

COMMERCE ACT PART 4
YEAR ENDED 31 MARCH 2019

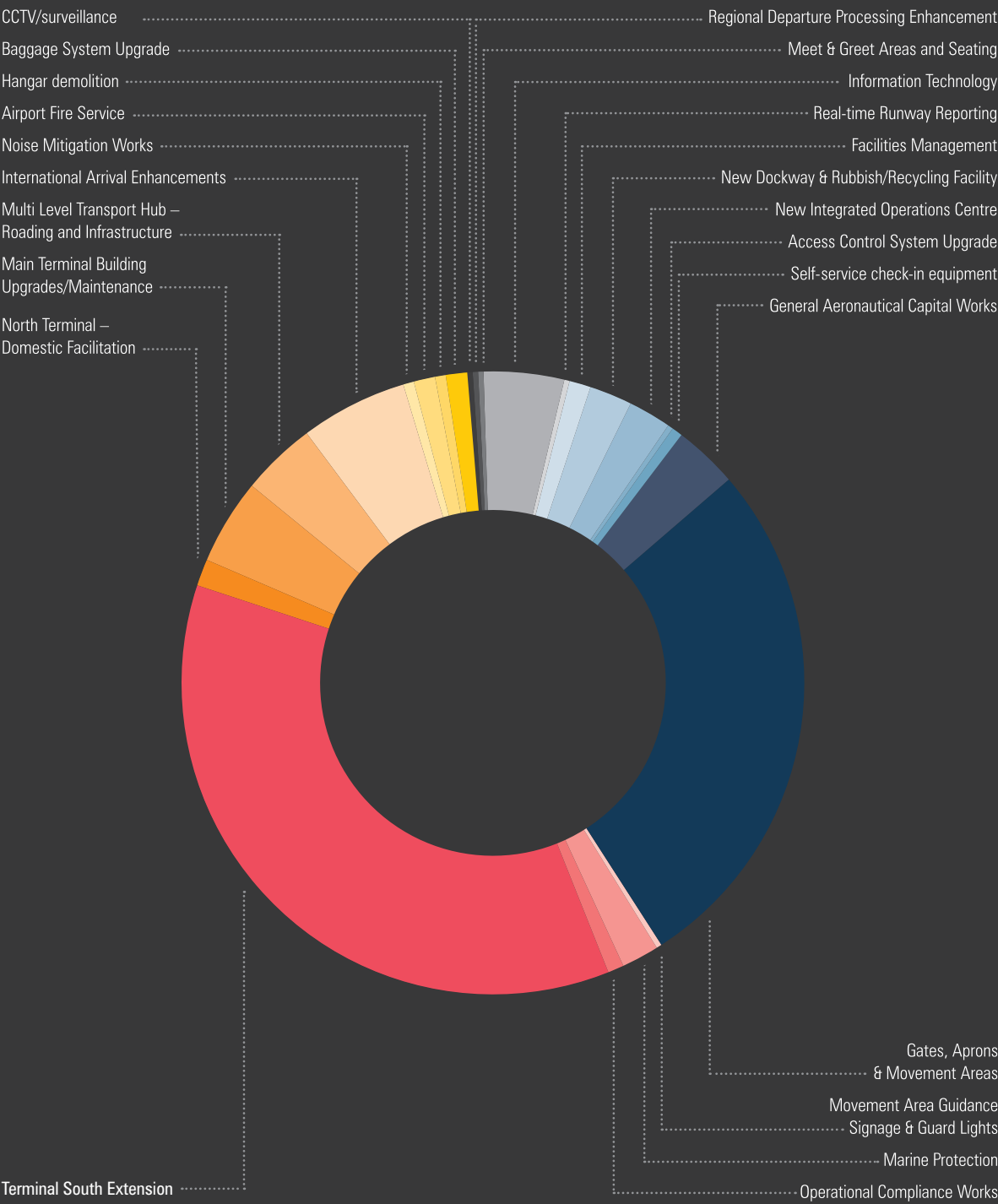
SUMMARY OF PERFORMANCE



WELLINGTON
AIRPORT

PUBLISHED 30 AUGUST 2019

\$140 MILLION AERONAUTICAL INVESTMENT (1 APRIL 2014 — 31 MARCH 2019)



SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

Our 2040 masterplan is being developed to cater for a doubling of traveller numbers to 12 million. Significant capital investment is required and without the infrastructure meeting demand there will be congestion and declining service levels.

