



**Delivering
for the
future**

8

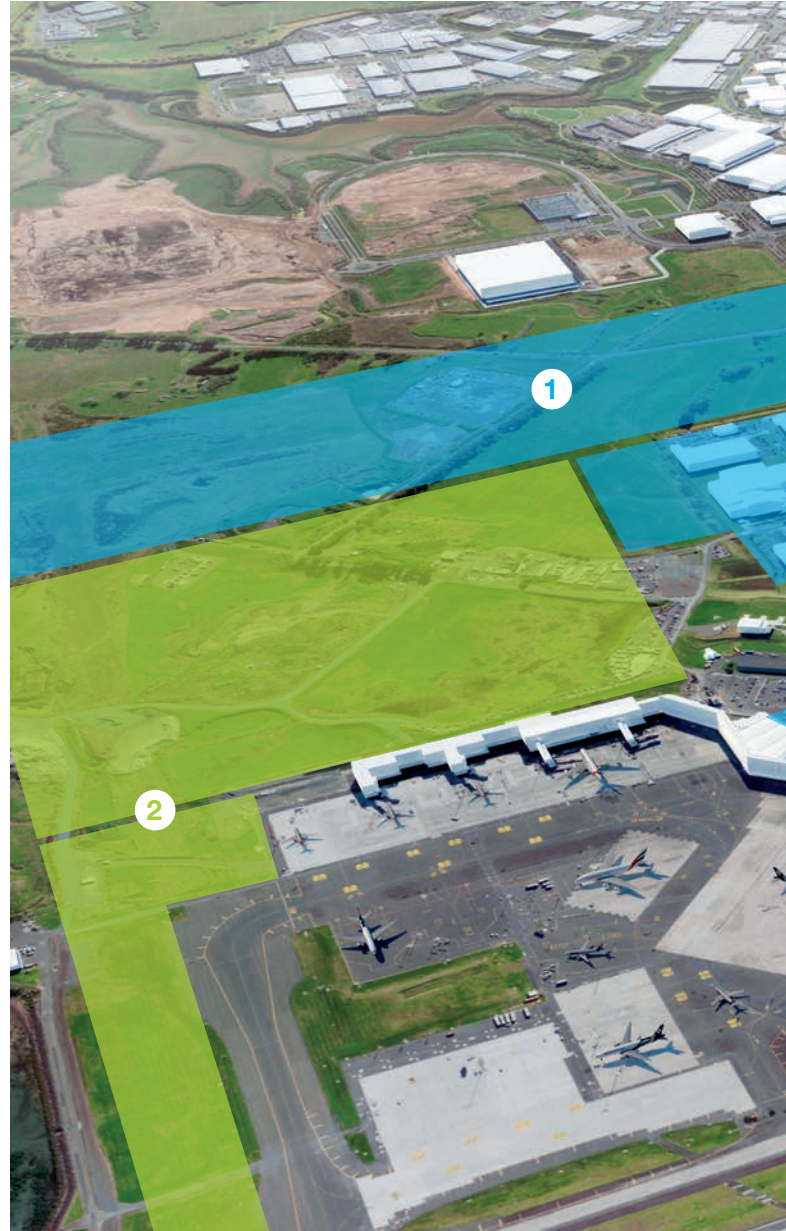
Anchor projects

FOCUSED

Auckland Airport has eight core infrastructure projects that will transform our precinct and anchor our 30-year vision to build an airport of the future, improving the way New Zealanders connect with each other and the world.

In the financial year 2019 we were pleased to commence two of these projects – our airfield expansion and the Northern Network roading project – while progressing others from feasibility through to design stage.

▼ Reference image only, actual design will vary



Airfield

Terminal

1

NORTHERN RUNWAY

2

NORTHERN STANDS AND TAXIWAYS

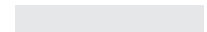
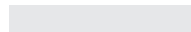
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NEW CARGO PRECINCT

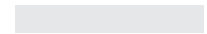
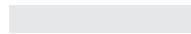
Feasibility



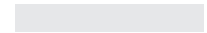
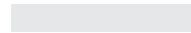
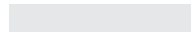
Design



Constructing



Delivered



Key
● Feasibility/ Design
● Constructing

COVER IMAGE:
 Sunshower Sculpture by Eric Rieger
 aka HOT TEA, seen with suspended
 bronze coloured Godwits by Gensler
 & Weta Workshop



Transport

	4	5	6	7	8
	NEW INTERNATIONAL ARRIVALS	NEW DOMESTIC JET FACILITY	DOMESTIC TERMINAL WORKS	PICK-UP / DROP-OFF AND MULTI-STOREY CAR PARK 1	NORTHERN NETWORK
Feasibility	██████████	██████████	██████████	██████████	██████████
Design	██████████	██████████	██████████	██████████	██████████
Constructing	██████████	██████████	██████████	██████████	██████████
Delivered	██████████	██████████	██████████	██████████	██████████

Delivering

Auckland Airport achieved an important milestone in the financial year 2019 – the completion of our multi-stage 36,000m² redevelopment of the departure area in the International Terminal, which is providing significant customer benefits.



Our investment property business continued its strong track record of growth, delivering new developments, including the award-winning facility for DSV.



We built over 2,000 new car parks in the 2019 financial year to meet customer demand, including new valet storage spaces and provisioning for new electric vehicle charging stations.

14

New food and beverage outlets



International departure area upgrade

a better, faster, easier travelling experience

Ara, our airport jobs and skills hub, placed 210 people in jobs in the financial year 2019 and shifted into new headquarters.

Increased choice for customers

Our award-winning new food and beverage area offers customers everything from Vietnamese, to award – winning Italian, to authentic Chinese dumplings, as well as popular New Zealand high street brands, such as Al Brown – Best Ugly Bagels, Mexico and Better Burger.

To read more about our modern dining and retail precinct, turn to page 17.

Transport improvements continue to be a key focus for Auckland Airport, as we work to enable public transport and improve travel times in and around our precinct.

Planning

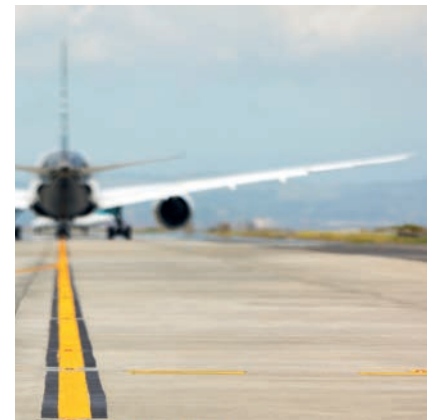


A new six-storey car park is planned for the International Terminal, featuring more than 3,000 car parks.



Auckland Airport's hotel business is expanding, with plans for a new 146-room hotel – our fourth on the precinct.

We are working in partnership with New Zealand Transport Agency (NZTA) and Auckland Transport (AT) on a range of projects, as part of the Southwest Gateway programme. When completed, the programme will deliver a new bus and rail interchange at Puhunui Station and a rapid transit link to Auckland Airport.



We are progressing our plans for a new Domestic Jet Facility to provide additional capacity and a significantly improved customer experience.



Our plans for a 30,000m² expansion and upgrade of the International Terminal arrivals area are well advanced, featuring a new arrivals hall and expanded Biosecurity and Customs processing to improve peak time capacity.



to accommodate projected growth and improve customer journeys

We continue to advance our plans for a second runway to accommodate the 40 million passengers that are expected to arrive by 2044.

