Auckland Airport | Interim Report 2010

Auckland Airport looks offshore to grow New Zealand tourism

It's all part of the plan

With international passenger volumes by far our most important value-driver, generating more travel demand is going to be crucial to the future growth of both Auckland Airport and New Zealand tourism. That's why investing in new ways to build stronger air services connections, growing passenger volumes and gaining exposure to higher growth markets such as Asia makes complete sense. This is just one part of our strategy for growth. We are totally focused on using everything we have – our physical assets, people, knowledge and financial resources – to create healthier commercial relationships, ensure we are 'fighting fit' and find more innovative ways to develop our business. We are confident that the things we are doing today will pay off tomorrow.

1

Putting our customers first

Create a healthier commercial environment

- Develop a more customer-centric approach which involves alignment of business operations with airlines
- Facilitate a balanced and sustainable stable of airlines
- Ensure stakeholders and regulators recognise the value Auckland Airport provides
- Support alignment of ownership with strategy

2

Tightening our belts

Increase the focus on, and discipline of, cost efficiency and capital productivity

- Ensure operations are fighting fit
- Facilitate a continuous improvement culture
- Apply greater scrutiny and discipline to capital management

3

Making the most of what we have

Unlock the full growth potential from the core business

- Optimise the customer experience to drive pricing for services
- Challenge commercial models to facilitate airport services differentiation
- Pursue new route/airline/tourism development
- Adopt a 'proactive landlord' approach in retail
- Reinvigorate and grow property development
- Improve performance of cargo business

4

Looking for new opportunities

Capture growth opportunities from the closest and most promising adjacencies

- Pursue property development opportunities outside aeronautical-related property
- Pursue new opportunities in cargo business

5

Beyond our business today

Pursue opportunistic but carefully selected step-outs aligned to core competencies

- Invest beyond the current business and grounds where investment criteria are met

Contents

Auckland Airport growth strategy takes flight

In spite of challenging trading conditions, Auckland Airport maintained a firm strategic focus on driving growth initiatives over the half-year.

This focus on growth, while intended to build sustainable long-term success, has already generated momentum and delivered a string of business achievements. We are pleased with our strategic and operational progress over the last six months and our financial results are beginning to show some benefit from these accomplishments and an improving passenger volume trend.

Signs are emerging that the worst of the economic storm caused by the global financial crisis has passed and that negative pressures on aviation and travel are beginning to ease. International Air Transport Association (IATA) figures released recently showed that global passenger demand declined 3.5 percent in the 2009 calendar year, which IATA described as the "worst year the industry has ever seen". Encouragingly though, this decline slowed in the latter stages of the year and December 2009 global passenger demand was 4.5 per cent up on December 2008.

At Auckland Airport, we have seen our own signs of recovery, with our October to December quarter in particular showing consistent growth in Auckland Airport monthly passenger numbers on the back of increased tourism industry activity. We believe stability and confidence is slowly but surely returning to the New Zealand travel market.

Anthony Frankham
Chairman

Simon Moutter
Chief Executive

2010 half-year results at a glance

Total passenger movements up **2.3%**:

6,782,242

International passenger movement excluding transits up **1.4%**:

3,274,250

including transits down **0.6%**:

3,735,360

Domestic passenger movements up **6.1%**:

3,046,882

Aircraft movements down **2.9%**:

78,162

Total aircraft tonnage down **4.5%**:

2,874,948 tonnes

Revenue down **0.6%**:

$182.9m

Operating EBITDA flat at:

$138.8m

Depreciation:

$27.2m ($25.6 million)

Interest costs:

$35.0m ($40.0 million)

Tax expense of:

$22.6m ($21.5 million)

No change to fair value of investment property

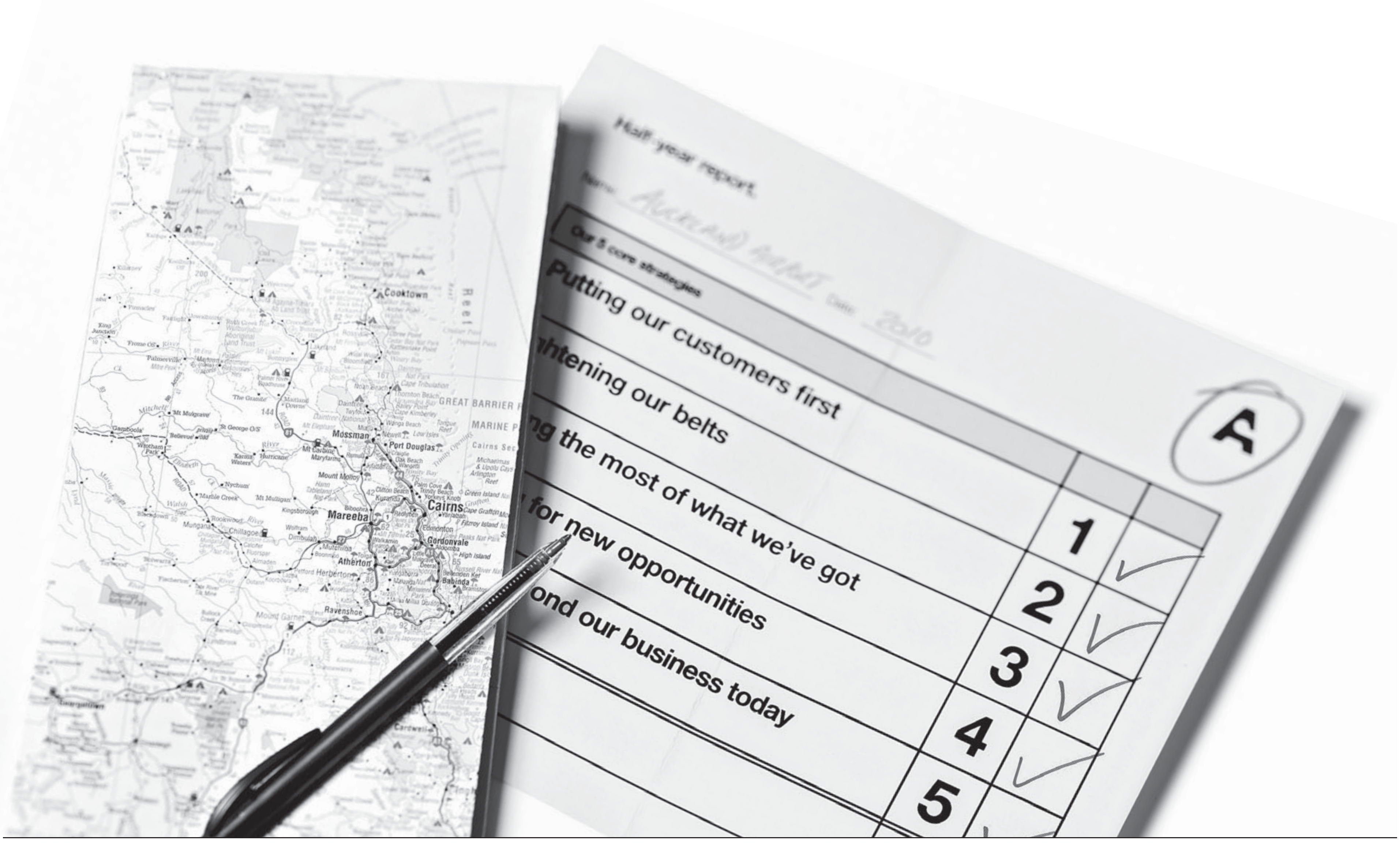
Profit after tax:

$54.0m

up **4.7%** excluding the impact of investment property revaluation in the prior period

Fully imputed interim dividend of **3.75 cents** per share to be paid on 31 March 2010

Earnings per share of **4.40 cents**



Stepping out

Auckland Airport has had a new growth strategy in place since March 2009. The vision behind our strategy is to grow beyond Auckland Airport to be the recognised market leader in creating value from businesses centred around hubs for the large-scale movement of people and goods.

