At Christchurch International Airport Ltd (CIAL), we are constantly searching for better ways to work. In particular, we look for ways to incorporate practices that protect the environment. Each year, we extend this philosophy over more of the work areas we can influence, and our annual report should be no exception.

This annual report is printed on Navajo stock from the Mohawk Mill—a mill at the forefront of environmentally sound manufacturing. Paper mills are typically large consumers of electric power, reliant on a combination of thermal and electric energy generated by the burning of fossil fuels such as coal, oil and gas. Mohawk is the exception, because the use of renewable, emission-free wind-generated electricity has become an essential part of its business strategy. Tackling climate change, by reducing emissions throughout the manufacturing processes, is becoming just as important to Mohawk’s and CIAL’s customers, as using recycled paper.

OUR VISION: “TO EXCEL IN THE DELIVERY OF AIRPORT SERVICES AS THE GATEWAY FOR THE BEST OF THE SOUTH ISLAND” BASED ON OUR VALUES: OF ACHIEVING SUCCESS THROUGH INTEGRITY, PARTNERSHIP, PASSION AND INNOVATION, WITH AN OVERARCHING GOAL OF DELIVERING SUSTAINABLE GROWTH IN LONG-TERM SHAREHOLDER VALUE.

CONTENTS

Year at a Glance ................................................. 2
Chairman and Chief Executive’s Review ......................... 4
Board of Directors .............................................. 10
Connectivity to the World ....................................... 12
Airport Community ............................................. 14
Sustainability .................................................... 16
Strategic Direction ............................................... 18
Aeronautical ..................................................... 20
Commercial ..................................................... 22
Property ......................................................... 24
Our People ....................................................... 26
Executive Team ................................................ 28
Sustainability Index .............................................. 30
Financials Statements and Corporate Governance ............. 32
YEAR AT A GLANCE

5,484,570

PAASSENGER MOVEMENTS
Total passenger numbers increased by approximately 12,400 (0.2%) over the same period ending 30 June 2006.

82,134

AIRCRAFT MOVEMENTS

$83.7 MILLION

TOTAL REVENUE
Within the total revenue, net operating revenue increased by 6% for the year to 30 June 2007 compared with the same period last year.

$47.3 MILLION

EBITDA
EBITDA from operations excluding revaluation of investment property increased by 10.3% over the same period ending 30 June 2006.

$24 MILLION

TOTAL SURPLUS AFTER TAX
The operating surplus after taxation, adjusted for investment property revaluation and the one off deferred taxation adjustment increased by $1.7 million (10.4%) over the same period ending 30 June 2006.

$10.1 MILLION

DIVIDENDS PAID

$26.5 MILLION

INVESTMENT IN AIRFIELD, TERMINAL, CAR PARKING AND PROPERTY PROJECTS

$349 MILLION

REVALUATION GAIN

$9.60 PER SHARE

NET ASSET BACKING
Net asset backing per share increased from $4.14 per share in 2006 to $9.60 per share in 2007, an increase of 132%.

* The results for 2003, 2004, and 2005 were not prepared under NZ IFRS.
Christchurch International Airport is a geographical and essential hub for the South Island and provides significant economic benefit to Christchurch, Canterbury and the whole South Island. To this end, the Company has continued to progress its endeavour to be the Gateway for the Best of the South Island.

The aviation industry as a whole is undergoing significant change and airports must respond to these changes at every level, modifying their business as a result to ensure successful future operations. As the shape of the air transport industry is changing, it is certain that failure to keep abreast of, and have flexibility to meet such industry developments, is potentially a very risky option. Increasingly airports internationally are tending to view themselves as one piece of a more complex integrated system, which incorporates, and by necessity requires buy-in and support of, a range of diverse stakeholders. One of the major challenges facing Christchurch International Airport is to ensure that it has sufficient origin and destination passengers and cargo in its own right.

Point-to-point traffic is expected to grow and is likely to be just as important as increasing and transiting passengers in the coming years, as development of routes removes barriers to the flexibility of airlines and passengers to switch routes and airports, and thereby fly direct to their chosen destination.

To retain our status for the future, particularly as a discretionary tourism destination, Christchurch International Airport will continue to work aggressively with all our economic stakeholders to promote Christchurch as a travel destination and as a hub to the wider South Island tourism market. The development of international markets is evolving as a consequence of a number of changes, including the further evolution of the Value Based Airlines, which are emerging as greater market participants in international travel markets and potentially into New Zealand domestic markets. In addition, the advent of new aircraft and engine technologies is another influence in the market with development of aircraft such as the Boeing B777 and Airbus A340, and prospective delivery of the new B787 and Airbus A380. The delay in the delivery of aircraft, particularly the A380, has led to a change in tactics of the airlines over the year to divert aircraft to more profitable routes with higher demand.

Accordingly, planning over 2007 has been focused on the necessary strategies, initiatives, infrastructure and governance processes required to ensure the readiness capability to adapt to this flexible and dynamic market.

OVERVIEW

Christchurch International Airport achieved a Net Operating Profit after Tax of $24 million for the year ending 30 June 2007. This included an uplift from investment property revaluation, arising from the adoption of New Zealand International Financial Reporting Standards from 1 July 2006. Excluding revaluation gains on investment properties and one off deferred taxation adjustment, the Company made a Net Profit after Tax on continuing activities of $18.5 million, which was 25% up from the previous year.

Operating results were impacted by a flat passenger growth over 2006, but this was offset by improved commercial returns and reduced operating costs. Earnings before interest and Tax (EBIT) on continuing activity excluding revaluation of Investment Properties was $32.87 million, up 11.8% on the previous year. The company saw its net operating revenue increase 6% over the 2006 levels as improved concession and retail revenues offset lower revenues from landing charges, arising from a 5% reduction in aircraft movements over 2006.

The Return to Shareholders by way of dividend payment increased over 2006, as a consequence of the improved net earnings; and Net Asset Backing per Share increased positively from $4.14 per share to $9.60 per share in 2007.

YEAR IN REVIEW

Christchurch International Airport is a geographical and essential hub for the South Island and provides significant economic benefit to Christchurch, Canterbury and the whole South Island. To this end, the Company has continued to progress its endeavour to be the Gateway for the Best of the South Island.

