4m of capex write-offs and impairments*

2021 reflects the impact of the COVID-19 pandemic

Aeronautical

$88.2m revenue -62.2%

COVID-19 impacting PAX volumes
-92.8% International (FY19: -94.7%)
-17.1% Domestic (FY19: -39.1%)
-94.1% Transits (FY19: -95.7%)

Retail

$17.8m income -87.4%

Difficult retail environment:
$2.77 income per passenger
21.6% decline in international PSR

Transport

$28.7m revenue -42.9%

Less decline than domestic PAX:
-65.6% reduction in exits
-42.9% ARPS decrease

Property

$100.5m revenue 13.6%

Development momentum continues:
$160m plus under construction
$2.6bn portfolio value
$117.0m rent roll
9.7 years WALT

Hotels

$27.2m revenue[1] -29.0%

Travel restrictions impacted demand:
58.6% occupancy[2]

Queenstown

QUEENSTOWN airport

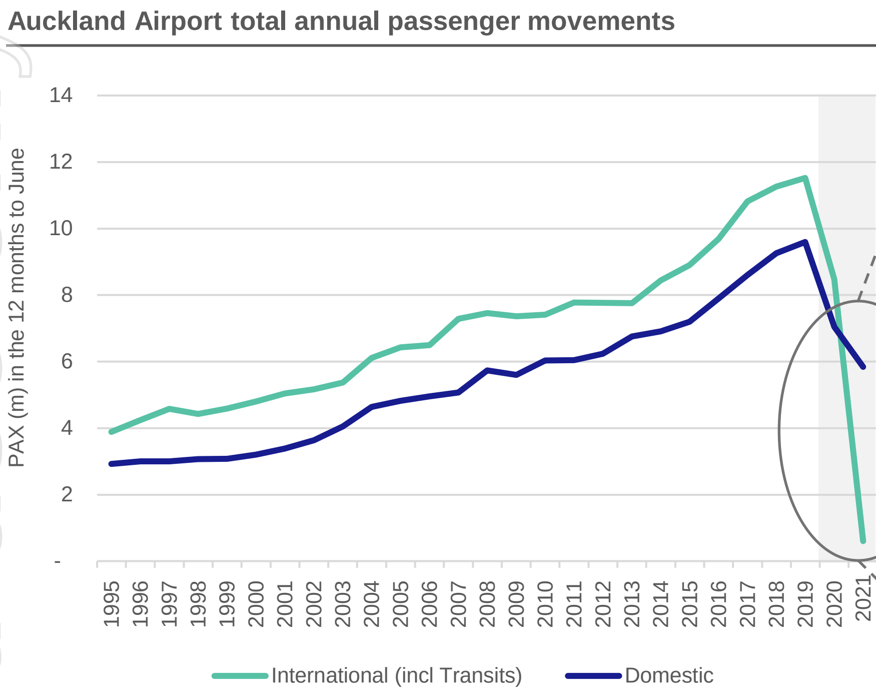
$27.8m revenue -40.5%

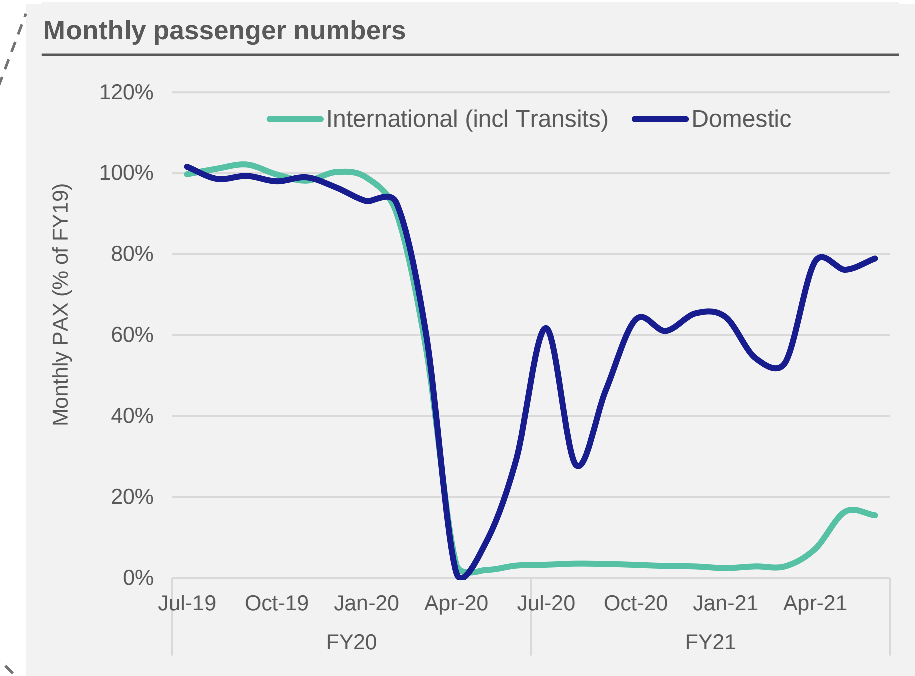
COVID-19 impacting PAX volumes
-95.7% International (FY19: -96.1%)
1.9% Domestic (FY19: -21.3%)

1. *Includes ibis Budget Hotel and 100% of Novotel Hotel revenues*
2. *Average occupancy across the ibis Budget Hotel and Novotel*

Passenger numbers remain significantly down

Despite a strong recovery in domestic travel over the last twelve months, total passenger numbers remain well down on pre-COVID levels





Pre-COVID, passenger numbers at Auckland Airport were resilient to a number of major external shocks over the long term…

…but COVID-19 has continued to impact passenger numbers with activity down on pre-COVID levels particularly international passengers, with the closure of the country's border

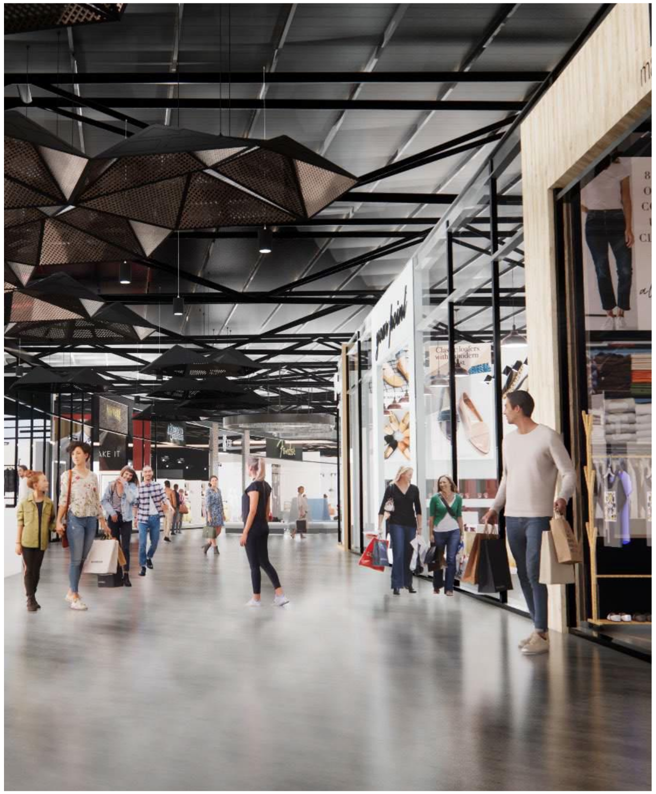
Source: Auckland Airport

We haven't wasted a day getting after what matters

Safe management of border and leading the design of future border models

Investing in core asset resilience and developing new trigger-based infrastructure programme

Stabilising existing commercial business and establishing new foundations



Shored up liquidity immediately following the first lockdowns, disciplined operational and capital expenditure throughout 2021, negotiated extensions to nearly $700 million of soon-to-mature bank facilities and introduced an EBITDA based interest cover covenant

Financial performance

Passenger numbers

For the year ended 30 June	2021	2020	Change
International arrivals	261,469	3,948,248	(93.4%)
International departures	297,592	3,791,012	(92.2%)
International passengers excluding transits	**559,061**	**7,739,260**	**(92.8%)**
Transit passengers	43,064	734,686	(94.1%)
Total international passengers	**602,125**	**8,473,946**	**(92.9%)**
Domestic passengers	5,841,514	7,047,108	(17.1%)
Total passengers	**6,443,639**	**15,521,054**	**(58.5%)**

- Total passenger volumes fell 58.5% on 2020 reflecting travel restrictions imposed in response to COVID-19 (2020 included a full quarter of COVID-19 impacts)
- International passengers decreased by 92.8% on 2020 (94.7% versus pre-COVID 2019 numbers), as border restrictions significantly impacted demand. Quarantine free travel with Australia and the Cook Islands commenced in the final quarter of FY21
- Domestic passengers decreased by 17.1% on 2020 (39.1% versus pre-COVID 2019 numbers). Demand was impacted by a number of mini lockdowns in Auckland during 2021 and a lack of international flow-on traffic
- Domestic passenger numbers recovered to 77.7% of pre-COVID 2019 activity in the final quarter of 2021

Aircraft movements and MCTOW

For the year ended 30 June	2021	2020	Change
Aircraft movements			
International aircraft movements	15,106	44,961	(66.4%)
Domestic aircraft movements	83,583	94,175	(11.2%)
Total aircraft movements	**98,689**	**139,136**	**(29.1%)**
MCTOW (tonnes)			
International MCTOW	1,771,014	4,669,929	(62.1%)
Domestic MCTOW	1,637,867	1,830,711	(10.5%)
Total MCTOW	**3,408,881**	**6,500,640**	**(47.6%)**

- International aircraft movements and MCTOW declined by 66.4% and 62.1% on the prior year. Relative to 2019 levels, this equates to a 73.5% and 70.0% respective decrease. MCTOW reduced far less than international passenger volumes, as airlines, including those operating under the government cargo support schemes, utilised larger passenger aircraft types in order to maximise cargo capacity uplift despite the very low international passenger loads
- Domestic aircraft movements and MCTOW decreased by 11.2% and 10.5% on the prior year. Relative to 2019 levels, this equates to a 31.3% and 31.0% respective decrease reflecting domestic lockdowns, a lack of international flow-on demand and Jetstar's withdrawal from regional services. Similar to international, lower load factors led to MCTOW falling less than the reduction in passenger numbers

Performance impacted by border restrictions

For the year ended 30 June ($m)	2021	2020	Change
Revenue	281.1	567.0	(50.4%)
Expenses[1]	109.6	306.6	(64.3%)
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**171.5**	**260.4**	**(34.1%)**
Share of profit from associates	21.1	8.4	151.2%
Derivative fair value movement	(0.5)	(1.9)	73.7%
Property, plant and equipment revaluation	(7.5)	(45.9)	83.7%
Investment property revaluation	527.3	168.6	212.8%
Impairment of investment in joint venture	-	(7.7)	100.0%
Depreciation expense	124.7	112.7	10.6%
Interest expense	94.0	71.8	30.9%
Taxation expense	29.0	3.5	728.6%
Reported profit after tax	**464.2**	**193.9**	**139.4%**
Underlying profit/(loss) after tax[2]	**(41.8)**	**188.5**	**(122.2%)**

1. *2020 includes capital expenditure write-offs, impairments and contractor termination costs of $117.5 million, redundancy costs of $5.9 million and credit losses of $7.3 million in 2020. 2021 includes a net reversal of $16.9m of fixed asset impairment and termination costs and a $4.2m reversal of expected credit losses*
2. *A reconciliation between profit after tax and underlying profit after tax is included in the Appendix*

Property growth, other segments declined

For the year ended 30 June ($m)	2021	2020	Change
Airfield income	64.0	100.6	(36.4%)
Passenger services charge	24.2	133.0	(81.8%)
Retail income	17.8	141.5	(87.4%)
Car park income	28.7	50.3	(42.9%)
Investment property rental income	100.5	88.5	13.6%
Other rental income	14.7	20.7	(29.0%)
Other income	31.2	32.4	(3.7%)
Total revenue	**281.1**	**567.0**	**(50.4%)**

