



Delivering  
Planning  
Building

# Every day.

Improved international arrival experience\*

2020

Second runway

2028

More international aircraft gates

2017 & 2018

Airfield expansion

2022 +

Airfield expansion

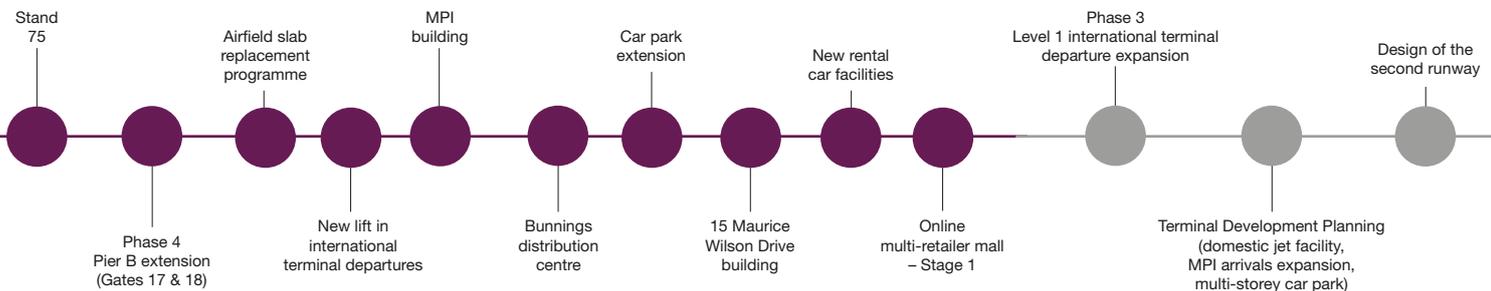
2018

- Delivering
- Planning
- Building

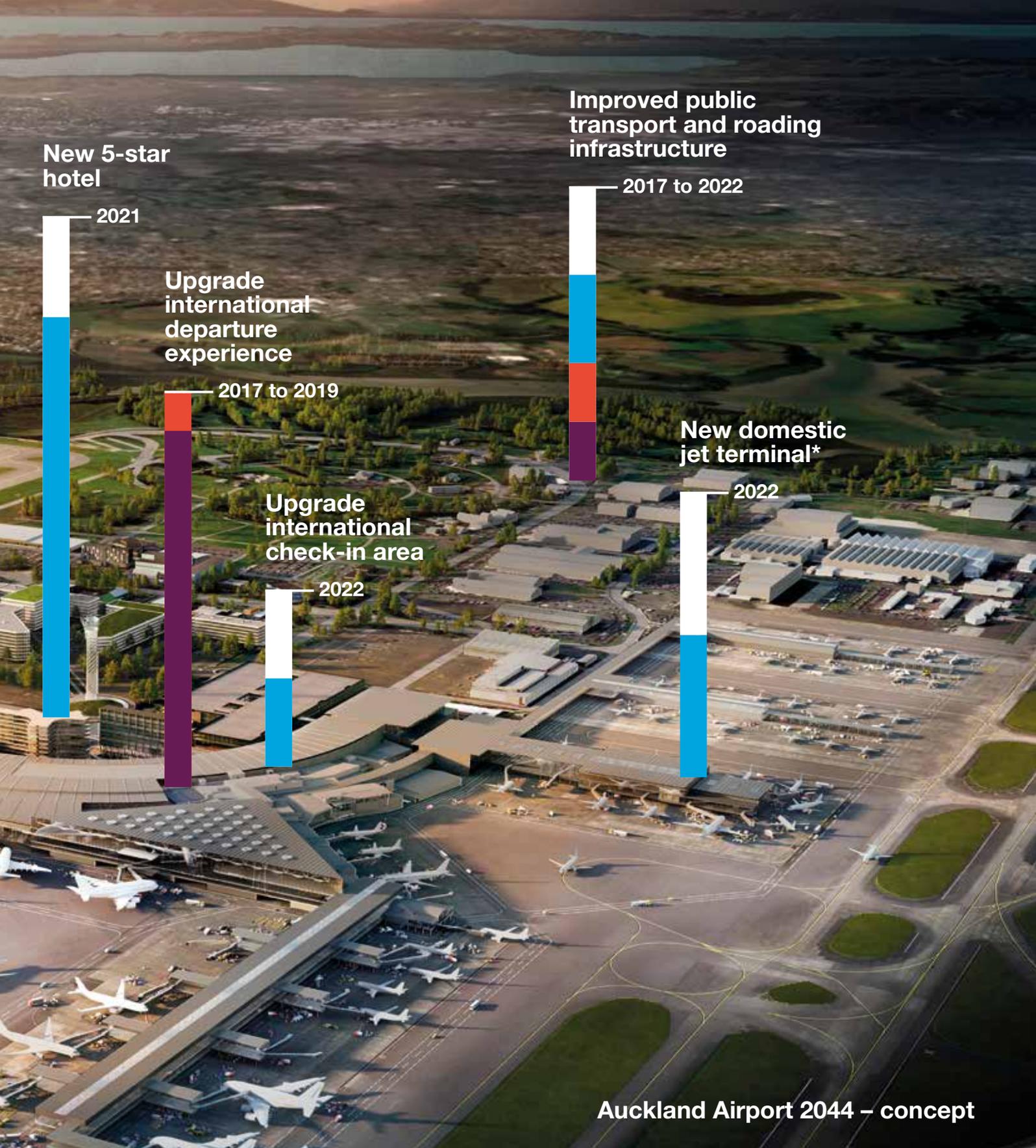
Concept imagery is indicative only and should not be used for planning purposes. Dates are subject to change.

\* Subject to ongoing consultation with airline and aviation stakeholders.