Building

Auckland Airport is building an 85,000m² facility for Foodstuffs, bringing together the supermarket co-operative's North Island operations in one state-of-the-art purpose-built facility. Once complete, the building will be New Zealand's largest logistics centre.



Our largest airfield expansion since the 1970s is under way, as we convert 250,000m² of land into new airfield space at the western end of the airport. Adding more than 18% surface area to the airfield, the project will deliver new taxiways and six new remote stands.

18% in surface area added to the airfield

16 cranes to install
7,000m² of roofing in one lift



improving
 our roads and
 expanding our
 airfield and
 property portfolio



Our largest roading project in decades is under way, with the upgrade and expansion of our inner core roading system. The Northern Network project will transform the main entranceway into the airport and enable public transport.



Construction has begun on the new luxury Te Arikunui Pullman Auckland Airport Hotel – a joint venture between the airport and Tainui Group Holdings. The 311-room hotel will create 300 jobs during construction and will then employ 200 people once the hotel is open.



We are working to deliver a new operational air traffic control centre for Airways, a resilient 1,420m² facility built to withstand significant natural disasters.



Patrick Strange
Chair

Adrian Littlewood
Chief Executive

Nau mai & welcome

Nau mai and welcome to Auckland Airport's 2019 annual report for the 2019 financial year.

It has been a positive year for Auckland Airport, as we continued to deliver strong results for our customers, local community, New Zealand and investors. We have made considerable progress on our 30-year vision to build an airport of the future, achieving several milestones in the year to 30 June 2019 as part of our multi-billion-dollar investment programme. This includes the beginning of two core anchor infrastructure projects, our most significant since the 1970s, along with the completion of our multi-stage redevelopment of the International Terminal departure area.

We are proud of the growing contribution we are making to our community, including the work we are doing to connect local people with opportunities through Ara, our airport jobs and skills hub. In 2019 we were once again recognised by Colmar Brunton as one of New Zealand's most trusted companies, and we are making meaningful progress on reducing our carbon footprint as a founding member of the New Zealand Climate Leaders Coalition.

The financial year 2019 was another year of passenger growth, although

Five-year average
annual shareholder return

22.6%

Consistent returns
over period of
significant change

it was slower than in recent years. Overall, passenger numbers increased to 21.1 million (up 2.8% on the previous year), with international passenger numbers, including transits, reaching 11.5 million (up 2.2% on the previous year). Domestic passenger numbers reached 9.6 million (up 3.6% on the previous year).

Those who travel through our airport continue to give us great feedback, and in the financial year 2019 our combined customer satisfaction rating for the Domestic and International terminals climbed to its highest annual score in 12 years – 4.15 out of 5.

Separately, the International Terminal achieved a record score in the third quarter, rating 4.36 out of 5. This followed our focus on delivering meaningful customer improvements in the financial year 2019, including upgraded bathroom facilities, generous public seating areas, greater access to device charging stations and a sophisticated new food and beverage experience in the international departure area. We were delighted to see some of our work at the International Terminal recognised in a prestigious global award in 2019, with Auckland Airport winning the 'Airport Food & Beverage Offer of the Year' at the International Airport Food & Beverage Awards. The health and safety of our customers also remained a top priority, and we were pleased to reduce our

passenger injury rate by 41.3% year on year across our operation.

The growth in our investment property business was another highlight. Auckland Airport now owns and manages one of New Zealand's largest premium investment-grade portfolios, with an estimated value of \$1.7 billion and a committed rent roll of \$100 million as at June 2019.

As always, our progress and achievements are thanks to the commitment and dedication of our staff and contractors and their enduring focus on doing the very best for our customers.

In the financial year 2019, we delivered transport upgrades that have reduced travel times, such as the completion of the Nixon Road bypass and the Landing Road intersection upgrade, in partnership with NZTA. We acknowledge the importance of safe and efficient transport options for travellers to get to, from and around the airport and we are advocating on their behalf and working closely with our government partners to deliver meaningful improvements.

In June 2019 we began our largest, airfield project in decades – a 250,000m² pavement expansion to accommodate the number of aircraft expected by 2044, flying an estimated 40 million travellers each year. As one of eight key anchor projects planned for Auckland Airport, the development includes new taxiways



Leveraging agile methodology, we are bringing together diverse teams and evolving our way of working with the objective of delivering planning certainty, improved cost control and a realistic and achievable build programme.”

and remote stands for the parking and servicing of aircraft – increasing the surface area of the airfield by 18%.

We reached a milestone for another key anchor project in June 2019, with a contract being awarded for the Northern Network. The project will expand the roading network to the north of the existing terminals to improve traffic flows, enable public transport and upgrade and strengthen underground utilities – all to support future terminal and runway developments.

In the financial year 2019, we also continued to carry out works to upgrade the existing Domestic Terminal to improve the experience for our customers while we prioritise our plans for a new Domestic Jet Facility to be integrated into the International Terminal.

These transformational projects are just a few of more than 200 projects either planned or underway at Auckland Airport, as part of a highly complex infrastructure development programme being rolled out in one of our country's busiest development precincts.

At Auckland Airport, we are harnessing new ways of working to create a strong foundation to underpin this next phase of growth. In 2019, we embarked upon an intensive programme of work to refine and enhance our investment plan for key aeronautical infrastructure projects. Leveraging agile methodology, we are bringing together diverse teams and



REGULATORY AND PRICING UPDATE

Following a review of our aeronautical prices that were set in 2017, the Commerce Commission concluded our target return was not fully justified.

Auckland Airport carefully considered the Commission's feedback and in February this year we announced a reduction in our aeronautical target return from 6.99% to 6.62%, to be implemented by way of discounts on landing and passenger charges effective 1 July 2019. In our view, the earlier prices we set for airlines were fair, competitive and in line with international standards, however, we acknowledged the Commission reached a different view on target return.

In March 2019, the Commerce Commission recognised Auckland Airport's willingness to engage and respond positively to its feedback, welcoming Auckland Airport's decision to reduce its charges to airlines by \$33 million over the current five-year pricing period (2018 – 2022 financial years), the equivalent of \$0.31 per passenger per flight. It noted that Auckland Airport's decision to revise its pricing was a good result for consumers and showed the benefits of the current information disclosure regulations that are applied to New Zealand's major airports.

evolving our way of working, with the objective of delivering planning certainty, improved cost control and a realistic and achievable build programme. Our airline customers have been at the heart of this process, to ensure we are as closely aligned as possible as we shift into a major phase of development.

We are confident with the insights and progress we have made and continue to develop our detailed roadmap ahead for the delivery of the next decade of key projects. We look forward to providing a more detailed update at our investor day in November 2019.

The additional time we have invested in these valuable formative stages has led to lower capital expenditure than planned for the 2019 period – reaching \$284.1 million against the previous guidance of \$280 million to \$330 million. However, we expect to finish the five-year pricing period (2017 – 2022) strongly and broadly in line with the forecast released to the market in mid-2017, delivering approximately the same value of commissioned or in-use aeronautical assets.

We look forward to the changes ahead and the future benefits that will undoubtedly flow through to our customers.

Auckland Airport had a solid year from a financial perspective, with revenue up 8.7% to \$743.4 million, while earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 9.6% to \$554.8 million.



We look forward to the changes ahead and the future benefits that will undoubtedly flow through to our customers.”

