



# PRODUCT DISCLOSURE STATEMENT

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OFFER OF FIXED RATE 6 YEAR BONDS

ISSUED BY CHRISTCHURCH  
INTERNATIONAL AIRPORT LIMITED

DATE: 3 MAY 2018

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This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). Christchurch International Airport Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

LEAD MANAGER





# 1 KEY INFORMATION SUMMARY

## WHAT IS THIS?

This is an offer of unsecured, unsubordinated fixed rate bonds (**Bonds**). The Bonds are debt securities issued by Christchurch International Airport Limited (CIAL). You give CIAL money, and in return CIAL promises to pay you interest and repay the money at the end of the term. If CIAL runs into financial trouble, you might lose some or all of the money you invested.

## ABOUT CIAL GROUP

The CIAL Group is the owner and operator of Christchurch International Airport (**Airport**). As the gateway for Christchurch and the South Island, the Airport is New Zealand's second largest airport based on passenger numbers and is the busiest air connection for South Island trade and tourism markets.

The Airport includes dual runways (that are not subject to any curfew), the Airport terminal, infrastructure and airfields. The CIAL Group owns and leases (in perpetuity) around 1,000 hectares of land.

The Airport is a critical piece of strategic national and regional infrastructure and provides a significant contribution to both the Canterbury region and the South Island with the total Airport campus operation employing more than 6,200 employees across a diverse range of companies and government agencies.

You should also read section 4 (*CIAL Group and what it does*).

## PURPOSE OF THIS OFFER

The proceeds of this offer are expected to be used by CIAL to refinance \$50 million of its existing bank loan facilities. Any additional proceeds raised will be used to provide funding for capital development projects and for general operational purposes. Issuing the Bonds will further diversify CIAL's funding sources and lengthen its average debt maturity profile. You should also read section 5 (*Purpose of the offer*).

## KEY TERMS OF THE OFFER

### ISSUER

Christchurch International Airport Limited.

### DESCRIPTION OF THE DEBT SECURITIES

Unsecured, unsubordinated, fixed rate bonds.

### TERM

6 years maturing on 24 May 2024.

### OFFER AMOUNT

Up to \$75 million with the ability to accept oversubscriptions of up to \$25 million at CIAL's discretion.

### INTEREST RATE

The Bonds will pay a fixed rate of interest until the Maturity Date.

The Interest Rate will be no lower than a minimum Interest Rate. This minimum Interest Rate will be determined by CIAL in conjunction with the Lead Manager and announced via NZX on or about the Opening Date (being 14 May 2018).

The Interest Rate will be determined on the Rate Set Date (being 18 May 2018) by CIAL in conjunction with the Lead Manager and will be the greater of:

- the minimum Interest Rate; and
- the sum of the Swap Rate on the Rate Set Date and the margin.

The margin will be determined by CIAL in conjunction with the Lead Manager following a bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins.

The Interest Rate will be announced via NZX on the Rate Set Date.

### INTEREST PAYMENTS

Interest will be paid semi-annually in arrear in equal amounts on 24 May and 24 November of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.

The first Interest Payment Date will be 24 November 2018. As that date is a Saturday, the actual payment will be made on 26 November 2018.

<b>OPENING DATE</b>	14 May 2018
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<b>CLOSING DATE</b>	11am, 18 May 2018
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<b>RATE SET DATE</b>	18 May 2018
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<b>ISSUE DATE</b>	24 May 2018
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### MINIMUM APPLICATION AMOUNT

\$5,000 and multiples of \$1,000 thereafter.

### NO UNDERWRITING

The Offer is not underwritten.

### FURTHER PAYMENTS, FEES OR CHARGES

Taxes may be deducted from interest payments on the Bonds. See section 9 (*Tax*) for further details.

You are not required to pay brokerage or any other fees or charges to CIAL to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds. Contact your Primary Market Participant for further information on applicable fees.

### SELLING RESTRICTIONS

The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 6 under the heading *Selling Restrictions* for further details.

### NO GUARANTEE

As at the date of this PDS, CIAL is solely responsible for repayment of the Bonds, and for the payment of interest on the Bonds. The Bonds are not guaranteed by any other member of the CIAL Group, the Crown or any other person.

### HOW YOU CAN GET YOUR MONEY OUT EARLY

You have no right to require CIAL to redeem your Bonds before the Maturity Date. However, CIAL may be required to repay the Bonds early if there is an Event of Default. You should also read section 6 (*Key features of the Bonds*).

CIAL intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of the CIAL Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

### HOW THE BONDS RANK FOR REPAYMENT

The Bonds rank equally with CIAL's other unsecured and unsubordinated obligations. This means that if CIAL goes into liquidation:

- You will be repaid after CIAL's secured creditors and creditors preferred by law (e.g. Inland Revenue).
- You will be repaid at the same time and to the same extent as all other unsecured and unsubordinated creditors of CIAL (including other Bondholders, the banks that lend money to CIAL, holders of other unsecured and unsubordinated bonds (including CIAL's existing bonds), trade creditors and suppliers).
- You will be repaid before CIAL's subordinated creditors (if any), holders of any subordinated bonds issued by CIAL (if any), and CIAL's ordinary shareholders.

More information on how the Bonds rank for repayment can be found in section 6 (*Key features of the Bonds*).

### NO SECURITY

The Bonds are not secured against any of CIAL's or the CIAL Group's assets.

### WHERE YOU CAN FIND CIAL GROUP'S FINANCIAL INFORMATION

The financial position and performance of the CIAL Group are essential to an assessment of CIAL's ability to meet its obligations under the Bonds. You should also read section 7 of the PDS (*CIAL Group's financial information*).

### KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that CIAL does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of the PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

CIAL considers that the most significant risk factors are:

#### *Specialised Infrastructure Portfolio*

CIAL owns and operates specialised infrastructure and operating assets that cannot be easily used for other purposes, and hence CIAL is dependent on customer demand or uptake to make revenue, and its assets could become redundant if there was a material decrease in demand or uptake.

A decrease in customer demand for some or all of the services of CIAL could materially impact its current revenue streams. This decrease in revenue may affect CIAL's covenant compliance, in particular the interest cover ratio, if the financial impact was sufficiently large.

#### *Ability to Facilitate Aircraft and Passenger Movements*

The Airport is located on a single site in Christchurch. This concentration of assets and business operations exposes CIAL to localised events or events that have a localised effect, such as a seismic event.

In addition, whilst CIAL owns the terminal and airfields, it is heavily reliant on a number of third party suppliers and Crown agencies in its day-to-day operations of the Airport.

Should any event occur or if any of these suppliers or agencies were unable to perform the required services

for an extended period, then this could cause a significant drop in revenue that may affect CIAL’s covenant compliance, in particular the interest cover ratio.

**Regulatory Environment**

A significant portion of CIAL’s revenue is regulated under Part 4 of the Commerce Act 1986, with regulatory oversight being undertaken by the Commerce Commission.

Regulatory changes could reduce the level of revenue received by CIAL and could affect CIAL’s covenant compliance, in particular the interest cover ratio. The extent of this regulatory risk is difficult to quantify without full details of any specific changes, however CIAL has performed satisfactorily in this environment to date and remains actively engaged with governmental and regulatory stakeholders including the Commerce Commission.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 8 of the PDS (*Risks of investing*).

**WHAT IS CIAL’S CREDIT RATING?**

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

CIAL has been rated by S&P Global Ratings. S&P Global Ratings gives ratings from AAA through to C. S&P Global Ratings may be modified with a (+) or (-) sign to show relative standing within a rating category.

As at the date of this PDS, CIAL has been assigned a long-term credit rating of BBB+.