Every day 17,500 passengers travel through Wellington Airport, 3,182 more than a decade ago. The airport has seen its highest growth in over a decade for domestic travellers which were up by 4.5% to 5.49 million for the year. International travelers reached 929,000 – 34,000 more than the previous year.

Pivotal to achieving this growth is Wellington Airport actively working with airlines, travel agencies, the Wellington Regional Economic Development Agency (WREDA), Wellington NZ and Tourism New Zealand.

Wellington Airport is central New Zealand’s gateway to the world, playing a major role in improving the region’s connectivity and supporting growth in international tourism, business travel, international students, freight and aviation which all contribute to the economy of cities and regions.

Wellington Airport has three key objectives; to be safe, to facilitate regional connectivity to the world, and to be welcoming. Delivering these objectives and ensuring our infrastructure keeps pace with demand requires substantial ongoing investment and the prospect of a satisfactory return on capital. In the year ended 31 March 2019, Wellington Airport can point to good outcomes on each of the objectives and progress with its investment plans.

In the coming year, Wellington Airport will have completed its 2040 Masterplan in consultation with our airline partners and key stakeholders and embarked on the first stages of an investment programme towards that plan.



This document provides a summary of Wellington Airport’s performance to 31 March 2019 and together with the Annual Disclosures, provides transparency for airports, airlines, passengers, Government and other interested stakeholders.

Airports are long term cyclical infrastructure assets which are best evaluated over time. The information disclosure regime is working well and achieving the purpose of Part 4 of the Commerce Act; ensuring that airports deliver high quality services to passengers and airlines, at appropriate prices, and that airports are innovating, investing and operating efficiently.

5.49m
Domestic passengers

929k
International passengers

HIGHLIGHTS

Value for money –

Wellington's charges are in the lower range of major airports in Australasia and worldwide.



Working towards a 30% reduction in our carbon emissions by 2030 – also in collaboration with BARNZ and Airways, we saved 107 tonnes of carbon and 14 hours of flying through first six months of Performance Based Navigation trial.

Engaged Airbus to undertake a trial of the Airbus A350-900 on Wellington's grooved runway.



Consistently high quality service – ranked second in Australasia, overall service quality rating 4.3 out of 5.0.



Current return on aeronautical assets is 6.3% excluding revaluations.



Investing in innovation – installed world's first fully automated self-docking aerobridge system.

Invested \$140 million in aeronautical infrastructure and assets over last five years.

SIGNIFICANT AND ONGOING INVESTMENT IN INFRASTRUCTURE AND INNOVATION

Working with airline partners to invest in high quality aeronautical facilities, improve customer experiences, enhance efficiency and reduce costs.



- **Domestic Terminal Extension:** we continue to cater well for growing numbers of domestic passengers and have created more space and seating for passengers, enhancing ambiance and lines of sight for wayfinding. Previous improvements include centralised security screening, extra gate lounge space, new regional Air New Zealand lounge, double the number of bathrooms, and more passenger drop-off/pick-up zones.
- **Enhancement to International Arrivals:** we have provided a cost-effective improvement to address higher than forecast international passenger growth – include more charging points, additional seating and a children's area. Now, our 2040 Masterplan provides a longer-term solution to cater for continued strong growth.

- **Multi-year taxiway improvements:** we completed this project on the main taxiway, including a full resurface and providing operational enhancements through widening, realignment of taxiway centre lines and installing resilient in-ground lighting systems.
- **Multi-Level Carpark and Transport Hub:** opened in late 2018, the building required an investment of \$70,000 per car park due to the small site and seismic requirements. It has greatly improving the experience for visitors with 1,000 extra carparks, wayfinding and electric vehicle charging points and automatic gate opening through licence plate recognition. We were the first airport to introduce ride-share options like Uber along with Mevo electric car hire. Access to public transport has been significantly enhanced with undercover bus pick up and drop off on the ground floor and much closer to the terminal.
- **New Zealand's first fully integrated airport hotel:** this opened in 2019 and provides convenient access to a four-star, 134 room facility, improving the experience of transit and early or late travelling passengers.

