



CHRISTCHURCH INTERNATIONAL AIRPORT LTD

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



3,426,837 Passenger Movements

Total passenger movements decreased by 31,195 (0.9%) as compared to the same six-month period ended 31 December 2018 (3,458,032).

- *Domestic* movements - 2,554,430 ↓ 1.2%
- *International* movements – 872,407 ↓ 0.1%

\$96.2m Total Operating Revenue

Total operating revenue increased by 3% for the six months ended 31 December 2019 compared with the same period last year (\$93.3m).

- *Aeronautical* Revenue - \$41.6m ↑ 5.3%
- *Non-Aeronautical* Revenue - \$54.6m ↑ 1.4%

\$63.0m EBITDAF

EBITDAF from operations decreased by 0.3% for the six months ended 31 December 2019 compared with the same period last year (\$63.2m).

\$23.3m Net Profit after Tax

The net surplus after tax decreased by 4.2% for the six months ended 31 December 2019 compared with the same period last year (\$24.3m).

\$20.0m Declared Interim Dividends

The Directors have declared total interim dividends for the six months ended 31 December 2019 of \$20.0m (2018: \$21.9m).

\$72.5m Capital Cash Flow Investment ↑ 94.2%

\$39.4m Operating Cash Flow ↑ 4.3%

Christchurch International Airport Limited (CIAL) has again delivered a solid financial outcome for the six months to 31 December 2019, as our team continues the ongoing activation of our Real Growth 2025 (RG25) Strategy Framework. This despite some relative softness in the domestic and trans-Tasman aviation markets.

Our Purpose remains to 'Champion the South Island at home and abroad', and our Mission is unchanged as being to 'Build a Stronger Business & Enhance Customer Journeys & Be Great Kaitiaki'.

Financial Performance

Total operating revenue for the period grew \$2.8m (3.0%) compared to the same period last year.

Despite the softening in the aviation landscape and flat passenger growth (as further discussed below), there was growth in revenue from landing and terminal charges, reflecting the price structure and transitional price path set down in the airport company's PSE3 pricing decision. The increase in non-aeronautical revenue¹ came from the continued growth in rental streams from the on-going property development program, together with strong commercial outcomes across our 'park to plane' business. The operating revenue for the period also includes approximately one month's revenue from the Novotel Christchurch Airport, following its opening on 25 November 2019.

CIAL's operating cost base for the period was below forecast but includes some uncontrollable cost increases in the areas of insurance and rates (up 12.4% for the period), as well as hotel opening set up and operating costs.

This has resulted in above forecast overall earnings before interest costs, tax, depreciation, amortisation and fair value movements ('EBITDAF') of \$63.0m (2018: \$63.2m) and an above forecast net surplus of \$23.3m (2018: \$24.3m). The Board has declared an interim dividend of \$20m (34.7 cents per share).

Whilst CIAL's debt levels have risen during the period (reflecting the continued activation of the property development strategy), the balance sheet and credit metrics remain strong, and the company continues to ensure it maintains funding facilities sufficient to fund current forecast capital expenditure for at least the next two to three year-cycle.

The execution of CIAL's re-financing activity was successfully completed during the period. Plans for further funding and re-financing activity in 2020 are well advanced, and the company will continue to engage with several markets throughout this process.

Building a Stronger Business

The six months to 31 December 2019 saw total passenger movements decrease by 0.9% compared to the same period last year.

Performance in the domestic market has been challenging whilst relatively resilient, given the capacity cuts implemented throughout the domestic network over the period. Domestic passenger numbers were down 1.2% compared to the same period last year, despite a 5% reduction in capacity.

Trans-Tasman passenger numbers have fallen 2% compared to the prior year period, as economic conditions in Australia remain challenged and airline capacity consolidates. Long-haul international passenger numbers were the bright spot, with 3% growth compared to equivalent period last year.

During the period under review, American Airlines announced its direct Christchurch-Los Angeles seasonal service which will operate three days a week for a full five-month season, commencing in the summer of 2020. In addition, a Korean Air charter service was confirmed, with the first flight operating on 24 December 2019.

¹ 'Non-aeronautical revenue' includes terminal concessions, terminal office and operational area leases, campus property leases, car parking and ground transport and other commercial revenues

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As at the time of this interim report, the evolution of the spread of the Coronavirus (Covid-19) continues to develop. At this point in time, given the evolving nature of the Covid-19 situation, the potential future impact of this on aviation travel numbers across the globe, New Zealand and the region remains unclear. However, it is expected that current travel restrictions and airline capacity reductions will continue to reduce passenger movements in the short term.