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2007 PERFORMANCE

MARKET PERFORMANCE

Airlines have continued to rationalise their operations through the revision of routes and a drive for operating efficiencies. Increased costs, increased competition and pressure on aircraft availability continue to force a focus on operating profitable services in addition to maximising fleet utilisation. This was particularly relevant for Air New Zealand’s international services as a consequence of the unsuccessful codeshare proposal with Qantas. The withdrawal of the direct Christchurch/Los Angeles international route in October 2006 was one such consequence, and despite the implementation of alternate international shuttle services via Auckland International Airport, the level of passengers flying to the United States has reduced.

The delay in the delivery of the A380 aircraft has had a flow-down effect creating a global aircraft shortage. Routes that the A380 were planned to service are now being covered with current aircraft, reducing existing routes and constraining growth on new routes. This fleet rationalisation, and to a further extent fuel consumption optimisation by airlines has, together with the withdrawal of capacity on some routes, impacted CIAL’s revenue through reduced landing charges.

TOURISM ACTIVITY

Tourism is one of New Zealand’s largest single industries and export earners. Airlines, accommodation providers, tourism operators, Government agencies and airports continue to promote New Zealand as a strong holiday destination. The progressive increase in the New Zealand dollar over the period is having an impact on tourism activity. Accordingly, Christchurch International Airport sought to identify opportunities to grow existing tourism markets, particularly trans-Tasman travellers and other opportunities from emerging markets such as China and India.

We have endeavoured to work with airlines to ensure that our capabilities, service delivery and facilities enhance the experience of the traveller through Christchurch International Airport. A signal of the success of this endeavour has been the award of a third-place equal in the Airport Council International Global Award based on passenger satisfaction for the best medium-sized international airport, after Central Japan and Adelaide airports.

FINANCIAL PERFORMANCE

Total revenue for 2007 was $83.7 million, with operating revenue at $79.1 million being a 6.0% increase over 2006. In conjunction with this revenue increase, Net Operating Profit after Tax, adjusted for investment property revaluation, was received, and forms the basis of a Bird Management Development Plan to be implemented over the next five years to ensure the company further progresses its capability in this field. One critical element however that arose from this review was that the development of off-airport water bodies posed a risk to flight safety and, accordingly, in response to the very firm recommendation of establishment of a rowing course at Lake Isaac located on the northern approaches to the North/South runway.

In addition, during the year, the Company carried out a comprehensive review of its Rescue Fire Service capability and approved a progressive replacement of the fire tender fleet over the next three years, to ensure capacity and Rescue Fire Service capability are maintained at Category 9.

In order to ensure CIAL sustains the quality and capacity of its aeronautical services, the Company must earn an appropriate return on the existing and future investment base, ensuring at the same time that airlines can properly expect services to be provided efficiently and at a price that is cost effective to them. One aspect that may impact this process and the consequential pricing outcome is the review being undertaken by the Ministry of Economic Development, on the Regulator Control Provisions under the Commerce Act 1986. This review is to consider whether there is a need to change the way in which markets where there is little or no scope for competition, e.g. airports and electricity line businesses, will or should be regulated. CIAL has made a submission on the discussion document outlining the company’s perspective on the points raised. Notwithstanding this review, CIAL is committed to approaching the negotiation process in a constructive and transparent manner being mindful of the good faith obligations of the consultation process.

AERONAUTICAL

Aeronautical activities are a substantial component of the overall company operations in terms of revenue and expenses. These activities include the provision of runways, taxiways and aprons, passenger terminals and aircraft and freight facilities. For the financial year, total aeronautical revenue increased 2.8% to $38.9 million.

The Company’s aeronautical charges were last reviewed in June 2005. The Company will shortly commence consultation with our airline customers in readiness for a price reset in July 2008. We are committed to a positive and constructive engagement to ensure we can reach a negotiated outcome, which recognises the interests and requirements of both parties and our responsibilities to our various stakeholders.

COMMERCIAL OPERATIONS

Commercial Operations continue to play a critical part in the Company’s overall performance, with commercial activities including specialist retail and concessions contributing strongly to the overall growth in revenue. Despite a slower passenger throughput than forecast, it was pleasing to see that the actual spend per passenger improved over previous years and contributed to offset lower aircraft...
landing charges. During the year, the Company commenced a comprehensive retendering of its major concession revenue streams, with very positive initial outcomes being achieved. The tender for the advertising franchise was awarded to APN and the retendering of rental car vehicles, food & beverage, and duty free services will follow in the first half of the 2008 financial year.

Overall financial performance was impacted by the introduction on 31 March 2007 of the new security regime limiting the level of liquids, aerosols and gels, that could be carried onto aircraft as hand luggage. A very effective process was implemented in conjunction with the entire aviation industry to minimise the disruption to international travelling passengers, but the initial uncertainty and limitation on the volume of liquids that could be carried onto international aircraft reduced the level of duty free revenue received over the February to June 2007 period. It is expected that this restriction will have a further impact in subsequent financial years as travellers become more aware of the process.

During the year, the new multi-storey car park building was completed, and was fully commissioned in April 2007. This facility alleviated many of the car parking capacity issues previously experienced by the travelling public, in terms of congestion and availability of car parks at peak periods. Car park prices were adjusted in December following the opening of the new car park building and, as at year end, the Company had 1890 car parking spaces, an increase of 40% over the previous year.

PROPERTY DEVELOPMENT

The Company has a land bank of 777 hectares. The development of this property portfolio through a range of commercial opportunities is critical to the differentiation of revenue to offset the variations periodically experienced in aeronautical activities. The Company has achieved a number of positive developments over the year, including the Antarctic Penguin Attraction (in conjunction with our partner the International Antarctic Centre), the lease of land to New Zealand Post for development of a Christchurch Mail Service Centre, and the completion of the Kingspan warehouse and office development. A number of acquisitions were pursued to provide the land capacity required to meet future airport development requirements. At the end of the financial year the Company commenced a property development review, to determine a strategic Commercial Property Development Master Plan to ensure revenue maximisation in both interim and long term use of our total property portfolio. A permanent standing committee of the Board has been established to focus specifically on maximising the commercial value of our property portfolio.

INTEGRATED TERMINAL PROJECT (ITP)

At the end of the 2006 financial year, a decision was made to carry out a comprehensive review of the Terminal Development Project in light of changing market circumstances and changing dynamics of our airline customers. The review was to ensure that the project was still feasible, prior to the final commitment and preparation of tender documentation. The review identified several design changes necessary to provide future flexibility for the crosswind runway, owing to changes in aircraft technologies, and to allow for efficiency improvements in baggage handling, as required by our airline customers.