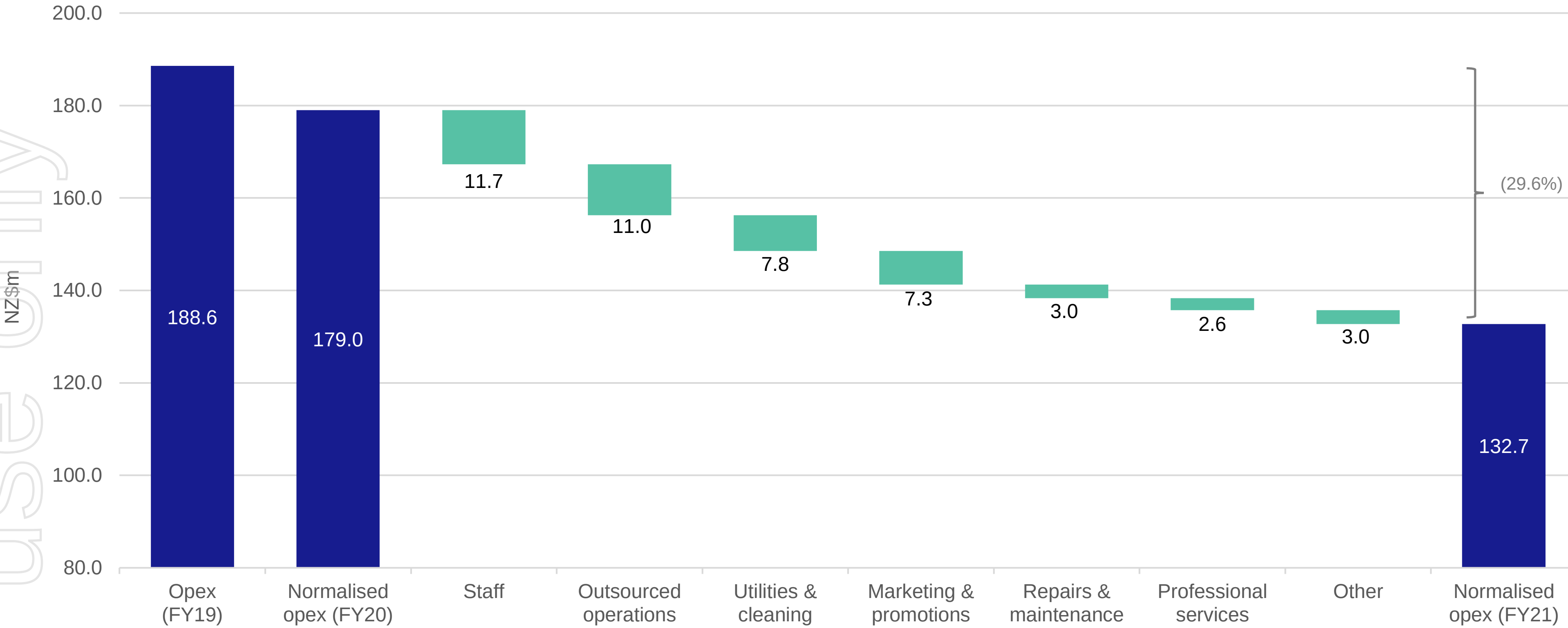
- Airfield income decreased 36.4%, far less than the reduction in PAX volumes as airlines maintained connectivity despite significantly lower PAX volumes in order to serve strong air cargo demand. Airfield income includes a 49.2% increase in aircraft parking charges due to longer aircraft layover times
- Passenger services charge fell 81.8%, much greater than the 58.5% reduction in total PAX, reflecting the 93% reduction in higher yielding international PAX
- Retail income fell by 87.4% reflecting ongoing MAG and concession relief as international PAX remains subdued. Car parking income fell 42.9%, reflecting almost no international parking which normally generates about half our car parking income
- Investment property rental income growth of 13.6% reflects the completion of Foodstuffs North Island, Interwaste and DHL and the leasing of the remaining units at 27 Timberly Road

Significant cost reductions implemented

For the year ended 30 June ($m)	2021	2020	Change
Staff	45.6	62.9	(27.5%)
Asset management, maintenance and airport operations	53.4	77.5	(31.1%)
Rates and insurance	20.8	18.0	15.6%
Marketing and promotions	1.0	8.3	(88.0%)
Professional services and levies	3.6	6.2	(41.9%)
Fixed asset write-offs, impairments and termination costs	2.5	117.5	(97.9%)
Reversal of fixed asset impairment and termination costs	(19.4)	-	N/A
Other expenses	6.3	9.5	(33.7%)
Expected credit losses	(4.2)	6.7	(162.7%)
Total operating expenses	**109.6**	**306.6**	**(64.3%)**
Depreciation	124.7	112.7	10.6%
Interest	94.0	71.8	30.9%

- Reported operating expenses reduced 64.3%, reflecting a combination of scaling back of operating costs and the reversal of prior period fixed asset losses
- Interest expenses increased by $22.2 million or 30.9% as a result of $23.5 million of one-off costs associated with the prepayment of USPP debt and the close-out of cross currency and fixed interest rate swaps in the year. This will deliver more than $10 million per annum interest expense savings over the next few years

Normalised operating expenses down nearly a third



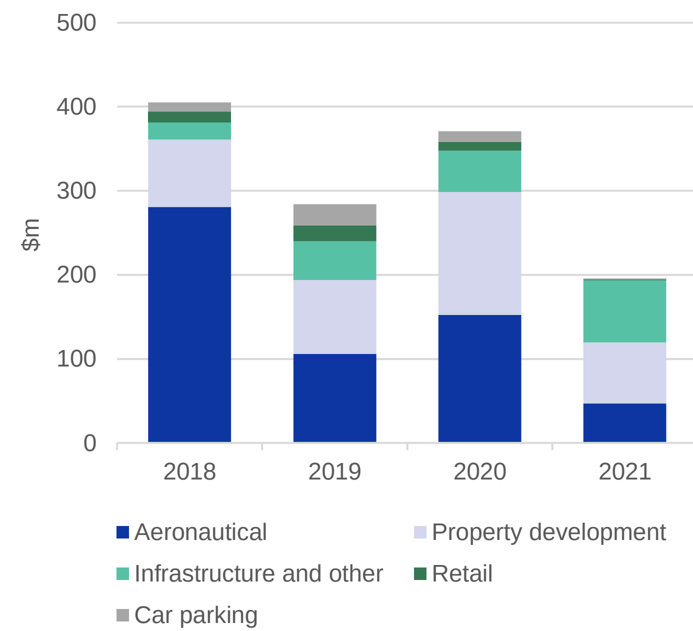
- Normalised staff costs reduced by $11.7 million reflecting the reduction in headcount across the organisation
- Outsourced operations decreased by $11.0 million driven by the scaling back of baggage handling, bus services, Park & Ride, Valet and Strata Lounge for the reduced demand environment
- Utilities and cleaning costs reductions reflect lower PAX volumes and prudent management
- Marketing and promotions activity down by nearly 90% as a result of the travel restrictions
- See slide 38 for a reconciliation of reported to normalised operating expenses

Capital expenditure focused on asset upgrades

Lower aeronautical activity in the year has facilitated the upgrade and renewal of key infrastructure assets

- Capital expenditure in the year totalling $195.7m[1] focused on core infrastructure renewals, upgrades to the roading network and new property developments
- Key FY21 projects included:
  - major upgrade of the northern airport access road to include HOV lanes, shared pedestrian and cycle paths, and new wayfinding gantries;
  - construction of SH20B HOV lanes and upgrade to Prices Road;
  - accelerated renewal and upgrade programme of runway, apron and fuel systems;
  - delivery of a dedicated facility for processing passengers to Managed Isolation Quarantine facilities;
  - completion of the Foodstuffs office and warehouse, Interwaste and DHL developments; and
  - commencing construction on three preleased warehouse developments scheduled for completion in FY22-23

Historical capital expenditure



1. Net of $1.4m capex write-offs and impairments

Capital management and liquidity

Secured liquidity to support the business

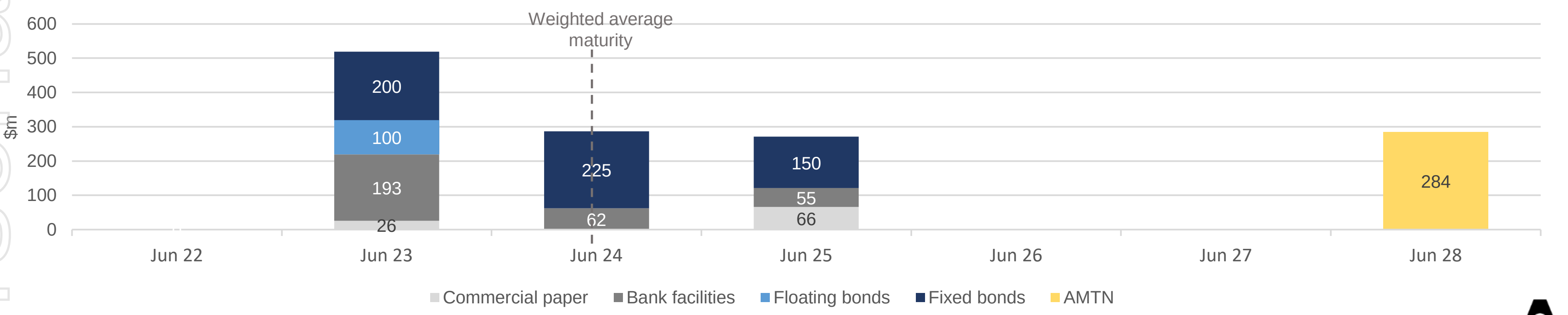
- During 2021 repaid $215 million of debt as it matured in the ordinary course and prepaid NZ$425 million of USPP from existing cash reserves
- Committed undrawn facility headroom at 30 June 2021 of $831.7m and $79.5m in available cash
- Waivers for any interest coverage and gearing covenant breaches until 31 December 2021 (inclusive). Moving to an EBITDA interest coverage covenant after that (2.0x in calendar 2022, 2.5x in 2023, 3.0x thereafter)
- Extended nearly $700m of bank facilities maturing over Jan-Apr 2022 by between 7-19 months
- A- credit rating from S&P maintained on stable outlook

Credit metrics and key lending covenants

For the year ended 30 June	Covenant	2021	2020
Gearing[1]	≤ 60%	15.3%	23.5%
Interest coverage[2]	≥ 1.5x	0.75x	2.62x
Debt to enterprise value		11.6%	19.4%
Net debt to enterprise value		10.9%	12.5%
Funds from operations interest cover[3]	2.5x	1.5x	3.4x
Funds from operations to net debt[3]	11.0%	3.9%	18.6%
Weighted average interest cost[4]		5.43%	3.89%
Average term to maturity (years)		2.92	4.66
Percentage of fixed borrowings		80.4%	65.4%

1. *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*
2. *Interest coverage defined as reported NPAT plus taxation, interest expense, revaluations and derivative changes (broadly EBIT) divided by interest expense*
3. *S&P A- rating threshold*
4. *2021 includes one off close out costs for interest rate swaps, USPP notes and associated cross currency swaps of $23.5m. Excluding these costs the weighted average interest cost was 4.16%*

Drawn debt maturity profile (post August refinancing)



Balance sheet remains strong

For the year ended 30 June ($m)	2021	2020[1]	Change
Non-current assets	**9,657.0**	**8,460.2**	**14.1%**
Property, plant and equipment	6,832.0	6,060.8	12.7%
Investment properties	2,641.4	2,054.2	28.6%
Other non-current assets	183.6	345.2	(46.8%)
Current assets	**125.8**	**837.0**	**(85.0%)**
Cash	79.5	765.3	(89.6%)
Other current assets	46.3	71.7	(35.4%)
Non-current liabilities	**1,523.3**	**2,192.8**	**(30.5%)**
Term borrowings	1,172.8	1,824.4	(35.7%)
Other non-current liabilities	350.5	368.4	(4.9%)
Current liabilities	**326.0**	**467.3**	**(30.2%)**
Equity	**7,933.5**	**6,637.1**	**19.5%**