CIAL is working closely with our airline and other tourism partners, focusing on ensuring a strong rebound in key markets after Covid-19, as has occurred following previous global events that have impacted aviation growth.

The company's property team has continued activating its property development strategy (noting this is investment in new revenue and future dividend generation), with cash flow of around \$72.5m on capital expenditure in the first six months of the FY20 financial year (\$37.3m in the prior period).

Practical completion of the Novotel Christchurch Airport was achieved on 25 November 2019, with the hotel now trading. In addition, the Bunnings Warehouse development was completed in December 2019, with the store opening to customers in the week before Christmas.

Construction continues on the third and final building within the Agri-precinct, with this development to be completed in May 2020. Solid development activity continues in our other precincts, including Mustang Park (rental vehicle hub) and Dakota Park (freight and logistics).

Enhancing Customer Journeys

Christchurch Airport continues to be rated Australasia's airport best for customer service and amenities, as rated by international independent customer surveys carried out across airports.

The final stage of the new Duty-Free store construction, being operated by Lagardere Travel Retail, was completed in December which will see several new offerings in place, including an airside bar and food outlet. The new All Blacks store in the domestic departures area also opened during the period.

Work on the reconfiguration of the international departures area was commenced and has progressed successfully, with three new I-lanes and AIT scanners in place and fully functional. This has greatly improved throughput and resulted in a more efficient and enjoyable customer experience.

During the period, CIAL introduced a humanoid robot in the terminal. Pepper can recognize faces and basic human emotions, respond to requests made on its touch screen, and hold a conversation. Pepper has generated much interest with positive feedback, as airport visitors and guests at outreach activations take the opportunity to interact with the robots.

Kaitiaki (Being Great Ancestors Today)

CIAL has embedded sustainability within its strategic framework and values, and its Green Transition Plan (GTP) defines how the business will reach its sustainability objectives. It is benchmarking itself against the best 27 airports around the world and performing well above the average in the areas of water, energy and waste.

The airport's current waste performance is considered industry leading, with per passenger waste levels at 170g per passenger. The target for 2030 is to be below 100g per passenger. In 2019, the airport company diverted 46% of its waste from landfill, reduced total waste generated by 8%, and achieved a 5.3% energy efficiency increase through projects (including heating and cooling system replacement). CIAL is on track to reduce per passenger water consumption by 36% this decade and has recently installed telemetry to monitor real-time usage.

In 2015, CIAL began an aggressive decarbonisation programme that focused investment on emissions reductions rather than carbon offsets. By the end of this year, it will have removed 90% of its Scope 1 emissions over five years. It is now embarking on reducing Scope 2 and 3 emissions.

On the airfield, work continued to ensure Christchurch Airport has an airfield operations environment that is safe, secure, compliant, efficient and competitive, and supports our aeronautical business.

From a people perspective, CIAL has commenced the development of an integrated talent management strategy, to focus on what skills, experience and attributes are required to drive value and minimize risk. In conjunction with this, CIAL has become an associated member of Diversity Works and will draw upon the experience of other organisations to develop a diversity strategy and activity framework.

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INTERIM FINANCIAL STATEMENTS

Statement of financial performance for the six months ended 31 December 2019

	Note	Unaudited 6 months to 31 Dec 2019 \$000	Unaudited 6 months to 31 Dec 2018 \$000
INCOME			
Operating revenue	3	96,181	93,335
Interest income		59	49
Total income		96,240	93,384
EXPENSES			
Operating costs	4	33,163	30,127
Financing and interest costs		11,814	11,657
Depreciation, amortisation and impairment		18,967	17,860
Total Expenses		63,944	59,644
Surplus before tax		32,296	33,740
Total taxation expense		9,043	9,456
Net Operating Surplus after income tax		23,253	24,284

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

INTERIM REPORT

Statement of comprehensive income for the six months ended 31 December 2019

	Note	Unaudited 6 months to 31 Dec 2019 \$000	Unaudited 6 months to 31 Dec 2018 \$000
Surplus after income tax		23,253	24,284
Other comprehensive income			
<i>Items that may be reclassified subsequently to the statement of financial performance</i>			
Changes in fair value of cash flow hedges (net of deferred tax)	11	1,190	(3,113)
Other comprehensive income for period, net of tax		1,190	(3,113)
Total comprehensive income for the period		24,443	21,171

Statement of changes in equity for the six months ended 31 December 2019

	Note	Share Capital \$000	Reserves \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 July 2018		57,600	604,860	360,820	1,023,280
Dividends paid to shareholders	8	-	-	(22,975)	(22,975)
Total comprehensive income for the period		-	(3,113)	24,284	21,171
Balance at 31 December 2018		57,600	601,747	362,129	1,021,476
Balance at 1 July 2019		57,600	620,959	373,461	1,052,020
Dividends paid to shareholders	8	-	-	(21,449)	(21,449)
Total comprehensive income for the period		-	1,190	23,253	24,443
Balance at 31 December 2019		57,600	622,149	375,265	1,055,014