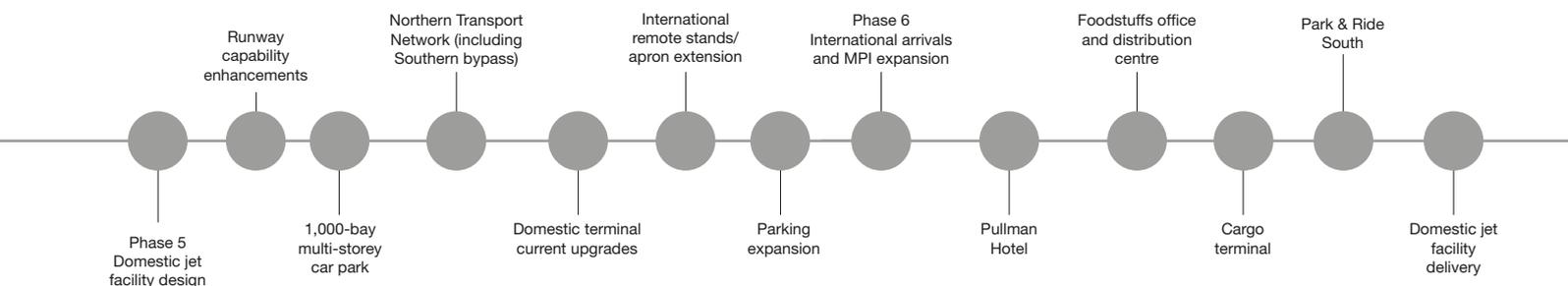
## Delivered



## Delivering to 2019



Planning through to 2025



a world-class international departure experience

# Delivering



Additional airfield stands



New contact gates at the international terminal

Expanded aviation security screening area



The 2018 year has been an important one for Auckland Airport with the delivery of a number of significant infrastructure improvements that have improved the customer journey. Key projects include the completion of the Pier B extension of the international terminal, opening a substantial proportion of Phase 3 and our multi-stage redevelopment of the airside departure and dwell area of the international terminal, which have both added significant capacity to our aeronautical infrastructure.



Pier B extension





how we cater for continued growth in demand for aeronautical services

# Planning

MPI



New airfield and taxiway configuration



We have continued strengthening our airport planning, development and delivery capability during this period of highly complex 'brownfield' interconnected infrastructure construction to ensure we deliver on building our airport of the future that provides a uniquely New Zealand customer experience.



André Lovatt, General Manager Airport Delivery & Development and Helen Jenkins, Sustainability Lead



to meet increasing trade and tourism

# Building

Building an exciting new food and beverage experience



to improve our roading, car parking and domestic terminal



Adding parking capacity through asset repurposing



# Nau mai & welcome

to Auckland Airport's  
2018 annual report for  
the year ended 30 June

In the past year we built further momentum in delivering on our infrastructure plans and in reshaping our business to match the needs of our new development era and changing travel and trade markets. The sale of our stake in North Queensland Airports, the investment in new transport projects and the rollout of new operations and service initiatives have reinforced our focus on business in New Zealand and on taking care of customers during our \$2 billion aeronautical infrastructure development programme – one of the most significant in the country.

We were pleased also that our objective of sharing the benefits of our investment programme with our local community continued to gather momentum with hundreds of new jobs created. Our jobs and skills hub, 'Ara', has provided valuable training and employment opportunities for local people, placing 215 people into new jobs. During 2018 we also received recognition for our efforts over the past decade to minimise our impact on the environment and we became the first company in Oceania and the first airport in the world to set a publicly disclosed carbon reduction target based on the UN-supported Science Based Targets initiative. We were also recognised by Enviro-Mark as one of New Zealand's top carbon reducers in the past year.



Sir Henry van der Heyden (chairman) and Adrian Littlewood (chief executive)

During 2018, Auckland Airport reached some important milestones in our core aeronautical and infrastructure development programme. We completed the first stage of our new international Pier B extension ahead of the 2017/18 summer peak travel period and fully completed the project in March 2018. We also reached 90% completion of our multi-stage redevelopment of the international terminal departure zone – which will be largely completed by the end of the calendar year – and completed a wide range of new transport projects to improve the flow of traffic around the airport precinct and to support the growth in public transport connectivity to the airport. In light of these investment priorities, in January 2018 Auckland Airport decided to sell our 24.55% stake in North Queensland Airports (“NQA”). The sale exceeded market expectations and the A\$370 million sale proceeds were used to reinvest in critical aeronautical infrastructure at Auckland Airport as well as retire debt.

We are already starting to see the benefit of these development projects on operational and service performance; and customers are also benefiting from the changes through upgraded facilities, improved airport processes and a wider range of retail choices while at the airport. In 2018 we sustained our customer satisfaction levels with an average customer satisfaction rating score of just above four out of five at both terminals based on the independent and globally recognised Airport Service Quality survey.

Auckland Airport will continue to work hard on delivering our upgrade programme and remains committed to taking care of customers during this period of significant change. To continue to improve customer experience, this year we deployed new traffic operations tools and developed new road and public transport options to better manage traffic flows through the airport precinct. We also partnered with NZTA to roll out the RideMate app to enable customers to make smarter decisions about their trips to and from the airport. In the airport

terminals we invested in new technology, including additional mobile check-in kiosks and real-time customer feedback tools. In addition, we rolled out an artificial intelligence (AI) online assistant, Ava, to ensure people can find help more easily and get through the airport smoothly.

We also made significant investments in other customer-facing areas with the launch of our new Strata Lounge in late 2017 for customers who want to choose a premium airport experience and we continued to grow our Strata Club membership programme to recognise regular travellers through Auckland Airport. In late June 2018, we launched an online virtual shopping channel called ‘The Mall’, which allows passengers to conveniently shop online from anywhere in the world choosing from over 2,300 products sold by several of our international duty and tax free stores. The Mall’s online platform is one of the most advanced of its type for airports; this means that customers can easily purchase online from multiple retailers with a single convenient online checkout.

It was pleasing to see another year of solid growth in travel and trade markets given the significant growth in the prior two years with many new carriers and new routes servicing both domestic and international markets out of Auckland. In the year to 30 June 2018, the total number of passengers using Auckland Airport increased by 5.7% to 20.5 million with international passengers reaching 11.2 million (up 4.1% on FY17) and domestic passengers lifting 7.7% to 9.3 million.

The past 12 months also saw growth in international passenger markets with Chinese arrivals continuing to grow, up 10.9% in the year, and routes into the United States and European markets increasing too, through the use of larger, next-generation aircraft such as Boeing 787 Dreamliner and Airbus A350.

The aviation market continues to be dynamic with many changes throughout 2018 as airline alliances and network plans evolved. Following the success of its Dubai direct service, in March 2018 Emirates withdrew its A380 services from the Tasman market and added a new service to Dubai via Bali. At the same time, existing Tasman carriers – including Air New Zealand, Qantas and Virgin – announced new services, replacing much of the Tasman seat capacity lost by Emirates. Auckland Airport has responded well to these changes and it highlights the importance to Auckland Airport in maintaining a long-term view on infrastructure requirements rather than simply reflecting the airline alliances and business models of today.

During 2018, we continued to invest significant effort in the Commerce Commission’s review of our five-yearly aeronautical pricing decision set late in the 2017 financial year. The Commerce Commission’s draft report has showed that it was satisfied with all elements of Auckland Airport’s pricing decision other than our target return for which it requested further evidence. Our team continues to engage with the Commerce Commission and we await its final report.