Following the completion of this review, functional planning was progressed over the period with the necessary design changes being incorporated into the overall improved outcome. Plans have been progressively developed, including consultation with our airline customers, to support the revised functional development requirements. The final outcome before proceeding to contract will be considered by the Board in the first quarter of 2008 following which the appropriate tendering and contracting process will be entered into. The current planning assumes the completion of the new ITP development by early 2011.

COMMUNITY AND THE ENVIRONMENT

Christchurch International Airport, as a key contributor to the Christchurch and South Island environment, considers long-term relationships key to good cohesion with the community. In addition to the environmental mitigation activities required to ensure the effective 24/7 operating capability of Christchurch International Airport, the Company also carried out a number of activities to mitigate the impact on the overall airport environment. These included the consideration of noise contours and the impacts on residential and commercial developments in the north-west corner of Christchurch, and the mitigation of stormwater disposal influence on the aquifers running beneath the airport. The Company considers sustainable operations to be a fundamental premise under which it wishes to operate. More specific examples of the achievements made in 2007 are included later in this report.

LOOKING AHEAD

2008 will continue to challenge CIAL as it endeavours to adapt to the changing business environment and strives to grow and deliver the Company’s strategic goals. The company must successfully implement the Integrated Terminal Project while ensuring minimal disruption to the travelling public. In responding to these challenges CIAL will pursue development through:

• incremental growth through emerging new markets;
• stimulation of tourism activity, particularly trans-Tasman and new long haul markets;
• realignment of our charging regimes to improve overall returns;
• diversification of business activity through enhanced commercial and property developments; and
• a drive to improve service delivery within an efficient spending environment through a workforce capable of meeting these challenges and opportunities.

Such responses will create competing demands on the company and our people and accordingly priorities will be set to ensure those initiatives that contribute to the overall long-term value of the company are progressed.

We remain committed to the long-term growth and consolidation of Christchurch International Airport in a secure and sustainable manner. We are optimistic about the opportunities that will be provided through the evolving aviation industry and New Zealand tourism and travel for our business as a whole.
SYD BRADLEY
CHAIRMAN
Appointed: 1999

Syd Bradley is a professional Company Director based in Christchurch. Formerly with the New Zealand Post Office as Chief Postmaster, Christchurch, and then with New Zealand Post, he completed his career with that company as General Manager Commercial Operations (International). He has served as a Director and Chairman on a number of boards and is currently the Chairman of the Canterbury District Health Board.

DENIS O’ROURKE
Appointed: 1996

A lawyer and former Christchurch City Councillor, Denis O’Rourke has had a life-long interest in aviation, and has been a CIAL Board member for 15 years. He has significant experience as a company director over 18 years, including chairing Transwaste Canterbury Limited until 2007, Christchurch Transport Limited, Postbank Limited and the Recovered Materials Foundation. He is currently Chairman of Meta NZ Ltd, and a Trustee of the Central Plains Water Trust.

PHILIP CARTER
Appointed: 2005

Philip Carter is the Managing Director of the Carter Group of Companies. He is a Civil Engineer by profession and has had significant experience as a Director, including a period as Director for Christchurch City Holdings. He has also had wide involvement in local government and is a supporter of a number of community assistance programmes.

HANLIN JOHNSTONE
Appointed: 2005

Hanlin Johnstone joined the Board of Directors in 2005. He has had considerable experience in civil infrastructure development. He is currently Chairman of the Board of Dunedin Casinos Ltd, and is a Director on a number of boards including Fulton Hogan Ltd, Christchurch City Council Facilities Ltd, Envirowaste Ltd, FRH Pty Ltd and St Margaret’s College.

SUSAN SHELDON
DEPUTY CHAIRMAN
Appointed: 2001

Sue Sheldon is a professional Company Director with a broad range of commercial appointments including Electronic Transaction Services Ltd, and listed companies Freightways Ltd, Smiths City Group and MediaWorks NZ Ltd. She is currently Chairman of the Board of Trustees of the National Provident Fund and is a former President of the New Zealand Institute of Chartered Accountants. Sue was awarded a Queen's Birthday Honour in 2007, becoming a Companion of the New Zealand Order of Merit for Services to Business.

JIM BOULT
Appointed: 2003

Jim Boult has an extensive business background, particularly in the Tourism and Property sectors. He is a Director of a number of private companies including Armada Holdings Ltd, Armada Publishing Ltd, Cold & Co Restaurants Ltd and several substantial property development companies. He has also served as a Director and Deputy Chairman of Tourism New Zealand.
WITH TEN AIRLINES ARRIVING FROM TEN INTERNATIONAL AND SIXTEEN DOMESTIC AIRPORTS, A WIDE RANGE OF DIRECT SERVICES ARE AVAILABLE TO CHRISTCHURCH. CIAL WORKS CLOSELY WITH AIRLINES AND TOURISM PARTNERS TO DEVELOP ROUTES AND TO ATTRACT NEW SERVICES TO THE CITY.

CHRISTCHURCH INTERNATIONAL AIRPORT PROVIDES SIGNIFICANT ECONOMIC BENEFIT TO THE REGION OF CANTERBURY AND TO THE SOUTH ISLAND AS A WHOLE. TO CONTINUE TO INCREASE THIS LEVEL OF ECONOMIC DEVELOPMENT, THE AIRPORT CAMPUSS HAS BEEN UNDERGOING GROWTH AT A RAPID RATE, WITH MANY AVIATION RELATED BUSINESSES, POSTAL SERVICES AND FREIGHT FORWARDERS LOCATED WITHIN THE WIDER AIRPORT CAMPUSS. CIAL INTENDS TO CONTINUE THE EXPANSION OF THE AIRPORT’S COMMERCIAL REVENUE STREAMS AND OPPORTUNITIES THROUGH LAND DEVELOPMENT.

CIAL’s Flying Dragons won the National, Wellington and South Island titles in 2007.
working for a sustainable future
CASE STUDY

CIAL TO BECOME LEADING CARBON NEUTRAL AIRPORT

Christchurch International Airport Ltd Chief Executive Rene Bakx has announced a commitment to a carbon neutral scheme that will see the airport company measuring, managing, reducing and mitigating greenhouse gas emissions arising from all aspects of its business activities.