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

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Statement of financial position as at 31 December 2019

	Note	Unaudited As at 31 Dec 2019 \$000	Audited As at 30 June 2019 \$000
EQUITY			
Share capital		57,600	57,600
Reserves		622,149	620,959
Retained earnings		375,265	373,461
TOTAL EQUITY		1,055,014	1,052,020
NON-CURRENT LIABILITIES			
Term Borrowings	5	401,188	356,549
Derivative financial instruments	11	30,654	31,455
Deferred taxation		137,919	137,456
Trade and other payables		732	783
TOTAL NON-CURRENT LIABILITIES		570,493	526,243
CURRENT LIABILITIES			
Current Portion of Borrowings	5	124,000	115,501
Trade and other payables		15,151	33,693
Taxation payable		4,471	1,028
Derivative financial instruments	11	1,757	2,504
TOTAL CURRENT LIABILITIES		145,379	152,726
TOTAL EQUITY AND LIABILITIES		1,770,886	1,730,989
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,221,570	1,208,026
Investment Properties	10	516,039	491,202
Intangible Assets		3,825	4,588
Trade and other receivables		4,268	4,601
Derivative financial instruments	11	6,390	6,747
TOTAL NON-CURRENT ASSETS		1,752,092	1,715,164

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Statement of financial position as at 31 December 2019 (continued)

	Note	Unaudited As at 31 Dec 2019 \$000	Audited As at 30 June 2019 \$000
CURRENT ASSETS			
Cash and cash equivalents		297	845
Trade and other receivables		17,975	13,875
Derivative financial instruments	11	-	646
Inventories		522	459
TOTAL CURRENT ASSETS		18,794	15,825
TOTAL ASSETS		1,770,886	1,730,989

For and on behalf of the Board



Catherine Drayton
Chair



Kathryn Mitchell
Director

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

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Statement of cash flows for the six months ended 31 December 2019

	Note	Unaudited 6 months to 31 Dec 2019 \$000	Unaudited 6 months to 31 Dec 2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		94,528	90,878
Interest received		59	49
Net Goods and Services Tax received		678	56
		95,265	90,983
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(39,303)	(37,230)
Financing and interest costs		(10,987)	(11,304)
Net income tax paid		(95,600)	(4,700)
		(55,890)	(53,234)
Net Cash Flows from Operating Activities		39,375	37,749
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant & equipment		-	60
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment and intangible assets		(44,155)	(16,689)
Purchase of investment properties		(28,319)	(20,682)
Net Cash Flows from Investing Activities		(72,474)	(37,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Borrowings		159,000	25,000
<i>Cash was applied to:</i>			
Borrowings		(105,000)	-
Dividends paid	8	(21,449)	(22,975)
Net Cash Flows from Financing Activities		32,551	2,025

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Statement of cash flows for the six months ended 31 December 2019 (continued)

	Unaudited 6 months to 31 Dec 2019	Unaudited 6 months to 31 Dec 2018
	\$000	\$000
Net (Decrease)/Increase in Cash Held	(548)	2,463
Add cash and cash equivalents at beginning of the period	845	2,156
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	297	4,619
Cash	9	9
Bank and deposits	288	4,610
CASH AT END OF THE PERIOD	297	4,619
RECONCILIATION WITH NET OPERATING SURPLUS AFTER TAX		
Net operating surplus after income tax	23,253	24,284
<i>Non-cash items</i>		
Amortisation of capitalised borrowing costs and fair value hedge ineffectiveness	104	293
Amortisation of lease surrender	318	322
Accrued interest within derivatives	140	(10)
Depreciation, amortisation and impairment	18,967	17,860
	42,782	42,749
<i>Items Not Classified as Operating Activities</i>		
Net gain on asset disposals	-	(26)
Capital items included in trade payables and accruals	15,888	666
Deferred taxation	-	(148)
	15,888	492
<i>Movements in Working Capital</i>		
Increase/(decrease) in trade and other payables	(17,680)	(5,364)
(Increase)/decrease in trade and other receivables	(4,996)	(5,031)
(Increase)/decrease in inventories	(62)	(1)
Increase/(decrease) in taxation payable	3,443	4,904
	(19,295)	(5,492)
Net Cash Flows from Operating Activities	39,375	37,749

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Notes to the interim financial statements for the six months ended 31 December 2019

1. Basis of preparation and accounting policies

Christchurch International Airport Limited is a company registered under the Companies Act 1993. The company is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The interim financial statements presented are for Christchurch International Airport Limited and its wholly owned subsidiaries. As the wholly owned subsidiaries were not trading and held no assets and liabilities during and at the end of the period of review, the financial statements for the group are the same as that of the parent.