- Balance sheet strengthened by large land revaluations in 2021 for PP&E ($762 million) and investment property ($527 million)
- Remaining proceeds of April 2020 $1.2 billion equity raise used to prepay remaining $425 million of USPP notes
- Total debt of $1,393 million and net debt of $1,313 million at its lowest level in absolute terms since 2013

1. *The split between 2020 current and non-current assets has been restated*

Our continuing journey

Auckland Airport's COVID-19 strategy

The global spread of COVID-19 and the subsequent imposition of travel restrictions continues to have a profound impact on the aviation industry

- In 2020 Auckland Airport outlined a three-stage plan for its management through and beyond the pandemic including a comprehensive approach to scaling down the business: reducing operating and capital expenditure; suspending or deferring major infrastructure projects; restructuring bank debt; and raising $1.2 billion new equity from shareholders
- Having moved quickly to respond to challenging environment that COVID-19 presented, in 2021 Auckland Airport has gone further to:
  - scale down activity to reflect the current operating environment;
  - invest in critical infrastructure;
  - repaid $640 million of debt to reduce interest costs;
  - extend short-term bank maturities;
  - modify our interest coverage covenant; and
  - continued to support our tenants and business partners who are critical to the long-term success of the precinct

First line of defence

The airport's primary objective throughout the pandemic has been on ensuring the safe and secure operation of our facility to protect New Zealand's border

- Close coordination with government, border agencies and airlines to reinstate domestic services and manage ongoing changes to the international border
- Introduced new protocols for cleaning, physical distancing, testing and passenger communications to assist staff, travellers and support the new border requirements
- Collaborated with partners on the Safe Border projects to establish:
  - a blueprint for a trans-Tasman Safe Travel Zone; and
  - a quantitative risk-based border framework
- In April 2021, the international terminal was split into two areas to support the reopening of quarantine-free travel between New Zealand and other countries
- Currently, Auckland Airport is playing a leading role in a public-private sector work programme to develop options for future border settings

Continuing to invest in critical infrastructure

The low-volume of aeronautical activity continues to provide a unique opportunity to accelerate infrastructure upgrades whilst minimising disruption

- Activity during 2021 focused on the upgrade and renewal of core infrastructure including runway, airfield, utilities and roading
- Following being halted in April 2020, the Airport infrastructure development programme was reprioritised to reflect a post COVID environment
  - new projects will be triggered based on either regulatory requirements, asset replacement or aeronautical demand with significant additions of new capacity aligned with the recovery in aviation; and
  - completing existing projects focused on asset renewal and resilience
- The key element of our infrastructure programme over the next five years will be a new domestic terminal that is integrated with international operations
- In 2022, the terminal integration programme will focus on enabling works for the domestic terminal

Construction at the George Bolt Memorial Drive intersection

Construction of the 5-star Te Arikinui Pullman Hotel

Four key projects underway whilst four remain on hold

Artist impression of the new domestic terminal

A new transport hub at the front door of the terminals

A new transport hub will provide improved passenger amenity, connectivity and capacity for the integrated terminal precinct

- A new transport hub is planned to integrate public transport with commercial operators and parking for the general public at the front door of the international and new domestic terminals
- The new facility will provide 2,500 carparks alongside a ground floor pick-up and drop-off to enable a close, covered access to the terminal precinct
- Facility part of a comprehensive transport plan for multi-mode transport access to terminal precinct and considers both current and future developments (eg future expansion to parking capacity)
- Transport hub design also provides a path for mass transport connectivity

Concept design of the Transport Hub

Pick up and drop off on the ground floor of the Transport Hub

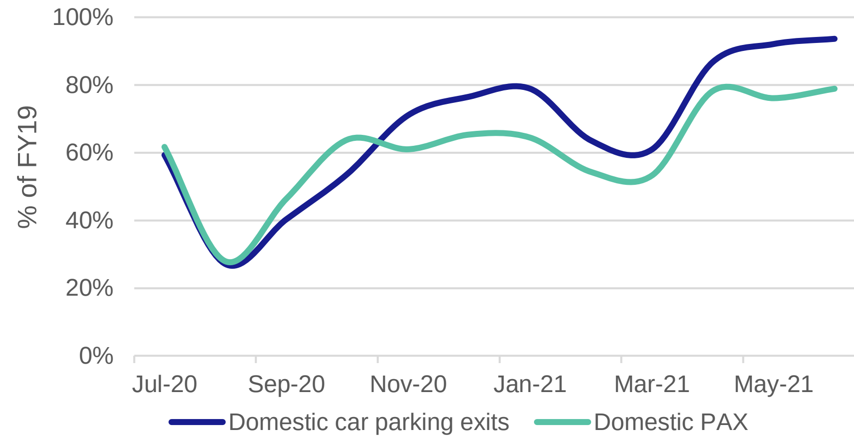
Positioning for the recovery

Our retail and transport offering has repositioned to cater to the resumption in domestic travel

Retail

- Retail income 87.4% down on the prior year reflecting strong domestic operations and the opening of over 30 stores in the international terminal in Q4, but with ongoing MAG and concession relief
- Domestic stores PSR 13.8% above pre-COVID levels, driven by expanded offering
- Duty-free PSR in May and June recovered to pre-COVID levels
- Low vacancy rates from a pragmatic and tailored approach to rent relief with c.90% ($185 million) of contracted revenue abated in the year

Transport



- Transport revenue 42.9% down on the prior year similarly reflecting mainly domestic only operations for the year
- The recovery in the domestic car parking business continues to outpace the PAX recovery, driven by a higher propensity to park
- Full suite of parking products opened in the year with reallocation of excess international parking capacity to meet domestic demand

Investment property continues to perform strongly

Amid the pandemic, our investment property portfolio continues to perform and provide income diversification

- 12.5% increase in rent roll and a 29% increase in the portfolio value continues to demonstrate the strength of the airport property development proposition
- Completed developments in the year include:
  - 84,000m² Foodstuffs distribution centre and head office;
  - specialised waste processing facility for Interwaste;
  - speculative 10,000m² warehouse across six units which has been leased to Zeta Group and Tempur at 27 Timberly Road
- Quality pipeline of $160 million of new developments including:
  - EBOS (Healthcare Logistics);
  - Geodis Wilson; and
  - Hellmann (now complete)

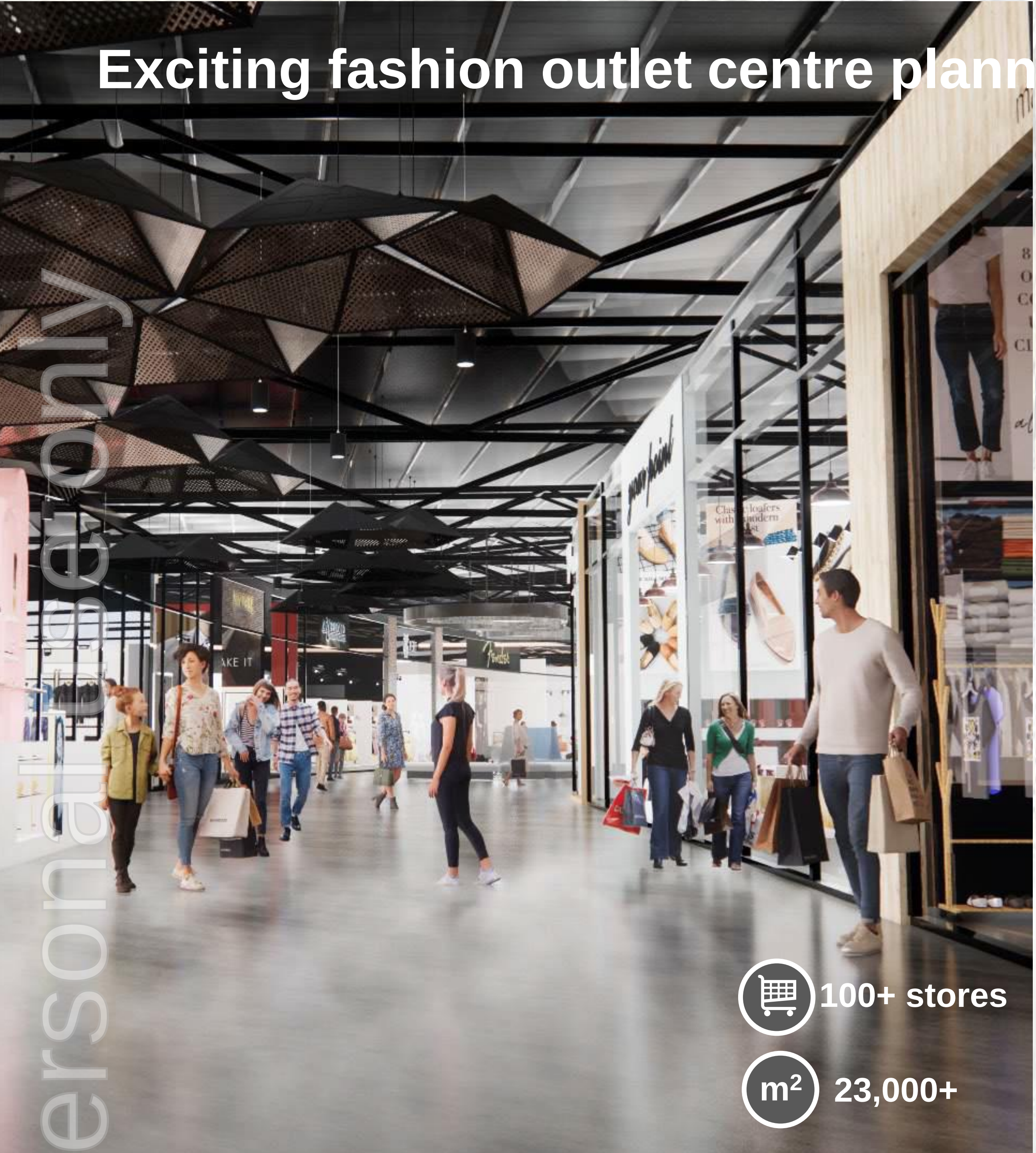
New hotels

- Construction continued to complete the structures and façades of the 5-star Te Arikinui Pullman and 4-star Mercure hotels. Ready to reactivate with fit-outs to occur as demand recovers
- Interim Novotel revenue underpinned by MIQ contract

$2.6bn	Portfolio value
518,600m²	Portfolio net lettable area
$117m	Investment property rent roll
99%	Occupancy
9.7 years	WALT
185	hectares of land available for development

Foodstuffs development

Exciting fashion outlet centre planned for the precinct



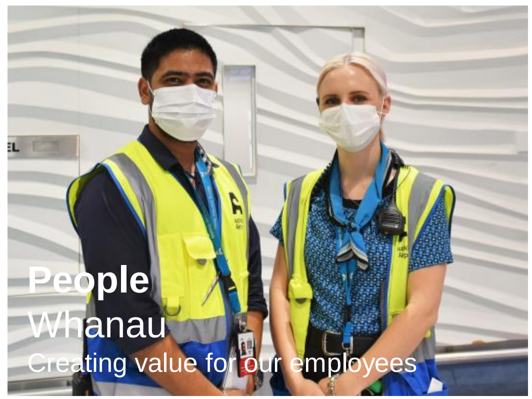
100+ stores

m² 23,000+

Operating sustainably to create enduring value

As a long-term multi-generational business, it is natural for us to take a long-term approach to our place in the world, the New Zealand economy and the local environment and community in which we operate

- Auckland Airport has developed a new sustainability strategy and goals that build on our significant achievements over the last 15 years
- Our sustainability strategy is framed by four pillars of Purpose, Place, People and Community
- Having largely met previous objectives, Auckland Airport has lifted its sights and is challenging itself again by setting new sustainability targets



Our long-term ambitions

Purpose
Kaupapa

85%

Customers rate their overall experience as 'excellent' or 'very good' by 2030

100%

Of procurement activity is aligned with sustainable procurement guidelines ISO20400 by 2030

