

Investor Update



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14 March 2017

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Overview and current issues



Auckland Council - overview

Strong credit rating

- Long-term credit rating (AA S&P, Aa2 Moody's both on "Stable" outlook)
- Rating supported by strong governance framework, flexible and broad powers to set rates (property taxes), and strong diversified economy
- Lenders have a charge over current and future rates income (rates rank above all other claimants)

Sound financial position

- Annually balance operating expenditure with operating income
- Total assets of NZ\$45.7 billion; total debt NZ\$7.8 billion
- Strong operational cash flow as depreciation cash funded
- Debt only used to fund new assets

Funding strategy

- Diversification important
- Open to multi-currency transactions (via existing offshore programmes)
- NZ\$ listed bonds can now be sold to offshore wholesale accounts in certain jurisdictions at primary issuance

Current issues

- Growing population
 - Infrastructure demands
 - Housing
- Collaboration with central government
 - Housing, City Rail Link (CRL), infrastructure, Housing Infrastructure Fund
- Priorities of the new Mayor
 - Housing, transport, trust and confidence in Council
- Central government elections 23 September 2017

Consents and Enforcement

In 2015/2016 demand on our regulatory resources has increased significantly

17,200

Resource Consents
9% increase

57,000

Noise Control Requests
16% increase



144,078

Building Inspections
16% increase



23,800

Building Consents
14% increase

40,000

Animal Management Requests
8% increase



Interim financial results highlights



Interim results to 31 December 2016

Group revenues up from the previous period by NZ\$137 million (5%)

For the period (NZ\$m)	6 months to 31 Dec 2016	6 months to 31 Dec 2015	12 months to 30 June 2016
Rates revenue*	1,628	1,565	1,564
Services and other revenues	1,149	1,075	2,141
Total revenue	2,777	2,640	3,705

Mainly due to increases in:

- general rates revenue by \$63 million (in line with budget) due to planned rates increases and rating base growth
- public transport revenue by \$30 million due to change in operating model
- grants and subsidies and consents and development contributions

*Note full year rates revenue recognition in half yearly accounts

Interim results to 31 December 2016

Group total expenditure up from the previous period by NZ\$119 million (7%)

For the period (NZ\$m)	6 months to 31 Dec 2016	6 months to 31 Dec 2015	12 months to 30 June 2016
Total expenses	1,600	1,482	3,038
Finance costs	211	210	417
Total	1,811	1,692	3,455

Mainly due to increases in:

- Depreciation and amortisation up NZ\$28 million, due to the increase in assets
- Employee benefits up by NZ\$18 million due to higher activity levels
- Higher operating expenses NZ\$69 million, due to public transport, weathertightness and professional and consultancy costs.

Interim results to 31 December 2016

Solid operating surplus up from the previous period by NZ\$18 million (2%)

For the period (NZ\$m)	6 months to Dec 2016	6 months to Dec 2015	12 months to June 2016
Operating surplus before gains and losses	966	948	250
(Deficit)/Surplus after income tax	1,336	880	(231)

Increase in surplus after tax of NZ\$456 million from previous period was mainly due to increase in the fair value of financial instruments.

Interim results as at 31 December 2016

Total Group net assets increased by NZ\$1.3 billion (4%) from 30 June 2016

As at (NZ\$m)	31 Dec 2016	31 Dec 2015	30 June 2016
Cash	222	269	137
Total assets	45,750	43,084	44,679
Total borrowings	7,760	7,410	7,611
Total liabilities	10,751	10,125	11,027
Net assets	34,999	32,959	33,652
Total borrowings to total assets	17.0%	17.2%	17.0%

Interim results to 31 December 2016

Operating cash flow up from the previous period by NZ\$57 million (13%)

For the period (NZ\$m)	6 months to 31 Dec 2016	6 months to 31 Dec 2015	12 months to 30 June 2016
Operating cash flow	494	437	771
Investing cash flow	(613)	(632)	(1,338)
Funding cash flow	212	122	358