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Markets Conduct Act 2013 and the Main Board/Debt Market Listing Rules of NZX Limited. These unaudited interim financial statements comply with New Zealand equivalents to International Financial Reporting Standards NZ IAS 34. Christchurch International Airport Limited is designated as a profit-oriented entity for financial reporting purposes.

These interim financial statements are not required to and do not make disclosure of all 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 Christchurch Airport's Annual Report for the year ended 30 June 2019 ("2019 Annual Report").

The accounting policies set out in the 2019 Annual Report have been applied consistently to all periods presented in these interim financial statements, except for the adoption of new standards effective for periods commencing after 1 January 2019. Christchurch Airport has not early adopted any other standard that has been issued but is not yet effective. Note however that the applicable new disclosure requirements for NZ IFRS 15 *Revenue from Contracts with Customers* have been applied for both the current and comparative interim reporting periods.

The company applies, for the first time in this interim financial report, NZ IFRS 16 *Leases*.

NZ IFRS 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under NZ IFRS 16 is substantially unchanged from NZ IAS 17. Therefore, application of NZ IFRS 16 has not materially impacted any of the amounts recognized in these financial statements in respect to lease arrangements where CIAL is the lessor.

As a lessee, CIAL leases a small number of low value assets including office and IT equipment. CIAL has applied a practical expedient when applying NZ IFRS 16 to such leases through not recognising right-of-use assets and liabilities given the low value of these underlying assets.

2. Segment Reporting

Reportable segments

The company's reportable operating segments have been based on the monthly internal reporting that is received by the Chief Executive, as the chief operating decision maker. This information is used to assess performance and determine the allocation of resources.

The operating segments are based on the type of services rendered. Discrete financial information is presented to the Chief Executive to a Net Profit Before Tax level, which is used to assess segment performance. An allocation of all corporate revenues and expenses (except tax), is included within each operating segment.

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Operating segments – Services provided

Planes

This area of the business offers services that facilitate the movement of aircraft, cargo and passengers on the airfield.

Passengers

The passenger operating segment provides services to the terminal retailers, provides ground transport solutions to staff and the public and includes the terminal portion of the aeronautical charge.

Property

The property operating segment earns revenues from the provision of investment properties to landside airport campus tenants.

	Planes	Passengers	Property	Total
	\$000	\$000	\$000	\$000
Unaudited six months to 31 Dec 2019				
Total segment income	18,816	52,858	24,566	96,240*
Total segment expenses	13,201	35,571	15,172	63,944*
Segment Net Profit before Tax	5,615	17,287	9,394	32,296*
	Planes	Passengers	Property	Total
	\$000	\$000	\$000	\$000
Unaudited six months to 31 Dec 2018				
Total segment income	17,751	53,293	22,340	93,384*
Total segment expenses	13,325	32,597	13,722	59,644*
Segment Net Profit before Tax	4,426	20,696	8,618	33,740*

*Agrees to total income, total expenses and surplus before tax on the Statement of Financial Performance. Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2018: nil).

3. Operating Revenue

	Unaudited 6 months to 31 Dec 2019	Unaudited 6 months to 31 Dec 2018
	\$000	\$000
<i>Revenue from contracts with customers</i>		
Landing and Terminal charges	41,618	39,531
Ground transport and other trading activities	11,955	11,534
Total Revenue from contracts with customers	53,573	51,065
<i>Other Income</i>		
Rent and Lease income	34,707	34,752
Gain on disposal of assets	-	26
Other revenue	7,901	7,492
Total Other Income	42,608	42,270
Total Operating Revenue	96,181	93,335

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4. Operating Costs

	Unaudited 6 months to 31 Dec 2019	Unaudited 6 months to 31 Dec 2018
	\$000	\$000
Staff	13,750	12,381
Asset management, maintenance and airport operations	7,273	6,578
Rates and insurance	5,785	5,146
Marketing and promotions	2,019	1,712
Professional services and levies	870	1,195
Commercial entity running costs	670	340
Other	2,796	2,775
	<hr/> 33,163	<hr/> 30,127

5. Borrowings

As at 31 December 2019, the Company has committed bank funding facilities for an aggregate \$370,000,000 (2018: \$220,000,000) with six banks. In addition, the Company has an overdraft facility of \$1,000,000 (2018: \$1,000,000).