Our growth strategy informs how we are using what we have – physical assets, people, knowledge and financial resources – to create healthier commercial relationships, ensure we are 'fighting fit' and find new ways to generate growth. We believe that even in difficult times growth is an essential airport focus. Growth is about creating value by building stronger air services connections, growing passenger volume, gaining exposure to high-growth markets and influencing travel and customer behaviour.

International passenger volume is by far our most important value-driver and with each international traveller spending an average of $2,500 during their visit to New Zealand, more volume is good for our shareholders and good for the broader New Zealand economy.

Driving more travel demand from Asia is crucial to the future growth of both Auckland Airport and New Zealand tourism. In January 2010, IATA announced that Asia-Pacific has already become the world's largest aviation market and the region is expected to be the world's fastest growing over the next 20 years. While our primary air services development focus remains on direct Asian connections with Auckland, an important supporting strategy is to strengthen connections with other strategically located airports.

New air-services will help Cairns Airport to rebound.

Driving more travel demand is crucial for Auckland Airport and New Zealand tourism.

In January 2010, we purchased a 24.55 percent shareholding in Cairns and Mackay Airports in North Queensland. We appreciate that some shareholders were surprised by this acquisition. However, while making this investment may be a shift from historical expectations of Auckland Airport, it is consistent with our growth strategy and offers exposure to a high-growth market together with opportunities for us to influence passenger volume through air services development.

Recognising our strength as one of the leading airport operators in the world, we are looking to generate growth in volume through Auckland, Cairns and Mackay Airports by applying our skills where it makes most strategic sense.

Since indicating in March 2009 that we would pursue opportunistic but carefully selected step-outs, we have looked at a range of opportunities. After considerable assessment, we decided the strategic merits of this particular deal were substantial. Cairns Airport fits the bill in terms of its location, scale, focus on Asian tourism, shared goals to develop leisure travel in partnership with low-cost carriers and market diversification opportunities. Mackay offers additional diversified exposure to the booming Australian resources sector.

While Cairns Airport has been underperforming in recent years due to the decline in some key originating markets, we believe it is poised for a strong rebound, driven by improving tourism demand, new air services, the near-completion of a heavy capital expenditure phase, new Australian Federal Government initiatives to encourage foreign airlines to fly through regional international airports such as Cairns and more than A$45 million of committed government tourism support. Cairns Airport finished the 2009 calendar year with newly announced air services from Jetstar and Pacific Blue due to commence in March 2010.

As the only shareholder that is an airport operator, we will be able to work with the Cairns and Mackay Airport management teams, who are keen for us to support their efforts in working with new carriers, particularly low-cost carriers, and both New Zealand and Australian Government tourism agencies to accelerate tourism growth to North Queensland and New Zealand from the high-growth Asian economies.

We remain confident that the acquisition of a stake in Cairns and Mackay Airports provides Auckland Airport with a substantial potential upside. We accept full accountability to deliver on expectations and be judged on the results we achieve. To that end, we will be working with our new partners to set meaningful plans, targets and milestones for Cairns and Mackay Airports that are aligned with our ambitions for Auckland. Details of these targets will be provided later in 2010 following completion of the business planning cycle for all three airports.

That said, the North Queensland investment is relatively modest (around 5 percent) as a proportion of Auckland Airport's total assets, and Auckland remains our core business. Our commitment to remaining right up there with the best airports in the world and developing more air services to help grow New Zealand tourism and trade will not be changing.

Cairns and Mackay

Tropical Queensland boasts two world heritage listed attractions: The Great Barrier Reef and The Wet Tropics Rainforest. (Image courtesy of Tourism Queensland)

About Cairns and Mackay Airports

Cairns Airport is Australia's seventh busiest airport, with approximately 3.7 million passengers in the year to 30 June 2009 (compared with Auckland Airport's 13 million passengers in the same period). It is the closest international airport to Asia on Australia's eastern seaboard and is the gateway to Tropical North Queensland, an internationally renowned tourism region boasting two World Heritage listed attractions: the Great Barrier Reef and the Wet Tropics Rainforests.

Mackay Airport is an important regional domestic airport with nearly 1 million passengers in the year to 30 June 2009. Mackay Airport is the main airport servicing the Bowen Basin, an important region for natural resources which contains one of the largest deposits of coal in the world. Mackay Airport also benefits from its close proximity to the Whitsunday resort islands.

Tropical North Queensland is a renowned tourism region. (Image courtesy of Tourism Queensland)

Growing air services

Travel behaviour is heavily influenced by changes in air services. We firmly believe Auckland Airport has a significant role to play in building destination preference for our country, by encouraging new airlines to fly to Auckland and existing airlines to open new routes and increase frequencies. The last six months have seen significant groundwork by our business development team to establish Auckland as a preferred destination. Some of this work has involved direct tourism promotional activity alongside industry partners such as airlines, tourism industry and government. Much of it has been about building well-researched business cases with airlines.

While the business development time frame for new air services is quite long, our partnering approach is already demonstrating benefits, with new charter services from Japan established for the summer season in partnership with Air New Zealand, new charter services from Taiwan established with EVA Air, new services between Cairns and Auckland commencing in March 2010 with Pacific Blue, increased services from Malaysian Airlines, Pacific Blue and Emirates and a strong pipeline of other opportunities established by the team. These new opportunities are in addition to our earlier successes in securing Pacific Blue and Jetstar services at Auckland.

The special Air New Zealand charter flights from Japan to Auckland over summer were very popular, resulting in almost 900 additional Japanese tourists visiting New Zealand. While we are still exploring initial development opportunities such as these charters, we have been very encouraged by the positive signs emerging in Asian markets, which are critical for New Zealand's future. We're doing everything we can to foster growth and to work with innovative airlines who share our ambition to grow markets. It is vital for New Zealand's tourism sector that we have the necessary air services connections in place to reap the benefits as key source markets continue to emerge from the downturn. Auckland Airport is in a unique position to play our part both operationally and financially and we look forward to continuing to develop opportunities.

Emirates were one of several airlines to increase Auckland services in the last six months.

Auckland Airport has terminal capacity in place to manage air service and passenger growth.

A better airport experience

The successful launch of the Smart Gate is just one of many initiatives to improve the passenger experience at Auckland Airport.

Passenger experience at an airport is a multi-faceted challenge. Each of the millions of passengers who pass through Auckland Airport each year has their own unique needs, and our role is to provide an airport experience that offers a great range of choices. Despite being named as one of the 10 best airports in the world in 2009, we will not rest on our laurels. There are a huge number of new improvement initiatives currently under way at Auckland Airport.