Investment in information technology

- World-first real-time runway reporting system installed allows airport stakeholders to make informed decisions based on live data enhancing efficiency, safety and availability of services.
- Restrictions for simultaneous operation of Code D and Code E aircraft have been removed through investment in aircraft movement areas.
- Installed Supervisory Control and Data Acquisition (SCADA) on all 12 aerobridges enabling real-time monitoring and control of air bridges.
- Nose in Guidance Systems are being installed to automatically assist aircraft arriving at jet stands with all stands fitted by end of 2019.
- Electronic airport access enhanced with new Gallagher Security System has implemented throughout the airport, improving security management, monitoring and reporting.

- Vehicle licence plate recognition technology has enhanced security in the airport precinct and provided a more seamless passenger pick up and drop off experience.
- Airport Collaborative Decision Making (ACDM) online portal is providing real time information to all airport stakeholders for better operations coordination and on-time performance.

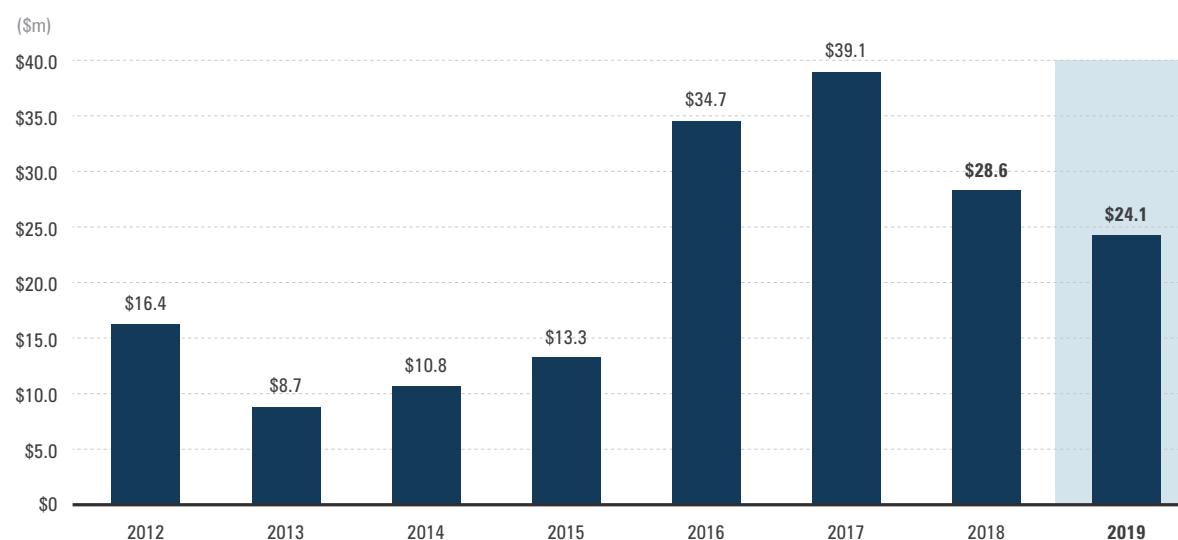
Investment in efficiency, resilience and safety

- Promoting the safety and security of all airport stakeholders by investing in CCTV infrastructure, upgrading the access control system, and redeveloping the main terminal hall to make it more open and ambient.
- Common use terminal equipment owned and managed by the airport and used by multiple airlines reducing costs and enabling growth of new airlines and services.
- Swing facilities in certain terminal areas can transition between international and domestic services, maximising uses of gates, floor space, lounges, reclaim baggage belts, and facilities.
- Third Panther firetruck introduced for Category 9 level operations, and an alternative when code E aircraft are unable to land at Auckland and/or Christchurch.

- Doubling customs processing capacity with eight new Smartgates to manage growing passenger numbers.
- Installation of new resilient in-ground lighting and two accelerometers measuring ground-shaking for accurate and efficient risk assessment.
- Three diverse internet links to safeguard airport connectivity.
- Implementation of a new fire safety system across the airport.
- Aerodrome emergency and business continuity plans now available via mobile application.

As an international airport catering for 6.4 million passengers a year in a very small footprint, Wellington Airport is expert in harnessing technology and innovative solutions to be one of the most efficient airports in the world.

AERONAUTICAL CAPITAL EXPENDITURE



TWO HIGH QUALITY CUSTOMER SERVICE AND EFFICIENCY



We are rated second in Australasia for our quality of service, but international is not performing as well and we are always looking to understand what our customers want and how we can deliver it effectively.