“CIAL will shortly become the first airport company in the Southern Hemisphere to attain accredited carbon neutral status, through the offsetting and reduction of the greenhouse gas emissions directly generated by our airport company operations”, says Mr Bakx.

“It is imperative that New Zealand takes a leadership role in addressing global warming. CIAL’s dedication to sustainability reinforces our commitment to the ‘100% Pure’ New Zealand brand, which we see as crucial in growing the South Island tourism market”, he says.

The global warming discourse has recently progressed on the world stage from debate into action. The subject is now ‘not a political issue so much as a moral issue’ (Al Gore, An Inconvenient Truth). And with tourism now contributing to 10% of New Zealand’s GDP, it is essential that environmental concerns do not deter international travellers from visiting New Zealand.

CIAL has spent the past few months working towards the achievement of carbon neutral status, developed as part of CIAL’s overall sustainability strategy, by participation in Landcare Research’s ‘carbonNZero’ certification programme. The programme will take CIAL through an annual certification process to measure, manage, and mitigate the company’s CO₂ emissions.

The emissions that CIAL can not avoid will be offset through investment in Government approved carbon credit programmes in New Zealand.

Mr Bakx says that CIAL would like to further this programme by working with all tenants on the airport campus to support them in enabling their businesses to become carbon neutral.
CIAL is also developing a Waste Emissions recycling system collection system for gathering waste from the International and Domestic Terminals, all CIAL operating areas as well as a number of other airport organisations.

STORMWATER MANAGEMENT

Stormwater consents
- CIAL holds two long-term stormwater consents authorising discharge of stormwater to ground, provided specific stormwater treatment systems are put in place
- The airside consent authorises discharge from all existing and future hard stand developments
- The landside consent authorises discharge from existing areas but not from future developments
- To enable future landside developments it was necessary to obtain a new resource consent from Environment Canterbury. This consent application was made in 2004
- In May 2006, CIAL was granted this resource consent from Environment Canterbury; however, the consent was appealed to the Environment Court and finally confirmed in May 2007. The consent sets out very specific requirements on the activities that can be undertaken in a stormwater catchment and the stormwater treatment systems that must be provided to service each catchment

Environmental Management and Compliance Programme
- Twenty-nine environmental audits of CIAL operating areas and tenants were carried out over the last financial year. These audits help ensure that the monitoring and management requirements of the stormwater consents are being met

Stormwater Strategic Study
- In 2006, CIAL, CCC and Environment Canterbury jointly funded a comprehensive strategic stormwater study in the Christchurch Airport and Johns Road Industrial Area catchments
- The main aim of the study was to investigate and assess the best practicable options (including the status quo) for the management and disposal of stormwater from the area
- The study recommends continued treatment and disposal of stormwater at source, but emphasises the need to design appropriate treatment systems to meet the needs of each catchment type

STORMWATER MANAGEMENT SYSTEM

Resource consents guide stormwater treatment options based on the activities that take place in each catchment.

A range of treatment options are used, from sumps with catchpit filters to rain gardens to multimedia sub-surface filters. Final disposal is to soakwells which discharge to ground.

Strict monitoring requirements, including the installation of monitoring bore holes, ensure the protection of groundwater.

ANNUAL WITHDRAWAL OF GROUND WATER

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable water</td>
<td>666,837 m³</td>
<td>1,031,971 m³</td>
<td>904,377 m³</td>
</tr>
</tbody>
</table>

USE OF WATER TERMINAL COOLING SYSTEM

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
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<tbody>
<tr>
<td>Artesian water for abstraction and recharge</td>
<td>2,205,982 m³</td>
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</tr>
</tbody>
</table>

Water is circulated through heat exchangers and discharged back to ground with no change in water quality.

ENVIRONMENTAL GOALS AND MEASURES

Waste Emissions
CIAL operates a solid waste and recycling system collection system for gathering waste from the International and Domestic Terminals, all CIAL operating areas as well as a number of other airport organisations.

The way forward for waste management
- CIAL has set environmental targets for waste management, involving the investigation and implementation of cost effective ways to progressively reduce the amount of solid waste generated by airport activities being disposed of to landfill
- CIAL is also developing a Waste Management Strategy which will set out objectives and targets with regard to waste minimisation both for CIAL operations and for the airport campus. This strategy will build on the existing Solid Waste Management Plan which sets out the operational requirements of CIAL’s collection service
- CIAL will further be working with the Christchurch City Council’s Target Sustainable programme to identify additional opportunities for waste minimisation
- With the development of the Integrated Terminal, CIAL is also investigating design alternatives that will help deliver waste reduction

RECYCLING TABLE

<table>
<thead>
<tr>
<th>Material</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap metal</td>
<td>10.43 tonnes</td>
<td>12.5 tonnes</td>
<td>10 tonnes</td>
</tr>
<tr>
<td>Waste oil</td>
<td>1800 litres</td>
<td>1800 litres</td>
<td>1950 litres</td>
</tr>
<tr>
<td>Glass bottles, plastic bottles and cans</td>
<td>176 m³</td>
<td>259 m³</td>
<td>214 m³</td>
</tr>
<tr>
<td>Cardboard</td>
<td>529 m³</td>
<td>500 m³</td>
<td>415 m³</td>
</tr>
<tr>
<td>Paper</td>
<td>104 m³</td>
<td>106 m³</td>
<td>90 m³</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>16 m³</td>
<td>30 m³</td>
<td>46 m³</td>
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</tbody>
</table>
| Vegetation: All grass clipping and other vegetation generated by CIAL Facilities activities are composted.

KILOGRAMS OF WASTE PER 100 PASSENGERS*

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<tbody>
<tr>
<td>Waste oil</td>
<td>1.76</td>
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* Data source: Waste collected by CIAL

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Water is circulated through heat exchangers and discharged back to ground with no change in water quality.

SUSTAINABILITY

Twenty-nine environmental audits of CIAL operating areas and tenants were carried out over the last financial year. These audits help ensure that the monitoring and management requirements of the stormwater consents are being met

Resource consents guide stormwater treatment options based on the activities that take place in each catchment.

A range of treatment options are used, from sumps with catchpit filters to rain gardens to multimedia sub-surface filters. Final disposal is to soakwells which discharge to ground.
To achieve the desired strategic objectives and outcomes, the initiatives to be progressed have been considered under the following business streams:

**AERONAUTICAL**

**COMMERCIAL**

**PROPERTY**

These groupings drive the strategic focus of the business through three primary perspectives: as an airport, as a commercial undertaking and as a successful commercial entity. Each stream is not independent of the other; rather, there are significant synergies and interaction between all three, particularly when a longer-term perspective is taken.