The Bonds are to be rated by S&P Global Ratings. CIAL expects the initial credit rating assigned to the Bonds by S&P Global Ratings will be BBB+. CIAL expects the credit rating will be assigned to the Bonds before the Issue Date.

**CIAL’S CURRENT CREDIT RATING**

S&P GLOBAL RATINGS								
Range of long-term credit ratings for S&P Global Ratings	AAA	AA	A	BBB	BB	B	CCC	CC to C
	Capacity to make timely payment				Vulnerability to non-payment			
Summary description of the rating	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
				Credit rating for CIAL is BBB+, stable outlook				
Approximate probability of default over a period of at least 5 years*	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	1 in 2

S&P Global Ratings’ ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories. CIAL’s BBB rating has been modified by a (+).

\* The approximate, median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by S&P Global Ratings (source: Reserve Bank of New Zealand publication “Explaining Credit Ratings”, dated November 2008).

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## 2 KEY DATES AND OFFER PROCESS

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<b>OPENING DATE</b>	<b>14 MAY 2018</b>
<b>CLOSING DATE</b>	<b>11AM, 18 MAY 2018</b>
<b>RATE SET DATE</b>	<b>18 MAY 2018</b>
<b>ISSUE AND ALLOTMENT DATE</b>	<b>24 MAY 2018</b>
<b>EXPECTED DATE OF INITIAL QUOTATION AND TRADING OF THE BONDS ON THE NZX DEBT MARKET</b>	<b>25 MAY 2018</b>
<b>FIRST INTEREST PAYMENT DATE</b>	<b>24 NOVEMBER 2018</b>
<b>INTEREST PAYMENT DATES</b>	<b>24 MAY AND 24 NOVEMBER IN EACH YEAR</b>
<b>MATURITY DATE</b>	<b>24 MAY 2024</b>

The timetable is indicative only and subject to change.

CIAL may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date). If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

CIAL reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.

## 3 TERMS OF THE OFFER

<b>ISSUER</b>	Christchurch International Airport Limited.
<b>DESCRIPTION OF THE DEBT SECURITIES</b>	Unsecured, unsubordinated, fixed rate bonds.
<b>TERM</b>	6 years, maturing on 24 May 2024.
<b>OFFER AMOUNT</b>	Up to \$75 million with the ability to accept oversubscriptions of up to \$25 million at CIAL's discretion.
<b>ISSUE PRICE</b>	\$1.00 per Bond, being the Principal Amount of each Bond.
<b>INTEREST RATE</b>	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be no lower than a minimum Interest Rate. This minimum Interest Rate will be determined by CIAL in conjunction with the Lead Manager and announced via NZX on or about the Opening Date (being 14 May 2018).</p> <p>The Interest Rate will be determined on the Rate Set Date (being 18 May 2018) by CIAL in conjunction with the Lead Manager and will be the greater of:</p> <ul style="list-style-type: none"> <li>• the minimum Interest Rate; and</li> <li>• the sum of the Swap Rate on the Rate Set Date and the margin.</li> </ul> <p>The margin will be determined by CIAL in conjunction with the Lead Manager following a bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins.</p> <p>The Interest Rate will be announced via NZX on the Rate Set Date.</p>
<b>INTEREST PAYMENT DATES</b>	<p>Interest will be paid semi-annually in arrear in equal amounts on 24 May and 24 November of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.</p> <p>The first Interest Payment Date will be 24 November 2018. As that date is a Saturday, the actual payment will be made on 26 November 2018.</p>
<b>INTEREST PAYMENTS AND ENTITLEMENT</b>	<p>Payments of interest on Interest Payment Dates will be of equal semi-annual amounts. Any interest on the Bonds payable on a date which is not an Interest Payment Date, will be calculated based on the number of days in the relevant period and a 365-day year.</p> <p>On Interest Payment Dates, interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date.</p> <p>The record date for the Interest Payment Dates is 5.00pm on the date that is 10 days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.</p>
<b>OPENING DATE</b>	14 May 2018



<b>CLOSING DATE</b>	11am, 18 May 2018
<b>SCALING</b>	CIAL may scale applications at its discretion, but will not scale any application to below \$5,000 or to an amount that is not a multiple of \$1,000.
<b>REFUNDS</b>	<p>If CIAL does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all or the relevant balance of your application money received will be repaid to you as soon as practicable and, in any event, within 5 Business Days of the Issue Date.</p> <p>No interest will be paid on refunds.</p>
<b>MINIMUM APPLICATION AMOUNT</b>	\$5,000 and multiples of \$1,000 thereafter.
<b>HOW TO APPLY</b>	<p>Application instructions are set out in section 13 (<i>How to apply</i>).</p> <p>CIAL reserves the right to refuse all or any part of any application for Bonds under the Offer without giving a reason.</p>
<b>NO UNDERWRITING</b>	The Offer is not underwritten.
<b>QUOTATION</b>	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.</p> <p>NZX ticker code CHC010 has been reserved for the Bonds.</p>
<b>NZX WAIVERS AND APPROVALS</b>	<p>NZX has provided CIAL with a waiver in relation to Listing Rule 5.2.3 to enable CIAL to apply for quotation on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a period of 6 months from the quotation date of the Bonds. The effect of the waiver from Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds. NZX has also provided CIAL with approval under Listing Rule 11.1.5 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.</p>
<b>TRANSFER RESTRICTIONS</b>	<p>CIAL may 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.</p>

<b>RANKING OF BONDS</b>	<p>The Bonds rank equally with CIAL's other unsecured and unsubordinated obligations.</p> <p>More information on the ranking of the Bonds can be found in section 6 (<i>Key features of the Bonds</i>).</p>
<b>NO GUARANTEE</b>	The Bonds are not guaranteed as at the date of this PDS.
<b>EARLY REDEMPTION</b>	Bondholders have no right to require CIAL to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs (as described below).
<b>EVENTS OF DEFAULT</b>	<p>If an Event of Default occurs and is continuing, the Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Bonds immediately due and payable.</p> <p>The Events of Default are set out in clause 18.1 of the Trust Deed (a copy of which is included on the Disclose Register) and are summarised in section 6 (<i>Key features of the Bonds</i>).</p>
<b>FURTHER BONDS</b>	CIAL may issue further bonds without the consent of Bondholders which may rank ahead of, equally with, or behind the Bonds.
<b>FURTHER PAYMENTS, FEES OR CHARGES</b>	Taxes may be deducted from interest payments on the Bonds. See section 9 ( <i>Tax</i> ) for further details.
<b>SELLING RESTRICTIONS</b>	The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 6 under the heading <i>Selling Restrictions</i> for further details.
<b>BROKERAGE</b>	You are not required to pay brokerage or any other fees or charges to CIAL to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds. Contact your Primary Market Participant for further information on applicable fees.
<b>NO RELIANCE</b>	None of the Supervisor, the Lead Manager, nor their respective directors, employees, agents or advisers have independently verified the information contained in this PDS or the Disclose Register.
<b>GOVERNING LAW</b>	New Zealand.
<b>SECURITIES REGISTRAR</b>	Computershare Investor Services Limited.

## TRUST DEED AND GUARANTEE

The terms and conditions of the Bonds (including the Guarantee as described in section 6 of this PDS) are set out in the Trust Deed, as supplemented by the Supplemental Trust Deed. Bondholders are bound by, and are deemed to have notice of, the Trust Deed and the Supplemental Trust Deed.

If you require further information in relation to any terms and conditions in the Trust Deed (including the Guarantee) and Supplemental Trust Deed, you can obtain a copy of these documents from the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

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## TRADING YOUR BONDS ON THE NZX DEBT MARKET

CIAL intends to quote the Bonds on the NZX Debt Market. To be eligible to trade your Bonds on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number (CSN) and an authorisation code. If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant's procedures.