- Implementation of a bag hall team to improve the baggage handling service and decrease outages as the system is reaching the end of its useful life.
- Addition of five Customer Experience Agents for queue management and improving customer service.
- Significant improvements to the terminal area, providing more space, seating and options for food, showcasing the best of Wellington.
- Our Ambassador Programme now has more than 50 volunteers and two kiosks assisting passengers in the terminal seven days a week.
- A rental car hub established next to the baggage hall giving passengers easy access in the terminal providing a 'silent airport' through minimising announcements over the PA system in the main terminal building and food and beverage areas.

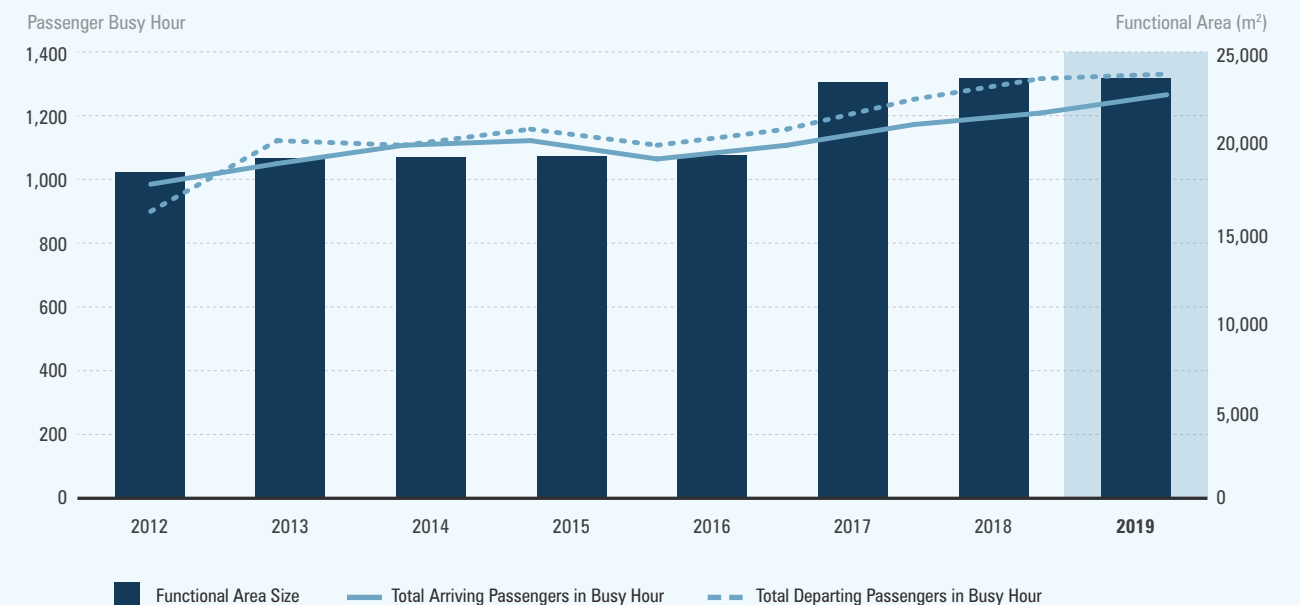
- New flight information screens including the largest in the Southern Hemisphere.
- Free WiFi across the entire terminal.
- Free entertainment in the terminal including live music, art shows and performances and virtual reality experiences.