The major redevelopment of our international departures area is on target, with the first stage involving a refreshed dining area and new shopping options now complete and already having a positive impact. There are many more improvements to come in the second and third stages, including some new experiences which will be uniquely Kiwi. JR Duty Free, our second duty-free operator which commenced business in August 2009, has hit the ground running and alongside DFS forms part of what we believe is a world-class airport duty free offering.

We have expanded the parking options available to travellers and have supported the completion of major roading projects to the airport. In public transport, we have strongly supported the work of the Auckland Regional Transport Authority (ARTA) in developing new airport bus services, and we have advocated publicly for accelerated public transport connections, including rail, to the Airport. We believe further improvements to airport transport links are essential for Auckland's long-term future.

December 2009 also saw the first of a new VIP experience provided by Auckland Airport. This VIP experience offers a unique welcome and farewell to special charter and tour groups at Auckland. The experience combines fast and efficient processing with a uniquely Kiwi cultural experience involving Te Manukanuka o Hoturoa marae on the Auckland Airport campus.

Building stronger relationships

Much of the progress achieved over the last six months has been due to our strengthened relationships with key groups of people. By focusing hard on improving relations with customers, partners and other key stakeholders, we better understand each other's needs, help improve market dynamics and build a solid foundation for mutual success.

In July 2009, we announced we would be deferring scheduled aeronautical charge increases for a period of six months in recognition of the challenging conditions for aviation. This deferral has since been extended to March 2010. The subsequent decision of Air New Zealand in July 2009 to withdraw its application for a judicial review of the charges marked a significant step towards healthier commercial relations with our biggest customer that we hope will continue. We now have no significant disputes with our major airline customers.

> Auckland Airport is committed to serving New Zealand and the Auckland region's future travel and tourism demands, currently forecast to be 24.0 million passengers a year through Auckland by 2025. We will ensure that Auckland Airport has the optimal infrastructure in place at the right time to meet that future growth.

While we have a responsibility to New Zealand to ensure that long-term airport infrastructure capacity for predicted growth is in place, we must also carefully balance supply with demand to ensure we do not deliver excess capacity too far ahead of requirements. For this reason, Auckland Airport has suspended construction of the second runway, to the north of the existing runway, for a period of 12 months to allow demand to 'catch up'. Before the 12-month period concludes, Auckland Airport will review whether to restart the second runway works or further defer the works. Discussions with airlines about growth and fleet changes have also commenced to maximise capacity on the existing runway.

We have also improved relationships with current and prospective property and retail tenants. Several major property development projects are already well under way, including a Warren and Mahoney designed four-star-plus Novotel hotel at the international terminal in partnership with Tainui Group Holdings and Accor, a fully pre-committed 2000-square-metre office building, and a major relocation and refit for New Zealand Customs. We are also pleased to announce that an agreement has been reached with Accor for the development and operation of a new 120-room Formule 1 Hotel to be built at Auckland Airport to appeal to the budget traveller market and provide more choice to travellers.

On the regulatory front, considerable effort has been put into working with the Commerce Commission to help develop a balanced regulatory environment for airport services. The scope of the Commission's work is now well advanced and the Commission's emerging views paper published in late December 2009 indicates a willingness to engage with airport views. We will continue our ongoing engagement with the Commission to work towards the eventual development of a regulatory environment that provides sufficient economic certainty to allow the continued long-term investment in aeronautical capacity that is so essential to New Zealand tourism growth.

As New Zealand's primary gateway to the world, Auckland Airport regards itself as an integral part of the New Zealand tourism industry. We are working hard to strengthen relations with key industry players, including government, airlines, and tourism industry bodies such as Tourism Industry Association (TIA), Tourism New Zealand and Tourism Auckland, to ensure we contribute effectively with industry to grow New Zealand tourism and trade.

Over the last six months, Auckland Airport has met with many government stakeholders to openly discuss issues regarding tourism, transport, governance and regulation, and we hope that this healthy dialogue will continue. The effort we have put into our local government relations has also been reflected in the strong public support for our business we have been receiving from our two largest shareholders, Auckland City Council and Manukau City Council.

We have also been collaborating successfully with our partners at the airport itself. December 2009 saw the launch of SmartGate kiosks by Prime Minister John Key as part of a streamlined border processing initiative involving New Zealand Customs, MAF Biosecurity, Immigration and Auckland Airport. The Lean Six Sigma programme involving all the border agencies that was successfully piloted in the arrivals area has been extended to departures and aircraft handling and we look forward to the benefits it will deliver.

A related initiative involving the wider airport community was called Every Minute Matters (EMM). The goal was to encourage ideas to improve the quality and efficiency of time spent at the airport by aircraft and the travelling public. The winning EMM idea came from MAF Biosecurity and involved a streamlining of their 'disinsection' process. Disinsection is the process of spraying planes to eradicate pests. The idea, already implemented, is a process that will save 5–10 minutes for each aircraft processing, which ultimately saves time for millions of travellers.

Auckland Airport has continued to commit to our community responsibilities, including a well-regarded and comprehensive sustainability programme that has been the subject of academic case studies. For further information on Auckland Airport's sustainability performance, please see the social responsibility pages of our website at www.aucklandairport.co.nz.

Our sponsorship programme has continued with two streams, one for commercial sponsorships and one for community sponsorships, that are aligned with our values. Major sponsorships, have included TRENZ 09, New Zealand's largest travel and tourism trade show, Telstra Clear Pacific Events Centre, Air New Zealand Fashion Week, Louis Vuitton Pacific Series, ASB tennis, South Auckland Life Education Trust, National Burns Centre and Life Flight Air Ambulance. In December 2009, we repeated our successful '12 Days of Christmas' initiative, this time in partnership with the New Zealand Herald. Over the course of 12 days, Auckland Airport donated $10,000 each from traveller donations to 12 deserving charities.

All of this hard work on relationships has been paying off with the people who matter most, the travellers. Following the 2009 Skytrax award in which Auckland Airport was named one of the 10 best airports in the world, we were voted the best airport in Australasia in the 2009 World Travel Awards in November 2009. Each new award is a testament to the enormous amount of work that has been done with our airport partners, including airlines, border agencies, and baggage-handlers, to provide a world-class passenger experience.

Corporate/Financial commentary

Auckland Airport supports the acceleration of public transport improvements to and from the airport.

The half-year has seen some developments within our shareholder base. The New Zealand Government announced in December 2009 that it is introducing legislation to enable the consolidation of Manukau City Council's and Auckland City Council's shareholdings in Auckland Airport, under a fully commercial holding entity structure, as part of the restructure of Auckland's local government into a unitary Auckland Council. In November, Infratil sold their Auckland Airport shares to raise funds for other ventures. Morrison & Co continues to have an interest in Auckland Airport via their role managing the New Zealand Superannuation Fund shareholding.

In land matters, the Craigie Trust claim was dismissed by the Court of Appeal. The Craigie Trust had claimed certain land acquired in the 1970s was no longer required for aerodrome purposes. Following the dismissal of the claim by the High Court in March 2008, an appeal was heard by the Court of Appeal in September 2009. In its decision, released in December 2009, the Court of Appeal dismissed the claim on the grounds that the land is still required for a public work. Further, the Court of Appeal ruled that, even if the land were not required for a public work, it would be unfair, unreasonable and impracticable to require the land to be offered back. Auckland Airport has been made aware that the Craigie Trust has sought leave to appeal to the Supreme Court against the Court of Appeal's decision. Auckland Airport remains strongly of the view that the claim is without merit and the High Court and Court of Appeal decisions were entirely appropriate. Auckland Airport intends to oppose the Craigie Trust's application for leave to appeal and will strongly defend any appeal to the Supreme Court if leave to appeal is granted.