If you do not have a CSN, you will be automatically assigned one. If you do not have an authorisation code, it is expected that you will be sent one by the Securities Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your Bonds, your Primary Market Participant can arrange to obtain your authorisation code from the Securities Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Securities Registrar and may pass this cost on to you.

You may only transfer your Bonds in multiples of \$1,000 and after any transfer you and the transferee must each hold Bonds with an aggregate principal amount of at least \$5,000 (or no Bonds). You will likely have to pay brokerage on any transfer of Bonds you make through a Primary Market Participant.

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## 4 CIAL GROUP AND WHAT IT DOES

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### BACKGROUND

CIAL is the owner and operator of Christchurch International Airport (**Airport**). The Airport first opened as a commercial airport in 1939 as a division of the Christchurch City Council. In 1988 CIAL was incorporated to operate the airport business. Primarily, CIAL is responsible for the efficient and safe operation of the Airport, whilst aiming to provide the Airport's diversity of users with modern, appropriate and efficient facilities and services.

CIAL is a council-controlled trading organisation for the purposes of the Local Government Act 2002, and is registered as a limited liability company under the Companies Act 1993 in New Zealand. As a council-controlled trading organisation, CIAL is required to prepare an annual Statement of Intent (**SOI**). A copy of the latest SOI for the year ended 30 June 2018 may be obtained, free of charge, by visiting CIAL's registered office during normal business hours, or downloading a copy from CIAL's website, [www.christchurchairport.co.nz](http://www.christchurchairport.co.nz).

As at the date of this PDS, the Crown (i.e. the New Zealand Government) has a 25% shareholding in CIAL and such ownership is exercised through two shareholding Ministers, being the Minister of Finance and the Minister for State-Owned Enterprises (who each hold 12.5%). The remaining 75% is owned by Christchurch City Holdings Limited (CCHL), a 100% owned subsidiary of the Christchurch City Council.

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### CORPORATE STRUCTURE

As at the date of this PDS, the CIAL Group undertakes all operations within CIAL.

CIAL currently has five wholly owned subsidiary companies:

- CIAL HOLDINGS NUMBER 1 LIMITED;
- CIAL HOLDINGS NUMBER 2 LIMITED;
- CIAL HOLDINGS NUMBER 3 LIMITED;
- CIAL HOLDINGS NUMBER 4 LIMITED; AND
- CIAL HOLDINGS NUMBER 5 LIMITED.

All of the wholly owned subsidiaries are currently dormant companies. They have never traded or held any assets or liabilities since their incorporation in June 2003. The Bonds are not guaranteed by these wholly owned subsidiaries.

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### AIRPORT FACILITIES

The Airport is located 10 kilometres northwest of Christchurch city centre, on the western city development edge and is a critical piece of significant national and regional infrastructure. As the gateway for Christchurch and the South Island, the Airport is New Zealand's second largest airport and is the busiest air connection for South Island trade and tourism markets.

There are four airlines providing domestic services from the Airport, and nine operating short and long-haul international services. Passenger numbers through CIAL's terminals for the financial year ended 30 June 2017 were 6.57 million (2016: 6.3 million), and for the six months to 31 December 2017 were 3.41 million (2016: 3.24 million).

The Airport owns and leases (in perpetuity) around 1,000 hectares of land, which includes:

- a two-runway system (that are not subject to any curfew) with a main runway and a cross wind runway that intersects the main runway;
- the recently developed CIAL terminal complex; and
- infrastructure and airfields.

The Airport is one of only two in New Zealand capable of handling direct long-haul international services operated by "wide-bodied" aircraft (i.e. direct services to international destinations other than Australia).

Within the Airport terminal, CIAL leases space to a wide variety of businesses including airline operators, duty free shops, food outlets, retail and rental car operators. The Airport also has car parking facilities, and significant ground and property leasing activity across the greater airport campus. On the airfield, it leases space to airlines, freight companies, the Canterbury Aero Club and numerous general aviation businesses.



The Airport is also home to the Antarctic research programs of the United States of America and New Zealand, making it one of only five Antarctic gateway cities in the world.

## AIRPORTS IN NEW ZEALAND

There are 37 airports in New Zealand which provide scheduled services. Currently five airports provide international air services (besides domestic services): Auckland and Christchurch (the two largest) provide direct long-haul and short-haul international air services; and Wellington, Queenstown and Dunedin provide short-haul international air services essentially on trans-Tasman routes. There are 32 other airports providing scheduled domestic services only.

Airports are a vital component of the air transport industry, underpinning tourism, trade and investment. The prospects for airport operators generally are driven by overall air traffic volumes and their ability to develop new routes and frequencies to attract new seat capacity in competition with other airports worldwide.

## PRINCIPAL ACTIVITIES

### *Aeronautical Services*

The core operations of the Airport comprise aeronautical services (including both the use of the airfield and terminal). CIAL receives revenue from charges paid by aircraft operators for the use of runway and terminal facilities and the provision of associated services (including check-in counters). This revenue source is influenced by passenger movements and is regulated income under Part 4 of the Commerce Act 1986. Historically CIAL passenger growth tends to reflect the health of the New Zealand tourism industry, given its high percentage of leisure traffic.

All domestic and international airport charges are collected from airline operators. CIAL sets its prices following consultation with substantial airline customers. Prices are set for up to five years with annual increments. CIAL has recently re-set its prices for the next five-year period with these new charges having come into effect on 1 July 2017.

### *Non-Aeronautical Services – Passengers*

The operations of the Airport also comprise non-aeronautical activities. Revenue sources from these activities include:

- leasing space within the terminal to retailers, duty free shops, food and beverage outlets, rental car operators and other commercial operators; and
- car parking and commercial vehicle access charges.

### *Non-Aeronautical Services – Property*

CIAL has a land holding of approximately 1,000 hectares (including the Airport) and whilst this land is held for airport purposes, land not needed for immediate aeronautical and terminal activity has been identified in CIAL's Master Plan for commercial property development.

Business risk diversification through property growth provides a pivotal role in underpinning the long term competitive position of CIAL's aeronautical services and de-risks CIAL against aviation volatility which can impact profitability.

CIAL's commercial property portfolio strategy is 'to be a landlord' (i.e. CIAL does not develop and then sell property, but rather, CIAL is a long-term landlord). CIAL's investment strategy is to pursue new investment where the proposed investment grows CIAL's balance sheet and increases (and hence de-risks) revenue streams.



CIAL has been investing in the development of its property since incorporation, initially in aircraft and freight related developments. In 2008/9, CIAL developed a long term strategic property vision to maximise the development of the property portfolio beyond traditional airport related investments. This has seen the acceleration of commercial property investment across the wider campus since that time and particularly over the last 3 to 4 years. As at 30 June 2017, CIAL's commercial property portfolio (excluding

land yet to be developed) comprised approximately 100 properties (147 leases), had an occupancy rate of 99%, achieved an average yield on developed property (including land and buildings) of 7.68% and maintained a weighted average lease term of 6.45 years.