Debt market activity and funding approach



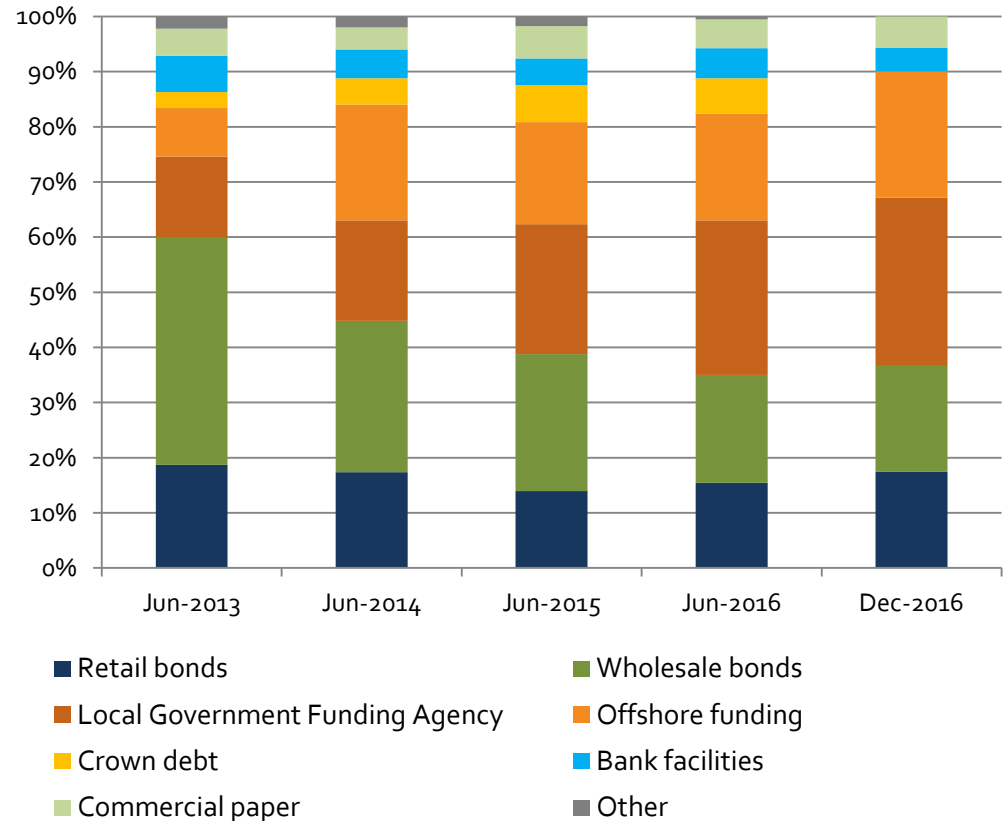
Funding approach

- Diversity important – across domestic, Local Government Funding Agency (“LGFA”) and offshore
- Spread of debt maturities
- Longer tenors
- Continue to develop offshore markets – EUR benchmark issue