TSR

Rolling 3 year total shareholder return exceeds cost of equity by 1%

Place
Kaitiakitanga

Net Zero

Scope 1 and 2 carbon emissions by 2030

20%

Reduction in potable water use by 2030 from 2019 levels

20%

Reduction in waste to landfill by 2030 from 2019 levels

People
Whanau

40 | 40 | 20

Gender balance across Auckland Airport's Board, Leadership Team and its direct report populations by 2025

Safety

Year on year improvement in number of high-quality safety observations per employee

20%

Of people leaders of Maori / Pasifika ethnicity by 2030

Ethnicity

Workforce reflective of the ethnicity of New Zealand by 2030

Community
Hapori

40%

Of employees participating in community volunteer programme by 2030

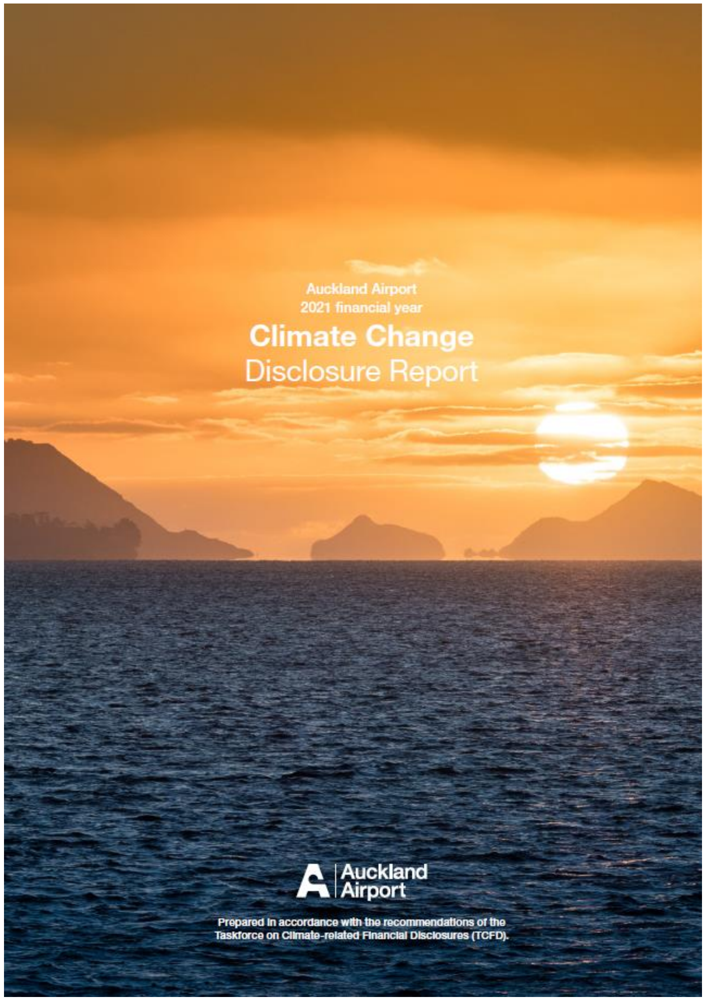
Apprenticeship

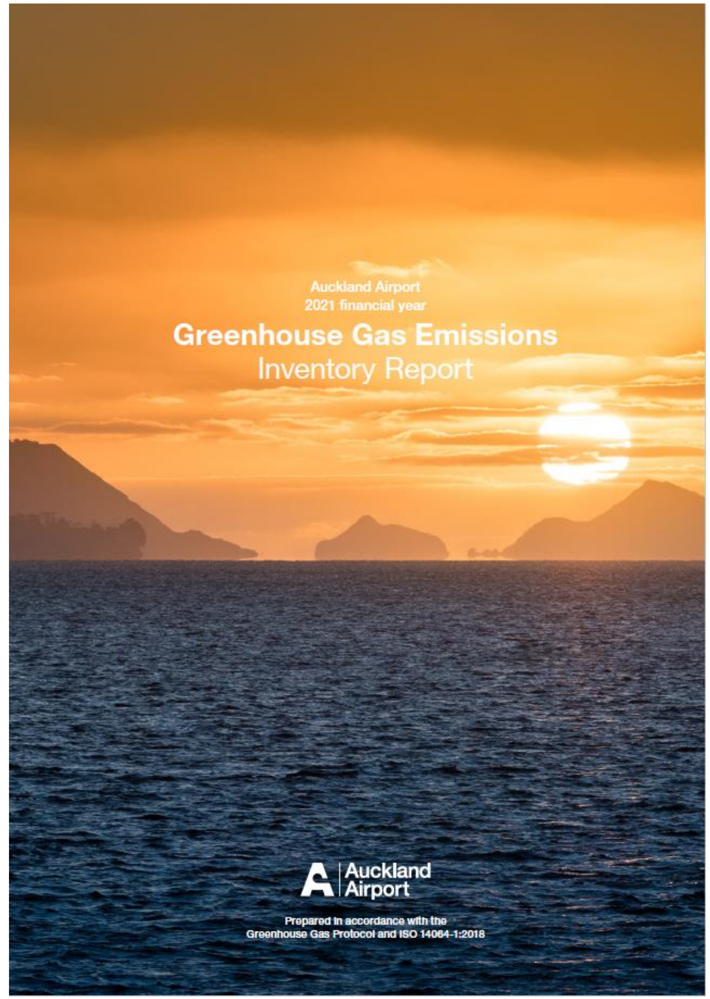
Create a pathway for women, Maori and Pasifika into the trades, with

30% of total trade staff sourced from a targeted apprenticeship scheme by 2030.

We will track our progress to these goals

We have updated our approach to sustainability disclosures, including comprehensive reporting of performance against climate change and greenhouse gas emissions targets





Still uncertainty but recovery pathway is emerging

The recovery in aviation will need further close coordination across business and government to ensure an orderly and safe path out

- The current nationwide lockdown illustrates that considerable uncertainty remains regarding a measured and safe resumption of travel
- The New Zealand Government's framework for re-opening the borders and moving to an individualised risk-based model for quarantine-free travel, provides a clear direction for border re-opening
- Progress on vaccine rollout is providing growing confidence in the likelihood of reopening from early calendar 2022
- Over the remainder of 2021 we expect low volume trials of technology and quarantine pathways
- During this period Auckland Airport is participating in a multi-party project with government agencies, airlines and airports under the Reconnecting New Zealanders to the World strategy

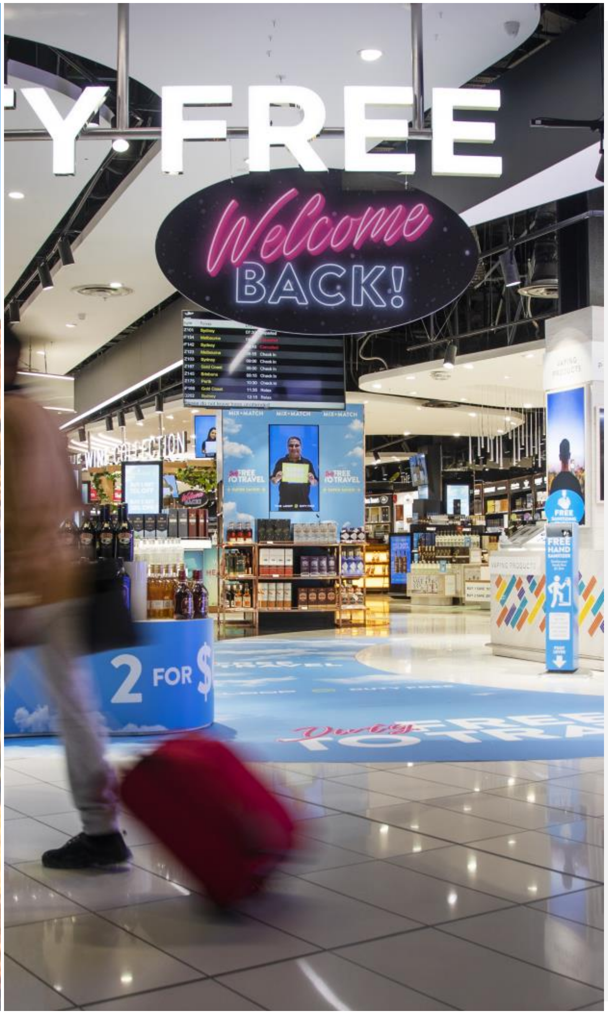
Planes at sunset

Positioning for a post-COVID world

Re-establishing our aeronautical network

Supporting the recovery in travel and trade for New Zealand

Driving the recovery in our commercial business

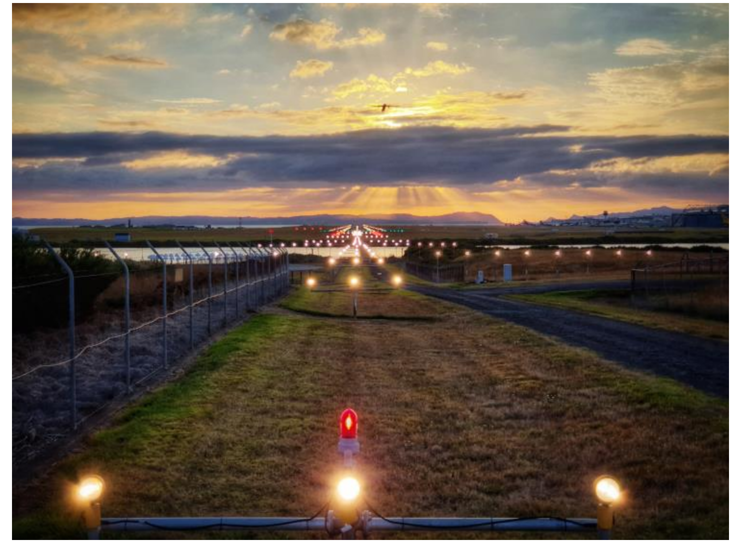


Outlook

Outlook

Guidance and regulatory

- As we look to the 2022 financial year, we continue to face significant uncertainty regarding the recovery of international passengers.
- Because of this continued uncertainty, Auckland Airport has suspended underlying earnings guidance for FY22.
- Auckland Airport expects capital expenditure in FY22 of between $250 million and $300 million including completing existing roading, airfield and investment property projects and progressing the design and enabling activity for the terminal integration programme.
- Auckland Airport is consulting on potentially delaying the PSE4 pricing decision (for FY23-27) for circa 12 months until the building blocks forecasts are more certain. If so, the under-recovery during the price freeze is expected to be made up over the remainder of PSE4.
- 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.



Questions

Appendix: Associates' performance

For the year ended 30 June ($m)	2021	2020	Change
Queenstown Airport (24.99% ownership)			
Total Revenue	27.8	46.7	(40.5%)
EBITDA	17.1	31.3	(45.4%)
Underlying Earnings (Auckland Airport share)	0.4	4.5	(91.1%)
Domestic Passengers	1,311,416	1,287,072	1.9%
International Passengers	25,280	583,219	(95.7%)
Aircraft movements	11,078	14,777	(25.0%)
Novotel Tainui Holdings (50.00% ownership)			
Total Revenue	25.1	29.8	(15.8%)
EBITDA	13.2	10.2	29.4%
Underlying Earnings (Auckland Airport share)	5.0	4.7	6.4%
Average occupancy[1]	73.0%	87.3%	
Average room rate increase / (decrease)	(1.2%)	(1.0%)	

- Auckland Airport's share of Queenstown Airport's underlying earnings fell by 91.1% reflecting the challenging trading environment with international border restrictions in place
- Despite a reduction in revenue, the Novotel Hotel delivered underlying earnings growth of 6.4% owing to its use as an MIQ facility throughout the year and prudent cost management

1. *The Novotel Hotel was used by the Ministry of Health as a quarantine facility throughout FY21 and in the final quarter of FY20*

Appendix: Underlying profit reconciliation

For the year ended 30 June ($m)	2021			2020		
	Reported profit	Adjustments	Underlying profit	Reported profit	Adjustments	Underlying profit
EBITDAFI per Income Statement[1]	**171.5**	**-**	**171.5**	**260.4**	**-**	**260.4**
Investment property fair value increase	527.3	(527.3)	-	168.6	(168.6)	-
Property, plant and equipment revaluation	(7.5)	7.5	-	(45.9)	45.9	-
Fixed asset write-offs, impairments and termination costs[1]	-	2.5	2.5	-	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	-	(19.4)	(19.4)	-	-	-
Derivative fair value movement	(0.5)	0.5	-	(1.9)	1.9	-
Share of profit of associates and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	-	-	-	(7.7)	-	(7.7)
Depreciation	(124.7)	-	(124.7)	(112.7)	-	(112.7)
Interest expense and other finance costs	(94.0)	-	(94.0)	(71.8)	-	(71.8)
Taxation expense / (credit)	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

- We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:
  - We have reversed out the impact of revaluations of investment property in 2021 and 2020. 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 class of assets within property, plant and equipment in 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult;
  - We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. 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 intends to hold 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 2021 and 2020 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 2021 and 2020 financial years.