The following pages detail the key outcomes of the past year under these business streams.
providing safe, secure, reliable and operationally efficient environment
THE FOCUS OF THE AERONAUTICAL ACTIVITY IS TO STIMULATE AND GROW PASSENGER AND AIRCRAFT ACTIVITY, FOCUSING ON LEISURE TRAVEL THROUGH CHRISTCHURCH AS THE GATEWAY FOR THE BEST OF THE SOUTH ISLAND. IN DELIVERING THESE SERVICES THE OBJECTIVE IS TO PROVIDE A SAFE, SECURE, RELIABLE AND OPERATIONALLY EFFICIENT AIRPORT ENVIRONMENT.

ACHIEVEMENTS

• Growth in aeronautical revenue was 2.8%, with an Aeronautical to Commercial Revenue Ratio of 49.3%:50.7%
• Awarded third place for ‘Best Airport’ at the Airports Council International Airport Service Quality Awards in Dubai. The award recognises Christchurch Airport’s outstanding level of customer service and dedication to a positive experience for travellers
• Smooth implementation of the new aviation regulations on liquids, aerosols and gels in carry-on luggage, indicating effective partnerships with airlines and border agencies. The new measures, which require all international passengers to carry liquids, aerosols or gels in containers of 100ml or less, were introduced on 31 March 2007
• Commissioned an independent peer review of the company’s birdstrike management practices, (by birdstrike experts, Central Science Laboratories) for both ‘on-airport’ and ‘off-airport’ activities, to ensure CIAL is aligned with international best practice.

The report clearly stated that the proposed Lake Isaac development constitutes an unacceptable flight safety hazard and should not proceed, supporting CIAL’s request that the facility be built elsewhere
• Confirmation of the Wildlife Management Strategy for the next five years, commencing with the appointment of a dedicated wildlife officer in February 2007
• Completion of With Great Foresight: The Story of Christchurch International Airport by Tony Phillips in March 2007. The publication acknowledges the success of Christchurch International Airport and, to a greater extent, Canterbury as a community

AIR SERVICES DEVELOPMENT
• Preservation of a Christchurch connection to Los Angeles. A daily shuttle service via Auckland International Airport by Air New Zealand commenced in November 2006. This service was a replacement of the direct CHC – LAX service, which was cancelled in October 2006, and provides improved access to other international destinations

INTEGRATED TERMINAL PROJECT
• A comprehensive project review was completed and approved by the Board with functional planning progressing as planned
• The final design of the landside area, including at-grade carparking, taxi and shuttle areas and the final solution to traffic flows, is underway and expected to be completed this year with execution in the next financial year
• Conceptual design is progressing, through consultation with major stakeholders

FACILITIES DEVELOPMENT
• Approval gained for the progressive replacement of the fire truck fleet over the next four years. The new fleet will ensure readiness as a category nine airport

• Successful implementation of an Emergency Alerting System for the Airport Fire Service
• Completion of FIDS voice system replacement, which provides automated announcements and more efficient communication infrastructure on the airport campus
• A review of the Runway End Safety Area is expected to be completed by the end of the year, with development due for completion within four years
• Various maintenance projects airside and landside have been completed, including $5 million of airfield pavement maintenance work

MARKETING & BUSINESS DEVELOPMENT
• Joint venture campaigns with airline and industry partners to increase domestic and international passenger volumes into Christchurch
• Investment in local and South Island-wide sponsorships, to support and grow the community and reflect CIAL’s key values of integrity, partnership, passion and innovation
• Business Development visits undertaken to established and emerging markets, working with wholesalers to promote the South Island and with airlines to maintain, grow and establish new routes
• Redevelopment and increased marketing of consumer websites SkiDealsNZ.com and TravelDealsNZ.com, allowing for increased international targeted promotion of the South Island
CIAL MARKETING CAMPAIGNS CONTRIBUTE TO RECORD TASMAN GROWTH

The past twelve months have seen unprecedented growth on the Tasman route. Christchurch International Airport has experienced record trans-Tasman passenger movements over several months of the year, with a significant increase of 4.8% on the previous financial year.

Gareth Owen, General Manager, Marketing and Business Development for CIAL, commented that this strong growth trans-Tasman is a reflection of increased and centralised promotional activity by the company and its tourism partners, as well as a greater take-up of reduced airlines. “This increase in passenger movements is reflected across all the airlines. Loadings for both the value based airlines, such as Pacific Blue, and the full service carriers, for example Emirates, were well up in the 2007 year compared to the previous year”, Mr Owen said.

“This significant increase in international passengers can also be attributed to aggressive joint marketing initiatives in Australia, such as Tourism New Zealand’s “What’s On in the South Island” campaign, which was supported by CIAL and South Island tourism operators”, says Mr Owen. This campaign resulted in 100% growth in Australian user sessions on the newzealand.com website during the campaign months of March to May, with an unprecedented one-in-three visitors to the site going directly to the dedicated South Island pages.

Chris Griffin, General Manager Marketing for Christchurch and Canterbury Tourism, commented that this growth was fantastic for South Island tourism operators. “This increase in passenger numbers is a reflection of South Island partners and airlines working together to stimulate tourism growth. It is great to see domestic and international markets responding to the work that the airport, ourselves, and others have undertaken in New Zealand and overseas,” he said. With airlines continuing to price aggressively on the Tasman route, travellers on both sides of the Tasman are taking advantage of the opportunity for a less expensive holiday. Christchurch now has two well-established value based airlines, which have consistently grown their market share, in addition to the full service airlines serving the route, providing travellers with a range of options when considering a holiday or business trip. The most significant growth has been to Brisbane, with an increase of 15.6% over the previous year. Alan Joyce, CEO, Jetstar, said there had been a continued increase in passengers and further entrenchment of its 28 weekly return Christchurch operations which serve four Australian cities.

“Christchurch continues to be a growing and strong market for Jetstar, providing existing and future opportunities for our value based operations. Existing overall passenger growth levels at Christchurch are being reflected in Jetstar’s strong operating performance of its narrow body fleet of A320s”. The airline continues to base two A320s in Christchurch since its start-up of trans-Tasman operations in December 2005.