Group debt portfolio as at 31 December 2016

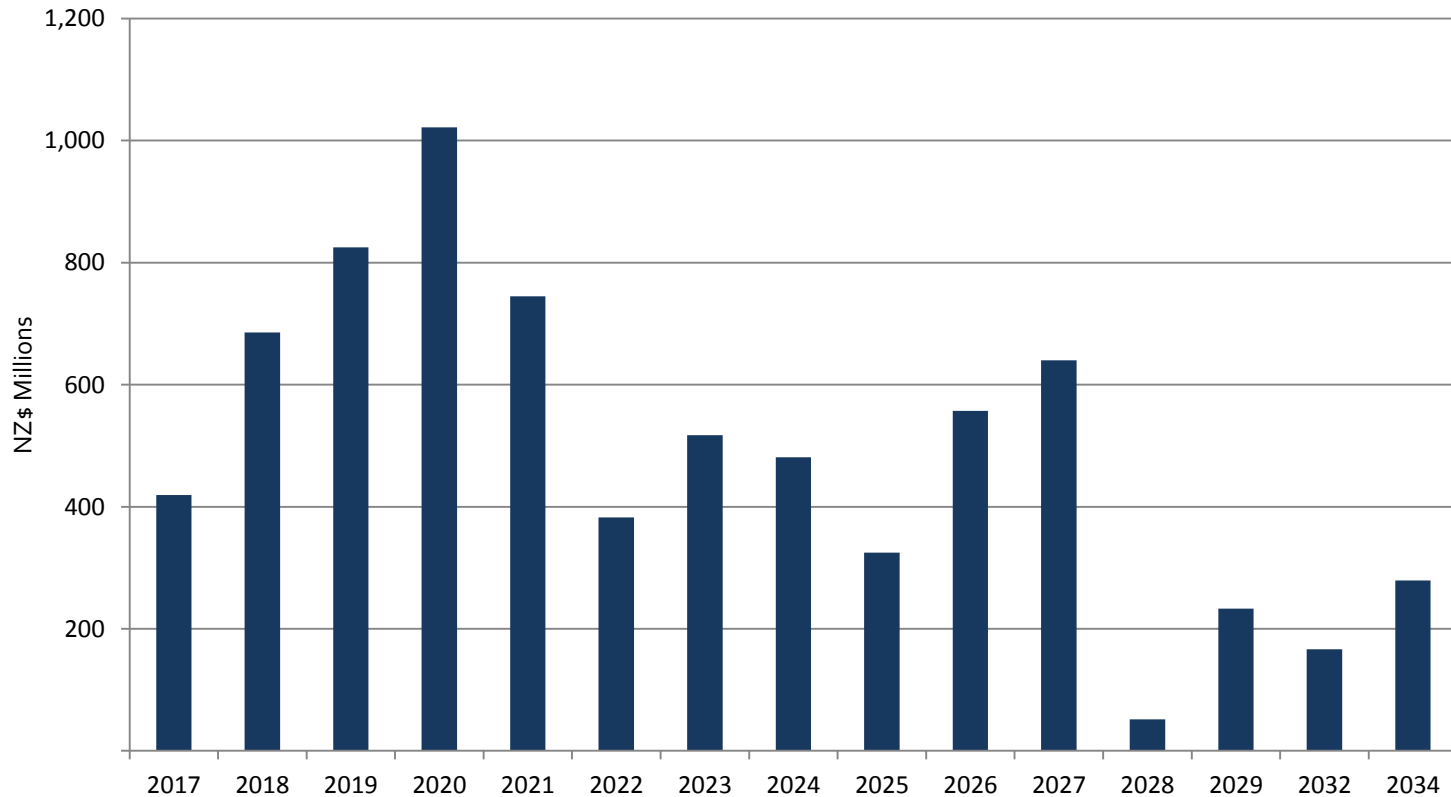
- 8 offshore transactions - (A\$, EUR, NOK and CHF)
- Weighted average term of 5.8 years
- Backed by NZ\$900 million standby facility
- Funding via LGFA capped at 40% of their lending (currently 33%)
- Crown debt refinanced in October 2016

Auckland Council Group funding mix



Group long-term debt maturity profile

As at 31 December 2016



Security and credit ratings

Security

- Lenders have benefit of the Debenture Trust Deed giving a charge over rates revenue and future rates income
- Rates rank ahead of all other claimants on property
- Ability to appoint Commissioner and to levy special rate

Credit ratings

- Standard and Poor's: AA (Stable Outlook)
- Moody's: Aa2 (Stable Outlook)
- Both ratings affirmed in late 2016