The combined hearing into Proposed Plan Change 13 to the Auckland Regional Policy Statement, Proposed Plan Change 14 to the Manukau Operative District Plan and a notice of requirement issued by Auckland Airport to extend the Airport Designation under the Manukau Operative District Plan, was concluded in November 2009. The result extends the metropolitan urban limit to cover Auckland Airport land, and changes land use from rural to commercial use for land on our northern boundary. The plan changes, which are subject to appeal, are very positive as they provide greater clarity and certainty over land use to the north of the airport. Auckland Airport has proposed a high-quality business park plus 23 hectares of parkland bordering the Oruarangi Creek that will include recreational facilities such as cycleways and walking paths.

Auckland Airport is currently reviewing and updating its masterplan. The Auckland Airport masterplan provides a vision and a dynamic framework for long-term planning. The masterplan review has identified public transport corridors and routes, including a rail route within the Airport that is being finalised in collaboration with New Zealand Transport Authority (NZTA), ARTA and KiwiRail. Also identified is a legible and affordable road network that can accommodate public and private transport and can be delivered in stages. We now have a revised land-use plan that identifies clear precincts within the Airport estate to provide high-quality facilities for airport and airport-related activities. We have also recommitted to our long-term aeronautical capacity masterplanning including, when market and operating conditions allow, the completion of the second runway and the construction of a central integrated terminal.

The board of Auckland Airport has worked to ensure strong succession planning is in place for directors. Two new directors were appointed to the board in September 2009 and confirmed at the 2009 Annual Meeting. Sir Henry van der Heyden and James Miller bring a wealth of experience and skills that complement those of their fellow directors. In January 2009, Lloyd Morrison was granted a leave of absence from the board for health reasons. We are looking forward to welcoming Lloyd back to the board of Auckland Airport as soon as he can return.

Passenger volumes
In the six months ended 31 December 2009, total passenger volumes rose 2.3 percent to 6,782,242, driven by increases on trans-Tasman routes and growth in domestic travel passenger numbers. Total aircraft movements were down 2.9 percent in the six months ending 31 December 2009, which reflects the decreased frequency of aircraft movements on domestic routes partially offset by increased frequency of aircraft movements on international routes.

International passenger numbers (excluding transits) were up 1.4 percent in the six months ended 31 December 2009. The growth reflects competitive airfares and increased availability of seats. Trans-Tasman growth has been offset by the pressure on long-haul travel, which was impacted by the global economic downturn and the legacy of pandemic (swine flu) concerns earlier in 2009.

Domestic passengers increased 6.1 percent in the six months ended 31 December 2009, to 3,046,882, driven by strong competition. Jetstar replaced Qantas as a domestic carrier in June 2009 and the increase in passengers reflects the uptake of the low-cost alternative with a focus on the main trunk routes.

Financial results
Continued tight management of operating and capital expenditure – to be 'fighting fit' as part of our growth strategy – is evident in our half-year results.

Total revenue decreased 0.6 percent in the six months ended 31 December 2009, to NZ$182.9 million. This decrease was largely a result of a modest reduction in retail revenue. Total retail earnings were impacted by the reversion to a dual operator model for the duty free business and the disruption due to the construction work in the departures area. Aeronautical revenue in the six months ended 31 December 2009 remained broadly consistent with the prior corresponding period. Reduced aircraft movement and the utilisation of smaller aircraft by the airlines resulted in lower airfield income. The passenger service charge increased due to the scheduled price increase together with the small increase in passenger volumes.

Operating earnings before interest, tax and depreciation (Operating EBITDA) was flat at NZ$138.8 million.

Depreciation totalled NZ$27.2 million, up slightly from NZ$25.6 million, for the first half of the year and interest costs were NZ$35.0 million, down from NZ$40.0 million. The tax expense for the period was NZ$22.6 million, up from NZ$21.5 million. Surplus after tax, excluding the investment property devaluation from the prior period, was strong, up 4.7 percent to NZ$54.0 million compared with NZ$51.6 million for the same period last year.

Under the Company's accounting policy to reflect the fair value of investment property at each reporting period, the directors had the Company's independent valuer make an assessment of the Company's investment property portfolio. That review saw no change to the fair value of investment property from the most recent valuation in June 2009. A full valuation of the investment property portfolio will be undertaken as at 30 June 2010, in line with normal practice for the year-end reporting. Movements in investment property values are non-cash adjustments that will not affect dividends to shareholders.

Capital expenditure was NZ$27.8 million for the six months ended 31 December 2009 and is expected to be in the range of NZ$60.0 million to NZ$65.0 million for the full 2010 financial year.

Balance sheet
Total unsecured borrowings at 31 December 2009 were NZ$1055.4 million (NZ$1076.7 million at 30 June 2009). This comprised bonds of NZ$557.6 million, commercial paper of NZ$72.8 million and bank facility borrowings of NZ$425.0 million. During December 2009, Auckland Airport established a new bilateral NZ$150.0 million standby bank facility to refinance a syndicated NZ$100.0 million standby bank facility maturing 10 March 2010. At 31 December 2009, Auckland Airport had NZ$350.0 million of committed but undrawn funding lines.

During November 2009, Auckland Airport raised NZ$125.0 million through a successful unsecured retail bond issue, NZ$100.0 million of which was used to repay part of the bank facility due to expire on 10 March 2010. The remaining NZ$25.0 million of the bank facility expiring on 10 March 2010 was repaid in February 2010. In addition, Auckland Airport raised NZ$25.0 million through a private placement of debt in August 2009.

Share offer

In January 2010, Auckland Airport announced a pro rata entitlement share offer for eligible shareholders, with the proceeds of the offer used to repay a portion of the debt drawn down to fund the Cairns and Mackay Airports acquisition. The innovative structure of the offer, a first in New Zealand but commonly used in Australia, was designed to safeguard the broader interests of all shareholders and was well received by the investment market. Both the institutional and retail components of the offer were extremely well supported, and we thank our shareholders for their continued support and confidence in the Company.

Dividend reinvestment plan

Auckland Airport is pleased to inform shareholders that, following consistent requests, we are now able to provide shareholders resident in New Zealand or Australia with a Dividend Reinvestment Plan. Under this plan, shareholders may invest all or part of their dividends by taking up additional Auckland Airport shares instead of receiving cash. Details of the plan have been mailed to eligible shareholders and are available on the Auckland Airport website.

Looking forward

In the longer term, our aspirational goal is to grow international passengers at a rate significantly higher than the historical average. In the shorter term, passenger volume expectations are improving but still hard to forecast accurately. However, the second quarter for the 2009/10 financial year offered solid evidence of a market recovery and, with passenger volumes in the year to date surpassing our previous high case assumption, we have good reasons for increased confidence.