Total profit after tax was down 19.5% to \$523.5 million, due to the previous year including the \$297.4 million gain on the sale of our investment in North Queensland Airports. Underlying net profit was up 4.4% to \$274.7 million and our underlying earnings per share was up 3.6% to 22.8 cents for the 2019 financial year. Our final dividend is 11.25 cents per share. The dividend reinvestment plan will again be available for the final 2019 dividend at a 2.5% discount to the market share price.

As we look to the 2020 financial year, we expect underlying profit after tax (excluding any fair value changes and other one-off items) to again be between \$265 million and \$275 million. This guidance is in line with the guidance for the previous year, reflecting several factors, including moderating passenger growth, the impact of the discounts announced in February this year to our previously published aeronautical prices, modest operating expense growth, along with an increased depreciation expense associated with the step up in our infrastructure build. As always, this guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration, as a result of global market conditions or other unforeseeable circumstances.

Auckland Airport is committed to growing New Zealand's success in travel, trade and tourism and we would like to take this opportunity to thank our community and customers for their continued support and patience as we work hard to build an airport of the future.

Patrick Strange
Chair

Adrian Littlewood
Chief Executive

Underlying net profit

\$274.7m
◊ 4.4%

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. However, owing to the complexity of accounting standards, it may be difficult for investors to compare one financial year's results with another. Therefore, we also provide an underlying profit measure to help investors compare profits between years and to make comparisons between different companies with confidence. We believe that an underlying profit measure can assist investors to understand what is happening in a business such as Auckland Airport, where revaluation changes can distort short-term financial results or where one-off transactions, both positive and negative, can occur.

For several years, Auckland Airport has referred to underlying profit alongside reported results. We do so not only when we report our results but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 100% of underlying net profit after tax, excluding unrealised gain and losses arising from revaluation of property or treasury instruments and other one-off items. However, in referring to underlying profits, we acknowledge our obligation to show investors how such results have been derived. The reconciliation for the current period can be found on page 33.



2019 highlights



21.1m

Passengers

Domestic

9.6m
▲ 3.6%

International

10.5m
▲ 3.0%

International transits

1.0m
▼ 4.9%

Revenue

\$743.4m
▲ 8.7%

Operating EBITDAFI

\$554.8m
▲ 9.6%

Total profit

\$523.5m
▼ 19.5%

Underlying profit

\$274.7m
▲ 4.4%

Dividend per share

22.25 cents
▲ 2.3%

	Interim	Final
	11.00c	11.25c
	▲ 2.3%	▲ 2.3%

Underlying earnings per share

22.8 cents
▲ 3.6%

Five-year average annual shareholder return

22.6%

Capex investment

\$284.1m
▼ 29.9%

Key statistics

Health & safety

▲ **6.8%**

Reporting of safety observations and hazards

▼ **2.2%**

Employee recordable injury rate

▼ **41.3%**

Passenger incident rate

Diversity

40%

Percentage of female employees

33%

Female senior managers

45

Recorded ethnicities – noting that not everyone who works at Auckland Airport discloses their ethnicity

Ara – our airport jobs and skills hub

784

Training opportunities

696

Participants engaged in training

210

Total job placements

175

South Aucklanders placed in jobs

77

Students on work experience (2018 calendar year)

Environmental impact reductions*

▼ **18%**

Energy use per passenger

▼ **46%**

Waste to landfill per passenger

▼ **33%**

Carbon emissions per m²

Our science-based target:

*All environmental impact figures are in relation to our 2012 baseline

*Our science-based target: 45% per m² reduction in carbon emissions by 2025 from our 2012 baseline

\$345,781

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

Giving back to our local communities, Auckland and New Zealand.

\$583,907

Invested in our local communities (including \$345,781 to the Auckland Airport Community Trust and \$238,126 through other Auckland Airport grant programmes)

Faster, Higher, Stronger

In May 2018, the Board endorsed a continuation of our five-year *Faster, Higher Stronger* strategy for the next four-year period through to 2022. This strategy is centred around creating the airport of the future and is anchored on our ambition to ‘make journeys better’ for all customers and partners of Auckland Airport. The strategy continues to unfold amid a number of changes in the industry, including evolving aviation and tourism markets, high immigration, along with the delivery of complex development projects.

Faster, Higher, Stronger

Faster, Higher, Stronger

We’re growing travel and trade markets

We have an ambitious and innovative approach to helping New Zealand sustainably unlock growth opportunities in travel, trade and tourism. Growing travel markets with our airline and industry partners makes journeys better by providing customers with greater choice and delivering more convenient flight schedules and by offering better value for money for all customers and partners of Auckland Airport. In addition, new airline routes help to grow trade activity by creating more opportunities for businesses to connect with their key customers in global markets.

We’re strengthening our consumer business

We are strengthening and extending our retail, transport and accommodation businesses to ensure we can respond to evolving customer needs. This means we are increasing the range of products and services we provide and making Auckland Airport more appealing to our customers – thereby making their journeys better.

We’re being fast, efficient and effective

We are improving our performance by increasing the efficiency and productivity of our assets, processes, operations and balance sheet. A fast, efficient and effective airport makes journeys better by saving time and money for airlines and travellers.

We’re investing for future growth

We are building on our strong foundations for long-term, sustainable growth by investing in the infrastructure required to meet long-term customer needs. This makes journeys better both within the airport and around our vibrant business district.



Faster, Higher, Stronger embraces our objective of making journeys better and is a commitment to making improvements in everything we do. In late 2013, the strategy set a number of new aspirations to drive our company's performance. These high-level aspirations and our progress to date are not market guidance and the results are likely to fluctuate from year to year. However, they provide the company with a sharp focus on important goals that underpin our long-term success. By 2019, we had achieved almost all of our aspirations – as set out in the table below.

Aspirations:

400,000

Double Chinese arrivals to 400,000 by FY17, up from 213,781 in FY13

\$60.0m

Build property rent roll to \$60 million by FY17, up from \$44 million in FY13

10m

Achieve 10 million international passengers by FY18, up from 7.3 million in FY13

20m

Reach 20 million total passengers by FY20, up from 14.5 million in FY13

How we tracked in FY19:

▼ 360,805

A decrease of 8.7% in FY19

▲ \$100.0m

An increase of \$9.8 million in FY19

▲ 11.5m

An increase of 0.3 million in FY19

▲ 21.1m

An increase of 0.6 million in FY19

Reflecting that Auckland Airport has achieved and surpassed almost all of the aspirations set back in 2013, new medium-term aspirations are in development and we intend to socialise these at our investor day scheduled for November 2019.

Working for customers, enhancing their journeys.

Delivering
For passengers ▶ For airlines ▶

As Auckland Airport continues to grow New Zealand's flight connections to the world, we are striving to deliver a world-class experience for every customer who passes through our doors.

From improving processes for travellers, to online shopping, we are investing significant time and resources to deliver improvements across every aspect of the customer journey to ensure we meet the expectations of travellers and deliver a great experience.

During the 2019 financial year, we achieved a significant milestone: the completion of our expanded departures area in the International Terminal – a 36,000m² upgrade to the aviation security screening area and retail precinct providing a sophisticated new retail high street and a modern food and beverage area.