1. 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

Appendix: Normalised opex reconciliation

For the year ended 30 June ($m)	2021	2020	Change
Reported operating expenses	**109.6**	**306.6**	
Fixed asset write-offs, impairments and termination costs	16.9	(117.5)	
Expected credit losses / reversals	4.2	(6.5)	
Redundancy costs	-	(5.9)	
Non-capitalised project manager salaries	-	(1.8)	
Government wage subsidy	2.0	4.1	
Normalised operating expenses	**132.7**	**179.0**	(25.9%)

Glossary

AMTN	Australian medium term notes
ARPS	Average revenue per parking space
ASQ	Airport Service Quality
EBIT	Earnings before interest and taxation,
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBITDAFI	Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates
GBMD	George Bolt Memorial Drive
HOV	High occupancy vehicle
MAG	Minimum annual guarantee
MCTOW	Maximum certified take off weight
MIQ	Managed isolation and quarantine
MOT	Ministry of Transport
NPAT	Net profit after tax
PAX	Passenger
PSR	Passenger spend rate
USPP	United States Private Placement
WALT	Weighted average lease term

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Auckland International Airport Limited	
Reporting Period	12 months to 30 June 2021	
Previous Reporting Period	12 months to 30 June 2020	
Currency	NZD	
	Amount (millions)	**Percentage change**
Revenue from continuing operations	$281.1	-50.4%
Total Revenue	$281.1	-50.4%
Net profit/(loss) from continuing operations	$464.2	139.4%
Total net profit/(loss)	$464.2	139.4%
Final Dividend		
Amount per Quoted Equity Security	$0.0000	
Imputed amount per Quoted Equity Security	$0.000000	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$5.39	$4.51
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to attached media release, Annual Report, audited Financial Statements and Results Presentation	
Authority for this announcement		
Name of person authorised to make this announcement	MARY-LIZ TUCK	
Contact person for this announcement	MARY-LIZ TUCK	
Contact phone number	027 277 5086	
Contact email address	investors@aucklandairport.co.nz	
Date of release through MAP	19 August 2021	

Audited financial statements accompany this announcement.

Auckland Airport
2021 financial year

Greenhouse Gas Emissions
Inventory Report

Auckland Airport

Prepared in accordance with the
Greenhouse Gas Protocol and ISO 14064-1:2018

Introduction

This document is the annual greenhouse gas ("**GHG**") emissions inventory for Auckland International Airport Limited ("**Auckland Airport**") for the period 1 July 2020 to 30 June 2021.

Auckland Airport is committed to carbon accounting and reporting in line with global best practice. Therefore, this inventory has been prepared in accordance with the requirements of International Standards *ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ("**ISO 14064-1:2018**") and the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ("**the GHG Protocol**").

Deloitte Limited has been appointed as the third-party independent assurance provider for the 2021 financial year Greenhouse Gas Inventory Report.

A reasonable level of assurance has been given over the scope 1 and 2 emissions included in this report and a limited level of assurance over the scope 3 emissions.

Greenhouse gases

Almost every aspect of life produces greenhouse gas emissions, from the manufacturing of building materials and the transport of people and goods right through to the decomposition of waste in landfills.

Increased concentrations of greenhouse gases in the atmosphere leads to global warming.

In 1997, the Kyoto Protocol was signed by 84 countries, committing to reducing greenhouse gas emissions based on the scientific consensus that global warming is occurring and that human-made CO_2 emissions are driving it. In 2015, an international treaty on climate change called the Paris Agreement was adopted by 196 countries, with the aim of limiting global warming to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels.

Key terms used throughout this report:

Scope 1 (direct GHG emissions): Emissions from sources that are owned or controlled by the company.

Scope 2 (indirect GHG emissions): Emissions from the generation of purchased electricity consumed by the company and the transmission and distribution losses from electricity lines owned by the company.

Scope 3 (indirect GHG emissions): Emissions that occur as a consequence of the company's activities but from sources not owned or controlled by the company.

CO_2e: 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.

Emission factor: Each emission source has a different GWP which is stated as an emission factor. Emissions factors are used to calculate the resulting emissions from that source.

T&D losses: Transmission and distribution losses from the electrical network. As electricity travels through power lines, a proportion of energy is lost as heat due to the resistance in the lines.

Auckland Airport's sustainability strategy

As a long-term, multi-generational business, it is natural for Auckland Airport to take a long-term approach to environmental management. Auckland Airport was one of New Zealand's early adopters of sustainability principles and has made considerable progress in greenhouse gas emission reductions, energy savings and waste management.

Auckland Airport has been measuring and reporting its carbon footprint since 2007. In 2017, it was the first airport in the world to set a target under the Science-Based Targets Initiative, commensurate with a 2°C warming pathway. We achieved this target in 2020, five years ahead of schedule.

We are lifting our sights and challenging ourselves again by refreshing our sustainability strategy and setting new sustainability goals.

Our new approach to sustainability is framed by four key pillars.

1. Purpose Kaupapa

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

2. Place Kaitiakitanga

Creating value for future generations and protecting the planet

3. People Whānau

Creating value for our employees

4. Community Hapori

Creating value for Auckland

For the first time, we have set a pathway to reach Net Zero carbon emissions by 2030. This means reducing our scope 1 and 2 emissions as far as is feasible, which will be achieved by:

- Phasing out the use of natural gas in the terminal
- Electrifying our corporate vehicle fleet
- Using refrigerants with the lowest GWP possible
- Using 100% renewable electricity.

In 2030, should there be any residual emissions these will be neutralised by the purchase of certified carbon removals.

Supporting our business partners

Airlines flying to and from Auckland Airport are continuing to upgrade their fleets to more fuel-efficient aircraft. Auckland Airport recognises we have a role to play in assisting airlines to reduce their carbon emissions. Auckland Airport has worked with New Zealand's air navigation service provider, Airways, and airlines to help reduce aircraft fuel burn, with fuel-saving flight paths and the allocation of taxiways to minimise aircraft taxi time.

We also support our partners to reduce their carbon emissions through the introduction of equipment that reduces their dependence on aviation fuel while at our airport. This includes provision of Ground Power Units ("**GPUs**") and Pre-Conditioned Air ("**PCA**") at all international stands so that aircraft can be serviced by New Zealand's low carbon electricity grid whilst preparing for the next flight, instead of burning jet fuel while on the ground.

Greenhouse gas emissions inventories

All emissions, except where stated, have been calculated using the New Zealand Ministry for the Environment's *Measuring Emissions: A Guide for Organisations (2020).*

Table 1: Greenhouse gas emissions inventory summary for Auckland Airport

Scope	Category	Base year (2012) emissions tCO_2e	2021 emissions tCO_2e
Direct emissions (Scope 1)	Diesel – stationary	N/A	5.21
	Natural gas – stationary	2,243.98	1,291.40
	LPG – stationary	N/A	0.27
	Diesel – transport	159.67	237.10
	Petrol – transport	99.84	51.95
	Refrigerants	29.23	88.35
	Fire extinguisher	N/A	0.10
	Jet fuel	81.91	0.00
	Total scope 1	**2,614.63**	**1,674.38**
Indirect emissions (Scope 2)	Purchased electricity	6,204.21	2,614.80
	T&D Losses – AIAL-owned lines	400.81[1]	416.22
	Total scope 2	**6,605.02**	**3,031.02**
Indirect emissions (Scope 3)[2]	T&D Losses – Vector network	457.97	224.21
	Business travel	494.95	52.10
	Waste landfilled	803.93	262.47
	Water supply	12.79	4.05
	Wastewater treatment	43.03	56.17
	Concrete	1,853.20	5,702.99
	Asphalt	170.39	1,982.95
	Aggregate	2.35	131.52
	Steel	N/A	8,080.17
	Total scope 3	**3,838.61**	**16,496.63**
Total emissions (Scope 1, 2 and 3)		**13,058.25**	**21,202.03**

The 2021 financial year has been extraordinary for the aviation industry. Although domestic passenger numbers returned to 77% of pre-COVID-19 levels in the final quarter of the year, international passenger numbers remain significantly lower than usual. This is reflected in Auckland Airport's emissions profile. Although substantial emission reductions have been achieved to date through efficiency upgrades and other initiatives, an increase in absolute emissions in coming years is expected with the return of international travel.

Construction emissions

This year we have expanded the operational boundary of our GHG inventory to include the embodied emissions from construction materials used in our infrastructure development and investment property projects. This has resulted in a much larger scope 3 footprint than in previous years.

In August 2021, we reconfirmed our commitment to our key anchor infrastructure projects. These include:

- Upgrades to roading and new transit system (Northern Network and SH20B improvements)
- Development of a new domestic hub
- Development of a new transport hub
- Ongoing upgrades to the existing domestic terminal

Auckland Airport also has plans to continue to expand its investment property portfolio.

Given our planned development programme, construction is one of our focus areas for emissions reduction. We draw on best practice sustainable design to guide our decision-making through the planning, design and construction phases. Alongside our suppliers we will explore opportunities to develop, trial and use low carbon construction materials in our projects.

1. This value has been calculated in 2021 using an estimated electricity value due to a lack of historical data. The value has been estimated based on the proportion of internal electricity consumption to the total electricity volume measured at the airport's gateway Installation Control Points (ICPs) in 2014, 2015 and 2016. The transmission loss rate has been sourced from Vector Limited's 2012 electricity information disclosure.
2. Scope 3 emissions sources have been determined in line with the GHG protocol. Excluded emissions sources are listed in table 6.

Table 2: Greenhouse gas emissions intensity

Category	2012 value	2021 value
Scope and 2 emissions intensity (kgCO_2e per m^2 terminal area)	67.02	28.06
Scope 1 and 2 emissions intensity (kgCO_2e per passenger)	0.67	0.73

Emissions by gas type

Auckland Airport includes scope 1, 2 and some Scope 3 emissions from the six Kyoto Protocol gases in its inventory expressed as carbon dioxide equivalent (CO_2e):

- Carbon dioxide (CO_2)
- Hydrofluorocarbons (HFCs)
- Methane (CH_4)
- Sulfur hexafluoride (SF_6)
- Nitrous oxide (N_2O)
- Perfluorocarbons (PFCs)

Auckland Airport did not emit any SF_6 or PFCs in the 2021 financial year.

Table 3: GHG emmissions by gas type

Scope	tCO_2	tCH_4	tN_2O	tHFCs	tSF_6	tPFCs	Other tCO_2e	Total
Scope 1	1,576.38	3.59	6.06	88.35	–	–	–	1,674.38
Scope 2	2,910.99	115.87	4.16	–	–	–	–	3,031.02
Scope 3	279.89	292.29	28.59	–	–	–	15,895.86[3]	16,496.63
Total	**4,767.26**	**411.75**	**38.81**	**88.35**	**–**	**–**	**15,895.86**	**21,202.03**

Greenhouse gas holdings

Auckland Airport has holdings of HFCs in storage as well as within chillers, air conditioning units[4] and pre-conditioned air units for aircraft.

Auckland Airport has holdings of SF_6 within electrical switchgear.