4.3

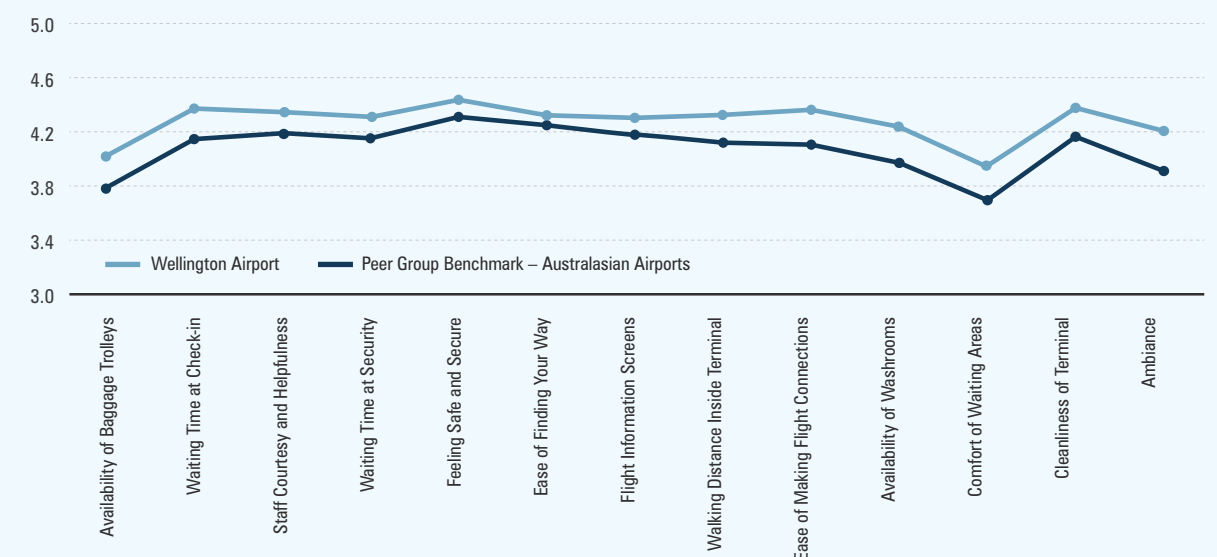
Currently rated second in Australasia and achieved highest service quality score ever.

TERMINAL DEVELOPMENT AND CAPACITY MEETING FORECAST PASSENGER GROWTH

TOTAL TERMINAL AREA CAPACITY AND PASSENGER DEMAND



AIRPORT SERVICE QUALITY SCORE VS PEER GROUP BENCHMARK 2019



CUSTOMER FEEDBACK

ON IMPROVEMENTS AND EXPANDED TERMINAL

» "Quick & efficient. Don't have to feel nervous or anxious at Wellington airport."

» "Because the building work is finished on the new parking building and the Terminal is much more open and welcoming inside."

» "Nice relaxed atmosphere. People are helping and friendly if asked for help/ directions."

» "Wellington Airport is currently going through a redevelopment and there's a few access problems. Signage to various areas can be confusing."

» "A lot more seating, and once inside the international terminal there needs to be more options of food choices, particularly for those with dietary requirement i.e. gluten free."

» "International's sort of dark and dingy. And not welcoming. Not at all attractive as a space."

» "Don't close the international security screening area. It is frustrating to have to queue to wait for this to open. In December wait went 15 minutes past the indicated opening time."

» "I notice changes at the airport and it's happening so fast. Always positive changes and improvements between my visits."

» "They put you into a small room (international departures) before you go into an even smaller room."

» "Simple layout lots of departure and arrival boards easy access to toilets quick check in and security."

» "The airport and surroundings seem to be improving all the time."

» "It's all straight forward & efficient, well signed."

» "This needs to be a proper international airport."

SHARING THE BENEFITS OF EFFICIENCY GAINS AND GROWTH WITH CUSTOMERS

Passenger numbers have almost doubled since 2000 and are forecast to do so again by 2040.

The success of Wellington Airport is inextricably linked to advancing the vibrancy and livability of the Wellington region.

On average over the last five years, domestic traffic has grown by 160,800 passengers per year and international by 35,100 per year, with more carriers now flying in and out of Wellington.

We understand the major role the airport plays in developing the region's connectivity and growth and in fostering airline competition and with that in mind, we are continuing to invest in infrastructure and airline growth.

A published airline Incentive scheme for domestic and international growth has contributed towards new services and capacity growth providing consumers with more options, increasing competition and contributing to lower airfares.