CIAL has separated its non-aeronautical land areas into development precincts to focus on those activities which CIAL may engage in under the "Specific Purpose (Airport) Zone" contained in the Christchurch District Plan, under which CIAL operates. These are as follows:

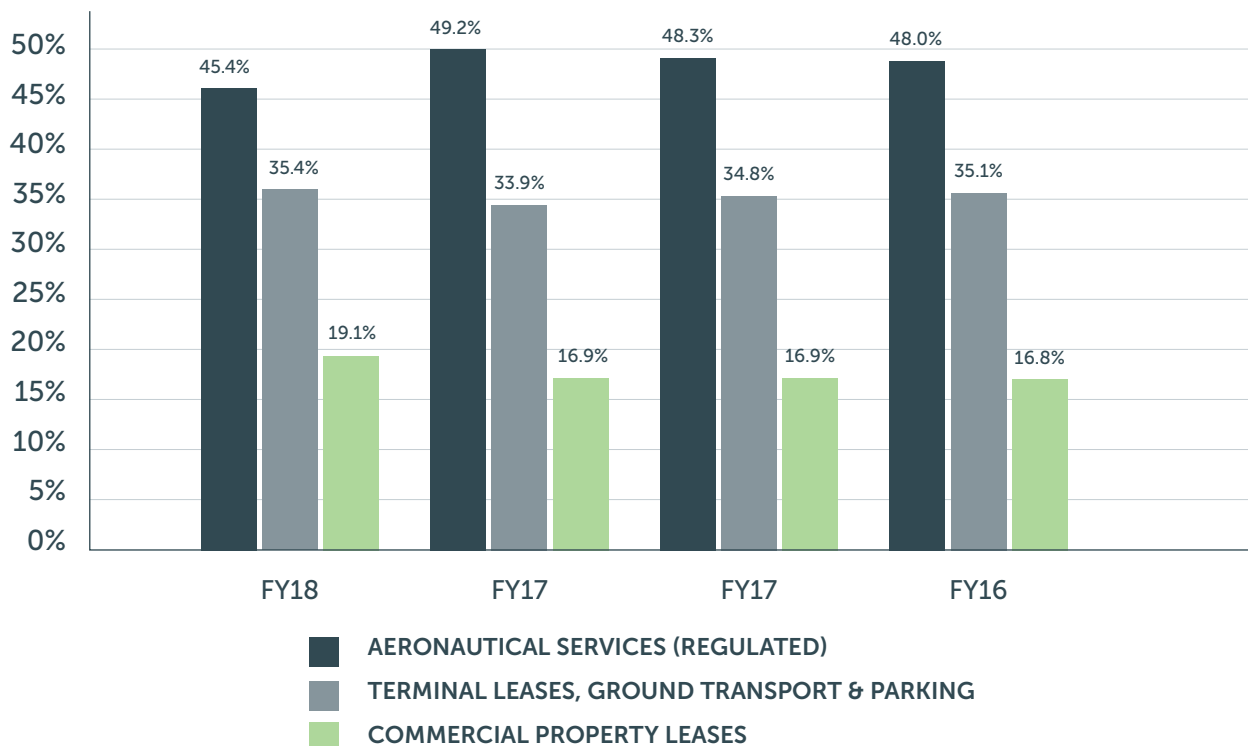
DEVELOPMENT	DESCRIPTION	STATUS
Dakota Park	Light Industrial, Freight & Logistics	Under development
South Island Logistics Centre	Parcel and Air Freight Logistics	Development complete
Mustang Park	Rental Vehicle Facilities	Under development
Spitfire Square	Convenience Retail Precinct	Development complete and fully leased
Harvard Park	Trade Retail	Development planning and tenant negotiation progressing
Terminal	Novotel Christchurch Airport Hotel JUCY Snooze Backpacker	Under construction Development complete





The percentage split of CIAL’s Operating Revenue for the six months ended 31 December 2017 and the financial year ended 30 June 2017 (together with the relative comparatives) is shown in the graph below.

**CONTRIBUTION TO OPERATING REVENUE**



*N.B. Operating Revenue is non-GAAP financial information that does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. For CIAL it is defined as Total Revenue (determined in accordance with GAAP) less fair value gains on investment properties and interest income. It is disclosed fully in Note 1 to CIAL’s audited financial statements for the years ended 30 June and in Note 2 to CIAL’s unaudited interim financial statements for the six months ended 31 December. CIAL uses this as its key internal revenue measure, as it reflects revenues received from its principal activities as outlined above.*

In relation to all non-GAAP financial information contained in this PDS, a reconciliation is available in the “Reconciliation of Non-GAAP Financial Information” document under the “Other financial Information” section on the Disclose Register.



## REGULATORY FRAMEWORK

CIAL operates solely in New Zealand and is governed by a range of New Zealand legislation and regulation including the Civil Aviation Act 1990 in terms of operational performance.

Since 2011, New Zealand's three largest airports including Christchurch have been subject to Information Disclosure regulation under Part 4 of the Commerce Act 1986. This regulation is designed to provide airport businesses with the right incentives to act in a way that benefits consumers over the long term. Under this framework, the Commission does not set prices for airport services but instead the focus is on monitoring airport performance, ensuring there is transparency in pricing decisions, as well as the effectiveness of the information disclosure regime.

The information disclosure regime includes:

- annual disclosure and monitoring of financial performance, quality (as measured by reliability measures, passenger satisfaction and operational improvement processes), capacity utilisation indicators and capital investment; and
- a price setting disclosure following the setting of standard aeronautical prices (every five years) which provides information on the basis for pricing and targeted returns.

A key part of the regulatory regime is the Input Methodologies (IMs). IMs set out how airports must calculate the allowable revenue that they can earn over each pricing period, based on a prescribed approach to the valuation of regulatory assets and the Commerce Commission's estimates of the industry-wide cost of capital for monitoring purposes.

The regime effectively sets the aeronautical revenue that CIAL can earn from its Regulatory Asset Base for each 5 year pricing cycle analysed against a published mid-point WACC calculated by the Commerce Commission at the start of that period (CIAL's most recent pricing period commenced on 1 July 2017 through to 30 June 2022).

## CORPORATE GOVERNANCE

The Board and management of CIAL are committed to ensuring it maintains corporate governance practices in line with current best practice. The Directors and executive management team of CIAL have a broad range of commercial, legal, property, tourism and other relevant experience and expertise.

The Board currently consists of five directors; three appointed by CIAL's majority shareholder, CCHL, (Catherine Drayton, Chris Paulsen and Kathryn Mitchell (also known as Kate Morrison)), and two appointed by the Crown, (Frederick David Justin Murray and Paul Robert Thomas Reid).

The Directors may change after the date of this PDS. Further information on each of the directors can be found at [www.christchurchairport.co.nz/en/about-us/corporate-information](http://www.christchurchairport.co.nz/en/about-us/corporate-information). Each of the Directors can be contacted at CIAL's registered office.

Although CIAL is 25% owned by the Crown, CIAL does not consider that its shareholding Ministers are "directors" or "senior managers" of the Crown for the purposes of the FMCR. CIAL has not made any enquiries into whether any actions or inactions of its shareholding Ministers would be considered material in respect of the Offer and should be disclosed in this PDS.

CIAL considers that this view is supported by the limited level of involvement that the Crown has in CIAL's business. The key aspects of CIAL's relationship with the Crown include:

- a 'Letter of Expectation' which is sent by the Crown to CIAL each year and is made publically available; and
- regular update reports provided by CIAL to the Crown.

As the shareholding Ministers do not play an active role in the management or operations of CIAL's business, CIAL does not consider that any disclosures relating to those Ministers are material in the context of the Offer.



## 5 PURPOSE OF THE OFFER

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The proceeds of this Offer (which could be up to \$100 million, including any oversubscriptions accepted by CIAL) are expected to be used by CIAL to refinance \$50 million of its existing bank loan facilities, noting that CIAL has \$75 million of bank facilities due to mature within the next 12 months. Any additional proceeds raised will be used to provide funding for capital development projects and for general operational purposes.

CIAL's intended use of the proceeds of the Offer set out above is not dependent on the final amount that is raised under the Offer.

The issue of Bonds is the continuation of a capital management initiative that aims to further diversify CIAL's funding sources and lengthen its average debt maturity profile. The use of the money raised under the Offer will not change depending on the total amount that is raised.

CIAL has committed bank funding facilities for an aggregate \$295 million with five banks, together with total existing bond funding of \$175 million and a \$1 million overdraft facility, totalling \$471 million.