The development features a wide range of customer experience improvements, including:

- upgraded and oversized bathroom facilities, a dedicated 'recompose area' post security for customers to repack and get organised, numerous new charging points to power devices, as well as two hours free Wi-Fi for all visitors and extended hours for members of our loyalty programme, Strata Club;
- contemporary Māori design and illustration by award-winning artist Dr Johnson Witihiera, featured in digital panels through to carved details on columns, doorways and pillars;
- 14 new food and beverage outlets offering everything from Vietnamese, to award-winning Italian and authentic Chinese dumplings, as well as popular New Zealand high-street brands such as Al Brown – Best Ugly Bagels, Mexico and Better Burger; and
- in total, 32 new retail concepts opened in the financial year 2019, showcasing the best of New Zealand including Icebreaker merino clothing to Manuka honey, Whittaker's Chocolate and an All Blacks Adidas outlet. Luxury international brands include Kate Spade, Weekend Max Mara and Michael Kors – the first time these stores have opened in New Zealand.

36,000m²

Delivered

expanded departure area – International Terminal

14



new food and beverage outlets

32



new retail concepts, from local to international brands



The international departures development, which also features sculptured godwits and kahawai fish created by Weta Workshop, has been recognised in several awards, including from the NZ Institute of Architects, the NZ Property Council and the Moodie Davitt Report Airport Food & Beverage Awards, winning the F&B Offer of the Year Award in June 2019.

Auckland Airport looks forward to embarking upon another significant expansion of the International Terminal in the year 2020 – with the 30,000m² upgrade of the arrivals area. The project's physical works are currently scheduled to begin in January 2020, featuring a new arrivals hall and expanded Biosecurity New Zealand and New Zealand Customs processing and queue areas to improve peak-time capacity.

It was another record year for traveller numbers at both our International and Domestic terminals. Over the 2019 financial year, an average of 31,555 travellers arrived or departed each day from the International terminal, up 2.2% on the previous year. At the Domestic Terminal, an average of 26,284 travellers arrived or departed each day, up 3.6% year on year.



AIRPORT STORE OF THE FUTURE

As the world becomes increasingly digital, Auckland Airport has been working hard behind the scenes to develop innovative online shopping platforms for our customers.

Auckland Airport was one of the first airports in the world to launch an online multi-retailer shopping marketplace called The Mall, enabling international travellers to shop at multiple retailers via a single online check out, with a click and collect service.

In June 2019, we marked the one-year anniversary of The Mall, which now offers over 4,500 duty and tax-free products across 10 categories, including over 375 leading New Zealand and international brands. The platform has been well received by international travellers, with orders growing 20% month on month throughout the 2019 period and earning a customer satisfaction score of 89%.

In February 2019, we also launched a WeChat mini-store specifically for Chinese customers travelling through Auckland Airport. Customers now have available to them more than 700 items from across eight different categories within the WeChat app and select whether they would like to collect their order as they arrive or depart from Auckland Airport.

4,500+

products across 10 categories, including over 375 leading New Zealand and international brands

The response from our customers to the new expanded environment has been very positive with sustained overall customer satisfaction scores ranking above 4 out of 5 for both terminals in all four quarters of the year, a 12-year high for Auckland Airport. During the third quarter of the financial year, following the completion of improvements to retail, food and beverage and dwell spaces in departures, our customer satisfaction rating at the International Terminal improved to its highest point in 12 years – 4.36 out of 5. This placed Auckland Airport third out of a comparative international peer group of 24 airports, selected on the basis of size, passenger volumes, routes and ownership structure by Airport Service Quality (ASQ), a global benchmarking programme for airport customer service.

Beyond the expansion of our International Terminal, Auckland Airport has continued to focus on additional operational and customer service improvements throughout the precinct.

In the financial year 2019, Auckland Airport's Service Delivery team carried out research and embarked upon a customer service transformation to ensure we provide a relaxing and enjoyable experience for our customers. We have developed a customer service promise and guiding principles to enhance service levels throughout the customer journey. Over the coming months, as we train our staff on the new principles and service standards, we are confident that our customers will see the benefits when travelling through.



As we shift into a new phase of significant construction works to create an airport of the future, we are also building a strong, collaborative community of contractors and stakeholders to ensure we keep our customers safe.

In the financial year 2019, we established a Common User Safety Protocol (CUSP) with many of our partners (airlines, border agencies, security partners and ground handlers). The CUSP, signed by our CEO and other senior executives, is a joint commitment by businesses operating around the airport precinct to provide the safest working environment possible in common-use areas in and around the terminals. We also reallocated staff resourcing to high-accident areas, helping to reduce our passenger injury rate by 41.3%.

Other customer improvements included:

- 4,000 new braked baggage trolleys across Domestic and International terminals. The new trolleys are an upgrade in safety, design and functionality being 10kg lighter and able to handle loads up to 300kg;





- four additional AviRamps purchased, providing travelling guests with a safer, more comfortable and faster disembarkation experience;
- around 70% of customers now using self-service kiosks to start their journey. In the financial year 2019, we doubled the number of self-service kiosks to 120, reducing average check-in and bag drop times from 20 minutes to 8.5 minutes; and
- ongoing works at the Domestic Terminal to provide additional space for aviation security screening, a reconfiguration of the food court area, as well as a new retail offering.

Strata Lounge at the International Terminal continues to be a popular choice for the travelling public, with 230,189 guests in the 2019 financial year, up 49% on the previous year. We are looking to introduce a Strata Lounge into the Domestic Terminal in the 2020 financial year, with construction already under way.

87%

increase in
Strata Club
memberships

Our online community is going from strength to strength, as we have continued to invest in our digital channels to provide useful information, convenient retail experiences and to recognise and reward regular travellers. Highlights for 2019 included:

- We outperformed our target for new Strata Club memberships, increasing 87% during the period; and
- The Auckland Airport app had a 9.9% increase in travellers using the app, and an increase of 69.2% in parking bookings via the app, while new features were added, such as real-time queue wait time information.

Auckland Airport is proud to have been recognised as one of Colmar Brunton's top 10 most trusted New Zealand companies for the third year running. Being a reputable New Zealand business is important to us and we are proud to be trusted by customers and our stakeholders.



Photo credit: Biosecurity NZ

AIAL & BIOSECURITY NZ

Forging stronger relationships to drive customer experience improvements

Greater collaboration between Auckland Airport and Biosecurity New Zealand has continued to deliver an improved experience for customers in the financial year 2019, resulting in faster processing times for travellers.

Over the past three years, our two organisations have worked closely together to enhance biosecurity screening and provide a more seamless experience for travellers during busy periods, particularly during the northern winter/summer peak. By sharing data unique to each organisation, the partnership has been able to simulate and test scenarios involving high traveller numbers, allowing for improved future resource planning.

Auckland Airport and Biosecurity New Zealand also worked together to simplify the way travellers move through biosecurity screening, reducing the number of lanes from three to two and removing the option for people to move through biosecurity differently, depending on their nationality.

These changes resulted in a more streamlined customer journey through the international arrivals area during 2018 and 2019 and reduced overall processing times by 10.5%, while preserving border security standards. We are proud of these gains and it demonstrates what a close working relationship can achieve when there is a common goal. We look forward to working with Biosecurity New Zealand in the year ahead, as we begin our 30,000m² upgrade of the arrivals hall, including an expansion of Biosecurity New Zealand's area.



Transport

Consistent, reliable journeys



NORTHERN RUNWAY

In December 2018, following a public hearing process, Auckland Council released its recommendations on the notices of requirement to enable the construction and operation of the northern runway. Auckland Airport largely accepted these recommendations, however a number of appeals have since been lodged with the Environment Court. Resolution of these appeals will be a significant milestone, allowing us to progress the next phase of detailed planning and design for the second runway. In the meantime, we continue our work on design and construction planning. We are in deep consultation with our airline customers regarding the timing.