Targeting the Australian ski market has also proven a successful strategy for CIAL through the use of SkiDealsNZ.com, a consumer website managed by the company. Working in partnership with Pacific Blue, the airport invested in an ongoing promotion of this website and of South Island ski holidays throughout the east coast of Australia. Online and print media were utilised in this highly effective campaign which reached 6.4 million readers per week and contributed to a significant increase in user sessions on the SkiDealsNZ.com website.

John Bartlett, Pacific Blue CEO, said that the company was pleased to be working alongside the airport in their Australian marketing. “Growing the total travel market is one of our key goals and we fully support the targeted promotional work that the airport is doing to attract Australian tourists in traditionally quieter periods such as autumn and winter.”

CIAL takes a strategic role in marketing South Island tourism. This pro-active position reflects the holistic nature of the airport. “We understand that if the South Island is not continually marketed as a top global destination then passenger numbers would not be growing at their current rate. By being largely involved in the New Zealand tourism industry we can attain greater control and accountability for our future growth prospects”, said Mr Owen. This past twelve months has seen a concentration of marketing programs to targeted and specific markets. Efforts have focused on key markets such as Australia, India, China, Singapore and Korea, resulting in strong and assersive programmes.

AERONAUTICAL

PROTOTYPE EMERGENCY ALERTING SYSTEM A SUCCESS AT CHRISTCHURCH AIRPORT

A requirement by ICAO for CIAL to increase the emergency services response level from Category 8 to Category 9 called for the employment of an extra staff member on each of the four shifts. However, CIAL identified that the trained fire-fighter manning the watch room on each shift could be utilised to meet the Category 9 requirements, provided an automated system could be implemented to quickly release this staff member in an emergency.

CIAL’s Emergency Alerting System (EAS), working on a data radio system, removes the need for an Airport Fire Service staff member in the watch room to manually alert each of the emergency services to an emergency situation. The EAS notifies all parties on the Airport Emergency Plan of airport emergencies simultaneously, in a printed format through a core computer and data radio system to the agency communication centres, ensuring immediacy of communication and continued effectiveness in situations of telephone network failure.

The EAS has reduced the notification time from 3-4 minutes to 20-30 seconds, saving valuable time in an emergency. Peter Moore, CIAL’s Manager Airport Fire Service, says that potential for error is minimised by this accurate system. “The EAS is now used by the Airport Fire Service for all emergencies, such as medical emergencies in the airport terminal. This ensures that our staff become familiar with it on a daily basis, rather than only at times of an aircraft emergency”, he says. A matrix in the EAS indicates which agencies should be notified depending on the nature of the emergency.
focused on diversifying and growing revenue and earnings
The commercial segments of the business are focused on diversifying and growing revenue and earnings. This is not only to provide an offset to the volatility of passenger and aircraft flows but also to create and take advantage of value enhancing opportunities as they are identified.

Achievements

- Growth in commercial revenue of 9.2%
- Commencement of the re-tendering of retail concessions as a component of CIAL's commercial procurement strategy:
  - Following a rigorous tendering process, the contract for advertising has been awarded to APN Outdoor, who were successful in their bid to operate New Zealand's third-largest advertising site. State-of-the-art electronic media will be introduced into the terminal, resulting in a massive uplift in advertising quality
  - The on-airport and off-airport rental vehicle operations have also been taken to the market, and
  - The duty free, banking and foreign exchange tender processes will ensue in the next 12 months
- Refurbishment of the Air New Zealand domestic lounge, and relocation of the international Koru lounge, which have been designed in a New Zealand bach theme
- The Manaia Lounge has opened in the international terminal for Emirates passengers, managed by PlaneBiz
- Commissioning of the four-level carparking building in November 2006 with minimal effect on customers, facilitated by the introduction of 'carpark ambassadors' to ensure a seamless operation. The new facility provides an additional 40% capacity
- Implementation of a new carpark pricing structure to reflect the new premium level of parking available and to provide choice for customers
- Introduction of new regulations governing taxis and shuttles operating from the airport, with the purpose of increasing the level of customer service and to ensure passenger safety for airport users
Increasing demand of airport parking due to an increase in passenger numbers, combined with forecast continued growth, necessitated the development of further carparking options to provide an improved level of service to the local region. Christchurch International Airport’s new four-level carparking building opened to the public in December 2006, providing 570 new covered carparks in addition to 1100 uncovered carparks already available. The $13 million multi-storey carpark building was erected in a section of the existing public carpark, and includes an office complex above the carpark building. “This new facility provides an additional 40% capacity”, said CIAL’s Chief Executive Rene Bakx, “and benefits airport users by providing convenient covered parking close to the airport terminal, with large lifts for passengers and baggage”.

During the construction process, CIAL employed carpark ambassadors and undertook an extensive public notification campaign in an effort to minimise disruption to travellers. The feedback from carpark users was overwhelmingly positive and reflected extremely well on the team engaged in the carpark who maintained high service levels at all times.

The construction was undertaken by Naylor Love Construction Ltd, with Calcon Ltd responsible for associated roading and alterations to the existing carparking facilities. “We’re pleased to have again worked with local Canterbury construction, engineering and project management companies, along with Christchurch based Warren & Mahoney Architects and Hassell Architects from Sydney, on this state-of-the-art, user-friendly facility”, says Mr Bakx.
this landholding is to provide protection and flexibility for the long-term development of Christchurch International Airport.
CIAL HAS A PROPERTY PORTFOLIO OF APPROXIMATELY 777 HECTARES. THIS LANDHOLDING IS TO PROVIDE PROTECTION AND FLEXIBILITY FOR THE LONG-TERM DEVELOPMENT OF CHRISTCHURCH INTERNATIONAL AIRPORT. WITHIN THE PLANNING HORIZON, THE FOCUS IS TO MAXIMISE THE SHORT TO MEDIUM-TERM USE OF THIS LAND, THEREBY ADDING FURTHER DIVERSIFICATION AND GROWTH THROUGH NEW REVENUE OPPORTUNITIES.