Table 4: GHG stock liability

Source	Quantity (kg)	Potential liability (tCO_2e)
HFC-32	6.00	4.05
HFC-134A	3,684.60	5,268.98
HCFC-123	1,300.00	100.10
HCFC-22	74.00	133.94
R-407C	39.00	69.18
R-410A	22.60	47.18
R-406A	11.30	21.95
R-438A	11.30	25.59
SF_6	147.47	3,362.38

Other emissions

During FY21, Airport Emergency Services ("**AES**") burnt 14.16 tonnes of wood for fire training. The CO_2 content of the wood is 12.21 tonnes, which represents the carbon sequestered during the growing process. This means that the relevant measure of emissions for the purposes of disclosure is therefore limited to methane (CH_4) and nitrous oxide (N_2O), which totals 0.95 tonnes.

Table 5: Biomass emissions

Emissions source	tCO_2	tCH_4	tN_2O	Total tCO_2e
Biomass	12.21	0.82	0.13	0.95

3. Construction materials and business travel accommodation are unable to be split into the six GHGs due to an absence of suitable emissions factors, therefore they have been listed as Other tCO_2e.

4. The refrigerants held within split air conditioning units have not been included within the table due to an absence of data. These quantities will be reported from FY22.

Organisational boundary

The organisational boundary determines the parameters for GHG reporting in Auckland Airport's GHG inventory. The boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards.

The organisational boundary of our GHG inventory is defined by those emissions over which we have operational control. This consolidation approach allows us to focus on those emissions sources over which we have control and can therefore implement management actions, consistent with Auckland Airport's sustainability strategy.

Our organisational boundary encompasses the activities and companies listed in Figures 1 and 2.

From FY21 onwards the construction of investment property infrastructure is considered within our operational control. In previous years this has been excluded.

Figure 1: Auckland Airport's business activities

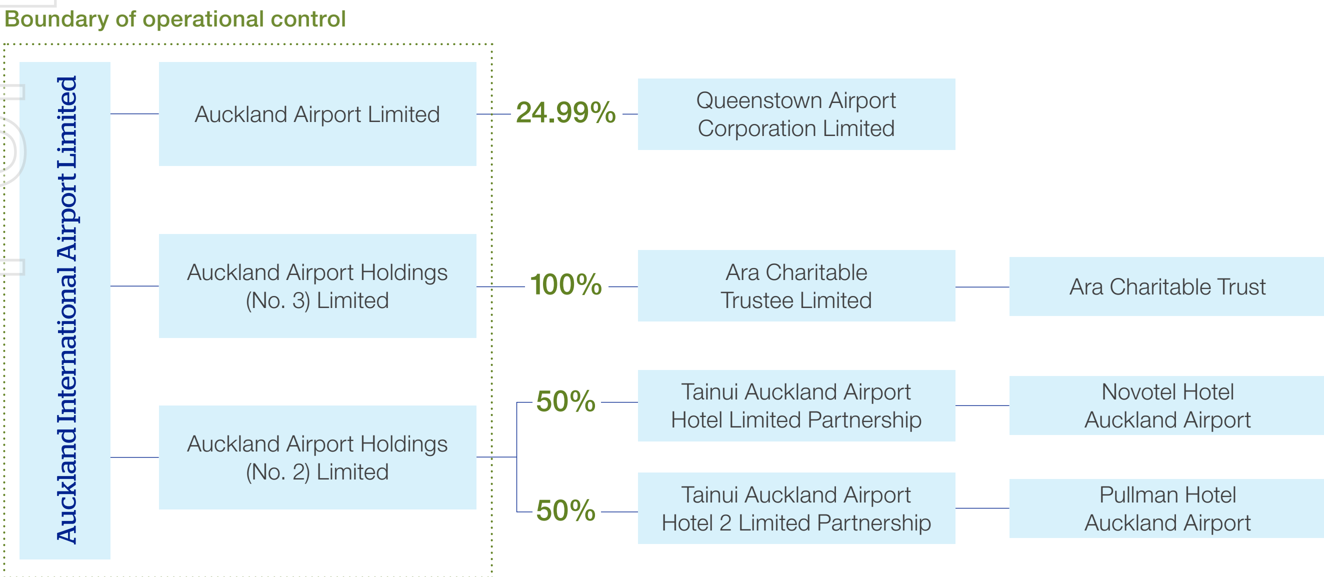


Figure 2: Auckland Airport's organisational boundary

GHG emissions source inclusions

Auckland Airport includes scope 1, 2 and some scope 3 emissions from all relevant Kyoto Protocol gases in our carbon inventory.

The emissions sources in Table 5 have been included in the GHG emissions inventory.

Table 5: Included emissions sources, data collection methodology and assumptions

Scope	Emissions source	Summary of data source	Uncertainty (description)
Direct emissions (Scope 1)	**Natural gas**	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly.
	Petrol and diesel	Fuel purchased through company fuel cards. Supplier invoices for bulk diesel purchase.	Assumes that no personal credit cards have been used to purchase fuel. Conversation with the Accounts team confirmed that no fuel expenses have been claimed in the financial year.
	Refrigerants	Refrigerant leakage calculated through the 'Top-up' method. Emission factors sourced from the UK Department for Environment Food and Rural Affairs (DEFRA): *Greenhouse gas reporting: conversion factors 2021*.	Assumes all refrigerant leakage has been identified and topped up.
	LPG	Supplier invoices for LPG purchase.	No uncertainty. Only one purchase of LPG this financial year.
	Fire extinguisher	Supplier invoices for fire extinguisher purchases.	Assumes all invoices were captured within the finance system.
Indirect emissions (Scope 2)	**Electricity**	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly. Electricity emission factor based on 2018 New Zealand grid mix.
	T&D losses – AIAL-owned lines	Supplier invoices for monthly consumption. Transmission loss percentage provided by Vector.	Have used the loss rate of the wider Vector Auckland network and as such is not unique for Auckland Airport. This means losses are estimated, not actual.
Indirect emissions (Scope 3)	**T&D losses – Vector network**	Supplier invoices for monthly consumption.	Assumes that meter reading has been done correctly.
	Business travel	Third-party reporting for annual air travel and accommodation.	Assumes that all corporate travel has been booked through the travel provider. Also assumes that all accommodation was in New Zealand.
	Landfilled waste	Monthly supplier invoices.	Assumes that third-party contractors have correct values. Some retail and property tenants' (i.e. other tenants in the Quad 5 office building) waste will also be included in these figures; however, it is assumed these quantities will be minimal compared to the overall waste profile.
	Water supply and treatment	Quarterly invoicing/meter reading.	Assumes that meter reading has been done correctly.
	Construction emissions	Quantities of concrete, asphalt, aggregate and steel used per construction/maintenance project during the reporting period provided by the project's Quantity Surveyor. Aggregate and asphalt emission factor sourced from IS Materials Calculator v1.2 NZ 2020.	Assumes that the Quantity Surveyor's results are correct. Estimated quantities used for maintenance projects. Assumes that the general or default emission factors are suitable for the specific construction materials used at Auckland Airport.

GHG emissions source exclusions

The following emissions sources have been excluded from the inventory.

Table 6: **Excluded emissions sources**

Emissions source	Explanation
Freight	Freight is limited to couriers for small parcels/packages. Data is not available for tracking weights, only dollar spend. Emissions from freight are considered *de minimis* (too minor).
Staff mileage	Emissions associated with local travel claimed as mileage by staff are considered *de minimis*.
Staff and contractor commuting	Emissions associated with staff and contractors travelling to/from the airport for work are not included in the inventory.
Staff taxi/rental car travel	There is no separate process for taxi travel in the accounting system, therefore it would be impractical to obtain this information for the reporting period. It is assumed that any travel by staff via taxi or rental car within the reporting period would be *de minimis* in terms of emissions.
Transport of materials	Emissions associated with the transport of materials to the airport for repairs, maintenance and construction are excluded from the inventory. These emissions are less material than the embodied emissions, which are included in the inventory.
Sanitary waste	The third-party contractor does not report the quantity of waste collected from bathroom sanitary bins and disposed of. The relative emissions are assumed to be *de minimis*.
Fire extinguisher use (over and above use by Airport Emergency Services for fire training)	The quantity of CO_2 fire extinguishers used beyond AES fire training during the reporting period is considered *de minimis*.
Construction waste	Construction waste is excluded from the inventory at this time due to the absence of data.
Refrigerant leakage from HVAC split units	Leakage from split units is considered *de minimis* and therefore has been excluded.
Natural gas T&D losses across pipes owned by AIAL	Auckland Airport only owns a very small proportion of the natural gas pipeline on precinct, so natural gas losses are assumed to be *de minimi*s.
Aircraft landing and take off (LTO) cycle[5]	Aircraft emissions have historically not been included in our GHG inventory, and given the abnormally low aircraft movements this year, reporting of LTO has not commenced in 2021.

5. The Landing/Take-off (**LTO**) cycle relates to all aircraft activities near the airport that take place below the altitude of 1000 m including taxi-in and out, take-off, climb-out, and approach landing.

Base-year recalculation policy

Auckland Airport uses a base year of 2012 for our GHG Reporting, in line with our science-based target.

The base-year recalculation policy currently only applies to scope 1 and 2 emissions while we increase the robustness and breadth of our scope 3 data collection process, and while scope 3 reporting remains optional under the GHG Protocol. Base-year data may need to be revised when material changes occur and have an impact on calculated scope 1 and 2 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 (for example if the science behind a factor changed); or
- If the operational boundary changes significantly.

This year we have restated our base year emissions with the addition of electricity line losses in scope 2. Because of a lack of historical data, the electricity consumption value has been estimated based on the proportion of internal electricity consumption to the total electricity volume measured at the airport's gateway ICPs in 2014, 2015 and 2016. The transmission loss rate has been sourced from Vector's 2012 electricity information disclosure.

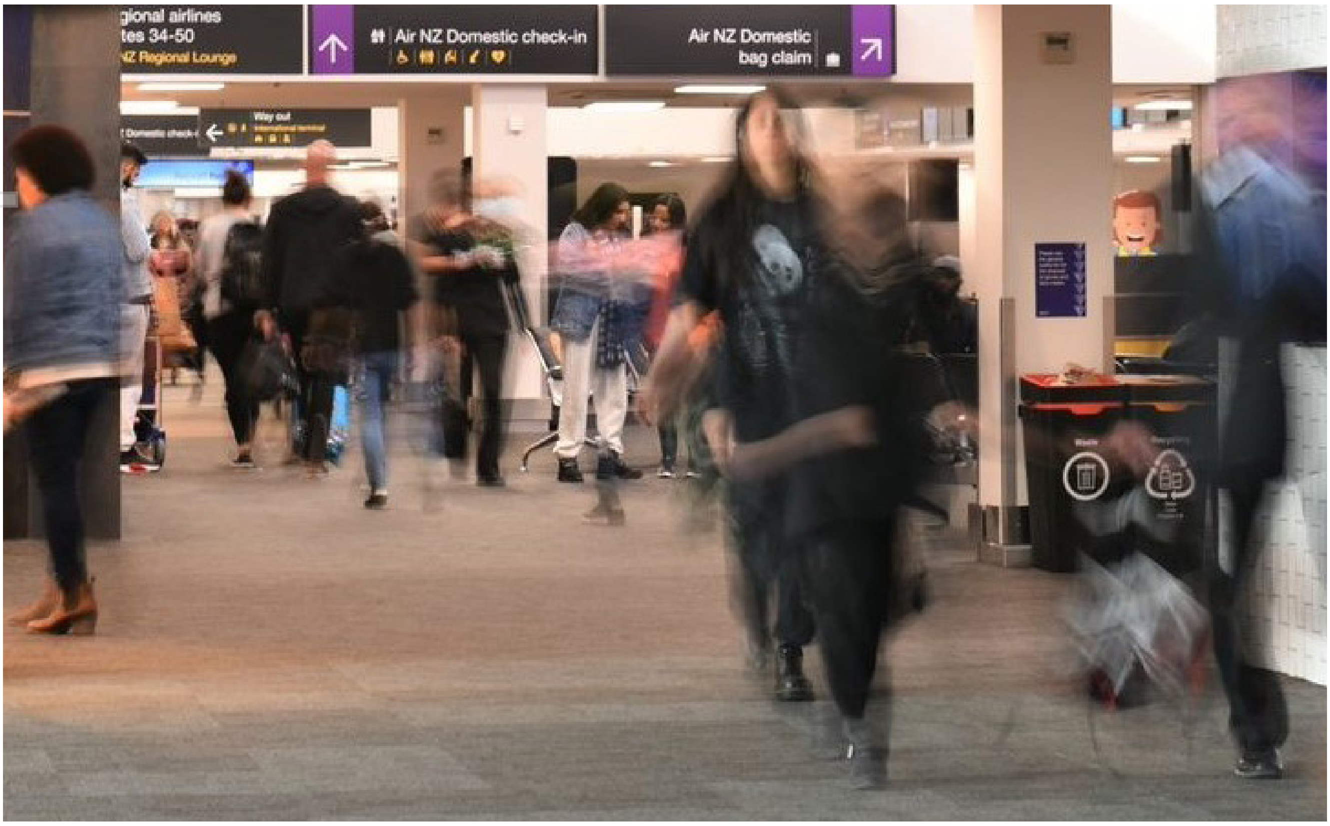
Persons responsible

Prepared by: Jessica Lambert, Planning and Sustainability Advisor

Reviewed by: Andrea Marshall, Head of Masterplanning and Sustainability

Approved by:

André Lovatt
GM Infrastructure



Deloitte.