Auckland Airport is the guardian of one of New Zealand's most important transport hubs and we are working hard to build for the future, delivering long-term improvements to the transport network for our customers.

In the 2019 financial year, we completed a number of significant projects and progressed others through to design and construction, greatly improving access and travel times for people travelling to, from and around the airport.

In November 2018, we completed the new Nixon Road extension – a 920m stretch of road providing a direct link from north (SH20A) to south (SH20B), enabling motorists to bypass the busy main intersection at George Bolt Memorial Drive and Tom Pearce Drive. In the six months to June 2019, the connection helped to remove 50,000 heavy vehicle transit movements from the core airport roading network, helping to improve flows and travel times for terminal-bound traffic. Currently, of all vehicles transiting through the precinct, 27% of them are heavy vehicles using Nixon Road.

Auckland Airport built over 2,000 new car parks in the 2019 financial year to meet customer demand, including 500 valet storage spaces (open in July 2019) and a new system to guide customers to available spaces. At the same time, we provisioned for 20 electric vehicle charging stations, to complement the

existing electric charging stations we have at the Domestic Terminal and at our valet storage area.

During the peak 2018/2019 summer period, we introduced a range of initiatives to ensure a well-functioning transport network. These included a new 'drop and ride' service away from terminal buildings to reduce forecourt traffic and a travel reward promotion to encourage airport precinct workers to use public transport.

In the year ahead, we will continue our programme of work to create a resilient transport network, ensuring consistent, reliable journeys for people travelling to, from and around Auckland Airport.

In June 2019, a contract was awarded for the Northern Network project – our largest roading infrastructure upgrade since the airport was first built. The project will deliver a range of benefits, including:

- widening George Bolt Memorial Drive to add high-occupancy vehicle lanes;
- the construction of Altitude Drive which will provide additional roading capacity, allowing terminal bound traffic greater journey time reliability;
- a new one-way loop road for traffic exiting the International Terminal;
- enhanced pedestrian and shared pathway links along George Bolt Memorial Drive connecting to the wider airport precinct; and



- upgrading and installing new underground utilities to create a resilient, future-proofed network able to support the wider terminal and runway developments.

Auckland Airport is continuing to work closely with New Zealand Transport Agency (NZTA) and Auckland Transport (AT) to coordinate network operations and improve access to and from the airport, benefitting workers, travellers and freight movements.

In collaboration with NZTA and AT, the first stage of the Southwest Gateway programme will begin in late 2019 and is due to be completed in 2021 with the following benefits:

- A new rapid transit link between Auckland Airport and Puhinui Station, including widening SH20B to provide two new priority lanes for bus and high-occupancy vehicles;
- A new bus and rail interchange at Puhinui Station, allowing quick travel to and from the airport;
- Fast and convenient 10-minute bus services to run between Puhinui Station interchange and the Airport; and
- A shared-use path providing improved walking and cycling opportunities along SH20B.

Plans are also well advanced for a new six-storey car park to be built at the International Terminal, with construction expected to begin in early 2021. The development will include 3,000 car parks, including rental bays, electric vehicle charging stations, valet products and self-parking facilities and is expected to be complete in 2023. Construction of a new southwest Park and Ride facility off SH20B is also expected to begin in 2020, with stage 1 of the project providing circa 2,000 new car parks.



Parking planning

A new six storey car park is to be built at the International Terminal, featuring 3,000 car parks and rental bays, valet products and self-parking facilities. Construction is expected to begin in early 2021.



AIRFIELD EXPANSION

The financial year 2019 also marked the beginning of our largest airfield expansion since the 1970s and the next phase of our infrastructure development programme. Over the next three years, more than 250,000m² of land or about 30 rugby fields will be converted into new airfield at the western end of the airport, delivering an additional taxiway, extension of an existing taxiway and development of six stands for the parking and servicing of aircraft.

The project will add more than 18% surface area to the airfield pavement, improving aircraft movement and eventually linking to the future second runway.

Our largest airfield expansion since the 1970s

30

An area of about 30 rugby fields will be converted into new airfield at the western end of the airport

Building in a digital world

Leading the way in infrastructure planning and design

Over the next two decades, Auckland Airport will deliver an infrastructure development programme that will transform our precinct and upgrade a number of key legacy assets, including the International and Domestic terminals, expansion of our airfield and substantial changes to the roading network.

To manage the scale and complexity of the work ahead, we have embarked on a digital transformation journey to enhance our building programme and the way we manage our assets over their lifecycles, from early design through to end of life.

Over the past two years, Auckland Airport has trialled and adopted integrated Building Information Modeling (BIM) and Geographical Information Systems (GIS) software – leading-edge design technologies that have allowed us to start creating digital 3D replicas of our airport assets.

Blending geospatial and engineering, architecture and construction data, the technology enables designers to work together throughout every phase of a project. It provides a complete picture of an asset, from its nuts and bolts to its steel framework, helping project teams to streamline processes and resolve complex construction challenges prior to building works beginning.

We initially trialled the technology for the 36,000m² redevelopment of the airside departure and dwell area of the International Terminal, and due to its success, we adopted the technology in full for the development of new gates located at Pier B at the northern end of the airfield. The initial challenge was to map the structure of the existing International Terminal, which involved the collation of existing 3D models, along with ground-based 3D laser scanning, to create a sophisticated replica. Designers and builders also contributed, modelling construction elements in detail, allowing the team involved to collaborate and analyse any issues in a digital world, without even having to leave their offices.

With more than 200 projects planned over the next two decades, Auckland Airport has also used the technology to create a complex model of future construction projects at the airport precinct, called the 'Capital Works Master Schedule'. The model is used to visualise complex sets of data in an easily understood manner. By linking 3D models to a time schedule and project costings, the team is now better able to assess workflow planning, logistics and other aspects of the construction process.

Tourism

Supporting sustainable growth and high-value tourism

Tourism is one of New Zealand's most important industries and for good reason. The sector employs at least 8% of New Zealand's workforce and directly contributes \$15.9 billion to GDP* – making it New Zealand's most valuable export earner.

Auckland Airport is committed to ensuring our tourism industry continues to flourish. We are working to support our tourism partners and airlines to attract high-value visitors from a diverse range of markets. As New Zealand's gateway, we are also playing a leading role in connecting New Zealand to the world by developing a strong, sustainable and thriving aeronautical network.

* Gross Domestic Product



Driving demand in offshore markets

In the financial year 2019, Auckland Airport, continued to work alongside our partners investing in emerging and more established markets to drive growth and support airlines to operate sustainable air routes. The aviation market remains dynamic and we are focused on building a diverse network to build resilience.

In the China market, our focus was on supporting airline partners with e-commerce, travel trade distribution and public relations activity, to attract higher-value independent Chinese travellers to New Zealand. In Australia, we continued to work alongside airline partners, Tourism New Zealand and regional tourism organisations, such as ATEED to encourage Australians to visit Auckland and the Central North Island all year round. In the United States, we focused our efforts on growing visitation from the eastern states of America. We recognise the potential of other promising markets, such as India, where we appointed a representative in the financial year 2019 to grow our interests there. We also continue to work with partners in South Korea, Taiwan and Indonesia to develop these markets.