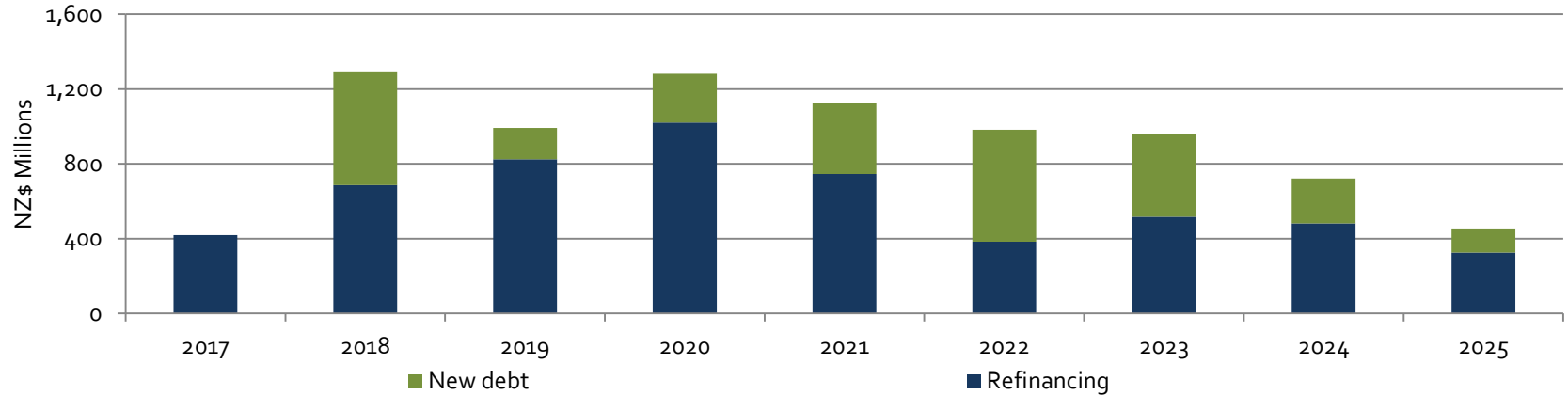
What underpins the strong credit rating

- Extremely predictable legislative and governance framework
- Flexible and broad powers to rate
- Strong and diversified economy
- Prudent financial management
- Debt burden noted as a risk

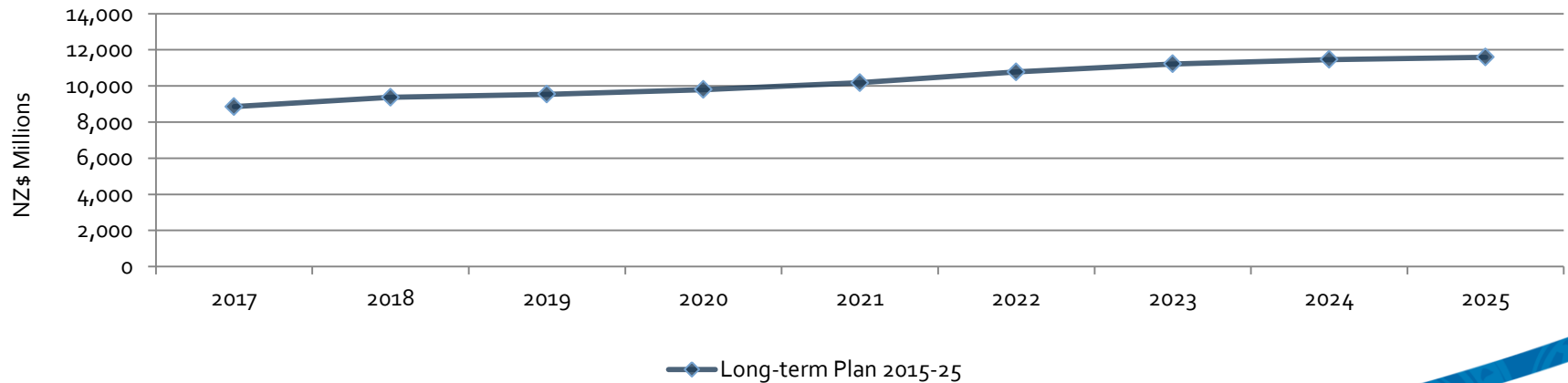
Prudential borrowing limits	Policy limit	As at 30 June 2016
Net debt to total revenue	<275%	195%
Net interest to total revenue	<15%	11%
Net interest to total rates	<25%	18%
Liquidity (six months)	>100%	121%