For the full 2010 financial year, we now expect net profit after tax (excluding any fair value changes and other one-off items) to be in the range of NZ$100.0 million to NZ$105.0 million, and capital expenditure to remain in the range of NZ$60.0 million to NZ$65.0 million. As always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.

Auckland Airport can look forward to a bright future. This positive half-year result represents significant progress as we continue to move out of the downturn and make moves to strategically position the Company for increased exposure to higher growth markets. And as we continue to implement our growth strategy and contribute to growth in New Zealand tourism and trade, the work we have done to protect ourselves against downside risks and maximise our leverage to upside opportunities will bring its rewards.

Tony Frankham
Chairman (on behalf of the board)

Simon Moutter
Chief executive

Financial information

Contents

Interim consolidated income statement

For the six months ended 31 December 2009

	Notes	GROUP 6 months 31 Dec 2009 $000	GROUP 6 months 31 Dec 2008 $000	GROUP 12 months 30 June 2009 $000
Operating revenue				
Airfield income		32,823	36,478	70,458
Passenger services charge		36,454	32,583	66,542
Terminal services charge		13,926	14,262	27,470
Retail income		48,540	50,140	105,316
Rental income		24,488	24,229	47,975
Rates recoveries		1,343	1,638	3,210
Car park income		15,924	15,140	29,377
Interest income		945	1,022	2,611
Share of profit of an associate		501	555	949
Other revenue		7,928	7,967	15,336
Total operating revenue		182,872	184,014	369,244
Operating expenses				
Staff	4	15,780	18,874	34,337
Repairs and maintenance		15,449	13,769	30,158
Rates and insurance		3,284	3,682	6,845
Other		9,558	8,975	17,541
Total operating expenses		44,071	45,300	88,881
Operating earnings before interest, taxation and depreciation (Operating EBITDA)		138,801	138,714	280,363
Investment property fair value increase/(decrease)	8	-	(41,776)	(64,586)
Total earnings before interest, taxation and depreciation (Total EBITDA)		138,801	96,938	215,777
Depreciation		27,241	25,604	54,766
Earnings before interest and taxation (EBIT)		111,560	71,334	161,011
Interest expense and other finance costs		35,013	40,011	75,590
Profit before taxation	3	76,547	31,323	85,421
Taxation expense		22,583	21,541	43,696
Profit after taxation		53,964	9,782	41,725
		Cents	Cents	Cents
Earnings per share:				
Basic and diluted earnings per share		4.40	0.80	3.41

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants' (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Interim consolidated statement of comprehensive income

For the six months ended 31 December 2009

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Profit for the period	53,964	9,782	41,725
Other comprehensive income			
Tax effect of movements in the property, plant and equipment revaluation reserve	24	4	625
Cash flow hedges:			
Fair value losses recognised in the cash flow hedge reserve	(947)	(44,909)	(30,230)
Realised (gains)/losses transferred to the income statement	10,909	(1,719)	(5,683)
Tax effect of movements in the cash flow hedge reserve	(2,989)	12,736	9,521
	6,973	(33,892)	(26,392)
Total other comprehensive income	6,997	(33,888)	(25,767)
Total comprehensive income for the period, net of tax	60,961	(24,106)	15,958

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants' (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Interim consolidated statement of changes in equity

For the six months ended 31 December 2009

GROUP	Notes	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2009		174,738	(161,304)	1,628,783	895	(22,216)	220,251	1,841,147
Profit for the period		-	-	-	-	-	53,964	53,964
Other comprehensive income		-	-	24	-	6,973	-	6,997
Total comprehensive income		-	-	24	-	6,973	53,964	60,961
Reclassification to retained earnings		-	-	(80)	-	-	80	-
Shares issued	10	1,066	-	-	-	-	-	1,066
Dividend paid	6	-	-	-	-	-	(54,513)	(54,513)
At 31 December 2009		175,804	(161,304)	1,628,727	895	(15,243)	219,782	1,848,661

GROUP	Notes	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2008		170,265	(161,304)	1,630,815	895	4,176	251,786	1,896,633
Profit for the period		-	-	-	-	-	9,782	9,782
Other comprehensive income/(loss)		-	-	4	-	(33,892)	-	(33,888)
Total comprehensive income/(loss)		-	-	4	-	(33,892)	9,782	(24,106)
Reclassification to retained earnings		-	-	(6)	-	-	6	-
Shares issued	10	4,473	-	-	-	-	-	4,473
Dividend paid	6	-	-	-	-	-	(29,987)	(29,987)
At 31 December 2008		174,738	(161,304)	1,630,813	895	(29,716)	231,587	1,847,013

GROUP	Notes	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2008		170,265	(161,304)	1,630,815	895	4,176	251,786	1,896,633
Profit for the period		-	-	-	-	-	41,725	41,725
Other comprehensive income/(loss)		-	-	625	-	(26,392)	-	(25,767)
Total comprehensive income/(loss)		-	-	625	-	(26,392)	41,725	15,958
Reclassification to retained earnings		-	-	(2,657)	-	-	2,657	-
Shares issued	10	4,473	-	-	-	-	-	4,473
Dividend paid	6	-	-	-	-	-	(75,917)	(75,917)
At 30 June 2009		174,738	(161,304)	1,628,783	895	(22,216)	220,251	1,841,147

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants' (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Interim consolidated statement of financial position

As at 31 December 2009

	Notes	GROUP as at 31 Dec 2009 $000	GROUP as at 31 Dec 2008 $000	GROUP as at 30 June 2009 $000
Assets				
Non-current assets				
Property, plant and equipment	7	2,543,137	2,544,518	2,547,609
Investment properties	8	472,379	483,485	467,537
Investment in associates		6,980	5,498	5,892
Derivative financial instruments		4,993	4,565	5,334
Other non-current assets		775	775	775
		3,028,264	3,038,841	3,027,147
Current assets				
Bank		17,616	145	34,320
Inventories		112	183	130
Prepayments		6,558	5,380	3,309
Accounts receivable		21,471	25,215	17,321
Taxation receivable		-	1,350	4,239
Derivative financial instruments		-	1,613	1,683
		45,757	33,886	61,002
Total assets		3,074,021	3,072,727	3,088,149
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued and paid-up capital	10	175,804	174,738	174,738
Cancelled share reserve		(161,304)	(161,304)	(161,304)
Retained earnings		219,782	231,587	220,251
Property, plant and equipment revaluation reserve		1,628,727	1,630,813	1,628,783
Share-based payments reserve		895	895	895
Cash flow hedge reserve		(15,243)	(29,716)	(22,216)
		1,848,661	1,847,013	1,841,147
Non-current liabilities				
Term borrowings	11	957,590	863,438	803,707
Derivative financial instruments		20,565	42,030	29,279
Deferred tax liability		94,175	87,427	91,302
Other term liabilities		456	587	438
		1,072,786	993,482	924,726
Current liabilities				
Accounts payable and accruals		44,215	45,344	42,753
Taxation payable		5,415	-	-
Derivative financial instruments		3,861	628	5,020
Short-term borrowings	11	97,847	183,310	272,998
Provisions		1,236	2,950	1,505
		152,574	232,232	322,276
Total equity and liabilities		3,074,021	3,072,727	3,088,149

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants' (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Interim consolidated cash flow statement