INDEPENDENT REASONABLE AND LIMITED ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Report on Greenhouse Gas Emissions ('GHG') Inventory Report

We have undertaken a reasonable assurance engagement in relation to Scope 1 and 2 emissions and a limited assurance engagement in relation to Scope 3 emissions within the Greenhouse Gas Inventory Report (the 'Inventory Report') of Auckland International Airport Limited and its subsidiaries ('Auckland International Airport Limited' or the 'Company') for the year ended 30 June 2021, comprising the Emissions Inventory and the explanatory notes set out on pages 1 to 7.

The Inventory Report provides information about the greenhouse gas emissions of Auckland International Airport Limited for the year ended 30 June 2021 and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: *Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ('ISO 14064-1:2018') and the Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard (2004)* ('the GHG Protocol').

Board of Directors' Responsibility

The Board of Directors are responsible for the preparation of the Inventory Report, in accordance with ISO 14064-1:2018 and the GHG Protocol. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an Inventory Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on Scope 1 and 2 emissions and a limited assurance conclusion on Scope 3 emissions in the Inventory Report based on the evidence we have obtained. We conducted our reasonable and limited assurance engagements in accordance with International Standard on Assurance Engagements (New Zealand) 3410: *Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform the engagement so as to obtain reasonable assurance that Scope 1 and 2 emissions within the Inventory Report, and limited assurance that Scope 3 emissions within the Inventory Report are free from material misstatement, respectively.

Reasonable assurance for Scope 1 and 2 emissions

A reasonable assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves performing procedures to obtain evidence about the quantification of emissions and related information in the Inventory Report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Inventory Report. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Inventory Report. We also:

- Assessed the suitability in the circumstances of the Auckland International Airport Limited's use of ISO 14064-1:2018 and the GHG Protocol as the basis for preparing the Inventory Report;
- Evaluated the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by the Auckland International Airport Limited; and
- Evaluated the overall presentation of the Inventory Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion in respect of the Scope 1 and 2 emissions.

Limited assurance for Scope 3 emissions

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Company's use of ISO 14064-1:2018 and the GHG Protocol as the basis for the preparation of the inventory report, assessing the risks of material misstatement of the inventory report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the inventory report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Reviewed adherence to the principles and requirements outlined in ISO 14064-1:2018 and the GHG Protocol, which included a consideration of completeness;
- Obtained an understanding of the process of compiling and validating information received from data owners for inclusion in the Inventory Report;
- Reviewed material quantitative data, including corroborative enquiry and examined selected supporting documentation and calculations; and
- Compared the Inventory Report to the reporting requirements of ISO 14064-1:2018 and the GHG Protocol.

Inherent Limitations

Scope 1, 2 and 3 emissions

Non-financial information, such as that included in Auckland International Airport Limited Inventory Report, is subject to more inherent limitations than financial information, given both its nature and the methods used and assumptions applied in determining, calculating and sampling or estimating such information. Specifically, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

As the procedures performed for this engagement are not performed continuously throughout the relevant period and the procedures performed in respect of the Company's compliance with ISO 14064-1:2018 and the GHG Protocol are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the company may not have complied with the ISO 14064-1:2018 and the GHG Protocol. Because of these inherent limitations, it is possible that fraud, error or non-compliance may occur and not be detected.

Scope 3 emissions

For the Scope 3 emissions, we note that a limited assurance engagement is not designed to detect all instances of non-compliance with the ISA 14064-1:2018 and the GHG Protocol, as it generally comprises making enquires, primarily of the responsible party, and applying analytical and other review procedures.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement and our role as financial auditor, our firm carries out other assignments for the Group in the area of sustainability data quality non-assurance services, independent AGM vote scrutineer, trustee reporting and assurance reporting for regulatory reporting as well as non-assurance services provided to the Corporate Taxpayers Group. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

Our assurance report is made solely to the directors of the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this report and is for no other purpose. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the conclusions expressed in this report.

Reasonable Assurance Opinion for Scope 1 and 2 Emissions

In our opinion, the Scope 1 and 2 emissions of Auckland International Airport Limited within the Inventory Report for the year ended 30 June 2021 have been prepared, in all material respects, in accordance with the requirements of ISO 14064-1:2018 and the GHG Protocol.

Limited Assurance Conclusion for Scope 3 Emissions

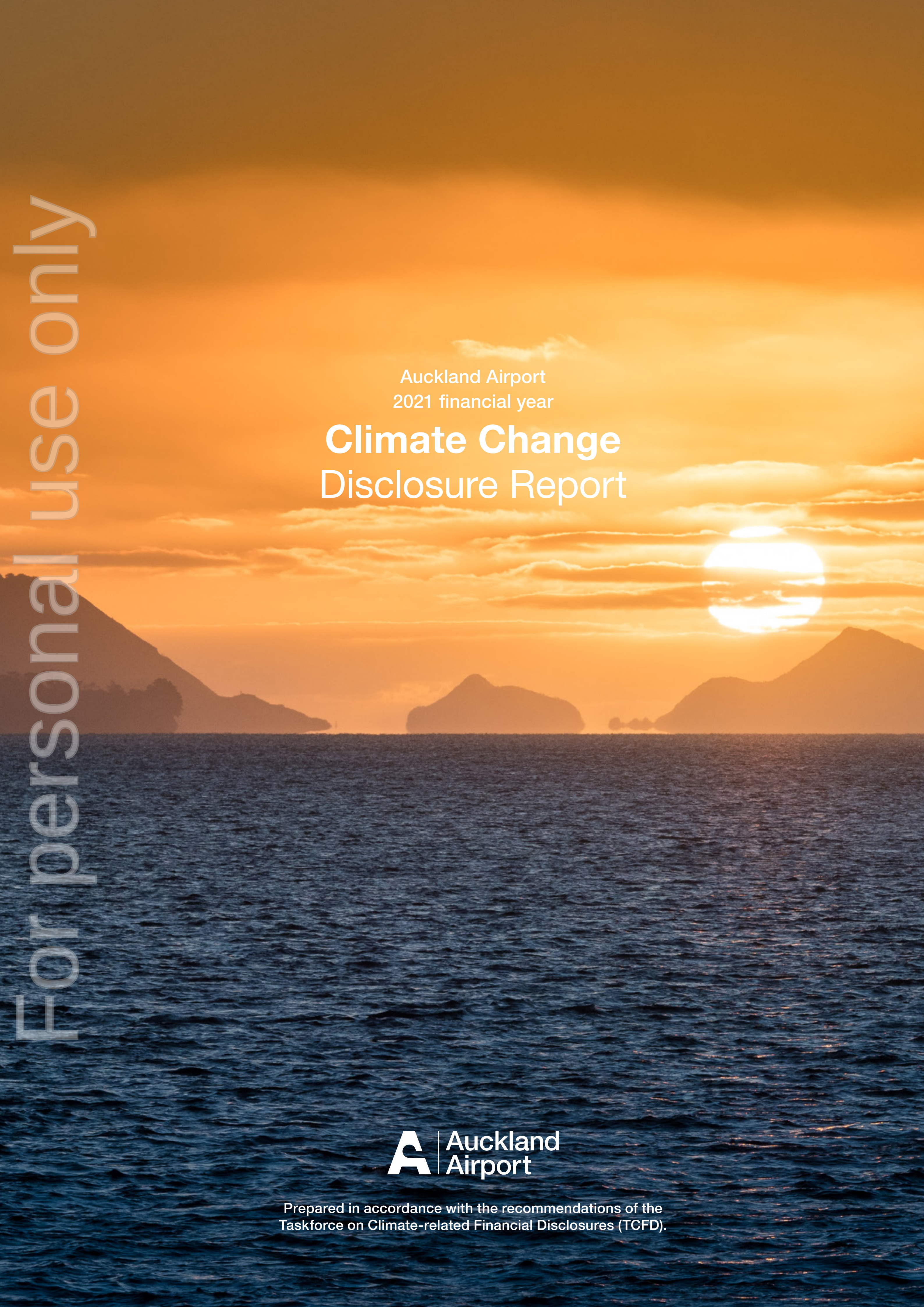
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Auckland International Airport Limited's Scope 3 emissions within the Inventory Report for the year ended 30 June 2021 are not prepared, in all material respects, in accordance with the requirements of ISO 14064-1:2018 and the GHG Protocol.

Deloitte Limited

Auckland, New Zealand

18 August 2021

Auckland Airport



Auckland Airport
2021 financial year

Climate Change
Disclosure Report

Auckland Airport

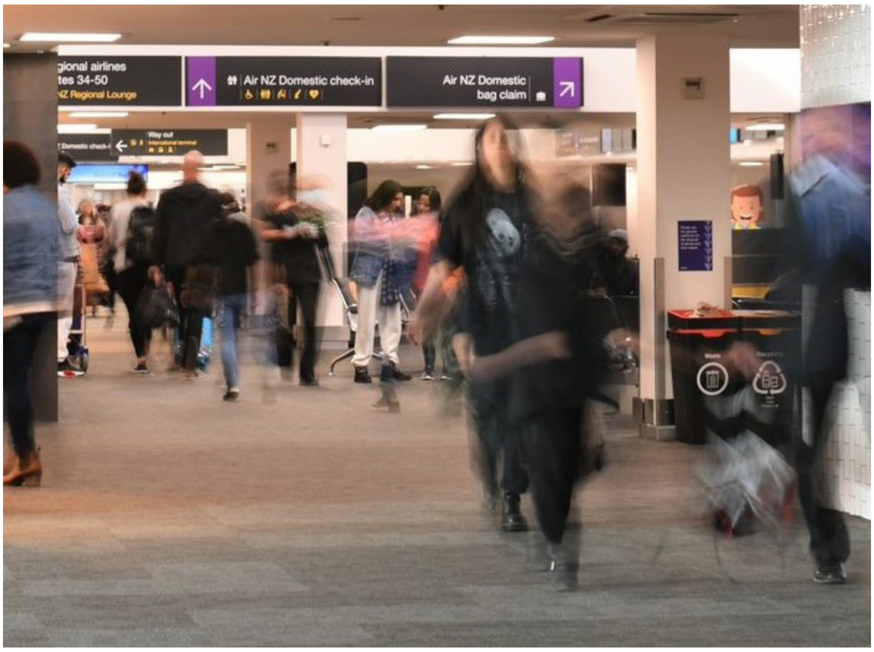
Prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Introduction

As New Zealand's largest airport, Auckland International Airport Limited ("**Auckland Airport**") is an important economic engine for New Zealand, making a significant contribution to the Auckland community and helping to grow the country's success in travel, trade and tourism.

Our operations deliver high levels of availability, reliability and resilience, and we recognise climate change has the potential to affect our business, both through physical impacts and in the transition to a low-carbon economy.

We are committed to reducing our carbon footprint, improving our operational resilience and adapting to the predicted effects of a changing climate now and into the future. We are also committed to supporting others, particularly in the aviation sector, to reduce carbon emissions.