As at 31 December 2017, actual funds drawn were \$394 million leaving undrawn facilities of \$77 million, which are sufficient to cover more than 110% of CIAL's forecast debt requirements over the next twelve months.

There is no minimum amount that must be raised before the Bonds are issued.

The Offer is not underwritten.

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## 6 KEY FEATURES OF THE BONDS

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Several key features of the Bonds are described in section 3 (*Terms of the offer*). The other key features of the Bonds are described below.

A copy of the Trust Deed (including the Guarantee) and the Supplemental Trust Deed are included on the Disclose Register.

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### RANKING

The Bonds constitute unsecured, unsubordinated debt obligations of CIAL.

On a liquidation of CIAL, amounts owing to Bondholders rank equally with all other unsecured, unsubordinated obligations of CIAL.

The ranking of the Bonds on a liquidation of CIAL is summarised in the diagram below. The diagram is a summary of indicative amounts only and in the event of a liquidation of CIAL, the actual priority amounts may differ.

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## DIAGRAM SHOWING RANKING OF BONDS

	Ranking on the liquidation of CIAL	Liabilities	Indicative amount of existing liabilities and equity of CIAL as at 31 December 2017 adjusted for expected issue proceeds
<p>Higher Ranking / Earlier priority</p>  <p>Lower Ranking / Later priority</p>	Liabilities that rank in priority to the Bonds*	Secured liabilities	\$0.1 million
		Liabilities preferred by law, including employee entitlements and Inland Revenue for certain unpaid taxes	\$10.8 million
	Liabilities that rank equally with the Bonds	Bonds	\$250 million **
		Other unsubordinated and unsecured liabilities that rank equally with the Bonds, including CIAL's existing Bonds	\$201.4 million
	Liabilities that rank below the Bonds	Subordinated and unsecured liabilities	Nil
	Equity	Shares, reserves and retained earnings	\$823.9 million

\*Liabilities that rank in priority to the Bonds include:

- employee entitlements to unpaid salaries and wages, holiday pay and long service leave, and PAYE of \$2.6 million; and
- amounts owing to the Inland Revenue for unpaid income tax and goods and services tax of \$8.2 million.

Some trade creditors retain a security interest in the products they have supplied to the CIAL Group until they have been paid. At 31 December 2017 the total value of creditors where a creditor retained a security interest was estimated to be \$0.1 million.

There are typically other preferred or secured claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.

\*\*Based on \$75 million of Bonds being issued under the Offer. The final size of the Offer will not materially impact the aggregate amount that ranks equally with the Bonds, as the proceeds of the Offer are expected to be applied towards repaying a portion of bank debt which ranks equally with the Bonds.

## RESTRICTIONS ON INCURRING FURTHER INDEBTEDNESS

Other than the restrictions on CIAL creating new security interests or further liabilities as described below under "Financial Covenants" and "Negative Pledge", there are no restrictions on CIAL creating new security interests or further liabilities that rank equally with, or in priority to, the Bonds on a liquidation of CIAL after the Issue Date.

CIAL and the Guaranteeing Group Members could therefore, at any time after the Issue Date, create new security interests or further liabilities that rank equally with, or in priority to, the Bonds. These further liabilities could, for example, be a new series of bonds issued under the Trust Deed or a new borrowing facility with a bank.

- if the aggregate principal amount secured does not exceed 5% of the Total Tangible Assets of the Guaranteeing Group (in addition to the security permitted pursuant to the circumstances described below); or
- in certain other limited circumstances set out in the Trust Deed (including if the security arises by operation of law, relates to a commercial consignment or transfer or purchase of an account receivable or chattel paper, relates to the acquisition of an asset, project or joint venture, is already in existence when the relevant asset was acquired or before the entity granting that security became a Guaranteeing Group Member, substitutes an existing permitted security, is in favour of another Guaranteeing Group Member or is created with the consent of the Supervisor).

More information on the negative pledge is contained in clause 17 of the Trust Deed.

CIAL has also agreed with the Lenders to the same negative pledge obligations as above under the Negative Pledge Deed.

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## FINANCIAL COVENANTS

CIAL has undertaken that, for so long as any bonds issued under the Trust Deed are outstanding:

- at all times, the Total Tangible Assets of the Guaranteeing Group will exceed 90% of the Total Tangible Assets of the CIAL Group;
- at all times, Total Debt of the Guaranteeing Group will not exceed 60% of the sum of Total Debt plus Total Equity (which includes subordinated debt, provided it meets certain qualifying criteria) of the Guaranteeing Group;
- the interest cover ratio of the Guaranteeing Group (being EBITDA divided by Total Interest Expense) for the immediately preceding financial year will not be less than 1.75:1; and
- at all times, the Total Tangible Assets of the Guaranteeing Group attributable to joint venture interests will not exceed 10% of Total Tangible Assets of the CIAL Group, provided that any excess over 10% of the Total Tangible Assets of the CIAL Group up to a further 5% of such Total Tangible Assets is permitted subject to certain conditions.

CIAL has also provided the same undertakings to the Lenders under the Negative Pledge Deed.

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## GUARANTEES

As at the date of this PDS, no guarantee of the Bonds has been given by any member of the CIAL Group (other than CIAL itself). Under the Trust Deed, the Bonds are guaranteed by the Guaranteeing Group Members under the Guarantee, but as at the date of this PDS, there are no Guaranteeing Group Members other than CIAL. Other companies owned by CIAL may be added as Guaranteeing Group Members in accordance with the Trust Deed.

The Bonds are not guaranteed by the Crown, the Ministers, CCHL or Public Trust.

Under the Trust Deed, each Guaranteeing Group Member jointly and severally guarantees the payment of all amounts owing or payable to the Supervisor. There are no limits on the obligations of any Guaranteeing Group Member in respect of the amounts owing under the Guarantee. The obligations of the Guaranteeing Group Members under the Guarantee are unsecured and unsubordinated. On a liquidation of a Guaranteeing Group Member amounts owing to Bondholders under the Guarantee would rank equally with all other unsecured, unsubordinated obligations of that Guaranteeing Group Member.

Not all members of the CIAL Group are required to be Guaranteeing Group Members. Each member of the CIAL Group which is a "Controlled Subsidiary" is required to be a Guaranteeing Group Member, unless the exemption described below applies. A Controlled Subsidiary is a wholly owned subsidiary of CIAL and/or any Guaranteeing Group Member.

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## NEGATIVE PLEDGE

CIAL has agreed with the Supervisor that, for so long as any bonds (including the Bonds) issued under the Trust Deed and any money owing or payable by CIAL or any Guaranteeing Group Member to the Supervisor is outstanding, neither it nor any Guaranteeing Group Member will secure its assets in respect of borrowings unless an equivalent security interest is created in respect of all money owing or payable by CIAL or any Guaranteeing Group Member under the Trust Deed. This negative pledge is subject to certain other exclusions, including:

The Trust Deed contains provisions that:

- exempt certain Controlled Subsidiaries from being Guaranteeing Group Members where the Issuer has certified to the Supervisor that the Issuer and each other Guaranteeing Group Member (if any) will continue to be able to satisfy the requirement for Total Tangible Assets of the Guaranteeing Group to exceed 90% of the Total Tangible Assets of the CIAL Group if the Controlled Subsidiary is not a Guaranteeing Group Member; and
- release certain Guaranteeing Group Members from the Guarantee. In all cases, the Supervisor must be satisfied that the release will not materially prejudice the interests of Bondholders.

More information on the Guarantee is contained in clauses 12, 13 and 14 of the Trust Deed.