Working for New Zealand

Auckland Airport continued to work closely with industry partners over the period, sharing insights and analysis to help inform decision-making. This included supporting the development of the Government's tourism policy, as well as a new industry strategy for the Tourism Industry Association: 'Tourism 2025 and Beyond'. In the 2019 financial year, we also extended our support of tourism product innovation through our partnership with Eat NZ, and we participated in the development of a new tourism management strategy for Auckland – 'Destination AKL 2025'.



Eat NZ

Unlocking new routes and capacity

Auckland Airport has experienced significant growth over the past four years, increasing from 19 airlines in 2015 to 29 airlines as at 30 June 2019. We welcomed announcements and capacity changes from a range of airlines over the 2019 financial year, including:

- the introduction of a new direct route from Auckland to Seoul by Air New Zealand that will add 105,000 seats and 4,855 tonnes of cargo per year, commencing in November 2019;
- new flights between Auckland and Vancouver to be operated by Air Canada from December 2019, adding 31,000 seats per year and 650 tonnes of cargo;
- the introduction of a third daily Auckland to Singapore flight from October 2018 by Air New Zealand/ Singapore Airlines; and
- in November 2018, Air New Zealand commencing new direct routes from Auckland to Chicago and Auckland to Taipei.

These and a range of other flight changes across our airline partners resulted in 685,000 net additional seats per annum and an estimated 60,800 net tonnes of additional international cargo capacity in the financial year 2019.

While our outlook for the 2020 financial year remains solid, our strong trend of capacity growth has slowed in recent times due to airlines adjusting their business strategies, reducing capacity and softening demand for travel to New Zealand in some visitor source markets, such as Australia, China and Japan. Hong Kong Airlines and AirAsia discontinued their New Zealand services in the year to 30 June 2019 and, from October 2019, LATAM Airlines will reduce its Santiago (via Auckland) to Sydney flights, from a daily service to four times a week. This change will coincide with LATAM commencing non-stop Santiago to Sydney services.

SEOUL AUCKLAND



New non-stop flights commencing November 2019 to Seoul to add 105,000 seats and grow inbound leisure tourism

VANCOUVER AUCKLAND



New Vancouver route commencing December 2019 to add 31,000 seats and contribute \$38 million annually to the New Zealand economy

TAIPEI AUCKLAND



Additional 95,000 seats per annum commenced November 2018, increasing trade opportunities in horticulture and agriculture

CHICAGO AUCKLAND



New service delivering 85,000 seats per annum commenced November 2018, opening up new regions of North America to non-stop flights to New Zealand

ACROSS OUR AIRLINE PARTNERS

685,000

additional seats per annum

60,800

tonnes of additional international cargo capacity



IN FOCUS: SUSTAINABLE TOURISM GROWTH

In the last year, over 21 million travellers passed through Auckland Airport – a number which is expected to double by 2044.

The growth in tourism numbers will provide enormous benefits to New Zealand economically but at the same time it will also create challenges from a sustainability perspective.

Auckland Airport believes the tourism industry needs to better understand and manage the industry's impact, to ensure it can continue to successfully grow without undermining sustainability and to continue to hold its social license to operate amongst New Zealanders. Otherwise we risk losing the support of our local communities, impacting our environment and visitor experience.

Auckland Airport is playing a leading role in discussions around the future sustainability of the tourism industry, funding research that has proposed a new industry framework called the Sustainable Tourism Growth Monitor (STGM). The monitor suggests a broad framework for the tourism industry to measure itself on a range of factors, including infrastructure, congestion, the environment and community wellbeing.

We believe there is an opportunity for the industry to work together to extend this research to create a robust STGM for the future. We are committed to collaborating with government and members of the tourism industry in the 2020 year to build on this work.

Property

Outstanding year for investment property

The 2019 financial year was a record year for Auckland Airport's investment property business, which now owns and manages one of New Zealand's largest investment-grade portfolios. Our rent roll has increased 10.9% to \$100 million, the portfolio value now exceeds \$1.7 billion and our weighted average lease term is sitting at 9.38 years – one of the longest in New Zealand's listed property sector.

Growth continues to be underpinned by strong development activity. During the 2019 financial year, new development projects were completed for EBOS and DSV Logistics, while 13 hectares of land was prepared and added to our development-ready reserves. The quality of our delivery model has also been recognised in both the property and architectural sectors. In 2019, we were awarded the Property Council's Property Team of the Year Award for urban planning at The Landing Business Park, the NZ Institute of Architects' Commercial Award for the Rohlig Logistics development and the DSV development was awarded Excellence and Best in Category at the 2019 Property Council Industry Awards.

Portfolio

\$1.7b

Investments under construction

\$515m

Weighted Average Lease Term

9.38 years

The development outlook remains strong. Currently, we have more than \$515 million of pre-committed investment assets under construction, including the 85,000m² office and warehouse complex for Foodstuffs, a new office and control centre for Airways Corporation, plus standalone developments for Thrifty, Europcar, and ASX-listed Bapcor. We have also maintained our speculative building programme, with 11,000m² of new facilities under construction in Timberly Place.

Our investment programme also includes the expansion of our hotel portfolio. Construction of the 5-star Pullman Auckland Airport Hotel, located adjacent to the International Terminal, has commenced and is our second project in partnership with Tainui Group Holdings. This is expected to complete in 2022. A fourth hotel, comprising a 146-room mid-tier hotel located within the Quad Office Campus, is also under way and this is expected to complete in Q4 2020.

Auckland Airport already operates two hotels inside the precinct: the Novotel Tainui Auckland Airport Hotel and the ibis Budget Auckland Airport. When the Pullman and our fourth hotel are open, it will make Auckland Airport one of the largest hotel operators (by number of rooms) in New Zealand.



DSV Logistics – awarded Excellence and Best in Category at the 2019 Property Council Industry Awards

People



Firefighters Sky Tower Stair Challenge

An employer of choice

Auckland Airport employs more than 730 full-time and contracted staff, and we are proud of our diverse work force and our long-term commitment to their safety and wellbeing. Our workforce has grown by more than 40% over the last three years, and we are working hard to create an environment where people want to work, providing new opportunities to develop, support and empower them. As our workforce continues to grow to drive our infrastructure programme, we also recognise that work-life balance is good for our people and we are reshaping our practices to meet the needs of a flexible modern workplace.

In the year to 30 June 2019, we introduced a new Parental Leave Policy, offering parents greater financial support and flexibility through a wide range of key benefits.

These include two weeks' extra paid leave for the partner of a primary caregiver and up to 10 days paid special leave for a mother during pregnancy, allowing her time to attend special appointments, such as scans and antenatal classes.

In addition to the existing government-funded paid parental leave, we are also offering primary caregivers 80% of their base salary for a period of 18 weeks during their parental leave, as well as personal coaching before they return to work to help make the transition back as smooth as possible. Another key priority has been to ensure we are operating within a fair and equitable remuneration framework. Our talented workforce includes 45 ethnicities, and we believe the diversity of our people is one of our strengths. In the financial year 2019, we increased female representation in key positions across the business, including at Board level (38% to 50% increase year on year) and in our leadership team (12.5% to 22% increase year on year). Overall, the number of female senior managers across the business rose from 31% to 33%.

We also recognise and celebrate the uniqueness of different cultures through an annual calendar of events and festivals and through sponsorship of community events, such as ASB Polyfest. Our people also continue to learn and be inspired by other like-minded organisations through our ongoing association with the Global Women's Champions for Change programme.