We were pleased with the performance of Queenstown Airport in 2018 and its passenger growth of 13.1% across both domestic and international routes. Capacity increases on the Auckland to Queenstown route helped Queenstown Airport’s 13.5% growth in domestic passenger numbers. Overall our share of Queenstown Airport’s net profit after tax for the 2018 financial year was \$3.8 million, or a \$0.8 million increase on the previous year. The long-term lease that Queenstown Airport signed for Wanaka Airport in March 2018 now opens up opportunities to plan and develop important aeronautical infrastructure for the Wakatipu Basin over the long term.

Returning to Auckland Airport’s financial performance in 2018, total revenue increased 8.7% to \$683.9 million against an increase in operating expenses of 13.6% to \$177.5 million. Retail income was \$190.6 million (up 17.1%). Property rent roll was \$90.2 million (up 23.7%). Earnings before interest expense, taxation, depreciation, fair value adjustments and

investments in associates (EBITDAFI) increased 7% to \$506.4 million. Total profit after tax was up 95.3% to \$650.1 million, while underlying net profit was up 6.2% to \$263.1 million.

Reflecting these gains, underlying earnings per share rose 5.8% to 22.0 cents. Our final dividend for the 2018 financial year is up 4.8% to 11.0 cents per share, delivering a total dividend of 21.75 cents, an increase of 6.1% compared with the 2017 financial year. The dividend reinvestment plan was first reinstated for the interim 2017 financial year dividend payment and will again be available for the final 2018 dividend at a 2.5% discount to the market share price.

The table on page 32 shows how we reconcile reported profit after tax and underlying profit after tax for the full-year periods ended 30 June 2018 and 30 June 2017.

The following adjustments have been made to show underlying profit after tax for the 12-month periods ended 30 June 2018 and 30 June 2017:

- We have reversed out the gain arising from the sale of our investment in North Queensland Airports. 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 2018 and 2017. 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. None of the property, plant and equipment revaluation in 2018 affected reported profit. Therefore, no underlying profit adjustment was required in 2018,

nor in 2017 in which there was no property, plant and equipment revaluation

- 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 2017
- We have also reversed the taxation impacts of the above movements in both the 2018 and 2017 financial years.

We expect underlying net profit after tax (excluding any fair value changes and other one-off items) for the 2019 financial year to be between \$265 million and \$275 million.

This guidance would deliver underlying earnings per share growth of 1% to 4.5% in 2019, with slower growth than in recent years reflecting year two of declining international passenger charges for the new five-year aeronautical pricing period and increasing interest and depreciation expense associated with the recent step up in our infrastructure build. It should be noted that this guidance is subject to a number of factors including 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.

Finally, and most importantly, we would like to thank all of our people, communities and customers for their hard work, patience and understanding during this critical period of airport transformation.

Turning to the year ahead, we look forward to welcoming Dr Patrick Strange into the Chair role – we will no doubt benefit from his deep experience in complex infrastructure businesses. We would also like to thank all of our people, communities and customers for their patience and understanding during this next period of transformation. We look forward with confidence to the coming year as we continue to deliver the airport of the future.



**Sir Henry van der Heyden**  
Chair



**Adrian Littlewood**  
Chief Executive

## Underlying net profit

↑ **\$263.1m**

an increase of

**6.2%**

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. However, due 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 profits 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 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 such results have been derived. The reconciliation for the current period can be found on page 32.