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## EVENTS OF DEFAULT

The Events of Default are contained in clause 18.1 of the Trust Deed. They include a failure by CIAL and/or any Guaranteeing Group Member to make a payment on the Bonds, a material misrepresentation by CIAL and/or a Guaranteeing Group Member, a breach of the financial covenants set out in the Trust Deed and insolvency events that affect CIAL or a Guaranteeing Group Member.

If an Event of Default occurs and is continuing, the Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Principal Amount and any accrued interest on the Bonds immediately due and payable. If this occurred, CIAL would be obliged to repay you the Principal Amount of your Bonds and any outstanding interest due on your Bonds.

More information on the Events of Default is contained in clause 18 of the Trust Deed.

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## OTHER RELEVANT INFORMATION ABOUT THE TRUST DEED

The Trust Deed also contains several standard provisions, including in relation to the powers and duties of the Supervisor, and the process of amending the Trust Deed. You can find a copy of the Trust Deed on the Disclose Register. You should read the Trust Deed for more information.

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## SELLING RESTRICTIONS

This PDS constitutes an offer of Bonds to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only.

CIAL has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

There are specific selling restrictions that apply to an offer of the Bonds in the United States of America, European Economic Area, Switzerland, the United Kingdom, Australia, Hong Kong, Japan and Singapore. These selling restrictions do not apply to an offer of the Bonds in New Zealand.

A copy of these selling restrictions can be found on the Disclose Register.

These selling restrictions may be modified by CIAL and the Lead Manager, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each Bondholder is, required by CIAL and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

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## INDEMNITY

By subscribing for Bonds, each investor agrees to indemnify, among others, CIAL, the Supervisor and the Lead Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered because of an investor breaching the selling restrictions referred to in this section.

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## 7 CIAL GROUP'S FINANCIAL INFORMATION

This table provides selected financial information about the CIAL Group. Full financial statements are available on the offer register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). The CIAL Group's financial performance and position is critical to CIAL's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

As at the date of this PDS:

- there are no guarantors (other than CIAL) under the Guarantee; and
- the members of the CIAL Group (other than CIAL) do not trade and hold no assets or liabilities,

therefore, the CIAL Group's financial position and performance is the same as CIAL's financial position and performance, and so is relevant to CIAL's ability to repay the Bonds.

### SELECTED FINANCIAL INFORMATION AND RATIOS

Selected financial information and ratios	Interim financial information (for the six months ended 31 December)		Annual financial information (for the financial years ended 30 June)		
	IFY18	IFY17	FY17	FY16	FY15
	\$ million	\$ million	\$ million	\$ million	\$ million
Total Revenues	88.9	86.5	213.5	182.7	177.4
Operating Revenue *	88.9	86.4	177.3	169.9	159.0
EBITDA	56.0	53.3	143.6	114.1	106.6
EBITDAF **	56.0	53.3	108.6	103.2	92.7
Net profit after tax	19.3	18.3	64.6	43.1	39.3
Net cash flows from operating activities	40.9	37.8	75.0	49.5	63.9
Cash and cash equivalents	2.8	4.8	3.3	0.8	2.8
Total assets	1,373.8	1,288.4	1,347.0	1,260.6	1,212.8
Total debt (being total interest-bearing liabilities)	395.2	345.6	369.2	324.0	295.3
Total liabilities	549.9	486.2	520.1	469.5	446.0
Equity	823.9	802.2	826.9	791.2	766.8
Debt/EBITDAF **	n/a	n/a	3.4x	3.1x	3.2x
Debt/EBITDA	n/a	n/a	2.6x	2.8x	2.8x
Debt/EBITDA is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.					
Interest expense	11.5	10.3	21.4	20.2	21.4
EBITDA/interest expense	4.9x	5.2x	6.7x	5.7x	5.0x
EBITDAF**/interest expense	4.9x	5.2x	5.1x	5.1x	4.3x
EBITDA/interest expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.					
Total tangible assets	1,369.6	1,284.8	1,343.3	1,256.7	1,204.8
Total net tangible assets	817.8	798.6	823.1	787.2	758.8



\* *Operating Revenue is non-GAAP financial information that does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. For CIAL it is defined as Total Revenue (determined in accordance with GAAP) less fair value gains on investment properties and interest income. It is disclosed fully in Note 1 to CIAL's audited financial statements for the years ended 30 June and in Note 2 to CIAL's unaudited interim financial statements for the six months ended 31 December. CIAL uses this as its key internal revenue measure, as it reflects revenues received from the core operations within the three commercial portfolios outlined in this PDS.*

\*\* *EBITDAF is non-GAAP financial information that does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. For CIAL it is defined as net profit after tax plus interest expense, plus tax expense, plus depreciation and amortisation, plus investment property expenditure, less fair value gain on investment properties less gain on disposal of assets. Each item is determined in accordance with GAAP and shown on the face of the Statement of Financial Performance, or in Note 1 to CIAL's 30 June financial statements or in Note 2 to CIAL's 31 December interim financial statements. CIAL uses this as its key measure of underlying operational profitability at a gross margin level. It eliminates the impact of unrealised gains or losses on the investment property portfolio which are non-cash items and externally influenced. Consequently, this measure more closely aligns to a cash based operating margin.*

In relation to all non-GAAP financial information contained in this PDS, a reconciliation is available in the "Reconciliation of Non-GAAP Financial Information" document under the "Other financial information" section on the Disclose Register. CIAL's financial statements, including the notes, can also be found on the Disclose Register.

All numbers in this table are taken from, or calculated from, full year financial statements that have been audited by CIAL's external auditor, Audit New Zealand, or from CIAL's unaudited interim financial statements for the six months ended 31 December. The non-GAAP financial information set out above, Operating Revenue and EBITDAF, has not been subject to audit or review. On 31 October 2015 CIAL disposed of its International Antarctic Centre tourist attraction business, and on 29 February 2016 CIAL disposed of its Christchurch Airport i-site tourist information business (both in FY16). The sale of both of these businesses resulted in loss of revenues of \$15 million and loss of EBITDA contribution of \$1.2 million from FY17 onwards. The impact on net profit after tax was negligible.

No member of the issuing group has acquired a business, or become a subsidiary of CIAL, at any time during a relevant period and there is no intention to acquire a business or equity securities at the current time.



## 8 RISKS OF INVESTING

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### INTRODUCTION

This Section 8 describes the following potential key risk factors:

- general risks associated with an investment in the Bonds; and
- significant specific risks relating to CIAL's creditworthiness.

Key risks outlined in this section are based on CIAL's Management and Board's assessment of the probability of a risk occurring and the potential impact if it occurred. This assessment is based on the knowledge of those people as at the date of this PDS.

There is no guarantee or assurance that the key risks will not change, alter in their significance or that other risks may emerge over time. Investors should carefully consider these risk factors (together with other information in this PDS) before deciding to invest in the Bonds. This summary does not cover all the risks of investing in the Bonds. It is also important that investors consider the suitability of an investment in these Bonds in light of their own individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). The risks described in this section do not take account of the personal circumstances, financial position or investment requirements of any particular person other than CIAL.

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### GENERAL RISKS

An investment in the Bonds is subject to the following general risks:

#### *Credit Risk on CIAL*

The risk that CIAL (or another guarantor (if any)) becomes insolvent and is unable to meet its obligations under the Bonds, including the obligations to pay interest on, and repay the Principal Amount of, the Bonds.

#### *Secondary Market Risk*

The risk that, if you wish to sell your Bonds before maturity:

- the price at which you are able to sell them is less than the amount you paid for the Bonds due to interest rate movements or for other reasons; or
- you may be unable to sell your Bonds at all due to lack of demand or the Bonds cease to be listed on the NZX Debt Market.