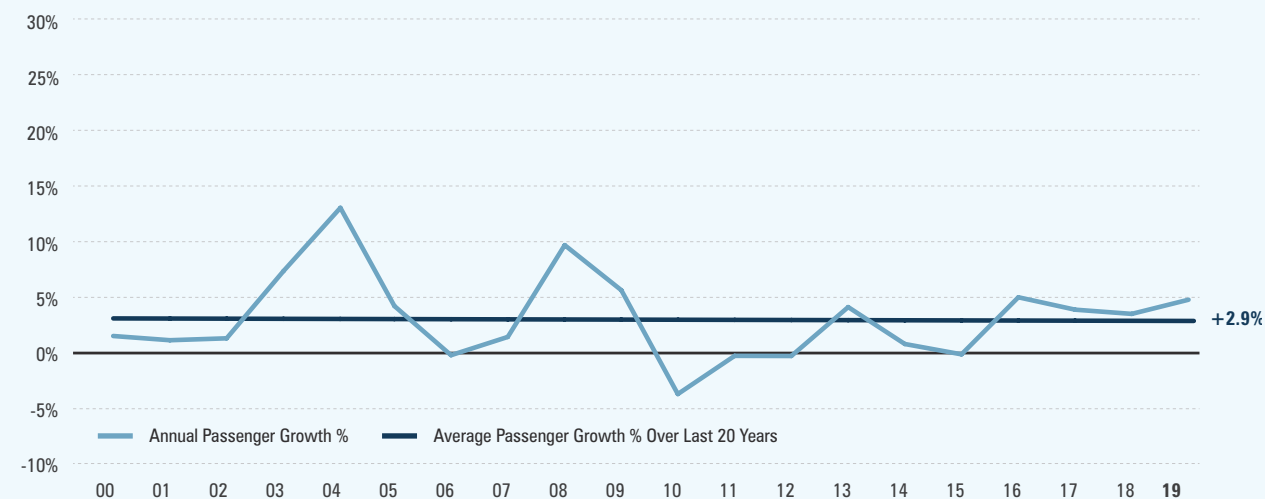
Meanwhile, we have invested significantly in route development contributing to the introduction of new international services over the last few years from Air New Zealand, Jetstar, Fiji Airways, Qantas, Virgin and Singapore Airlines. We also provide our airline partners with marketing assistance to help promote routes to and from the Wellington region.

We support New Zealand's Tourism 2025 strategy to sustainably grow air connectivity and improve the regional dispersal of tourists and work with Wellington NZ to help grow business, trade and tourism for the lower North Island.

Wellington Airport continues to support the Destination Marketing Fund alongside Wellington's key tourism organisations, Wellington NZ and Tourism NZ.



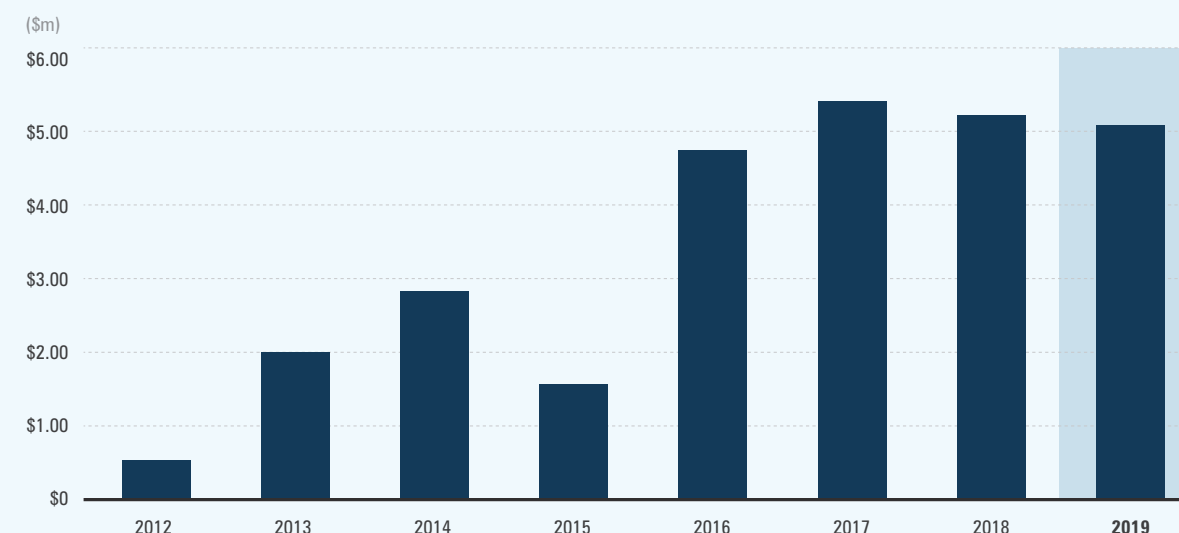
DOMESTIC PASSENGER GROWTH OVER LAST 20 YEARS



INTERNATIONAL PASSENGER GROWTH OVER LAST 20 YEARS



AIRLINE INCENTIVES BY YEAR



DELIVERING VALUE TO OUR CUSTOMERS & EARNING A FAIR & REASONABLE RETURN OVER TIME



Low airport charges

Wellington's charges remain amongst the lowest of major airports in Australasia and worldwide. Our charges have also been flat over the last five years when taking inflation into account.