# Our year in numbers

## Passengers

**20.5m**

↑ 5.7%



### Domestic

**9.3m**

↑ 7.7%

### International

**10.2m**

↑ 4.7%

### International transits

**1.1m**

↓ 1.2%



### Health and safety

↑ **113%**

Reporting of safety observations, hazards and near misses

↓ **1.75%**

Employee recordable injury rate

↓ **49.3%**

Passenger incident rate



### Diversity

**39%**

Percentage of female employees

**45 years**

Average age of employees

**31**

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

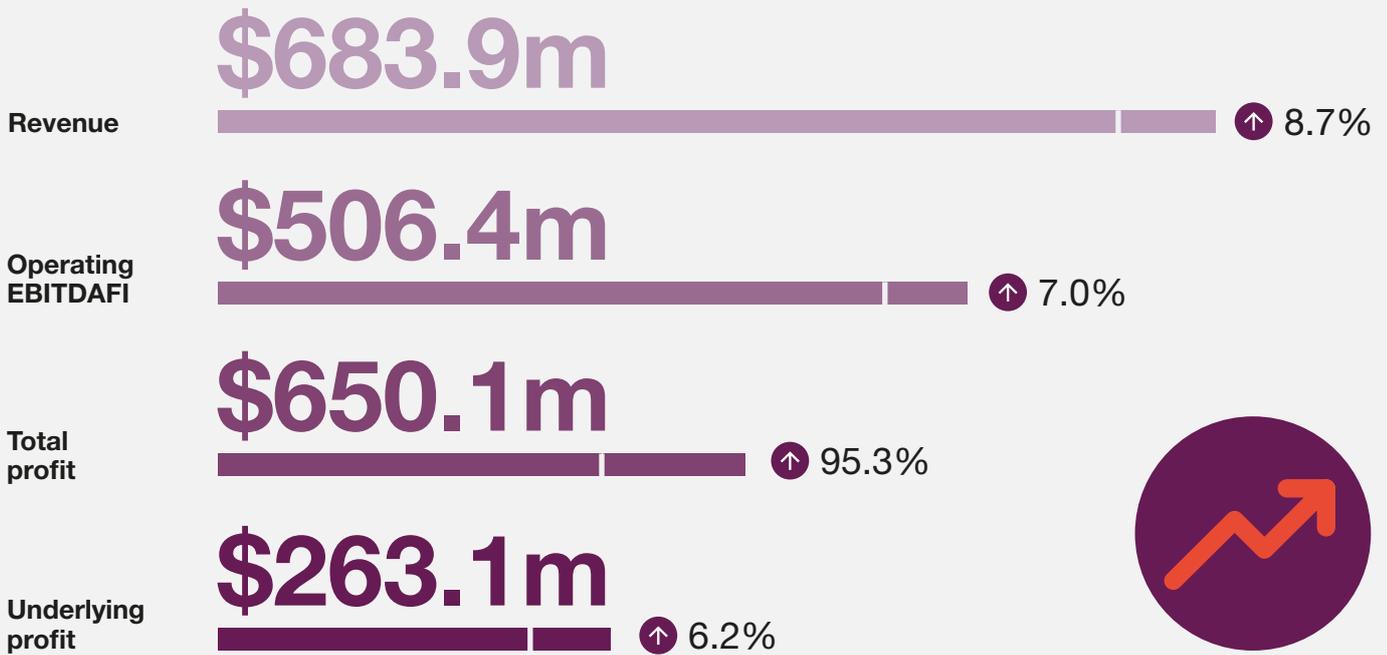


### Ara – Airport Jobs and Skills Hub

**1,082** Training opportunities

**215** Total job placements

**176** South Aucklanders placed in jobs



**Dividend per share**  
**21.75 cents**  
 ↑ 6.1%

**Underlying earnings per share**  
**22.0 cents**  
 ↑ 5.8%

**Five-year average annual shareholder return**  
**20.7%**

<b>Interim</b>	<b>Final</b>
10.75 cents	11.0 cents
▲ 7.5%	▲ 4.8%

**Capital expenditure investment**  
**\$405.2m** ↑ 8.1%

**Environmental impact**

Energy use per passenger  
 ↓ **33%** over 5 years

Waste to landfill per passenger  
 ↓ **27%** over 5 years

Carbon emissions  
 ↓ **22%** over 5 years



**\$572,021**

Invested in our local communities (including \$372,021 to the Auckland Airport Community Trust and \$200,000 through other Auckland Airport grant programmes)



**\$335,530**

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

# Faster, Higher, Stronger

In May 2018 the Board of directors endorsed a continuation of our 2013 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 challenges and changes including evolving aviation markets, record immigration, a booming tourism industry and delivering complex development projects.

## 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, 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 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 passengers.

## 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 improvement in everything we do. In 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 2018 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

**\$60m**

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 FY18:

**↑ 395,075**

An increase of 10.9% in FY18

**↑ \$90.2m**

An increase of \$17.3 million in FY18

**↑ 11.2m**

An increase of 0.4 million in FY18

**↑ 20.5m**

An increase of 1.1 million in FY18



# Customer experience

## Taking care of customers

Auckland Airport is a complex and interconnected system which relies on each of our many partners (airlines, border agencies, security partners, ground handlers) within the airport to work with us to deliver a great experience for customers. However, as the airport operator, we recognise that we have a critical role as custodian of the total customer experience. We are investing significant time and resources to improve our own and our partners' capability to ensure that each part of the airport experience meets customers' expectations.

Auckland Airport continued to roll out new projects to improve operational and customer service performance throughout 2018 including:

- Completing the \$120 million, 12,240m<sup>2</sup> extension of the international terminal Pier B, adding critical new aircraft stand and pier capacity
- Completing 90% of the international departures expansion project
- Investing in new roads, access-ways and dynamic management systems across our precinct to optimise the flow of traffic around Auckland Airport

- Working with NZTA and Auckland Transport (AT) on upgrades to their own transport systems to improve the critical network for connections to Auckland Airport including plans for mass public rapid transit and state highway 20A and 20B upgrades
- Adding further mobile check-in kiosks to improve customer experience and passenger processing efficiency. Our kiosks were used by more than one million passengers in the last year
- Launching Ava, Auckland Airport's first online artificial intelligence customer service tool



B.

- Developing and launching our multi-retailer online platform, 'The Mall', enabling passengers to conveniently choose from over 2,300 products across the international terminal duty and tax free stores. The Mall's online platform is one of the most advanced of its type available at any airport in the world
- Building a new Strata Lounge for customers who want to choose a premium airport lounge experience
- Introducing a new fleet of airport buses and mobile airbridges to provide flexible aircraft service and a quality customer experience on remote aircraft stands
- Improving the coverage and performance of our public WiFi network, enabling the extension of free WiFi access for passengers.

Auckland Airport welcomed record passenger numbers across the international and domestic terminals during the 2018 financial year with our infrastructure and operations responding well to the growing traveller demand despite the ongoing development works. Over the 2018 period, on average, 30,900 passengers per day (up 4% from the previous year) arrived or departed from the international terminal with 25,400 passengers per day (up 8% from the previous year) through the domestic terminal.

# 01



A.



C.

- A. 'Welcome. How can I help?'
- B. Strata Lounge
- C. International terminal expansion – Pier B



In recent years, careful planning has gone towards establishing a healthy base of information to improve reporting on our performance against international customer service and experience benchmarks. In the 2018 financial year we were pleased to maintain, and even see an improvement in, customer experience and satisfaction levels. Our scores averaged just above four out of five for both our terminals based on international benchmarking with 28 other airports.

To help drive ongoing operational and service performance over the peak summer season, in financial year 2018 we trialled an integrated Airport Operations Centre to accommodate airport operations staff, border agencies and other stakeholders together in a single location so that operational challenges can be quickly identified and



**A.** Robin Cooper, Head of Operations – Performance & Delivery  
**B.** Auckland Airport app  
**C.** Customer experience and satisfaction feedback



mitigated before they impact airlines or travelling passengers. The trial successfully delivered real-time cost savings for the airlines, enabled more efficient use of resources and delivered a better passenger experience. In addition, we introduced a new capacity-planning tool to produce weekly passenger forecasts for stakeholders over this busy period, resulting in better scheduling of resources. These initiatives were successful in helping us manage peak flows and are now being formalised for permanent operation.

We were proud that for the second year running Auckland Airport was named in Colmar Brunton's top 10 most trusted New Zealand companies. Being a reputable New Zealand business and a good corporate citizen are important to us and we are proud to be trusted by customers and our stakeholders.

Average passengers per day

International	30,900	▲ 4%
Domestic	25,400	▲ 8%

56,300

Average passengers per day through Auckland Airport over 2018



# Tourism

We are playing an important leadership role in the tourism sector, supporting both the industry and operators to attract people from around the world – all year round.

# 02







**Growing capacity:  
new routes, new opportunities**

In the 2018 financial year we saw a number of airline announcements reflecting the dynamic nature of aviation markets.