ACHIEVEMENTS

- Extension to the existing Freightways facility for Parcelline DX
- New Zealand Post have completed construction of their mail processing centre on Orchard Road, a CIAL ground lease
- Land purchased on the Pascoe’s and Pound Road sites in collaboration with other land holders
- A strategic review of CIAL’s land holdings was commenced at year end, to develop a Commercial Property Masterplan to maximise the value potential of the Property Portfolio

ACTIVITY AT THE AIRPORT

(NUMBER OF LEASES 232)

- Sealed Surfaces – Airfield
- Permeable Land

PERMEABLE AND IMPERMEABLE LAND

- Sealed Surfaces – Roading & Carparks
- Building
- Roof Areas
- Retail
- Residential
- Freight
- Forwarders
- Government Operations
- Ground Transportation
- General Aviation
- Airlines
PROPERTY

CIAL AND ANTARCTIC CENTRE PARTNERSHIP FOR NEW PENGUIN ENCOUNTER

Christchurch International Airport Ltd is proud to have worked in partnership with the Antarctic Attraction on the New Zealand Penguin Encounter, the world’s latest indoor and outdoor penguin viewing facility, which was officially opened on 22 September 2006.

The facility houses up to 26 Little Blue Penguins in a naturally themed Banks Peninsula environment. The Penguin Encounter is accessed on two levels with an ‘above ground’ platform, an auditorium with a 3m high window, underwater portholes and a ‘behind the scenes’ tour.

Rene Bakx, Chief Executive of Christchurch International Airport Ltd, said the company was pleased to work with the Antarctic Attraction on this new development. “The Antarctic Attraction is a major visitor attraction, and the partnership between the Antarctic Attraction and Christchurch International Airport is a great asset for the city. We’ve enjoyed working with them on this new initiative, which has built on our already solid relationship.”

The challenging and complex construction project was completed successfully within a very tight time frame, and within budget. Visitor numbers have exceeded expectations and, as a consequence, the penguin facility is providing a good financial return to the Antarctic Attraction and CIAL.

Richard Benton, Director of the Antarctic Attraction, said that the Penguin Encounter has been three years in planning. “The whole design of the Encounter has been undertaken with advice from local bird experts and in partnership with the Department of Conservation and local iwi. “Supporting the Encounter will be comprehensive visual and audio displays, which cover penguins’ biology, environment, habitat, conservation and cultural issues. “The Encounter will also increase awareness of the danger that all penguins face today in the wild and what can be done to protect these birds in their natural environment,” he said.

“This is a significant new investment in tourism for the region and we hope that it will increase employment, encourage local interest and significantly increase people’s knowledge not only of the Little Blue Penguin, but also the other 16 species of penguins that live in the Southern Hemisphere,” said Mr Benton.

CASE STUDY

The property development at Christchurch International Airport Ltd is a prime example of how a strong partnership between public and private sectors can lead to significant tourism opportunities. The Antarctic Attraction and Christchurch International Airport Ltd have worked together to create a new indoor and outdoor penguin viewing facility, which has been a huge success since its opening.

The Penguin Encounter offers visitors the unique opportunity to get up close to these adorable creatures in a natural environment. The facility is accessed on two levels, with an ‘above ground’ platform, an auditorium with a 3m high window, underwater portholes and a ‘behind the scenes’ tour.

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CREATING A WORKPLACE WHERE OUR PEOPLE WILL BE OUR DIFFERENCE IS KEY TO THE ACHIEVEMENT OF OUR STRATEGIC OBJECTIVES AS WELL AS ENSURING A GREAT PLACE TO WORK. OVER THE PAST 12 MONTHS, OUR EFFORT HAS BEEN FOCUSED ON THE FOLLOWING INITIATIVES, WHICH ARE HELPING US TO DELIVER RESULTS AND AN ENGAGED ENVIRONMENT.

ACHIEVEMENTS
- Introduction of the Healthy by Choice interactive health programme, empowering individuals to take responsibility for their own health and wellbeing
- Completion of the 2006 staff climate survey with participation from 74% of staff. Staff identified high satisfaction levels in relation to teams and job satisfaction and showed a continued strong sense of commitment and pride in working for CIAL
- Implementation of a pandemic plan for CIAL, and coordination of a response plan across the airport community in conjunction with border agencies and the Ministry of Health
- The ongoing development of relationships and partnership arrangements with unions ensures continued understanding of priorities and enhances an effective industrial relations environment
- Redevelopment of CIAL’s intranet designed to enhance communication across the company and provide a tool to celebrate successes
- Introduction of a competency framework for all Customer Services staff to enhance competency and development
- Concentration on identifying and building critical business capability needs and providing focus on key revenue activities through the appointment of key senior positions
- Integration of the planning department with the property team to maximise synergies between these two areas

OUR PEOPLE
- 176 full-time equivalent staff – 60.9% male, 39.1% female
- 12.4% staff turnover in 2006/2007
- Employed 37 new full-time equivalent staff in 2006/2007
- 43% of all staff are in collective agreements
- 7 days injury lost time
- 2.71% absenteeism rate

HEALTH AND SAFETY INCIDENCE REPORTS FOR PEOPLE WORKING AT THE AIRPORT

<table>
<thead>
<tr>
<th>Condition</th>
<th>Incidences</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Heart condition</td>
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<tr>
<td>Respiratory</td>
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<td>Seizure</td>
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</tbody>
</table>

HEALTH AND SAFETY INCIDENCE REPORTS FOR MEMBERS OF THE PUBLIC

<table>
<thead>
<tr>
<th>Condition</th>
<th>Incidences</th>
</tr>
</thead>
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<td>20</td>
</tr>
</tbody>
</table>

STAFF AGE GROUP PROFILES

<table>
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<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
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<td>20-30yrs</td>
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<td>31-40yrs</td>
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<td>41-50yrs</td>
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<td>51-60yrs</td>
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<td>61yrs+</td>
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</tbody>
</table>

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EXECUTIVE TEAM

GARETH OWEN  
GENERAL MANAGER MARKETING & BUSINESS DEVELOPMENT  
Gareth joined the company in September 2006, with a strong background in marketing and business development. Gareth previously worked for Hertz in Christchurch before spending two years with Europcar in Australia as Group Marketing Manager Asia Pacific. Incorporating marketing initiatives, route development and business growth strategies, the Marketing & Business Development team has an external focus that centres on key partnerships with airlines, tourism operators, airport businesses and industry operators.

GARY BUICK  
INTEGRATED TERMINAL PROJECT DIRECTOR  
Gary joined the company in the newly created position of Integrated Terminal Project Director in April 2007. Gary was previously employed with Arrow International as a Senior Project Manager for the Queenstown Terminal Development. Gary leads a team of CIAL staff and external consultants responsible for delivering an expansion programme including terminal, landside and apron works that achieves CIAL’s vision and objectives up to 2014 and beyond.