In the financial year 2019, we continued to focus on the safety and wellbeing of our employees, creating a workplace culture that supports people to stay well, both from a physical and mental health perspective.

In the 2019 financial year, we registered a decrease in the number of recordable injuries (lost time, medical treatment and restricted work) amongst our people, in comparison to the previous year. This resulted in a reduction in our employee recordable injury rate of 2.2%.

We are pleased that proactive attitudes and increased staff engagement relating to safety were reflected in the number of safety observations and hazards reported, increasing 6.8% year on year. Looking ahead, we will continue to support our staff through our digital wellbeing programme Tracksuit, which offers a range of health information and challenges to engage our people and ensure their wellbeing is front of mind.



OUR PEOPLE AND COMMUNITY: Mana whenua as kaitiaki

We understand that as a New Zealand business and employer, we must continue to develop our understanding and awareness of Tikanga Māori, particularly as we increase our engagement with local iwi and work to develop the diversity of our workforce. In 2019, members of our Leadership Team completed a specialised Indigenous Growth Cultural Capital programme for executives to enhance their understanding of mana whenua, cultural protocols and the importance of recognising indigenous employees. The wānanga was facilitated by Indigenous Growth Limited at Te Manukanuka o Hoturoa marae – the marae located on the Auckland Airport precinct.

We also embarked upon a design collaboration with iwi, as part of our departures project at the International Terminal. Te Ākitai Waiohū, Te Kawarau ā Maki and Makaurau Māori trust shared stories aligned with the overarching design narrative 'a journey through New Zealand from the sea to the sky'. These stories inspired award-winning artist Dr Johnson Witehira to design contemporary manifestations that were interwoven through the fabric of the interior architecture in the form of routed relief, water-blasted etching and laser cut stainless steel inserts.

Across the business, we have been working closely with mana whenua in relation to many developments, including our airfield expansion and the Northern Network roading project.



OUR COMMUNITY: Ara jobs and skills hub

Established in 2015 Ara, our airport jobs and skills hub, is a joint initiative between Auckland Airport, the South Auckland community, government agencies, training providers and employers.

In 2019, Ara was awarded the NZ Airports Association Community Engagement Initiative of the Year. Judges commented it was a superb example of innovation, providing benefits to the community and the airport. Ara continues to connect South Auckland people with training and employment pathways. Highlights for 2019 include:

- 210 job placements made through the programme;
- 175 of these people reside in South Auckland;
- 784 people completed training opportunities offered through Ara;
- 696 participants engaged in training; and
- 77 students from five local South Auckland secondary-schools graduated from a year-long working experience programme working with businesses within the airport precinct, gaining valuable skills and earning credits to support their NCEA* studies.

In 2019, Ara further strengthened its service relocating to new headquarters and establishing new partnerships. As Auckland Airport's development programme continues to evolve, opportunities for job seekers have expanded beyond construction and building to include hospitality and logistics.

* National Certificate of Educational Achievement



OUR PEOPLE AND PLACE: Being a good neighbour

Auckland Airport is committed to growing New Zealand's success in travel, trade and tourism but our impact extends far beyond our financial contribution to the New Zealand economy. We continue to empower people through a range of community programmes in South Auckland and across wider Auckland. Highlights for the 2019 financial year include:

- Ten Year 13 school leavers were awarded Auckland Airport Education Scholarships, including a financial grant, laptops and a mentor from the airport team to help kick-start their university careers;
- Our people teamed up with staff and students from Tangaroa College to participate in our annual environmental coastline clean up adjacent to the airport's runway on Manukau Harbour;
- We supported several local organisations and events through our sponsorship programme, including the Counties Manukau Life Education Trust, ASB Polyfest, the Auckland Arts Festival's schools' programme, Firefighters Sky Tower Stair Challenge (Leukaemia and Blood Cancer Foundation), and the Second Nature Charitable Trust. The total amount of these sponsorships (including leverage funding) was \$140,250;
- We granted \$30,000 to 30 community groups across Auckland. In addition, we redistributed \$120,000 of donations made by generous travellers into charity globes in our terminals to 12 charities as part of our annual 12 Days of Christmas; and
- In 2019 we also granted \$345,781 to the Auckland Airport Community Trust, which distributes these funds to residents, schools, community groups and organisations living within the Trust's aircraft noise area.



OUR PLACE:
Environment

This year we continued to progress our targets for energy, carbon, water and waste minimisation across our operations. As a founding member of New Zealand Climate Leaders Coalition, we are particularly proud of the progress we have made towards our new, more ambitious carbon targets, set through the international Science Based Target Initiative (SBTi) in 2017. We are now one of only 568 companies globally that have set targets through the SBTi commensurate with global warming less than 2°C. We have continued to advance one of our key initiatives to install ground power units (GPUs), allowing arriving and departing aircraft to use low-carbon New Zealand grid power rather than more carbon-intensive jet fuel while at our gates. We are delighted that our energy efficiency and low-carbon initiatives have resulted in us being a finalist in Enviro-Mark Solution's 2019 Excellence in Climate Action Awards.



SUSTAINABILITY GOVERNANCE:
Non-financial disclosure

We have a proud history of the voluntary disclosure of our sustainability performance. In the past year this has included the publication of our own Corporate Social Responsibility (CSR) Report aligned to the Global Reporting Initiative (GRI) Standard as well as:

- **Carbon Disclosure Project (CDP):** disclosure of progress on our carbon-reduction targets and benchmarking against international peers. In the latest assessment we moved upwards in our ranking to a B, signalling active management. This is higher than the general average of B- and the Oceania regional average of C;
- **Dow Jones Sustainability Index:** best-in-class benchmark for investors who have recognised that sustainable business practices are critical to generating long-term shareholder value. We were included in the index for the 7th year in a row;
- **FTSE4Good:** a series of ethical investment stock market indices launched in 2001 by the FTSE Group. We are proud to have been included in the index since 2008; and
- **GRESB:** an emerging index that assesses the Environmental, Social and Governance performance of real estate and infrastructure portfolios and assets worldwide. We have participated in the infrastructure assessment since 2017, including the new Public Disclosures Assessment in 2019.

Health & Safety

▲ **6.8%**

Reporting of safety observations and hazards

▼ **2.2%**

Employee recordable injury rate

▼ **41.3%**

Passenger incident rate

**Ara – Airport
Jobs and Skills Hub**

784

Training opportunities

696

Participants engaged in training

210

Total job placements

**Environmental
impact reductions***

▼ **18%**

Energy use per passenger

▼ **46%**

Waste to landfill per passenger

▼ **33%**

Carbon emissions per m²

*All environmental impact figures are in relation to our 2012 baseline

*Our science-based target: 45% per m² reduction in carbon emissions by 2025 from our 2012 baseline

**Auckland Airport
Community Trust**

\$345,781

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

Governance and leadership

Seated – from left
Patrick Strange
Justine Smyth
Dean Hamilton
Standing – from left
Tania Simpson
Christine Spring
Mark Binns
Julia Hoare
Brett Godfrey



Board changes

Change of chair

Sir Henry van der Heyden

Sir Henry van der Heyden became a director of the company in September 2009 and was appointed Chair in 2013. Sir Henry officially retired from the Board on 31 October 2018.

Patrick Strange

Patrick Strange was appointed Chair of the Board. He has been a director of Auckland Airport since 2015. Patrick is currently chair of Chorus and a director of Mercury NZ and Essential Energy Australia.