Material changes in capacity announced or commenced during the period included the following:

- The introduction of a Chicago direct route to be operated by Air New Zealand from 30 November 2018, adding 85,000 seats per annum and opening up new regions of North America to non-stop flights into New Zealand
- New non-stop flights between Auckland and Taipei also operated by Air New Zealand will commence on 1 November 2018. This opens up new opportunities for tourism and trade, with the addition of 4,368 tonnes of air cargo capacity and 95,000 seats per annum
- On 14 July 2018, Emirates commenced daily services between Auckland and Dubai via Denpasar in addition to the airline's existing daily direct flight between Auckland and Dubai. Adding 250,000 seats per annum, this route established the first daily direct flight between New Zealand and Bali and provides welcome new capacity and connectivity to Emirates' Dubai hub

**ORD  
AKL** 

Chicago route – 85,000 seats, forecast to inject \$70 million annually into the New Zealand economy

**TPE  
AKL** 

New non-stop flights to Taipei increase trade opportunities with key exports of strawberries, avocados and dairy products

**DPS  
AKL** 

Additional 250,000 seats per annum with Emirates route to Dubai via Denpasar. First daily direct flight between New Zealand and Bali

**SIN  
AKL** 

Additional 165,000 seats bringing \$136.6 million annually to the New Zealand economy

**APW  
AKL** 

Daily services between Apia and Auckland with Samoa Airways, an additional 124,000 seats per annum

- Singapore Airlines and Air New Zealand will increase flights operated by their joint venture on the Auckland to Singapore route, from the current two flights daily up to three flights per day from late October 2018. This enhancement to Singapore services will add 165,000 seats per annum to the route
- Thai Airways increased its service on the Bangkok to Auckland route from five services a week to daily flights from November 2017, adding 65,000 seats annually to the route
- Philippine Airlines opened the first Auckland to Manila direct services in December, replacing the airline's previous indirect service over Cairns. The three-per-week wide-body aircraft service has added 21,000 seats annually on the route
- Samoa Airways commenced daily services between Apia and Auckland in November 2017, operating 124,000 seats on the route per annum.

# 03

## Expanding the property portfolio

During the 2018 financial year, Auckland Airport's property portfolio continued to expand and diversify. Six new development projects were completed, adding more than 70,000m<sup>2</sup> of net lettable area – increasing annual rental income 16.2%, from \$68.1 million to \$79.1 million. We were pleased to win the Best in Class Industrial Property category at this year's Property Council New Zealand awards for the Rohlig Logistics project.

Major projects completed during the period included the Ministry for Primary Industries' 6,500m<sup>2</sup> office, warehouse and kennel space; Rohlig Logistics' 7,000m<sup>2</sup> warehouse and office; and Bunnings' 20,000m<sup>2</sup> distribution centre. Additional projects completed included Air New Zealand's Koru Club valet parking and GO Rentals' parking facilities. Fonterra's chilled, frozen and ambient facility was also finalised.

A 30-year lease agreement with Foodstuffs was signed in December 2017 and ground has since been broken. This is one of the largest industrial deals undertaken in New Zealand history.



A.

Currently under construction are developments for DSV Logistics and Airways Corporation. Design work began on the Pullman Hotel development for a 311-room, 5-star hotel, which is due to be completed in 2021. Planning also began for a new 146-room economy hotel. As a result of the new deals signed during the 2018 financial year and rent reviews on existing properties, rent roll has increased 23.7%, from \$72.9 million to \$90.2 million.

As the second-largest port in the country by value of goods handled, Auckland Airport also developed plans for a new air cargo export precinct. This is part of a broader strategy to help boost New Zealand's import / export volumes of high-value products and further support the financial performance and sustainability of the airlines servicing Auckland.

A 30-year lease agreement with Foodstuffs was signed and ground has since been broken. This is one of the largest industrial deals signed in New Zealand history.



C.



B.

A. Rohlig Logistics warehouse  
 B. Rohlig Logistics office  
 C. Fonterra's chilled, frozen and ambient facility

# Transport

## Smarter, more resilient transport networks

Improving transport flows to and around the airport precinct was a major priority for Auckland Airport in the past year. We continued to invest in systems, infrastructure and planning to provide ongoing improvements to access and travel times throughout the airport transport network.

During 2018 Auckland Airport completed or started a wide range of transport infrastructure projects including improving access to the domestic forecourt for passengers and buses. In addition, we installed a T2 vehicle lane on Tom Pearce Drive, which supports the increased frequency of the 380 Airporter public bus service during peak periods. To ensure we maintained sufficient car parks for passengers we created 1,000 additional car parks across the precinct as well.

We also started major roadworks on the new Southern Bypass, which will provide a direct north (SH20A) to south (SH20B) link through Nixon Road. This will help to improve traffic times and flows on the airport precinct by directing through-traffic away from the primary airport terminal roads.

In addition, Auckland Airport worked closely with transport partners NZTA and AT on the Southwest Gateway programme to deliver some key projects including:

- 20Connect, to improve access to and from the airport
- Airport to Botany Rapid Transit, to deliver a fast, frequent and reliable mass transit system
- Completion of the Landing Drive roundabout upgrade transforming it into an eight-lane intersection with traffic lights.

Plans for further investment in transport infrastructure included significant progress on our programme of over \$100 million of projects between now and 2022 to upgrade Auckland Airport's internal transport network. To ensure our investment programme aligns with the new government's plans for AT, we also completed a thorough review of our own internal transport masterplan.



B.

During the financial year we also launched a new traffic monitoring system to measure traffic movement across Auckland Airport's precinct. This system utilises radar and WiFi sensors to gather real-time information and enables dynamic traffic system management by early detection of congestion allowing early and real-time operational intervention.

04



A.

A. T2 lane on Tom Pearce Drive  
B. Landing Drive intersection upgrade



Our international outbound expansion project will see the introduction of a wide range of new international and domestic retail brands in the coming months. We have also now launched our multi-retailer online platform, The Mall, where customers can shop at their convenience – including from the plane. This online platform is one of the most advanced of its type available at any airport in the world and means that customers can now easily shop at multiple retailers with a single convenient online checkout.

We are retaining our uniquely ‘New Zealand’ offering. We deliver the best of New Zealand: food, drink, clothing, souvenirs and more.

- A. Hugo Boss
- B. All Blacks Store
- C. Michael Kors
- D. Destination stores
- E. Multi-retailer online – The Mall



A.