These outcomes may arise because of factors related to the CIAL Group's creditworthiness, or because of other factors. These other factors may include:

- The fact that a trading market for Bonds never develops, or if it develops is not very liquid. Although permission is expected to be granted to quote the Bonds on the NZX Debt Market, this does not guarantee any trading market in the Bonds.
  - The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Bonds would typically be expected to go down and vice versa.
  - The fact that Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those available to other Bondholders.
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## SPECIFIC RISKS RELATING TO CIAL'S CREDITWORTHINESS

CIAL considers that the main risks that may impact on its ability to pay interest on, or repay the Principal Amount of, the Bonds are related to its Specialised Infrastructure Portfolio, its ability to Facilitate Aircraft and Passenger Movements, and the Regulatory Environment.

### *Specialised Infrastructure Portfolio*

CIAL owns and operates specialised infrastructure and operating assets that cannot be easily used for other purposes, and hence CIAL is dependent on customer demand or uptake to make revenue, and its assets could become redundant if there was a material decrease in demand or uptake.

In particular, CIAL is reliant on passenger numbers, retail spend, freight volumes and property lease revenues. Specifically:

- CIAL is reliant on a relatively small number of major airline customers who operate at the Airport. Historically the aviation industry changes rapidly as it reacts to economic and market changes, and CIAL would require several major customers to change their behaviours to cause a material impact on passenger numbers. This highlights the potential volatility of CIAL's aeronautical revenues over time as these revenues are driven by passenger movements. In the six months to 31 December 2017, aeronautical services revenues made up to 45.4% of CIAL's total operating revenue (FY17: 48.3%).
- CIAL's passenger numbers were impacted significantly following the 2010/11 earthquakes due mainly to the impact on tourism numbers coming to the region. If another localised event caused a drop in overall passenger numbers by up to between 7 and 8%, as was evidenced during the period of the earthquakes, this would result in a decrease in aeronautical revenues of around \$6 million - \$7 million or around 3% of total operating revenues.
- Should CIAL's ability to attract new or maintain existing tenants diminish then this could impact on CIAL's property lease revenues and overall financial performance. CIAL's property lease income is around 19% of its total operating revenues spread across 147 leases. In addition, a decrease in passenger spend rates at the retail facilities in the airport could impact on CIAL's property rental returns as some rentals are linked to tenant revenue.
- Approximately 35% of CIAL's total operating revenue is from terminal retail, parking and ground transport services. Should there be a decrease in passenger numbers and/or freight volumes at the airport, this revenue stream could also be impacted.





A decrease in customer demand for some or all of the services of CIAL could materially impact its current revenue streams. This decrease in revenue may affect CIAL's covenant compliance, in particular the interest cover ratio, if the financial impact was sufficiently large.

To mitigate this risk, CIAL's operational and investment planning includes an assessment of the changing patterns of customer demand and the potential investments that could be made to ensure that these can continue to be met. Reliance is also placed on maintaining sufficient financial headroom and operational flexibility to be able to react to such events as they occur by adjusting operating costs and investment plans accordingly.

#### *Ability to Facilitate Aircraft and Passenger Movements*

The Airport is located on a single site in Christchurch. This concentration of assets and business operations exposes CIAL to localised events or events that have a localised effect.

In addition, whilst CIAL owns the terminal and airfields, it is heavily reliant on a number of third party suppliers and Crown agencies in its day-to-day operations of the Airport.

Should any event occur or if any of these suppliers or agencies were unable to perform the required services for an extended period, then this could materially impact on the financial performance of CIAL.

The extent of any impact is difficult to predict and would depend on the length of time for which the Airport was unable to accommodate aircraft and/or passengers, noting that a disruption of this type would impact both aeronautical and non-aeronautical revenues (around 75%-80% of CIAL total revenue streams).

The non-operation of the Airport for a period of 1-2 days would likely result in a loss of revenue of around \$1 million - \$1.5 million. It would require an extended period of closure (greater than 1-2 weeks) of the Airport to cause a significant drop in revenue that may affect CIAL's covenant compliance, in particular the interest cover ratio.

CIAL has sought to mitigate the impact of such events through investment to improve the resilience and robustness of the key infrastructure assets, and the implementation of business recovery plans and insurance coverage.

In addition, CIAL has sought to diversify its revenue streams through the growth of its commercial property portfolio which mitigates to some extent the risk of a significant loss in aeronautical revenue.

#### *Regulatory Environment*

Since 2011, New Zealand's three largest airports including Christchurch have been subject to an extensive Information Disclosure regime under Part 4 of the Commerce Act 1986, with regulatory oversight being undertaken by the Commerce Commission.

Under this framework, the Commission does not set prices for airport services but instead the focus is on monitoring airport performance, ensuring there is transparency in pricing decisions, as well as the effectiveness of the information disclosure regime.

The effectiveness of this regime is subject to continual monitoring by the Commerce Commission. Should the Commerce Commission consider that the Information Disclosure regulation is not proving effective in limiting the three main airports' abilities to generate excessive profits, then they have the option of initiating (or recommending to the Minister that they initiate) an inquiry with a view to changing the regulation of the airport sector.

Alternative forms of regulation that could be considered include price-quality regulation, where the Commission effectively sets the prices, or a negotiate/arbitrate model, where businesses must negotiate with customers on price and quality and if this fails, enter arbitration on terms set by the Commission.

Whilst CIAL has received no indication that any such inquiry is imminent, no assurance can be given that this may not occur at some time in the future.

In the six months to 31 December 2017, 45.4% of CIAL's revenue came from these services that are subject to economic regulation by the Commerce Commission (FY17: 48.3%). CIAL has recently re-set its prices for the next five-year period with these new charges having come into effect on 1 July 2017. The Commerce Commission's review of CIAL's price setting disclosure is currently underway with a final report planned for September 2018.

Regulatory changes could reduce the level of revenue received by CIAL and affect CIAL's covenant compliance, in particular the interest cover ratio.

The extent of this regulatory risk is difficult to quantify without full details of any specific changes, however CIAL has performed satisfactorily in this environment to date and remains actively engaged with governmental and regulatory stakeholders including the Commerce Commission.

## 9 TAX

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If you are tax resident in New Zealand or otherwise receive payments of interest on the Bonds that are subject to the resident withholding tax rules, resident withholding tax will be deducted from the interest payable to you under the Bonds, unless you provide CIAL with a valid certificate of exemption or otherwise demonstrate your exempt status on or before the record date for the relevant payment.

If you are not a tax resident in New Zealand and the interest you receive is subject to the non-resident withholding tax rules you will have non-resident withholding tax deducted from interest that is payable under the Bonds. However, if CIAL is lawfully able to do so, it (or the Securities Registrar on its behalf) will, in lieu of deducting non-resident withholding tax, pay the approved issuer levy in respect of interest that is payable under your Bonds and deduct and retain from your interest payments an amount equal to the amount of any approved issuer levy so paid. You may by notification to CIAL (or the Securities Registrar on its behalf) elect that non-resident withholding tax be deducted from your interest payments instead of the approved issuer levy.

If the approved issuer levy regime applies, CIAL will:

- if possible, apply the zero rate of approved issuer levy; and
- otherwise, pay approved issuer levy at the applicable rate.

The amount of any approved issuer levy paid will be deducted from payments to you.

If, in respect of any of your Bonds, CIAL becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify CIAL in respect of such liability. Any amounts paid by CIAL in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of the Bonds. See clause 11 of the Trust Deed for further details.

There may be other tax consequences from acquiring or disposing of the Bonds. If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

The above generalised summary is based on the taxation laws in force in New Zealand as at the date of this PDS. Future changes to these or other laws may affect the tax consequences of an investment in the Bonds.





