

## Results announcement

| Results for announcement to the market                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |
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| Name of issuer                                                                                   | Auckland Council                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |
| Reporting Period                                                                                 | 6 months to 31 December 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
| Previous Reporting Period                                                                        | 6 months to 31 December 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
|                                                                                                  | Amount (000s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Percentage change |
| Revenue from continuing operations <sup>1</sup>                                                  | \$3,592,312                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3%                |
| Total Revenue <sup>1</sup>                                                                       | \$3,592,312                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3%                |
| Net profit/(loss) from continuing operations <sup>2</sup>                                        | \$1,612,701                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 22%               |
| Total net profit/(loss) <sup>2</sup>                                                             | \$1,612,701                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 22%               |
| A brief explanation of any of the figures above necessary to enable the figures to be understood | <p><sup>1</sup> Revenue from continuing operations and total revenue excludes other gains</p> <p><sup>2</sup> Net profit/(loss) from continuing operations and total net profit/(loss) above are shown after tax, before other comprehensive revenue and expenditure.</p> <p>In the Auckland Council financial statements this is referred to as surplus/(deficit), rather than profit/(loss), as required by the Public Benefit Entity Accounting Standards.</p> <p>The COVID-19 situation and the associated implications for the Auckland economy are having an ongoing impact on Auckland Council Group's (the group) finances. The severity, duration and longer-term implications of the disruption remain highly uncertain. The group's finances have also been impacted by Auckland's drought. The group's financial performance is a positive start to the COVID-19 recovery phase, and reflects how the group worked closely with central government to access funding to support the region's recovery.</p> <p>The group's key financial ratio is debt to cash operating revenue. The group's cash operating revenue receipts for the six months to 31 December 2020 were considerably lower than pre-COVID-19 projections for public transport, regulatory revenue, revenue from events, shows and stadia, port revenues and dividends from Auckland International Airport.</p> <p>The Emergency Budget 2020-2021 anticipated a \$450 million reduction for the 12 months to 30 June 2021 compared to pre-COVID-19 projections. With that in mind, this budget included a number of mitigations to enable relatively high levels of capital investment in Auckland to continue whilst maintaining the council's strong commitment to long-term financial prudence. These mitigations included:</p> <ul style="list-style-type: none"> <li>• reductions in planned operating expenditure</li> <li>• deferral of some non-critical capital investment</li> <li>• increased targets for the disposal or lease of non-strategic property assets</li> <li>• maintaining a planned 3.5 per cent average rates increase</li> <li>• additional funding support from central government.</li> </ul> |                   |

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|  | <p>The mitigations were put into action during the 6 months to 31 December 2020 and are evident from the group's results.</p> <p>From a statutory reporting point of view, the group experienced growth in its revenue of \$98 million to \$3.6 billion for the six months ended 31 December 2020, which although an increase, it is not an increase of the magnitude previously planned pre-COVID-19 and the drought.</p> <ul style="list-style-type: none"> <li>Public transport, parking and infringement revenues have not recovered to their previous levels. These revenues decreased by \$54 million as a result of changes to the way people work and safety concerns following the COVID-19 lockdowns.</li> <li>Water restrictions resulted in a \$13 million reduction in water and wastewater revenues.</li> <li>There was a \$12 million shortfall in revenue from shows, events and conferences due to social distancing measures and the inability to secure overseas performers.</li> </ul> <p>In order to fund these shortfalls, the group was reliant on rates revenue and grants and subsidies from central government and its agencies.</p> <ul style="list-style-type: none"> <li>Rates revenue increased by \$102 million. The increase represents a 1.9% increase in the rating base and a 3.5% general rates increase.</li> <li>Grants and subsidies increased by \$68 million mainly due to capital funding from government agencies for shovel ready projects e.g. the ferry basin redevelopment and the upgrade to the Puhunui bus and train interchange. In addition, operating subsidies from Waka Kotahi NZ Transport Agency to cover losses from reduced public transport patronage arising out of the COVID-19 pandemic.</li> </ul> <p>Development activity in Auckland picked up significantly following the first COVID-19 lockdown in 2020, which has resulted in an increase in water infrastructure growth charges of \$36 million and development contributions of \$40 million respectively.</p> <p>Vested assets revenue was \$73 million lower than the prior year as a result of the timing of completion of residential developments.</p> <p>There was an increase in operating costs of \$48 million to \$2.2 billion. Our commitment to COVID-19 recovery meant there was a strong focus on containing and decreasing costs where possible, however, a number of uncontrollable costs such as the provision for weathertightness and associated building defect claims have negatively impacted on our results.</p> <p>Our largest area of cost reduction was in employee benefits which decreased by \$23 million as a result of focus on better resourcing according to the group's needs. This was offset by increases in the following areas:</p> <ul style="list-style-type: none"> <li>Depreciation and amortisation increased by \$33 million, reflecting the increasing investment in the region's infrastructure.</li> </ul> |
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|                                                     | <ul style="list-style-type: none"> <li>The provision for weathertightness and associated building defects, as well as the provision for contaminated land and closed landfills, increased costs by \$59 million.</li> </ul> <p>Overall there has been a \$50 million increase in operating surplus before gains and losses to \$1.4 billion, an increase of 4% on the comparative period. The group's surplus after income tax was \$1.6 billion after net other gains and losses of \$233 million. This was an increase of \$296 million on the comparative period. These results give management reason to be cautiously optimistic that the region's economic performance will improve, ensuring our continued delivery to our communities who rely on our services and supporting infrastructure.</p> <p>Our cash flows for the six months demonstrate our strategies of reducing operating costs, deferring discretionary capital expenditure, and increasing our cash holdings to cover uncertainties posed by COVID-19. Our increased revenue receipts along with cost containment, has resulted in an increase in operating cash flows of \$116 million. Outflows from investing activities decreased by \$200 million, mainly as a result of a \$78 million increase in proceeds from the sale of assets, and a \$95 million decrease in fixed term deposits of surplus cash funds. Overall our cash balances increased by \$296 million in the six months.</p> <p>The group's net debt increased by \$223 million in the six months to \$10.1 billion, while total assets increased by \$2.2 billion to \$58.2 billion.</p> |
| <b>Authority for this announcement</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Name of person authorised to make this announcement | Peter Gudsell, Group Chief Financial Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Contact person for this announcement                | Peter Gudsell                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Date of release through MAP                         | 26/02/2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

Unaudited financial statements accompany this announcement.