For the six months ended 31 December 2009

	Notes	GROUP 6 months 31 Dec 2009 $000	GROUP 6 months 31 Dec 2008 $000	GROUP 12 months 30 June 2009 $000
Cash flow from operating activities				
Cash was provided from:				
Receipts from customers		179,051	172,789	363,501
Income tax refund		3,233	6,778	11,621
Interest received		945	1,022	2,611
		183,229	180,589	377,733
Cash was applied to:				
Payments to suppliers and employees		(45,605)	(45,499)	(87,715)
Income tax paid		(16,259)	(15,697)	(44,304)
Other taxes paid		(82)	(132)	(344)
Interest paid		(35,760)	(38,217)	(75,292)
		(97,706)	(99,545)	(207,655)
Net cash flow from operating activities	5	85,523	81,044	170,078
Cash flow from investing activities				
Cash was provided from:				
Proceeds from sale of assets		-	338	371
		-	338	371
Cash was applied to:				
Purchase of property, plant and equipment		(22,750)	(48,605)	(82,517)
Interest paid – capitalised		(1,535)	(2,372)	(3,889)
Expenditure on investment properties		(4,758)	(2,297)	(7,303)
Investment in associate	9	(587)	-	-
		(29,630)	(53,274)	(93,709)
Net cash applied to investing activities		(29,630)	(52,936)	(93,338)
Cash flow from financing activities				
Cash was provided from:				
Increase in share capital		1,066	4,473	4,473
Increase in borrowings		1,495,850	2,016,282	3,383,955
		1,496,916	2,020,755	3,388,428
Cash was applied to:				
Decrease in borrowings		(1,515,000)	(2,019,424)	(3,355,624)
Dividends paid	6	(54,513)	(29,987)	(75,917)
		(1,569,513)	(2,049,411)	(3,431,541)
Net cash flow applied to financing activities		(72,597)	(28,656)	(43,113)
Net increase/(decrease) in cash held		(16,704)	(548)	33,627
Opening cash brought forward		34,320	693	693
Ending cash carried forward		17,616	145	34,320

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants' (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Notes to the financial statements

For the six months ended 31 December 2009

1. Corporate information

Auckland International Airport Limited (the 'Company' or 'Auckland Airport') is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The original assets of Auckland Airport were vested in the Company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The Company commenced trading on 1 April 1988. The Company was re-registered under the Companies Act 1993 on 6 June 1997. The Company is an issuer for the purposes of the Financial Reporting Act 1993.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The Company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

The financial statements presented are for Auckland Airport and its subsidiaries (the 'Group'). The subsidiaries consist of Auckland Airport Limited, Auckland International Airport Limited Share Purchase Plan and Auckland Airport Holdings Limited (incorporated on 22 December 2009).

These interim consolidated financial statements were authorised for issue by a resolution of the directors effective on 26 February 2010.

2. Summary of significant accounting policies

The financial statements comply with New Zealand Equivalent to International Accounting Standards NZ IAS 34 and IAS 34 *Interim Financial Reporting*.

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Annual Report for the year ended 30 June 2009 (2009 Annual Report).

The accounting policies set out in the 2009 Annual Report have been applied consistently to all periods presented in these financial statements except as identified below. The following significant changes to accounting policies have been adopted in the preparation and presentation of the financial report:

- *NZ IAS 1 Presentation of Financial Statements (Revised)* is effective for annual reporting periods beginning on or after 1 January 2009. The application of this revised standard did not affect any of the amounts recognised in the financial statements but introduces the concept of comprehensive income in the presentation of financial statements and changed the presentation of the statement of changes in equity.
- *NZ IFRS 8 Operating Segments* is effective for annual reporting periods beginning after 1 January 2009. This new standard replaces *NZ IAS 14 Segment Reporting*. The new standard adopts the approach used by management to determine segments. Additional disclosures about each segment are shown in Note 3, including revised comparative information.
- *Improvements to NZ IFRSs (issued May 2009) – Amendment to NZ IFRS 8 Operating Segments* is effective for periods beginning on or after 1 January 2010. The amendment requires disclosure of segment assets only if that measure is regularly provided to the chief operating decision-maker. Auckland Airport has early adopted this amendment because management does not regularly report a measure of segment total assets to the chief operating decision-maker.

The adoption of these standards and amendments does not have a material impact on the Group's financial statements.

These interim financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise indicated.

3. Segment information

(a) Identification of reportable segments

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

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive officer at least monthly.

(b) Types of services provided

Aeronautical
The aeronautical business provides services that facilitate the movement of aircraft, passengers and cargo, and utility services that support the airport.

Retail
The retail business provides services to the retailers within the airport and provides carparking facilities for airport staff and passengers.

Property
The property business earns rental revenue from space leased in facilities such as terminals and cargo buildings, and stand-alone investment properties.

continued

For the six months ended 31 December 2009

	Aeronautical $000	Retail $000	Property $000	Total $000
Six months ended 31 December 2009				
Total external operating revenue	95,636	67,791	17,092	180,519
Total operating expenses	23,975	4,630	3,412	32,017
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	71,661	63,161	13,680	148,502
Investment property fair value increase/(decrease)	-	-	-	-
Total earnings before interest, taxation and depreciation (Total EBITDA)	71,661	63,161	13,680	148,502

	Aeronautical $000	Retail $000	Property $000	Total $000
Six months ended 31 December 2008				
Total external operating revenue	95,242	68,139	18,013	181,394
Total operating expenses	25,736	3,533	4,888	34,157
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	69,506	64,606	13,125	147,237
Investment property fair value increase/(decrease)	-	-	(41,776)	(41,776)
Total earnings before interest, taxation and depreciation (Total EBITDA)	69,506	64,606	(28,651)	105,461

	Aeronautical $000	Retail $000	Property $000	Total $000
Year ended 30 June 2009				
Total external operating revenue	187,070	140,394	36,116	363,580
Total operating expenses	50,248	7,355	10,601	68,204
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	136,822	133,039	25,515	295,376
Investment property fair value increase/(decrease)	-	-	(64,586)	(64,586)
Total earnings before interest, taxation and depreciation (Total EBITDA)	136,822	133,039	(39,071)	230,790

(c) Segment reconciliation of total EBITDA to income statement

	GROUP 6 months 31 Dec 2009 $000	GROUP 6 months 31 Dec 2008 $000	GROUP 12 months 30 June 2009 $000
Segment total EBITDA	148,502	105,461	230,790
Unallocated external operating revenue from continuing operations	2,353	2,620	5,664
Unallocated operating expenses from continuing operations	(12,054)	(11,143)	(20,677)
Depreciation	(27,241)	(25,604)	(54,766)
Interest expense and other finance costs	(35,013)	(40,011)	(75,590)
Profit before taxation	76,547	31,323	85,421

Notes to the financial statements

continued

For the six months ended 31 December 2009

4. Staff expenses

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Staff expenses comprise:			
Salaries and wages	12,433	12,354	24,321
Other employee benefits	1,384	1,334	2,208
Share-based payment	228	625	421
Defined contribution superannuation	321	340	592
Restructuring costs	343	3,254	4,195
Other staff costs	1,071	967	2,600
	15,780	18,874	34,337