Total bond funding at 31 December 2019 is \$200,000,000 (2018: \$275,000,000). In the period to 31 December 2019 the company repaid a \$75,000,000 seven-year 5.15% fixed rate bond in December 2019. \$100,000,000 (2018: \$175,000,000) of the bond funding is held at amortised cost, adjusted by the fair value of the designated hedge instrument.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The negative pledge deed requires that no security interest is provided over any assets for borrowings, unless an equivalent security interest is created for the borrowing group and bond holders. Interest rates paid during the period, including offsetting interest rate swaps, ranged from 2.2% to 6.7%. (2018: 3.7% to 6.7%). The bonds constitute direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness. During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities.

Current borrowings are expected to be refinanced through the extension of existing facilities, new facilities and debt capital market issuance.

	Unaudited As at 31 Dec 2019	Audited As at 30 June 2019
	\$000	\$000
Less than 1 year	124,000	115,501
1 > 3 Years	244,938	199,921
3 > 5 Years	106,250	106,628
Greater than 5 Years	50,000	50,000
	<hr/> 525,188	<hr/> 472,050
Total available funding	<hr/> 570,000	<hr/> 495,000

6. Related Party Transactions

Christchurch City Holdings Limited (CCHL), a wholly owned subsidiary of the Christchurch City Council (CCC), owns 75% and the New Zealand Government owns 25% respectively of the issued share capital of the company.

Christchurch International Airport Limited enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or subject to significant influence by the Crown. All transactions with related entities:

- are conducted on an arm's length basis
- result from the normal dealings of the parties
- meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

The New Zealand Government is the majority owner of Air New Zealand, a major customer of CIAL from both an aeronautical and rental and lease perspective. Pricing agreements are renegotiated for aeronautical charges with all airline customers of CIAL, including Air New Zealand, every five years. Air New Zealand also leases several properties within the terminal and the wider CIAL campus.

	Unaudited 6 months to 31 Dec 2019	Unaudited 6 months to 31 Dec 2018
	\$000	\$000
<i>Transactions with owners during the period to 31 December</i>		
Purchases from CCC and subsidiaries	6,516	8,191
Rates paid to CCC	2,948	2,671
Revenues from CCC and subsidiaries	321	37
Dividend paid to CCHL	16,087	17,231
Dividend paid to the Crown	5,362	5,744
Amounts payable to CCC and subsidiaries	1,303	139
Amounts receivable from CCC and subsidiaries	62	1

Non-Shareholder Related Party Transactions

Some directors of the company are, or have been during the period, directors of other companies or organisations with whom Christchurch International Airport Ltd may transact. Such transactions are all carried out on an arm's-length basis and are conducted on normal commercial terms. No amounts were written off or forgiven during the reporting period and outstanding balances were settled under normal trading terms.

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7. Commitments

	Unaudited As at 31 Dec 2019	Unaudited As at 31 Dec 2018
	\$000	\$000
<i>Total capital expenditures committed to, but not recognised in, the financial statements</i>		
Property, Plant and Equipment and Intangibles	18,677	28,757
Investment Properties	37,715	35,968

Cashflows associated with the purchase or construction of Property, Plant and Equipment, Intangibles and Investment Properties are included in the Statement of Cashflows.

8. Dividends

	Unaudited 6 months to 31 Dec 2019	Unaudited 6 months to 31 Dec 2018
	\$000	\$000
2019 Final dividend paid (\$0.37 per share)	21,449	-
2018 Final dividend paid (\$0.40 per share)	-	22,975

9. Property, Plant & Equipment

The company carries Land, Buildings, Terminal facilities, sealed surfaces, infrastructure and car parks at fair value. The company last revalued the car parking assets at 30 June 2019, as outlined in the 2019 Annual Report, and the other asset classes at 30 June 2018 as outlined in the 2018 Annual Report. No revaluation of these assets has been performed as at 31 December 2019.

Motor Vehicles, plant & equipment, office & computers and work in progress are carried at cost.

Additions to property, plant & equipment were \$31.8m for the six months ended 31 December 2019 (2018: \$16.7m).

10. Investment Property

The company carries Investment Property at fair value. The company last revalued investment property at 30 June 2019 as outlined in the 2019 Annual Report. No revaluation of investment property has been performed as at 31 December 2019.

Additions to investment property were \$24.8m for the six months ended 31 December 2019. (2018: \$20.7m).

11. Fair Value of Financial Instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the six months to 31 December 2019.

The company's derivative financial instruments are all classified as level 2 and the fair values are determined using valuation techniques. The company has an outsourced treasury provider that has provided the fair values as at 31 December 2019. These valuation techniques are based on observable market data and the interest rate swaps calculation takes into account the present value of the estimated future cash flows.