Company officer changes

New directors

Dean Hamilton

Dean Hamilton became a director of the company after the 2018 annual meeting. He was previously CE of Silver Fern Farms and prior to that held senior roles for Deutsche Bank in both New Zealand and Australia, advising clients on a broad range of capital markets and mergers and acquisition (M&A) transactions.

Tania Simpson

Tania Simpson became a director of the company after the annual meeting on 31 October 2018. She is an experienced professional director and is currently a director of The Reserve Bank of New Zealand and Tainui Group Holdings. She previously served as a director of Mighty River Power for 13 years. She has experience leading Māori organisations and further supports Māori development as a trustee of Radio Maniapoto and Waitangi National Trust.

Michelle Kong – Future Director

Michelle Kong was selected to participate in the Future Director Programme in January 2019. She has an extensive background in infrastructure and strategic development with over 15 years' experience in the telecommunications industry, prior to her current role at Fletcher Distribution as General Manager for Digital Ventures and Snappy. The future director participates in all Board and committee meetings but does not take part in the actual Board decision-making.

Retired director

James Miller

James Miller became a director of the company in September 2009 and was for several years Chair of Auckland Airport's Audit and Financial Risk Committee. James officially retired from the Board at the 2018 annual meeting.



Mary Liz-Tuck

General Manager Corporate Services

In October 2018, the chief executive announced the appointment of Mary-Liz Tuck as Auckland Airport's new General Manager Corporate Services and General Counsel. Mary-Liz is responsible for leading the company's key corporate functions, including legal, people, safety and public affairs.

Mary-Liz brings a strong background in the law as well as considerable commercial and operational experience having worked for Fisher & Paykel Appliances in operational, customer experience, quality, business excellence and legal roles.

Most recently, Mary-Liz was Executive Vice President, Business Excellence and Quality, which involved leading an organisational transformation programme, delivering important benefits to the business. Prior to these positions, Mary-Liz practiced as a lawyer for 15 years, including with New Zealand law firm Harnos Horton Lusk and London based firm Freshfields Bruckhaus Deringer.



Jonathan Good

General Manager Technology & Marketing

In May 2019, the chief executive announced the appointment of Jonathan Good as Auckland Airport's new General Manager Technology & Marketing. Jonathan is responsible for the strategy and execution of technology and marketing programmes to improve customer experience and ensure operational excellence to meet Auckland Airport's current and future growth needs.

Jonathan has had extensive commercial experience and held numerous leadership roles, specialising in the creation of strong teams and delivery of critical projects. Most recently, he was Chief Technology and Operating Officer of T&G Global, where he transformed technology and associated processes including the delivery of an online auction site and mobile applications. Before this, he led the transformation of RD1 into Fonterra Farm Source as General Manager Business and Retail Development.

His background also includes working as CEO and co-founder of a technology start-up in the United States that was acquired by Ancestry.com, prior to that he worked for six years as a management consultant at McKinsey.

Financial Summary

Underlying earnings
per share

▲ 3.6%

22.8 cents per share

Our reported profit after taxation for the 2019 financial year was \$523.5 million – a decrease of 19.5% on the prior year's reported profit of \$650.1 million.

Excluding the gain arising from the sale of our investment in North Queensland Airports in the prior year and fair value changes, our underlying profit after taxation for the 2019 financial year was \$274.7 million, an increase of 4.4% on the prior year's underlying profit of \$263.1 million.

Revenue increased 8.7% to \$743.4 million due to ongoing strong growth across a number of business segments, including retail, car parking and rental income. Aeronautical revenue for the 2019 financial year was up 3.8% on 2018, with the growth in passenger numbers and aircraft movement partially offset by the reduction in revenue associated with lower aeronautical charges year on year. Operating expenses increased 6.3% to \$188.6 million, in part due to higher operating costs for rates and insurance, as well as higher operating costs for asset management, maintenance and airport operations. Our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 9.6% to \$554.8 million.

Our total share of the underlying profit from associates was \$8.2 million for the 2019 financial year, a decrease of \$8.5 million on the prior year following the sale of Auckland Airport's investment in North Queensland Airports. The underlying profit share from Queenstown Airport was up 7.9% to \$4.1 million and the share from the Novotel Hotel was down 8.9% to \$4.1 million.

The final dividend for the 2019 financial year is up 2.3% to 11.25 cents per share. It will be imputed at the company tax rate of 28% and paid on 18 October 2019 to shareholders who are on the register at the close of business on 4 October 2019. As a result, the total dividend for the 12 months to 30 June 2019 is up 2.3% to 22.25 cents per share. Our performance in the 2019 financial year means that underlying earnings per share have continued to increase, up 3.6% to 22.8 cents per share.

The 2019 financial year saw the company make significant progress on the development of key infrastructure projects, as part of our plan to build an airport of the future. We completed the 36,000m² upgrade to our International Terminal departures area, delivering an improved experience for customers by

offering a new retail and a food and beverage precinct and a new aviation security screening area. In addition, we completed major transport upgrades to Nixon Road and the Landing Road intersection, reducing travel times for customers. We also commenced work on two of our key anchor projects – the expansion of our airfield and the upgrade of our inner core roading network.

The dividend reinvestment plan which provides funding flexibility to support our investment in new infrastructure and growth, continues to be welcomed by many of our shareholders. The dividend reinvestment plan will again be in place for the 2019 financial year final dividend, enabling shareholders to elect to purchase Auckland Airport shares at a 2.5% discount to market price, instead of receiving the dividend as cash.

The table on the following page shows how we reconcile reported profit after tax and underlying profit after tax for the full-year periods ended 30 June 2019 and 30 June 2018.

	2019			2018		
	Reported profit \$M	Adjustments \$M	Underlying profit \$M	Reported profit \$M	Adjustments \$M	Underlying profit \$M
EBITDAFI per Income Statement	554.8	–	554.8	506.4	–	506.4
Share of profit of associates	8.2	–	8.2	16.7	–	16.7
Gain on sale of associate	–	–	–	297.4	(297.4)	–
Derivative fair value movement	(0.6)	0.6	–	(0.7)	0.7	–
Investment property fair value increases	254.0	(254.0)	–	152.2	(152.2)	–
Property, plant and equipment revaluation	(3.8)	3.8	–	–	–	–
Depreciation	(102.2)	–	(102.2)	(88.9)	–	(88.9)
Interest expense and other finance costs	(78.5)	–	(78.5)	(77.2)	–	(77.2)
Taxation expense	(108.4)	0.8	(107.6)	(155.8)	61.9	(93.9)
Profit after tax	523.5	(248.8)	274.7	650.1	(387.0)	263.1

The following adjustments have been made to show underlying profit after tax for the year ended 30 June 2019 and 30 June 2018:

- We have reversed out the gain arising from the sale of our investment in North Queensland Airports that occurred in the prior financial year. This sale was a one-off transaction that does not reflect normal business activities;
- We have reversed out the impact of revaluations of investment property in 2019 and 2018. 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 also have reversed the revaluation of the building and services class of assets within property, plant and equipment for the 2019 financial year. 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 derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting, as well as the ineffective valuation movement in other derivatives. The group holds its derivatives to maturity so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18.2 of the financial statements;
- In addition, to be consistent, we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2018; and
- We have also reversed the taxation impacts of the above movements in both the 2019 and 2018 financial years.