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

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Profit after taxation	53,964	9,782	41,725
Non-cash items:			
Depreciation	27,241	25,604	54,766
Bad debts and doubtful debts	84	519	795
Deferred taxation expense	(96)	245	1,525
Equity-accounted earnings from associates	(501)	(555)	(949)
Investment property fair value (increase)/decrease	-	41,776	64,586
Items not classified as operating activities:			
(Gain)/loss on asset disposals	491	163	971
(Increase)/decrease in property, plant and equipment retentions and payables	941	4,689	5,168
Movement in working capital:			
(Increase)/decrease in current assets	(7,465)	(13,111)	(3,369)
(Increase)/decrease in taxation	9,654	12,377	9,488
Increase/(decrease) in accounts payable	1,192	(602)	(4,636)
Increase/(decrease) in other term liabilities	18	157	8
Net cash flow from operating activities	85,523	81,044	170,078

continued

For the six months ended 31 December 2009

6. Distribution to shareholders

The Company paid the following fully imputed dividends during the relevant periods:

	Dividend payment date	GROUP 6 months 31 Dec 2009 $000	GROUP 6 months 31 Dec 2008 $000	GROUP 12 months 30 June 2009 $000
2008 final dividend of 2.45 cents per share	24 October 2008	-	29,987	29,987
2009 interim dividend of 3.75 cents per share	27 March 2009	-	-	45,930
2009 final dividend of 4.45 cents per share	23 October 2009	54,513	-	-
Total dividends paid		54,513	29,987	75,917

The interim and final dividends relating to the 2009 financial year total 8.20 cents per share. The 2008 financial year dividend total was also 8.20 cents per share (the interim dividend of 5.75 cents per share and final dividend of 2.45 cents per share).

7. Property, plant and equipment

GROUP	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
At 31 December 2009						
At fair value	1,499,867	627,119	250,466	265,347	-	2,642,799
At cost	-	-	-	-	59,790	59,790
Work in progress at cost	-	7,156	1,391	26,002	2,107	36,656
Accumulated depreciation	-	(86,977)	(28,200)	(36,610)	(44,321)	(196,108)
Net carrying amount	1,499,867	547,298	223,657	254,739	17,576	2,543,137
Additions for the six months ended 31 December 2009 included above	16	16,625	1,853	2,220	2,055	22,769
At 31 December 2008						
At fair value	1,495,137	601,435	223,930	259,671	-	2,580,173
At cost	-	-	-	-	52,050	52,050
Work in progress at cost	-	6,490	27,568	18,486	2,701	55,245
Accumulated depreciation	-	(59,521)	(19,100)	(25,770)	(38,559)	(142,950)
Net carrying amount	1,495,137	548,404	232,398	252,387	16,192	2,544,518
Additions for the six months ended 31 December 2008 included above	-	18,878	18,663	5,576	4,047	47,164
At 30 June 2009						
At fair value	1,499,232	598,073	247,862	265,122	-	2,610,289
At cost	-	-	-	-	57,400	57,400
Work in progress at cost	-	19,115	3,696	24,007	2,029	48,847
Accumulated depreciation	-	(71,927)	(24,010)	(31,341)	(41,649)	(168,927)
Net carrying amount	1,499,232	545,261	227,548	257,788	17,780	2,547,609
Additions for the 12 months ended 30 June 2009 included above	3,882	30,038	20,630	16,711	8,945	80,206

Notes to the financial statements

continued

For the six months ended 31 December 2009

8. Investment properties

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Balance at the beginning of the period	467,537	524,280	524,280
Additions	4,983	2,298	7,387
Transfers	(141)	(1,317)	456
Investment properties net revaluation	-	(41,776)	(64,586)
Balance at the end of the period	472,379	483,485	467,537

Auckland Airport's accounting policy is for investment property to be measured at fair value, which reflects market conditions at the balance sheet date. To determine fair value, Auckland Airport obtains investment property valuations at least annually by independent registered valuers. Full valuations were not sought at 31 December 2009 and 31 December 2008, but an independent review of the fair values has been performed by Seagar & Partners (Auckland) Limited, registered valuers, at these reporting dates.

The review did not include full property inspections or issuance of new reports but examined the likely effect on property values due to the investment environment applicable at the time. The review concluded that there was no material change in the fair value of investment properties since the previous valuation carried out at 30 June 2009 (six months ended 31 December 2008: $41.776 million devaluation, year ended 30 June 2009: $64.586 million devaluation).

The previous independent valuation was performed by Seagar & Partners (Auckland) Limited, registered valuers, as at 30 June 2009. The valuation methodologies used as at 30 June 2009 were a direct sales comparison or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach. The valuation methodologies are consistent with the prior year.

9. Investment in a new associate

AAPC NZ Pty Limited ('Accor Hospitality'), Tainui Group Holdings Limited and Auckland Airport have formed a limited partnership to develop and operate a 4-star-plus, 263 room Novotel hotel adjacent to the international terminal at Auckland Airport. Construction commenced during the first week of December 2009.

The Novotel hotel is 20 percent owned by Auckland Airport. The remaining 80 percent is owned in aggregate by Accor Hospitality and Tainui Group Holdings Limited.

Auckland Airport's total investment at 31 December 2009 is $0.587 million.

continued

For the six months ended 31 December 2009

10. Issued and paid-up capital

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Issued and paid-up capital at the beginning of the period	174,738	170,265	170,265
Options exercised during the period	1,060	4,473	4,473
Shares issued to employee share scheme	6	-	-
Issued and paid-up capital at the end of the period	175,804	174,738	174,738

	GROUP	GROUP	GROUP
	6 months	6 months	12 months
	31 Dec 2009	31 Dec 2008	30 June 2009
	Number of shares	Number of shares	Number of shares
Number of shares outstanding at the beginning of the period	1,224,812,995	1,222,149,095	1,222,149,095
Options exercised during the period	640,000	2,662,400	2,662,400
Shares allocated to employees by employee share scheme	3,000	-	1,500
Number of shares outstanding at the end of the period	1,225,455,995	1,224,811,495	1,224,812,995

11. Borrowings

	GROUP	GROUP	GROUP
	as at	as at	as at
	31 Dec 2009	31 Dec 2008	30 June 2009
	$000	$000	$000
Current			
Money market	-	1,200	-
Standby facility	-	31,000	-
Commercial paper	72,847	75,529	72,824
Bank facility	25,000	-	125,000
Floating rate notes	-	8,100	8,100
Bonds	-	67,481	67,074
Total short-term borrowings	97,847	183,310	272,998
Non-current			
Bank facilities	400,000	505,000	395,000
Floating rate notes	5,000	5,000	5,000
Bonds	552,590	353,438	403,707
Total term borrowings	957,590	863,438	803,707
Total			
Money market	-	1,200	-
Standby facility	-	31,000	-
Commercial paper	72,847	75,529	72,824
Bank facilities	425,000	505,000	520,000
Floating rate notes	5,000	13,100	13,100
Bonds	552,590	420,919	470,781
Total borrowings	1,055,437	1,046,748	1,076,705

Notes to the financial statements

continued

For the six months ended 31 December 2009

The Group utilises a mixture of term bonds, bank facilities and commercial paper to provide its ongoing debt requirements.

During December 2009, the Company established a new bilateral $150.0 million standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ to refinance the second tranche of the dual tranche standby facility maturing on 10 March 2010. This new facility matures on 10 March 2013. The purpose of the standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital.