TCFD framework

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures ("**TCFD**") to review how the financial sector can take account of climate-related issues.

In 2017, the TCFD released recommendations for climate-related financial disclosures which promote transparency leading to better climate-risk management. The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These are intended to interlink and inform each other.

Core elements of recommended Climate-related Financial Disclosures

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

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

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

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

Our TCFD plans

This year, for the first time, we are following the guidelines of the TCFD to disclose the impact of climate change on our business and our impact on climate change.

As we further identify, assess and manage climate change risks and new opportunities to the business we will continue to increase our disclosure. Auckland Airport expects to produce a disclosure fully aligned with the TCFD recommendations by 2023.

TCFD element	Future actions
Governance	• Increase Board oversight of climate-related risks and opportunities
Strategy	• Expand analysis to include a scenario of 2°C or lower • Implement climate resilience strategy • Further integrate climate-related considerations into strategic planning
Risk management	• Improve processes to identify, assess and manage climate change risk • Further integrate climate change risk into company-wide risk management processes
Metrics and Targets	• Continue to make progress on climate-related targets • Further integrate climate-related metrics into strategic decision making and remuneration policies

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 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. The Board receives an annual update on climate-related risks and opportunities, and has delegated further risk oversight and monitoring (including in relation to climate change) to the Safety and Operational Risk Committee ("**SORC**") which currently comprises five 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 for climate change) and operational risk profile of the business. The SORC receives a quarterly report from management which includes updates on climate-related risks.

Management manages climate-related risks and opportunities

Auckland Airport's management is responsible for the active identification of risks and implementation of mitigation measures, including climate change, in order to achieve and maintain operational and strategic objectives. Management has developed an enterprise risk management framework, designed to promote a culture which ensures a proactive and consistent approach to identifying, mitigating and managing risk on a company-wide basis. Our Chief Executive oversees the risk framework and reporting to the SORC, including climate change risks, and the general manager for each business unit is responsible for addressing the risks specific to their business unit.

In the 2021 financial year, management developed Auckland Airport's Sustainability Pathway to 2030, which outlined climate change as a material issue to the organisation and included the recommendation to begin disclosing climate-related risks and opportunities aligned with the TCFD framework.

This year management also established a Sustainability Management Group, involving nine senior leaders from across the company, to oversee the implementation of the Sustainability Strategy including climate change initiatives and to manage our ongoing TCFD disclosure. This includes ongoing monitoring of climate change modelling and research.

Strategy

Strategic planning

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

The Sustainability Strategy accounts for our impact on climate change. There is a significant focus on carbon reduction including reducing the reliance on natural gas for space heating, replacement of our corporate vehicle fleet with electric vehicles, and the sustainable design of new infrastructure including selection of low-carbon materials.

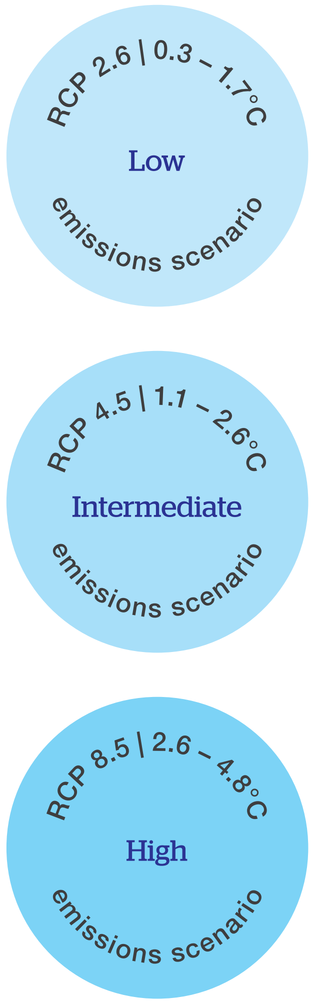
Resilience to climate change

Because of Auckland Airport's unique location on the Manukau Harbour, physical inundation and flooding of assets due to sea-level rise and extreme weather events is one of our key climate-related risks.

Auckland Airport sees climate-scenario analysis as a key tool for identifying climate change risk, and therefore keeps abreast of emerging climate modelling and research. The intention is to use three climate scenarios based on Representative Concentration Pathways ("**RCPs**") outlined in the Intergovernmental Panel on Climate Change ("**IPCC**") Fifth Assessment Report.

These scenarios are not intended to predict the future but rather explore possible futures which enable Auckland Airport to understand our resilience as a business within these areas.

To date, Auckland Airport has undertaken analysis of current and future flooding and inundation under the high emissions scenario, representative of a 4.8°C warming pathway (RCP 8.5). This analysis identified that without intervention, the frequency and intensity of inundation and flooding events on the airport precinct will increase significantly, eventually resulting in frequent interruption to business activity in 2090. This potential impact is being addressed by regular monitoring, maintenance and upgrades to existing infrastructure as well as through strategic planning of future infrastructure requirements.



Climate-related risks and opportunities

The impacts of climate change, including rising sea levels, higher temperatures and increasing frequency and severity of storm events and high winds, could have negative effects on the infrastructure and property assets of Auckland Airport. In addition, climate change policies enacted globally and domestically could affect aviation activities, which could have a negative impact on our financial performance.

We have assessed physical and transitional risks for our business due to climate change as illustrated in the table below.

Auckland Airport's contribution to climate change solutions will present new opportunities also. These include lowering operating costs by reducing energy consumption, as well as designing and building sustainable buildings to attract tenants.

Risk driver	Impact on Auckland Airport	Current and future controls
Physical		
Sea-level rise	Business interruption and operational delays due to inundation of areas that feature existing assets critical to airport operations	• Increased monitoring and maintenance of the seawall • Maintenance of existing (and development of new) infrastructure undertaken in consideration of climate change
	Constraints to future development	• Consideration of climate change in Auckland Airport's masterplan
	Saltwater intrusion into wetlands and ponds, loss of functionality of stormwater and wastewater systems and consequential impact on the surrounding marine environment	• Stormwater Masterplan and planned infrastructure upgrades • Ongoing monitoring of stormwater discharges
Increased frequency and intensity of storm and rainfall events	Damage to infrastructure, business interruption and operational delays due to flooding of areas that feature assets critical to airport operations	• Maintenance of existing (and development of new) infrastructure undertaken in consideration of climate change
	Changes to aircraft noise contours due to changing wind patterns	• Annual review of weather data to identify emerging trends that could impact the location of the aircraft noise contours
Decreased rainfall days	Water shortages due to drought resulting in increased potable water prices and the introduction of water restrictions	• Water efficiency initiatives • Secured access to non-potable water supplies • Further inclusion of non-potable water reticulation to increase non-potable water usage
	Increase in electricity price and introduction of restrictions on electricity use, particularly at times of peak demand, due to less generation capacity from 'dry' hydro-electric schemes	• Energy efficiency initiatives • Exploration of feasibility for onsite renewable energy generation
Rising mean temperatures	Increased risk of mosquitos and other exotic pests which pose a threat to New Zealand biodiversity and human health	• Ongoing biosecurity monitoring programme • Elimination of potential breeding grounds such as standing water
	Increase in operating costs for air cooling as the operating parameters will need to be expanded for the expected temperature and humidity range in the long term	• Factoring future requirements into long-term asset-management and replacement plans
Transitional		
Global and domestic legislative changes	Risk of global and domestic policies, regulation and pricing mechanisms being applied to reduce carbon emissions from aviation sector	• Policy engagement and advocacy
Changing public behaviours	Risk of moderation in passenger growth if public sentiment towards air travel changes due to the carbon footprint of aviation	• Effective monitoring of consumer perceptions in New Zealand and key inbound markets • Maintaining a diverse portfolio of markets and strengthening short-haul markets • Supporting airline partners to reduce their emissions at gate through the provision of ground power units ("**GPUs**") and pre-conditioned air ("**PCA**") • Maintenance of a precinct-wide masterplan that promotes an efficient airport design and layout

Risk management

Our enterprise risk management framework and risk management company policy guide our approach to risk management in relation to climate change. Risks are identified at all levels of the organisation, and all employees are responsible for implementing, managing and monitoring the processes and risk plans with respect to material business risks, as appropriate.

All enterprise-wide material risks, including those relating to climate change, are assessed through Auckland Airport's risk assessment matrix. This assesses the likelihood of the risk occurring, and the impact on the business should it occur, to produce a total "risk rating". Risk ratings are described as "residual risks" and "inherent risks" reflecting the impact to the business with or without controls in place to mitigate the risks.

Auckland Airport's process for risk management is continuous and is designed to provide advanced warning of material risks before they eventuate. In addition to identifying and assessing risks, the process includes:

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

Priority physical and transitional climate change risks are included in Auckland Airport's enterprise-wide risk register. The SORC receives a quarterly update on enterprise-wide risks, the controls in place to mitigate the risk and the planned actions to address them.

Metrics and targets

Auckland Airport recognises that the travel 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

In 2017, Auckland Airport was the first airport in the world to set a carbon reduction target under the Science-Based Targets Initiative. We achieved this target five years ahead of schedule in 2020.

In 2017, Auckland Airport was also among the first wave of New Zealand businesses to join the Climate Leaders Coalition, which now has over 100 signatories. The Coalition promotes business leadership and collective action on the issue of climate change. It commits the signatory organisations to take voluntary action on climate change and to work together to help New Zealand transition to a low-carbon economy.

This year, we set a suite of new sustainability targets to 2030. This includes the following environmental targets:

Net Zero
CARBON EMISSIONS BY 2030

20%
REDUCTION IN POTABLE WATER USE BY 2030

20%
REDUCTION IN WASTE TO LANDFILL BY 2030

Pathway to Net Zero

For the first time, we have set a pathway to reach Net Zero carbon emissions by 2030. This means reducing our scope 1 and 2 emissions[1] as far as is feasible, which will be achieved by:

- Phasing out the use of natural gas in the terminal
- Electrifying our corporate vehicle fleet
- Using refrigerants with the lowest global warming potential possible
- Using 100% renewable electricity.

In 2030, should there be any residual emissions these will be neutralised by the purchase of certified carbon removals.

2030

[1] *Scope 1 is the emissions from sources that are owned or controlled by the company.*
Scope 2 is the emissions from the generation of purchased electricity consumed by the company.

Supporting our business partners

Airlines flying to and from Auckland Airport are continuing to upgrade their fleets to more fuel-efficient aircraft. Auckland Airport recognises we have a role to play in assisting airlines to reduce their carbon emissions. We have worked with New Zealand's air navigation service provider, Airways, and airlines to help reduce aircraft fuel burn, with fuel-saving flight paths and the allocation of taxiways to minimise aircraft taxi time.

We also support our partners to reduce their carbon emissions through the introduction of equipment that reduces their dependence on aviation fuel while at our airport. This includes provision of GPUs and PCA at all international stands so that aircraft can be serviced by New Zealand's low-carbon electricity grid while preparing for the next flight, instead of burning jet fuel while on the ground.

Auckland Airport's 2021 financial year carbon emissions

The 2021 financial year has been extraordinary for the aviation industry. Although domestic passenger numbers returned to 77% of pre-COVID-19 levels in the final quarter of the year, international passenger numbers remain significantly lower than usual. This is reflected in Auckland Airport's emissions profile. Although substantial emission reductions have been achieved to date through efficiency upgrades and other initiatives, an increase in absolute emissions in coming years is expected with the return of international travel.

Below is a summary of Auckland Airport's scope 1 and 2 greenhouse gas emissions.

For the full 2021 financial year emissions profile, please refer to Auckland Airport's greenhouse gas inventory report on the company website.

Information within the greenhouse gas inventory report is stated in accordance with the requirements of International Standard *ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals* ("**ISO 14064-1:2018**") and the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* ("**the GHG Protocol**").

Scope	Base year FY12	FY19	FY20	FY21
Scope 1	2,615	2,472	2,397	1,674
Scope 2[2]	6,708	3,802	3,648	3,031

[2] Previous years' scope 2 emissions have been re-stated in 2021 to include transmission and distribution losses from electricity lines owned by Auckland Airport.

Auckland Airport