Forecast long-term borrowing and debt levels

Annual forecast group borrowing (financial years)



Projected group debt (financial years)



Auckland Council - summary

- Auckland is New Zealand's largest and fastest growing city with 1.6 million people. Population expected to increase by 700,000 by 2043 (representing 40% of New Zealand's population)
- Long-term credit rating AA by S&P and Aa2 by Moody's
- Rating is supported by the strong governance framework, flexible and broad powers to set rates, and strong, diversified economy
- Lenders have a charge over current and future rates income, rates rank above all claimants
- Annually balance operating expenditure with operating income
- Total assets of NZ\$ 45.7 billion; total debt NZ\$ 7.8 billion
- Strong operational cash flow as depreciation cash funded
- Debt only used to fund new assets

Detailed financials and contact details



Statement of financial position

As at 31 December 2016

NZ\$ (million)	Actual half year to 31 Dec 16	Actual half year to 31 Dec 15	Actual year to 30 June 16	Actual year to 30 June 15
Cash	222	269	137	345
Property plant and equipment	41,492	39,154	41,156	38,897
Investments	1,736	1,470	1,755	1,450
Other assets	2,300	2,191	1,631	1,475
Total assets	45,750	43,084	44,679	42,167
Borrowings	7,760	7,410	7,611	7,334
Other liabilities	2,991	2,715	3,416	2,754
Total liabilities	10,751	10,125	11,027	10,088
Net assets	34,999	32,959	33,652	32,079
Total equity	34,999	32,959	33,652	32,079

Statement of Comprehensive Income

For the six months ended 31 December 2016

NZ\$ (million)	Actual half year to 31 Dec 16	Actual half year to 31 Dec 15	Actual year to 30 June 16	Actual year to 30 June 15
Rates	1,628	1,565	1,564	1,458
Other revenue	1,149	1,075	2,141	2,100
Total revenue excluding other gains	2,777	2,640	3,705	3,558
Depreciation and amortisation	430	402	778	778
Finance costs	211	210	417	422
Other expenses	1,170	1,080	2,210	2,278
Total expenditure excluding other losses	1,811	1,692	3,455	3,478
Operating surplus/(deficit) before gains and losses	966	948	250	80
Net gains/(losses) including income tax	405	(68)	(481)	(152)
Surplus/(Deficit) after income tax	1,371	880	(231)	(72)
Total other comprehensive revenue/(expenditure)	11	0	1,788	1,010
Total comprehensive revenue	1,347	880	1,557	938

Statement of Cash Flows

For the six months ended 31 December 2015

NZ\$ (million)	Actual half year to 31 Dec 16	Actual half year to 31 Dec 15	Actual year to 30 June 16	Actual year to 30 June 15
Net cash from operating activities	494	437	771	726
Purchase of P,P&E, investment property and intangible assets	(741)	(644)	(1,340)	(1,490)
Other investing activities	128	12	2	45
Net cash from investing activities	(613)	(632)	(1,338)	(1,445)
Proceeds from borrowings	858	952	1,994	2,797
Repayment of borrowings	(646)	(830)	(1,635)	(1,943)
Repayment of finance lease principal	-	-	(1)	-
Net cash from financing activities	212	122	358	854
Net increase/(decrease) in cash	93	(73)	(209)	135
Opening cash and cash equivalents and bank overdraft	128	337	337	202
Closing cash and cash equivalents and bank overdraft	221	264	128	337

Contact details



Group Chief Financial Officer

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