In March 2008, the Company established a dual tranche standby facility agreement with a syndicate of banks for $200.0 million. The first tranche was for $100.0 million and has been closed. The second tranche is for $100.0 million and expires on 10 March 2010.

Also in March 2008, the Company established a cash advances facility agreement with a syndicate of banks for $350.0 million. The facility contains a two-year facility of $125.0 million, a three-year facility of $125.0 million and a five-year revolving cash advances facility of up to $100.0 million. During October and November 2009, the Company raised $125.0 million through a public bond issue. The proceeds were used to repay $100.0 million of the two-year facility and the remaining $25.0 million was repaid in February 2010.

In December 2005, the Company established a $275.0 million, five-year bank facility with Commonwealth Bank of Australia. The facility contains a term debt facility of $100.0 million and a revolving cash advances facility of $175.0 million. In February 2007, the Company extended the expiration of this bank facility to 31 January 2012.

During October and November 2009, the Company raised $125.0 million through a public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.00 percent with a maturity of 27 November 2014.

In August 2009, the Company raised $25.0 million through a private placement bond issue. The bond issue pays an interest rate of 8.00 percent per annum with a maturity of 10 August 2016.

During January and February 2009, the Company raised $50.0 million through a follow-up of the retail bond issue in October and November 2008. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.25 percent with a maturity of 28 February 2014.

During October and November 2008, the Company raised $130.0 million through a retail bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 8.00 percent with a maturity of 15 November 2016.

Borrowings under the bank facilities and standby facilities are supported by a negative pledge deed. Borrowings under the bond programme are supported by a master trust deed.

12. Commitments

(a) Property, plant and equipment commitments

The Group had contractual obligations to purchase or develop property, plant and equipment for $13.423 million at 31 December 2009 (31 December 2008: $47.907 million; 30 June 2009: $20.100 million) principally relating to terminal upgrades and northern airport development.

(b) Investment property commitments

The Group had contractual obligations to purchase or develop investment property for $1.062 million at 31 December 2009 (31 December 2008: $0.202 million; 30 June 2009: $7.457 million).

(c) Commitments relating to the new associate

The Group has contractual obligations to advance $6.500 million to the limited partnership for the development of the Novotel hotel. A sum of $0.587 million had been advanced prior to the period end leaving a remaining commitment of $5.913 million at 31 December 2009 (31 December 2008: Nil; 30 June 2009: Nil).

continued

For the six months ended 31 December 2009

13. Contingent liabilities

Noise insulation

In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the Company and other interested parties on the location and future operation of a second runway to the north of and parallel to the existing runway. Construction of the second runway has commenced but, on 28 August 2009, Auckland Airport announced that this construction had been deferred for 12 months due to economic conditions at that time. Before the 12-month period concludes, Auckland Airport will review whether to restart the second runway works or further defer the works.

Approvals for the second runway include a number of obligations on the Company to mitigate the impacts of aircraft noise on the local community. The obligations include the Company offering certain acoustic treatment packages to existing homes and schools within defined areas. Noise levels are monitored continually and, as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of increase in aircraft noise levels over time or the rate of acceptance of offers of treatment to homeowners, the Company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed $11.0 million. Pursuant to the aeronautical pricing consultation process between the Company and its substantial customers completed on 2 July 2007, future noise costs will be shared between the Company and the airlines on a fair and equitable basis. Aeronautical pricing is reviewed at least every five years.

Claim under Public Works Act

The Company received notice in September 2006 from the Craigie Trust of a claim regarding certain land acquired for aerodrome purposes during the 1970s. The land in question is 36.4 hectares, a small proportion of the Company's total land holding. The Craigie Trust, as original owner of the land, asserted that the land ceased (between 1985 and 1989) to be required by the Company for the public work for which it was acquired and should be offered back to it under the Public Works Act 1981. The claim did not succeed when it was heard before the High Court in March 2008. The claim also failed on appeal before the Court of Appeal in September 2009.

On 11 February 2010, the Craigie Trust sought leave to appeal the Court of Appeal's decision to the Supreme Court. The Company remains strongly of the view that the claim is without merit and the High Court and Court of Appeal decisions were entirely appropriate. The Company will oppose the application for leave to appeal and will strongly defend any appeal to the Supreme Court if leave to appeal is granted. However, if the Craigie Trust were ultimately successful in its appeal, this could, depending on the terms of the judgement, have implications for other areas of land acquired under the Public Works Act 1981.

14. Subsequent events

On 13 January 2010, Auckland Airport purchased from Westpac Bank a 24.55 percent stake in North Queensland Airports, the operator of Cairns and Mackay airports in Queensland, Australia, for A$132.8 million (NZ$166.7 million).

Auckland Airport made a fully underwritten pro rata entitlement offer to shareholders to raise $126.4 million on 27 January 2010. The proceeds of the offer were used to repay a portion of the debt drawn down to pay for the acquisition of Cairns and Mackay airports.

As noted above in Note 13 Contingent liabilities, the Craigie Trust on 11 February 2010 sought leave to appeal the Court of Appeal's decision to the Supreme Court. Auckland Airport will oppose the Craigie Trust's application for leave to appeal.

On 26 February 2010, the directors approved the payment of an interim dividend of 3.75 cents per share amounting to $48.844 million to be paid on 31 March 2010.

Review report

Deloitte.

Review report to the shareholders of Auckland International Airport Limited

We have reviewed the consolidated interim financial statements on pages 13 to 25. The consolidated interim financial statements provide information about the past financial performance of Auckland International Airport Limited and group ('the Group') and its financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on page 18.

Board of Directors' Responsibilities
The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of consolidated interim financial statements which fairly present the financial position of the Group as at 31 December 2009 and the results of operations and cash flows for the six month period ended on that date.

Independent Accountant's Responsibilities
We are responsible for reviewing the consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion
A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the consolidated interim financial statements of the Group for the six month period ended 31December 2009 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. These standards require that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free of material misstatement.

Other than in our capacity as auditors under the Companies Act 1993 and the provision of taxation and accounting advice, we have no relationship with or interests in the Group.

Conclusion
Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated interim financial statements on pages 13 to 25 do not present fairly the financial position of the Group as at 31 December 2009 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34: *Interim Financial Reporting and IAS 34: Interim Financial Reporting.*

Our review was completed on 26 February 2010 and our review opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited consolidated interim financial statements of Auckland International Airport Limited ("AIAL") for the six months ended 31 December 2009 included on AIAL's website. The Board of Directors is responsible for the maintenance and integrity of AIAL's website. We have not been engaged to report on the integrity of AIAL's website. We accept no responsibility for any changes that may have occurred to the unaudited consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited consolidated interim financial statements and related review report dated 26 February 2010 to confirm the information included in the reviewed unaudited consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A Sustainable Report

Online version
This report has been created primarily for the web with a printed version produced in a limited print run to save on both cost and environmental impact.

Printing
This printed version of the report has been produced using just one colour and uses a technique known as coldset printing. Coldset printing uses 30% less power than conventional printing.

Paper stock
Sapphire Offset paper is 100% virgin fibre, sourced from sustainably managed forests. It is manufactured in an elemental chlorine free process (ECF) and produced under an environmental management system ISO 14001.

PLEASE RECYCLE ME