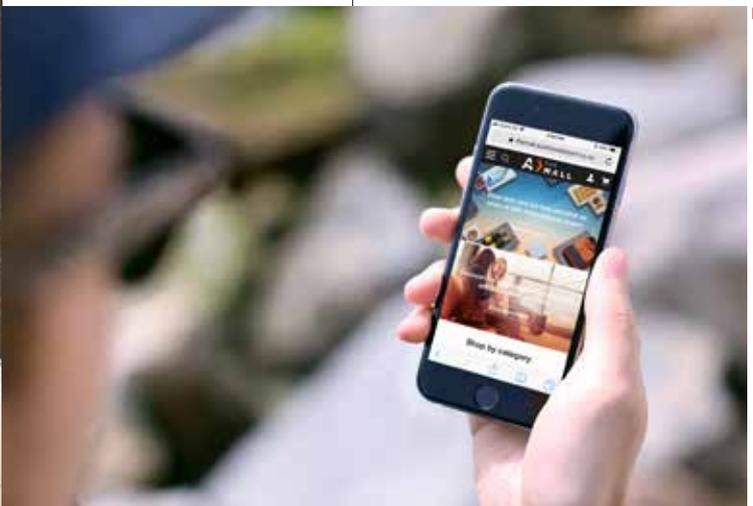
B.



C.



D.



E.

## Being a good employer and neighbour

### Investing in our people, safety and our community

Our airport of the future story runs deeper than investing in infrastructure alone. It needs to be founded on a genuine, long-term commitment to developing our people and keeping them safe and to share the benefits of our position, location and successes with our community.

In 2018 Auckland Airport became the first tier-one airport in New Zealand to have its new safety management system certified by the Civil Aviation Authority – a significant task given the complexity of aviation and workplace safety regulation involved.

In the last 12 months, and despite the volume of construction work occurring in confined operating spaces, we achieved a further reduction in recordable injuries (lost time, medical treatment and restricted work) among employees and contractors. In the 2018 financial year we were proud that our employee recordable injury rate declined by 17.5%.

We also identified opportunities for change to better support our people. We completed a gender pay gap audit and we are rolling out a programme to address identified pay equity issues and introduce more flexible working options for staff so we build greater diversity within our business.

As a direct consequence of our wide-ranging investment programme, we continued to generate significant new employment and education opportunities. In April 2018 we confirmed that our retail partners would create 370 new management, operations and retail roles following the launch of 27 new food and beverage outlets across the domestic and international terminals.

A.

# 06



# 370

new management, operations and retail roles being driven as a direct result of the airport's long-term expansion.

## Supporting

our people by identifying opportunities for change – working to address pay equity, flexible working options and gender diversity

## Trusted

Named as one of the Colmar Brunton Corporate Reputation index's top 10 trusted companies

## Leading

Now ranked as one of the top 20 reducers in the carboNZero and CEMARS programmes

A. Krithika Kuppasamy,  
Talent Advisor –  
People and Safety

Ara – the Auckland Airport Jobs and Skills Hub – is also playing a pivotal role in providing training and employment pathways for people living in our local community and neighbourhood. Building on the success of previous years, in 2018 215 job placements were made through Ara during 2018 and:

- 176 of these people live in South Auckland
- 105 came off a primary government benefit
- 1,082 successfully completed training courses offered through Ara
- 68 South Auckland secondary-school students from five local schools participated in a year-long work experience programme working with businesses on the airport precinct, building our new infrastructure, gaining valuable skills and earning credits towards their NCEA studies.

Beyond Ara, our wider education and community programmes provide further support for our community. In the past year:

- We awarded nine local Year 13 students Auckland Airport Education Scholarships. The students were employed in paid work in our terminals over the summer and received financial support for their studies and a mentor from our Auckland Airport team
- We supported five local organisations and events through our sponsorship programme: the Counties Manukau Life Education Trust, ASB Polyfest, the Auckland Arts Festival's schools' programme, the Leukaemia and Blood Cancer Foundation, and the Second Nature Charitable Trust
- We continued to invest in a range of socially responsible projects through the Auckland Airport Community Trust. We granted \$200,000 to 52 community groups across Auckland. This includes donations made by generous travellers into the charity globes in our terminals. We also granted \$335,530 to the Auckland Airport Community Trust. The Trust distributed these funds to residents and community groups living and working in the Trust's area of benefit (parts of the city most affected by aircraft noise) in the 2018 year
- We won a 'Good Business Egg' award in the Education and Skills category of the Business and Community Shares 2018 awards. The judges said Auckland Airport achieved "stunning results".

Over the past 12 months, we continued to focus on reducing the impact of our business on the environment through energy waste and carbon reduction. Auckland Airport is one of New Zealand's leaders in reducing carbon emissions that contribute to climate change and in 2018 we were recognised as a New Zealand Top Carbon Reducer by the verification agency Enviro-Mark and we became a signatory to the Climate Leaders Coalition with 60 other businesses committed to helping New Zealand meet its obligations under the Paris Agreement.

Auckland Airport has reported our carbon emissions to the Carbon Disclosure Project since 2008 and in November 2017 we became the first airport in the world to set a publicly disclosed carbon reduction target through the global Science Based Targets Initiative. Since 2013, we have managed to reduce our greenhouse gas emissions by over 2,000 tonnes, or 35% per passenger and we have achieved this reduction through a comprehensive energy management upgrade programme including providing new power units to allow aircraft to use electricity rather than jet-powered generators when on stands. We have also supported our airline partners to reduce their carbon emissions through introducing fuel-saving flight paths and shorter taxiways.

Our focus on waste reduction and our special waste facility – the first in Australasia – now diverts almost 50% of non-quarantined aircraft cabin waste away from landfill and in March 2018 we won a Green Airports award for waste minimisation from Airport Council International (ACI) Asia-Pacific.



B. Ara village construction

### Health and safety

↑ **113%**  
Reporting of safety observations, hazards and near misses

↓ **1.75%**  
Employee recordable injury rate

↓ **49.3%**  
Passenger incident rate

### Ara – Airport Jobs and Skills Hub

**1,082** Training opportunities

**215** Total job placements

**176** South Aucklanders placed in jobs

### Environmental impact reductions

↓ **33%** Energy use per passenger over 5 years

↓ **27%** Waste to landfill per passenger over 5 years

↓ **22%** Carbon emissions over 5 years

### Auckland Airport Community Trust

**\$335,530**

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

# Governance and leadership

## Board changes



### Michelle Guthrie

Michelle Guthrie became a director of the company in 2013. She has been a much-valued member of the Board for the past five years and her significant management and governance experience has helped Auckland Airport to deliver strong results for investors. Michelle officially retired from the Board on 31 March 2018 and was replaced by Mark Binns as set out below.



### Julia Hoare

Julia Hoare became a director of the company after the 2017 annual meeting. She is an experienced professional director having previously been a Partner with PwC for 20 years. She is also a member of the New Zealand External Reporting Advisory Panel and the National Council of the Institute of Directors in New Zealand.



### Mark Binns

Mark Binns became a director of the company on 1 April 2018, subject to final approval by shareholders at the annual meeting on 31 October 2018. Mark was previously CEO of Meridian Energy before retiring to become a professional director.