DARIN CUSACK  
GENERAL MANAGER SERVICE & OPERATIONS  
Darin was with Christchurch International Airport Ltd from 2001 until June 2007. He joined CIAL after seven years as Regional Manager with Tranz Scenic. With a total of 120 staff, Service and Operations is the largest team within the Company. The team is responsible for providing superior value and service excellence to airport customers and the community, positioning CIAL at the forefront of service delivery standards while maintaining commercial efficiency and safety. The team focuses on providing a safe and secure airport experience for customers, airline partners, tenants, staff and agencies, and is committed to quality, service and compliance.

RENE BAX  
CHIEF EXECUTIVE  
Rene joined Christchurch International Airport Ltd in January 2006. Previously Chief Executive for Port Otago Ltd and more recently working for the Lyttelton Port Company, Rene has a background as a Chartered Professional Engineer. Following many years working in New Zealand and around the globe involved in infrastructure and service development projects, he is now focused on the strategic growth of the Company and on the successful implementation of all exciting projects ahead that will provide significant benefits for the entire airport community.

BRETT REISS  
GENERAL MANAGER PROPERTY & PLANNING  
Brett commenced his role as General Manager Property & Planning in April 2007. Brett comes to CIAL from Northern Territory Airports in Australia, where he held the role of General Manager Commercial Services. Incorporating commercial development initiatives, retail development, and airport planning strategies, the Property & Planning team has a focus on key commercial partnerships with airlines, retail operators, airport business partners and industry stakeholders.

NATALIE LOMBE  
MANAGER ORGANISATIONAL DEVELOPMENT  
Natalie joined the company in August 2005 having spent five years working with large multinationals including Goodman Fielder, Fonterra and Allied Telesys. Prior to New Zealand, Natalie also gained extensive senior human resources and change management experience working in the fast moving consumer goods industries in Australia. The Organisation Development team is responsible for the provision of day to day HR support to line managers together with organisational support for new initiatives, employee and organisational wellness, capability building and resource planning for the future.

NEIL COCHRANE  
GENERAL MANAGER BUSINESS SERVICES  
Neil joined Christchurch International Airport Ltd in 2005 after nearly six years with Meridian Energy. He has extensive experience in establishing new corporate entities and in companies undergoing major organisational change, across a range of industries, including telecommunications, health, primary sector and manufacturing. Neil’s team provides business support to the Company through the finance, business analysis, organisation development (risk management), and technology solutions functions.

The team is focused on providing expert business capability, including identifying ways to enhance the overall running and decision support systems of the business.

ALAN BEUZENBERG  
GENERAL MANAGER FACILITIES SERVICES  
An experienced Facilities Manager, Alan spent ten years with the Canterbury District Health Board as Manager, Maintenance and Engineering, before joining Christchurch International Airport Ltd in 2002. The Facilities Services team are responsible for the terminal facilities, airfield, outlying buildings and lands, providing a comprehensive facilities service to the airport. The team also ensures provision of utility services such as electricity, water, sewer, air-conditioning, heating and cooling.
The Global Reporting Initiative (GRI) is an international framework for reporting the impact of company performance. We have adopted it to provide a tangible measure of our achievements from an economic, environmental and social perspective.

Contents Index

<table>
<thead>
<tr>
<th>GRI REPORTING ELEMENT</th>
<th>IN THIS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision and Strategy</td>
<td>Vision (inside cover)</td>
</tr>
<tr>
<td>Sustainable Development &amp; Vision and Strategy</td>
<td>Sustainability (page 16)</td>
</tr>
<tr>
<td>CEO Statement</td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Profile</td>
<td>Connectivity to the World (page 12)</td>
</tr>
<tr>
<td></td>
<td>Strategic Direction (page 18)</td>
</tr>
<tr>
<td></td>
<td>Corporate Governance and Financial Statements (page 32)</td>
</tr>
<tr>
<td></td>
<td>Year at a Glance (page 2)</td>
</tr>
<tr>
<td></td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td></td>
<td>Airport Community (page 14)</td>
</tr>
<tr>
<td>Governance Structure &amp; Management Systems</td>
<td>Corporate Governance (page 34)</td>
</tr>
<tr>
<td></td>
<td>Directory (page 76)</td>
</tr>
<tr>
<td></td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td>Economic</td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td></td>
<td>Year at a Glance (page 2)</td>
</tr>
<tr>
<td></td>
<td>Sustainability (page 16)</td>
</tr>
<tr>
<td></td>
<td>Corporate Governance and Financial Statements (page 32)</td>
</tr>
<tr>
<td></td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td></td>
<td>Commercial (page 22)</td>
</tr>
<tr>
<td></td>
<td>Aeronautical (page 20)</td>
</tr>
<tr>
<td></td>
<td>Property (page 24)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI REPORTING ELEMENT</th>
<th>IN THIS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td>Materials, energy, water, biodiversity</td>
<td>Sustainability (page 16)</td>
</tr>
<tr>
<td>Emissions, effluents and wastes, suppliers</td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td>Products and services, compliance, transport</td>
<td>Commercial (page 22)</td>
</tr>
<tr>
<td>Social: Labour Practices &amp; Decent Work</td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td>Employment, labour relations</td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td>Health and safety</td>
<td>Sustainability (page 16)</td>
</tr>
<tr>
<td>Training and education</td>
<td>Corporate Governance (page 34)</td>
</tr>
<tr>
<td>Diversity and opportunity</td>
<td></td>
</tr>
<tr>
<td>Social: Human Rights</td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td>Strategy and management, Collective bargaining, security procedures</td>
<td></td>
</tr>
<tr>
<td>Social: Society</td>
<td>Commercial (page 22)</td>
</tr>
<tr>
<td>Community, bribery and corruptions</td>
<td>Property (page 24)</td>
</tr>
<tr>
<td>Political Contributions</td>
<td>Corporate Governance and Financial Statements (page 32)</td>
</tr>
<tr>
<td>Competition and pricing</td>
<td></td>
</tr>
<tr>
<td>Social: Product Responsibility</td>
<td>Commercial (page 22)</td>
</tr>
<tr>
<td>Customer Health and Safety</td>
<td>Our People (page 26)</td>
</tr>
<tr>
<td>Products and Services</td>
<td>Chairman and Chief Executive’s Review (page 4)</td>
</tr>
<tr>
<td>Privacy</td>
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