## 10 WHO IS INVOLVED?

	NAME	ROLE
<b>ISSUER</b>	Christchurch International Airport Limited	Issuer of the Bonds.
<b>SUPERVISOR</b>	Public Trust	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce CIAL's obligations under the Bonds.
<b>ORGANISING PARTICIPANT</b>	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	Responsible to the NZX in relation to the quotation of the Bonds.
<b>LEAD MANAGER</b>	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	Provide advice and assistance to CIAL with arranging the Offer, and assist with the marketing and distribution of the Offer.
<b>SECURITIES REGISTRAR</b>	Computershare Investor Services Limited	Maintains register of Bondholders.
<b>SOLICITORS TO ISSUER</b>	Chapman Tripp	Provides legal advice to CIAL in respect of the Offer.
<b>SOLICITORS TO SUPERVISOR</b>	MinterEllisonRuddWatts	Provides legal advice to Public Trust in respect of the Offer.



## 11 HOW TO COMPLAIN

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Complaints about the Bonds can be made to any one or more of the following:

**CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED** at:

Level 4, Car Park Building  
Christchurch Airport  
Memorial Avenue  
Christchurch 8544

Phone: +64 3 358 5029

**PUBLIC TRUST** at:

PO Box 1598  
Level 9  
34 Shortland Street  
Auckland

Phone: 0800 371 471

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz), or calling FSCL on 0800 347 257, or by completing the complaints form online at [www.fscl.org.nz/complaints/complaint-form](http://www.fscl.org.nz/complaints/complaint-form), or by writing to FSCL at PO Box 5967, Wellington 6145.

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may be made to the Financial Markets Authority through their website [www.fma.govt.nz](http://www.fma.govt.nz).

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## 12 WHERE YOU CAN FIND MORE INFORMATION

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Further information relating to CIAL and the Bonds is available on the online offer register maintained by the Companies Office known as 'Disclose'. The offer register can be accessed at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). A copy of the information on that register is also available on request to the Registrar of Financial Service Providers.

The information contained on the Disclose Register includes financial information relating to CIAL, a copy of the Trust Deed and the Supplemental Trust Deed, a credit rating report from S&P Global Ratings in relation to CIAL, and any other material information.

Further information relating to CIAL can also be found on CIAL's website, [www.christchurchairport.co.nz](http://www.christchurchairport.co.nz).

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## 13 HOW TO APPLY

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The Offer will be open to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only. See section 6 under the heading *Selling Restrictions* for further details.

There is no public pool for the Bonds. This means you can only apply for Bonds through a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting [www.nzx.com/investing/find-a-participant](http://www.nzx.com/investing/find-a-participant).

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of the PDS (if you have not already received a copy);
  - explain what you need to do to apply for Bonds; and
  - explain what payments need to be made by you (and by when).
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## 14 CONTACT INFORMATION

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### ISSUER

#### CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

Address:  
Level 4, Car Park Building  
Christchurch Airport  
Memorial Avenue  
Christchurch 8544  
Phone: +64 3 358 5029

### SECURITIES REGISTRAR

#### COMPUTERSHARE INVESTOR SERVICES LIMITED

Address:  
Level 2, 159 Hurstmere Road  
Takapuna  
Private Bag 92119  
Auckland 1142  
Phone: +64 9 488 8777

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## GLOSSARY

\$	New Zealand dollars
Allotment Date	24 May 2018
Bondholder or you	A person whose name is entered in the Register as a holder of a Bond
Bonds	The bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Christchurch, Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading
CIAL or Issuer	Christchurch International Airport Limited
CIAL Group	CIAL and all of its subsidiaries
Closing Date	11am, 18 May 2018
Disclose Register	Means the online offer register maintained by the Companies Office known as 'Disclose'
EBITDA	In relation to the description of the financial covenants set out in section 6 of this PDS, has the meaning given to that term in the Trust Deed
EBITDAF	Net profit after tax plus interest expense, plus tax expense, plus depreciation and amortisation, plus investment property expenditure, less fair value gain on investment properties less gain on disposal of assets, each determined in accordance with GAAP
Events of Default	In relation to the Bonds, means each event set out in clause 18.1 of the Trust Deed
Extraordinary Resolution	Means a resolution approved by Bondholders holding not less than 75% of the aggregate Principal Amount of the Bonds who are entitled to vote and who vote on the resolution
First Interest Payment Date	24 November 2018
FMCA	Financial Markets Conduct Act 2013
FMCR	Financial Markets Conduct Regulations 2014
FYXX	CIAL's financial year ended 30 June 20XX
GAAP	Generally accepted accounting practice in New Zealand, as defined in section 8 of the Financial Reporting Act 2013
Guarantee	The guarantee contained in the Trust Deed that is provided by the Guaranteeing Group Members in favour of the Supervisor
Guaranteeing Group	CIAL and each Guaranteeing Group Member
Guaranteeing Group Member	Each person who becomes a Guaranteeing Group Member under the Trust Deed from time to time. As at the date of this PDS, there are no Guaranteeing Group Members other than CIAL
IFYXX	CIAL's financial half year ended 31 December 20XX
Interest Payment Dates	24 May and 24 November, in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 24 November 2018
Interest Rate	The rate of interest per annum payable on the Principal Amount of the Bonds as announced by CIAL through NZX on the Rate Set Date
Inland Revenue	The New Zealand Inland Revenue Department
Issue Date	24 May 2018



Lead Manager	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)
Lenders	CIAL's lenders who have the benefit of the Negative Pledge Deed
Listing Rules	The listing rules applying to the NZX Debt Market, as amended from time to time
Maturity Date	24 May 2024
Negative Pledge Deed	The deed of negative pledge and guarantee entered into by CIAL in favour of the Lenders (as defined therein) on 23 February 2006
NZX	NZX Limited
NZX Debt Market	The debt security market operated by NZX
Offer	The offer of Bonds made by CIAL under this PDS
Opening Date	14 May 2018
Organising Participant	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)
PDS	This product disclosure statement for the Offer dated 3 May 2018
Primary Market Participant	Has the meaning given to that term in the Listing Rules
Principal Amount	\$1.00 per Bond
Rate Set Date	18 May 2018
Register	The register in respect of the Bonds maintained by the Securities Registrar
Regulatory Asset Base	CIAL's assets used for undertaking the following types of regulated activities (as defined in the Airport Services Input Methodologies Determination 2010): (a) aircraft and freight activity; (b) airfield activity; and (c) specified passenger terminal activity
Securities Registrar	Computershare Investor Services Limited
Supervisor	Public Trust or such other supervisor as may hold office as supervisor under the Trust Deed from time to time
Supplemental Trust Deed	The Supplemental Trust Deed dated 3 May 2018 between CIAL and Public Trust constituting and setting out the conditions of the Bonds (as amended or supplemented from time to time)
Swap Rate	The semi-annual mid-market swap rate for an interest rate swap of a term and start date matching the period from the Issue Date to the Maturity Date as calculated by the Lead Manager in accordance with market convention with reference to Reuters page ICAPKIWISWAP1 (or any successor page) on the Rate Set Date and expressed on a semi-annual basis, rounded to 2 decimal places, if necessary with 0.005 being rounded up
Total Debt	In relation to the description of the financial covenants set out in section 6, has the meaning given that term in the Trust Deed
Total Equity	In relation to the description of the financial covenants set out in section 6, has the meaning given that term in the Trust Deed
Total Interest Expense	In relation to the description of the financial covenants set out in section 6, has the meaning given that term in the Trust Deed
Total Tangible Assets	In relation to the description of the financial covenants, negative pledge and guarantee set out in section 6, has the meaning given that term in the Trust Deed
Trust Deed	The Master Trust Deed dated 9 November 2012 between CIAL and the Supervisor pursuant to which certain bonds may be issued (as amended or supplemented from time to time), and where the context requires includes the Supplemental Trust Deed
WACC	Weighted average cost of capital of CIAL