## Company officer changes

### Aeronautical pricing

The Board continued close oversight of aeronautical pricing throughout the 2018 financial year. An ad-hoc Board subcommittee met regularly to provide governance oversight of this important task, which assisted the company in setting aeronautical charges for the financial years 2018 to 2022. James Miller chaired the subcommittee which also comprised the following directors: Justine Smyth, Christine Spring and Patrick Strange. The chair of the company, Sir Henry van der Heyden, attended meetings of the subcommittee as well.

### Terminal development programme

The Board increased oversight of capital programmes throughout the 2018 financial year. The ad-hoc Board subcommittee met regularly to provide governance oversight over Auckland Airport's aeronautical infrastructure development plan and also in relation to specific projects including development of the domestic and international terminals. Patrick Strange chaired the subcommittee which also comprised Christine Spring and Mark Binns. The chair of the company, Sir Henry van der Heyden, attended meetings of the subcommittee as well.



### André Lovatt

In November 2017, the chief executive announced the appointment of André Lovatt as Auckland Airport's new general manager airport delivery and development. André brings 19 years' experience to Auckland Airport managing major infrastructure projects across Asia-Pacific. For the past five years he has been based in Christchurch and has played a central role in the redevelopment there, including as chair of Regenerate Christchurch and also as chief executive of the Christchurch Arts Centre rebuild. André came to us with airport experience from his role as a director of Christchurch Airport, which he had held since 2014. In his previous Christchurch roles, André also worked with a large number of community, government and business stakeholders.

Prior to his positions in Christchurch, André led the Singapore office of Arup – a global engineering consulting firm – where he and his team were involved in many significant infrastructure projects including the Marina Bay Sands development and the Singapore Sports Hub.

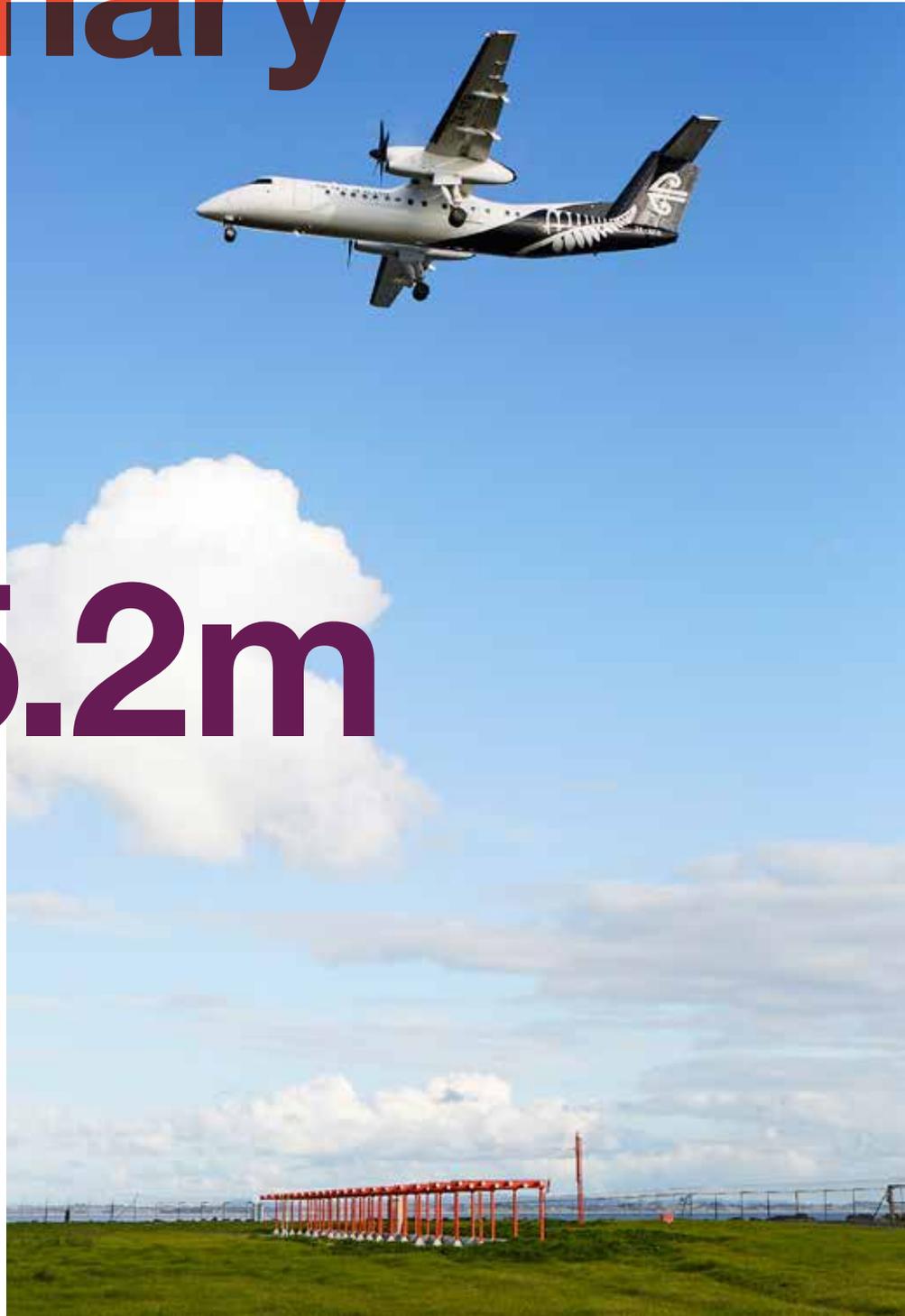


### Anna Cassels-Brown

In May 2018, the chief executive announced the appointment of Anna Cassels-Brown as Auckland Airport's new general manager operations. Anna is responsible for customer service, airfield and terminal operations, facilities and capacity management, maintenance engineering, commercial leasing, emergency services, security, and airport-related policy and compliance.

Anna had previously held the position as the company's general manager people and safety. Before joining Auckland Airport in July 2015, she held leadership portfolios covering health and safety, human resources, environment, corporate social responsibility and communications in some of New Zealand's leading organisations, including Air New Zealand, Fonterra, Refining NZ and Pāmu (Landcorp Farming Ltd).

# Financial summary



# \$405.2m

in capital expenditure  
during the year

**5.8%** increase in underlying earnings per share **TO** → **22.0 cents** per share

Our total profit after tax for the year to 30 June 2018 was up 95.3% to \$650.1 million, while underlying profit after tax increased 6.2% to \$263.1 million.