12. Contingent Assets and Liabilities

As at 31 December 2019 there were no contingent assets (2018: nil) and there were no contingent liabilities (2018: nil).

13. Events Subsequent to Balance Date

On 24 February 2020, the directors approved the payment of a fully imputed interim dividend of 34.7 cents per share amounting to \$20,000,000.

There were no other events occurring after balance date that could significantly affect these interim financial statements.

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COMPARISON OF FORECAST TO ACTUAL RESULTS

The company prepares an annual Statement of Intent which is approved by shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the company's actual performance for the six months ended 31 December 2019 with those measures are as follows:

TARGETS	FY 2020 FY Target \$000	HY 2020 Actual \$000	HY 2020 Target \$000
a) FINANCIAL			
Total Revenue	193,349	96,181	95,694
EBITDAF <small>(Earnings before interest, tax, depreciation, amortisation and fair value movements)</small>	127,071	63,018	62,563
Net Profit after tax	53,743	23,253	21,667
EBITDAF as a % of Revenue	65.7%	65.5%	65.4%
Return on Invested Capital (EBIT/(Equity+Debt))	6.7%	2.8%*	2.7%*
b) PASSENGER NUMBERS			
	FY 2020 FY Target	HY 2020 Actual	HY 2020 Target
Domestic	5,038,593	2,554,430	2,541,494
International	1,836,859	872,407	897,881
Total	<u>6,875,452</u>	<u>3,426,837</u>	<u>3,439,375</u>
c) RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS			
	FY 2020 FY Target	HY 2020 Actual	HY 2020 Target
Shareholder Funds / Total Assets %	60.8%	59.6%	60.4%
Gearing (debt / (debt + equity)) %	32.3%	33.0%	32.5%
EBITDAF Interest Cover x	5.0	5.33	4.98
Free Funds Interest Cover x	4.3	4.57	4.26
Free Funds / Debt %	16.5%	10.3%*	10.8%*

* the half year actual and target amounts are based on performance for the six-month period to date, and hence will be proportionately lower than the full year target shown in the first column. It should also be noted that the performance in the second half of each financial year is forecast to include any uplift in investment property revaluations, and hence in a normal year will generate a higher return ratio than in the first half of the year.

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d) CORPORATE SOCIAL RESPONSIBILITY

Performance target	Performance Measures	
	2020	Progress to 31 December 2019
Health, Safety & Wellbeing		
1. Culture and People - through leadership, engagement, trust and strong safety values continue to build our safety culture across both people and aviation safety	<ul style="list-style-type: none"> Incremental improvements in our annual culture and engagement survey for health, safety and wellbeing. Continue to activate Safety-II principles and strategy activation initiatives 	<ul style="list-style-type: none"> Improvement of 6% to 86% for the health, safety and wellbeing factor in the 2019 Culture Survey. While the larger strategy activation initiatives are still to be completed, Safety II principles have continued to be included within existing processes especially in respect to employee involvement.
2. Assurance - through robust Systems, Risk and Monitoring	<ul style="list-style-type: none"> CIAL people and aviation safety assurance program delivered. Incorporate Safety-II principles into Assurance Program 	<ul style="list-style-type: none"> FY20 People and Aviation Safety Workplan on track for delivery. Safety II principles have continued to be included within existing processes where possible.
3. Improvement - Collective and Continuous	<ul style="list-style-type: none"> Bi-annual review of SMS and HSMS to identify and action continuous improvement opportunities. Develop operational delivery framework based on high performance high engagement principles 	<ul style="list-style-type: none"> Bi-annual review of SMS scheduled for Dec 2019 postponed by CAA. Expected to be rescheduled for prior to end of year. HSMS annual audit scheduled for May 2020.
4. Wellness - giving our people the best chance to stay and succeed in their roles	<ul style="list-style-type: none"> Incremental improvements in our annual culture and engagement survey for health, safety and wellbeing and work/life blend. Continued activation of our Whare Tapa Wha wellness strategy Mental Health and Resilience Program implementation 	<ul style="list-style-type: none"> Improvement of 9% to 91% on the wellbeing and 13% to 89% on work & life blend factor insights in the 2019 Culture Survey. The improvements in the culture survey results support the continued relevance of the Whare Tapa Wha activation initiatives. Initial Mental Health and Resilience workshops completed with all staff and planning underway for events.
Sustainability		
Carbon 5. As a company, we accept the role carbon dioxide and other greenhouse gases play in climate change. We also believe in the science behind climate change and have committed to eliminating all non-emergency related Scope 1 emissions, reducing our scope 2 emissions from electricity and managing our Scope 3 emissions	<ul style="list-style-type: none"> 20% reduction on CIAL carbon emissions benchmarked against FY16 ACI ACA Level 3 certified 80% of CIAL's road vehicle fleet made up of EV and hybrid vehicles 	<ul style="list-style-type: none"> Reported Scope 1, 2 and 3 emissions for FY19 were 3,693.6tCO₂-e. This is a 6.3% reduction from FY18 and a 16.5% reduction from FY15 baseline year of measurement. Decommissioning of the passenger terminal boilers in November 2019 will mean a 90% reduction in scope 1 emissions. A business case to advance our Level 2 certification 2 levels higher to level 3+ (Neutral) certified is currently with ELT We are currently at 55% electric with 7 pure EV, 4 PHEV hybrids and 9 conventional vehicles