Regulatory returns

The airport's regulatory profit for the year was \$36.1m or \$29.5m excluding revaluations, providing a return on investment of 6.28% excluding revaluations.

Following the 2016 input methodologies review, the Commission determined that from the 2018 disclosure year it will only publish a midpoint cost of capital for airports. However, Wellington Airport's prices were set prior to this decision and are based on the airport's 75th percentile cost of capital at the time (PSE1: 9.50%, PSE2: 9.51%, and PSE3: 8.36%).

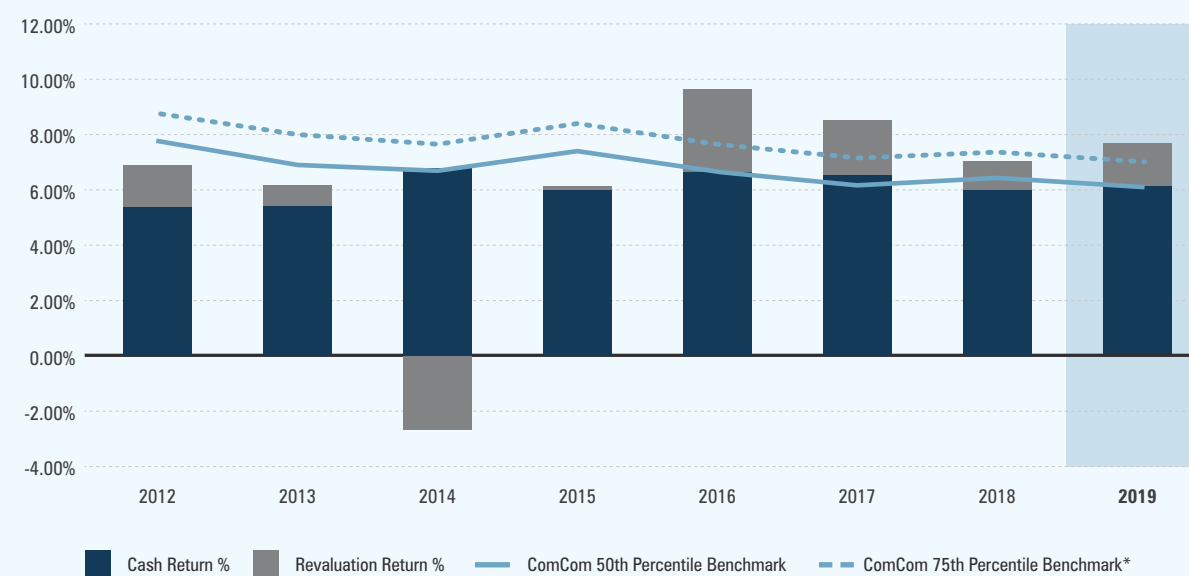
Wellington Airport's actual returns for all years prior to 2016 are below the Commission's cost of capital. The actual returns from 2016 onwards are above the Commission's benchmark, largely due to the revaluation of assets, timing of capital expenditure compared to forecast and a decrease in the risk free rate since prices were set.

The cumulative return position demonstrates that Wellington Airport is not earning excessive profits and has, overall, been earning revenues below both pricing targets and what would be derived from applying the Commission's midpoint cost of capital since the start of the ID regime.

The variability in annual returns over the nine-year period reflects the wide range of risks inherent in an airport business. Also, the variance between actual and forecast returns demonstrates the need to be cautious in drawing conclusions from targeted and annual returns and the need to consider actual returns over a longer period of time.

Looking forwards, the low interest rate and cost of capital environment is making investment decisions ever more challenging.