Revenue increased 8.7% to \$683.9 million due to ongoing strong growth in retail, transport and investment property revenues. This was the first year of our new aeronautical charges for the five-year period 2018 to 2022 with aeronautical revenues for the year largely flat on the prior period as the growth in passengers and aircraft movements was largely offset by the reduction in charges in the first year of PSE3. Operating expenses increased 13.6% to \$177.5 million, in part due to operational resources and asset management and maintenance. Our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased 7.0% to \$506.4 million.

Our total share of the underlying profit from associates was \$16.7 million for the 2018 financial year, up 12.1%. The underlying profit share from Queenstown Airport was up 26.7% to \$3.8 million and the share from the Novotel hotel, in which we increased our shareholding to 40% in February 2017, was up 66.7% to \$4.5 million.

We completed the sale of our 24.55% shareholding in North Queensland Airports in March 2018 for A\$370 million. The sale ensures that we can focus on growing our New Zealand travel, trade and tourism businesses and can recycle the proceeds of the sale into supporting the significant investment in aeronautical infrastructure at Auckland Airport over the next five years.

The final dividend for the 2018 financial year is up 4.8% to 11.0 cents per share. It will be imputed at the company tax rate of 28% and paid on 19 October 2018 to shareholders who are on the register at the close of business on 5 October 2018. As a result, the total dividend for the 12 months to 30 June 2018 is up 6.1% to 21.75 cents per share. Our performance in the 2018 financial year means that underlying earnings per share have continued to increase, up 5.8% to 22.0 cents per share.

The 2018 financial year also saw the company maintain our strong focus on upgrading our airport infrastructure and providing the best possible customer experience during a time of significant change. We continued to invest more than \$1 million every working day on our core airport infrastructure, delivering a new border processing and security screening space, customer dwell areas and 37 new retail store concepts that have enhanced the international departure experience. In addition, we completed the extension of Pier B of the international terminal, opening Gates 17 and 18 and further developed our airfield infrastructure, with the construction of two new fully-serviced remote airfield stands to help accommodate the ongoing growth in international aircraft.

The reinstatement of our dividend reinvestment plan, to provide funding flexibility to support our investment in new infrastructure and growth, continues to be welcomed by many of our shareholders. The dividend re-investment plan will again be in place for the 2018 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 2018 and 30 June 2017.

The following adjustments have been made to show underlying profit after tax for the 12-month periods ended 30 June 2018 and 30 June 2017:

- We have reversed out the gain arising from the sale of our investment in North Queensland Airports. 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 2018 and 2017. 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. None of the property, plant and equipment revaluation in 2018 affected reported profit. Therefore, no underlying profit adjustment was required in 2018, nor in 2017 in which there was no property, plant and equipment revaluation
- 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 2017
- We have also reversed the taxation impacts of the above movements in both the 2018 and 2017 financial years.

## Underlying profit

	2018			2017		
	Reported profit \$M	Adjustments \$M	Underlying profit \$M	Reported profit \$M	Adjustments \$M	Underlying profit \$M
<b>EBITDAFI per Income Statement</b>	<b>506.4</b>	<b>–</b>	<b>506.4</b>	<b>473.1</b>	<b>–</b>	<b>473.1</b>
Share of profit of associates	16.7	–	16.7	19.4	(4.5)	14.9
Gain on sale of associate	297.4	(297.4)	–	–	–	–
Derivative fair value movement	(0.7)	0.7	–	2.5	(2.5)	–
Investment property fair value increases	152.2	(152.2)	–	91.9	(91.9)	–
Property plant and equipment revaluation	–	–	–	–	–	–
Depreciation	(88.9)	–	(88.9)	(77.9)	–	(77.9)
Interest expense and other finance costs	(77.2)	–	(77.2)	(72.8)	–	(72.8)
Taxation expense	(155.8)	61.9	(93.9)	(103.3)	13.8	(89.5)
<b>Profit after tax</b>	<b>650.1</b>	<b>(387.0)</b>	<b>263.1</b>	<b>332.9</b>	<b>(85.1)</b>	<b>247.8</b>

## Cash flows

	2018 \$M	2017 \$M
Net cash flow from operating activities	321.2	307.1
Net cash flow applied to investing activities	(33.5)	(337.3)
Net cash flow applied to financing activities	(226.1)	22.7
<b>Net increase/(decrease) in cash held</b>	<b>61.6</b>	<b>(7.5)</b>



## Financial performance

	2018 \$M	2017 \$M
<b>Income</b>		
Airfield income	122.1	119.6
Passenger services charge	179.1	174.3
Retail income	190.6	162.8
Rental income	97.6	84.9
Rates recoveries	6.0	5.6
Car park income	61.0	56.3
Interest income	2.2	2.3
Other income	25.3	23.5
<b>Total income</b>	<b>683.9</b>	<b>629.3</b>
<b>Expenses</b>		
Staff	57.9	50.5
Asset management, maintenance and airport operations	69.5	55.6
Rates and insurance	13.7	12.2
Marketing and promotions	13.8	16.7
Professional services and levies	11.1	11.4
Other expenses	11.5	9.8
<b>Total expenses</b>	<b>177.5</b>	<b>156.2</b>
<b>Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)</b>	<b>506.4</b>	<b>473.1</b>
Share of profit of associates and joint ventures	16.7	19.4
Gain on sale of associate	297.4	-
Derivative fair value (decrease)/ increase	(0.7)	2.5
Investment property fair value increase	152.2	91.9
<b>Earnings before interest, taxation and depreciation (EBITDA)</b>	<b>972.0</b>	<b>586.9</b>
Depreciation	88.9	77.9
<b>Earnings before interest and taxation (EBIT)</b>	<b>883.1</b>	<b>509.0</b>
Interest expense and other finance costs	77.2	72.8
<b>Profit before taxation</b>	<b>805.9</b>	<b>436.2</b>
Taxation expense	155.8	103.3
<b>Profit after taxation attributable to owners of the parent</b>	<b>650.1</b>	<b>332.9</b>

## Financial position

	2018 \$M	2017 \$M
<b>As at 30 June</b>		
Non-current assets	8,018.4	6,399.5
Current assets	178.4	104.0
<b>Total assets</b>	<b>8,196.8</b>	<b>6,503.5</b>
Non-current liabilities	2,185.6	1,911.0
Current liabilities	329.1	563.5
Equity	5,682.1	4,029.0
<b>Total equity and liabilities</b>	<b>8,196.8</b>	<b>6,503.5</b>