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<p>Waste</p> <p>6. Waste is a by-product of operating a diverse and large organisation, but we can work with all our stakeholders to reduce, reuse and recycle so we minimise the impact on our environment</p>	<ul style="list-style-type: none"> ▪ Work with airlines to achieve greater recycling of waste off aircraft ▪ Implement food court waste upgrades ▪ Complete feasibility analysis for onsite processing of organic waste 	<ul style="list-style-type: none"> ▪ CIAL is currently working with Air NZ to facilitate the composting of a new standard coffee cup used by Air NZ ▪ A draft plan has been worked up with early financial costings established. It is planned to progress with this in mid-2020. ▪ An RFI to determine the feasibility of Anaerobic Digestion (AD) was undertaken and was determined to be viable from a waste management point of view but unviable economically. These learnings will be used as part of a broader decarbonisation study to determine if AD tech can help with broader goals.
<p>Energy</p> <p>7. By minimising our energy use, we reduce our carbon footprint, reduce costs to our businesses and reduce demand on the national grid. We strive for growth without impact, and for our business to protect our city region and island.</p>	<ul style="list-style-type: none"> ▪ Domestic jet ground power stands commissioned ▪ Passenger terminal energy consumption at least 10% further reduced on FY18 levels ▪ 90% reduction of Scope 1 emissions (baseline year FY15) achieved ▪ ITB energy centre commissioned and operational 	<ul style="list-style-type: none"> ▪ Infrastructure installed for remaining international stands. ▪ A 5.3% energy reduction has been achieved during FY19 vs FY18. ▪ With the boilers now decommissioned, combined with emissions savings from the EV fleet, we expect ongoing scope 1 emissions to decrease to 90% of FY15 from next FY. ▪ ITB Energy Centre operational and currently being commissioned and tuned.
<p>Water</p> <p>8. Christchurch is unique in using 100% naturally filtered water. Our passion is to maintain its integrity, avoid accidental contamination and minimise use of this precious resource as it passes under the airport. By doing so, we ensure water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island</p>	<ul style="list-style-type: none"> ▪ Install accurate water metering devices to better understand passenger terminal water use ▪ Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply ▪ Continue Environmental Compliance and Monitoring Program with existing airport operators and new operators on airport land 	<ul style="list-style-type: none"> ▪ Telemetry devices have been installed across the CIAL campus and provide live water use information ▪ Ongoing – compliance with all regulatory requirements under drinking water standard and health act has been maintained this year. CIAL has also built and commissioned a UV treatment water plant on well 8. Design and construction of the 2nd and final water treatment plant is currently being completed. ▪ This program is ongoing
<p>Noise</p> <p>9. Noise is the environmental issue of greatest focus at airports around the world. Our responsibility and bias are to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths</p>	<ul style="list-style-type: none"> ▪ Continued commitment to an Airport Noise Liaison Committee to improve communications with our community ▪ Successful implementation of world leading engine testing noise management software ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum 	<ul style="list-style-type: none"> ▪ Held two successful Airport Noise Liaison Committee Meetings. ▪ On-going successful implementation of the Engine testing noise management software, with the inclusion of the standard A320 Neo engine testing noise measurements.