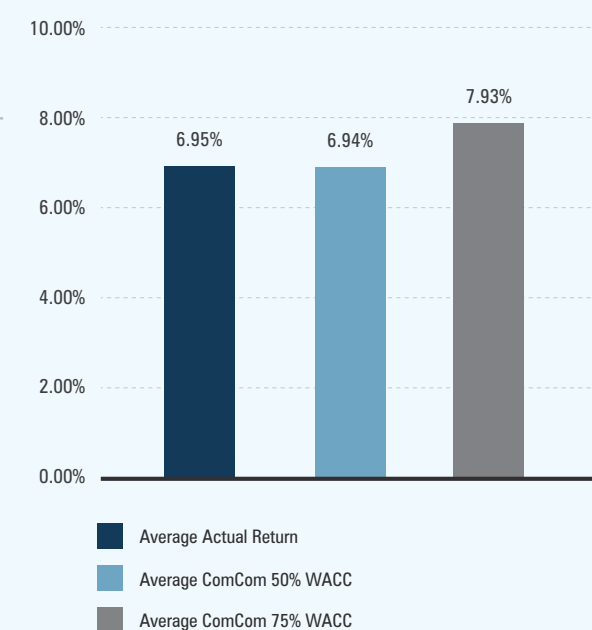
ANNUAL RETURNS COMPARED TO COMMISSION'S BENCHMARKS



* From 2018 onwards, the 75th percentile cost of capital is no longer being published by the Commission and has been calculated by WIAL using the Commissions' methodology.

Wellington is the most cost efficient of major airports in Australasia.

2011-2019 AVERAGE RETURN % VS AVERAGE COMCOM WACC RANGE



We’re putting our commitment to sustainability and have set a 30% reduction in carbon emissions, electricity use and waste by 2030.

- In collaboration with Airways New Zealand, New Southern Sky and the Board of Airline Representatives New Zealand, Performance Based Navigation flight path trials were undertaken using on-aircraft navigation technology to optimise flight paths, saving 107 tonnes of carbon and 14 hours flying in the first six months.
- Reducing gas and electricity usage through more efficient lighting and optimising heating and cooling systems in the main terminal.
- Diverted 33% of airport waste from landfill, compared to 20% in 2018 thanks to improved collection and sorting capacity at newly constructed refuse centre.
- In partnership with Zoo Doo more than 30,000 kilograms of coffee grounds was composted.
- 2,000 trees have been planted and another 3,000 have been purchased for planting on the Miramar Peninsula in partnership with Weta Digital, Trees That Count and Te Motu Kairangi.
- Replaced firefighting foam in all fire appliances with a fluorine free foam.



KAITIAKITANGA

Connecting central New Zealand to the world

Connecting people, their experience and our environment

Sustainable Growth

Our People

- Operate a safe and secure airport
- Care for everyone in the airport community.

Our Community

- Be a good neighbour
- Build meaningful community partnerships.

Our Environment

- Protection for future generations to enjoy
- Transition to a 1.50C world.

2030 TARGET BOARD



UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS



\$300M INVESTMENT PROGRAMME OVER THE LAST 5 YEARS EXCLUDING RUNWAY EXTENSION

Main terminal extension and enhancements

The terminal extension to the south has significantly lifted the customer experience. Customers are enjoying the continued improvements in the terminal space and food options which have been delivered with the opening up of the main terminal.

International terminal enhancements

With continued international growth and pressure on the terminal, a number of improvements have been made including more seating, charging points, queue optimisation, kids area and improved food options. The security screening area will be expanded soon to meet updated regulatory requirements and improve the amenity for the number of passengers.

Rydges Wellington Airport Hotel

Opened in February 2019, Rydges Wellington Airport became the first hotel in New Zealand with direct access from inside an airport terminal. It has made it more convenient for travellers from out of town taking early morning or arriving on late evening flights.

Multi level transport hub

The transport hub opened in October 2018, providing 1,000 covered parking spaces, electronic wayfinding, parking space availability displays and EV charging. We have also created dedicated spaces with weather protected waiting areas for bus passengers, cyclists and passengers being picked up by their family and friends.

Runway and airfield development programme

Restrictions surrounding the simultaneous operation of Code D and Code E aircraft have been removed through investment in aircraft movement areas. This improves the efficiency of the runway and parallel taxiway and provides greater scheduling flexibility. A real-time runway reporting system was implemented and is the first of its kind providing live data on the condition and performance of the runway.

Runway extension

Wellington Airport has withdrawn its resource consent application for the runway extension from the Environment Court and will reapply early next year. The decision is in light of delays to the process for reconsideration of the project's Runway End Safety Areas. The decision means the airport can come back with a refreshed application that incorporates the latest international methodology for RESA design. The time taken and costs involved to date have been disappointing, but it is important to get the application right.

2040 Masterplan

Looking to the future, the airport is currently developing its masterplan to address forecast growth and the challenges and opportunities that presents. The draft plan has been well consulted on with airlines and stakeholders and will be released around September 2019.