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	<ul style="list-style-type: none"> ▪ Successful delivery of the updated noise compliance contours to Environment Canterbury ▪ Successful implementation of the CIAL Noise Management Plan ▪ Offers of acoustic mitigation to noise impacted properties currently eligible 	<ul style="list-style-type: none"> ▪ On-going work associated with the updated noise compliance contours and delivery of the acoustic treatment program.
<p>Land</p> <p>10. Our Place is an area of unique natural beauty. We have a responsibility to maintain it, improve it and remediate contaminated land. We also have a responsibility to ensure the safety of travelers and our airline partners, and so understanding the hazards and addressing the risks of bird strike is a critical and on-going activity</p>	<ul style="list-style-type: none"> ▪ Ongoing commitment to the AvaneX grass program such that it covers our entire airfield ▪ Completion of the Canada Goose Tracking Masters project ▪ Development of estate wide sustainable development guidelines for use in our property development portfolio 	<ul style="list-style-type: none"> ▪ No additional areas were planted this spring. ▪ The goose tracking component of the project has been completed. ▪ The Design Guidelines are in the final stages of development.
<p><u>Community Engagement</u></p>		
<p>11. To make a positive contribution to the social and community outcomes of our City and the South Island</p>	<ul style="list-style-type: none"> ▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy ▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year ▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops ▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement 	<ul style="list-style-type: none"> ▪ We have supported various events across the city and island in the past six months, including NZ Chinese Language Week, The Court Theatre, Maori Language Week, Westpac Champion Business Awards, Plains Site App, SCAPE Public Art and the Special Children's Christmas Party. ▪ We have given donations to a wide range of charities and community projects. ▪ Senior members of staff have given numerous addresses at local, national and international events, conferences, meetings, workshops and public events. ▪ Staff have continued to collect for charities, raise funds and donate money and items to charity causes, cook meals at Ronald McDonald House, and share their expertise as required for associated causes
<p><u>Our People</u></p>		
<p>12. To build a Champion Team who has the capability and passion to achieve our purpose to champion the South Island and our mission – to be a Champion Airport</p>	<ul style="list-style-type: none"> ▪ Purpose driven leadership and people excellence, clear performance accountabilities and outcome focused expectations are part of the way we do business. ▪ Incremental improvements for purpose and values, leadership and company confidence in annual culture and engagement survey ▪ People Strategy Activation Projects delivered 	<ul style="list-style-type: none"> ▪ Our annual culture and engagement survey results reveal a positive uplift in our teams view that they can actively contribute to our mission and recognised a connection with our organisational values. Company confidence has remained at an above average level in and comparable to previous year's results and continues to be well above the NZ industry benchmark.

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		<ul style="list-style-type: none"> ▪ Improved scores in leadership categories reflect measurable returns on the investment made into leadership coaching and development. ▪ People strategy projects continue to be activated with positive results being achieved through our bi-monthly pulse checks and annual culture and engagement survey ▪ Delivery of Cultural Intelligence, diversity and unconscious bias training for all frontline team members in conjunction with Diversity ▪ A revised approach to Strategic Talent Management has commenced which will enable us to be more prepared to anticipate and respond to industry related challenges when it comes to attracting, retaining and retraining our talent.
<p>13. To be a fair employer that celebrates equality and diversity that is renowned for going beyond compliance and creating value and opportunity for our people</p>	<ul style="list-style-type: none"> ▪ Activate Wawata Iwi fair employer charter ▪ Incremental improvements for leadership, enablement and work/life blend in annual culture and engagement survey ▪ Create new Wawata Iwi specific engagement measures in annual culture and engagement survey 	<ul style="list-style-type: none"> ▪ A new set of Diversity and Inclusion questions (which align with our Fair Employer Charter) were included in the latest annual and culture engagement survey. Over 80% of our team agreed or strongly agreed with the questions asked which provides a solid foundation to work from when developing our Diversity, Inclusion and Belonging framework in 2020.

Nature of Business

The company operates predominantly in the business of providing airport facilities and services to airline and airport users. The nature of the company's business has not changed during the period.

For the current and previous reporting period, the results are for Christchurch International Airport Limited and its five wholly owned subsidiaries. As the wholly owned subsidiaries do not trade and hold no assets or liabilities, the results and financial position for the CIAL group are the same as that for the CIAL parent company.

Credit Rating Status

On October 15, 2019, S&P Global Ratings re-affirmed its rating on Christchurch International Airport Ltd (CIAL) at 'A-'. The outlook on the long-term rating remains stable. The issue rating on the company's debt also remains at 'A-'.

Summary of Waivers

The company was issued with waivers of the previous Listing Rules 5.2.3 and 11.1.5 by NZX (for a period of six months from 25 May 2018) in respect of the company's May 2018 issue of \$100 million of unsecured, unsubordinated, fixed rate notes (Bonds).

The previous waiver from Listing Rule 5.2.3 enabled CIAL to apply for quotation on the NZX Debt Market even though the Bonds may not have been initially held by at least 100 members of the public holding at least 25% of the Bonds issued.

The previous waiver from Listing Rule 11.1.5 enabled CIAL to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.

On November 2018, NZX granted a class ruling to all issuers transitioning to the new Listing Rules. The company no longer requires a waiver from the previous Listing Rule 11.1.5. This is because NZX has provided CIAL with approval under Listing Rule 8.1.6 to enable CIAL to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.