PORT OF TAURANGA

Port of Tauranga Limited Annual Meeting
20 October 2016

David Pilkington, Chairman

The past year has seen us make excellent progress towards our strategy to develop New Zealand's Port for the Future. Our dredging project to deepen and widen the shipping channels of Tauranga Harbour is complete. This will bring our five year, $350 million capital expansion programme to a conclusion.

Already, we have seen this investment come to fruition with the successful maiden visit two weeks ago of the *Aotea Maersk*. This ship is 347 metres long (or three and a half rugby fields long), 43 metres wide and capable of carrying 9,500 TEUs or twenty foot equivalent units. To put this in context, until now, the biggest ships visiting the port have had capacities of around 4,500 TEUs.

Our Chief Executive, Mark Cairns, will talk to you shortly about our operational performance for the year, but first I will touch on the financial highlights.

I am pleased to report Net Profit After Tax of $77.3 million. Although this is 2.4% less than the previous year, it is a good result given the million tonne decline in log export volumes. We also had a significant increase of $2.4 million in depreciation charges as a result of our investment in infrastructure.

Parent EBITDA rose 2.2% to $125.7 million. This followed a 12.1% increase in container volumes, to a record of over 954,000 TEUs.

Our reported revenues fell to $245.5 million, due to a $32 million decrease in revenue caused by having to equity account Tapper Transport following merging it into our Coda partnership.

We have announced a final dividend of 30 cents per share, lifting the annual dividend to 53 cents per share - an increase of 1.9%.

You will also be aware of the special dividend announced in August. This special dividend of $34 million, or 25 cents per share, is part of a capital restructure aiming to return up to $140 million to shareholders over the next four years, dependent on our requirements to fund any new future growth initiatives over and above those currently planned for.

The capital restructure will ensure that we retain a conservatively geared balance sheet, that we remain financially strong with a strong credit rating, and that we can return excess capital to you in a tax efficient manner.

Port of Tauranga Limited
Salisbury Avenue ▪ Mount Maunganui ▪ New Zealand
Private Bag 12504 ▪ Tauranga Mail Centre ▪ Tauranga 3143
Phone: +64 7 572 8899 ▪ Fax: +64 7 572 8800
www.port-tauranga.co.nz

On Monday this week, we undertook a five-for-one share split.

We decided on the share split based on feedback from our retail shareholders, as well as the analysts' community, and we believe it will enhance our liquidity in the market.

I would like to comment on the year's performances across the Group, as well as what we can expect in the short to medium future.

Our new Coda Group brings together our subsidiaries Tapper Transport, Priority Logistics, MetroPack and MetroBox, as well as Kotahi's Dairy Transport Logistics.

Coda is making good progress at eliminating waste in the domestic supply chain, and ensuring that truck and train trips are full in both directions. Coda has recently opened one of the country's largest intermodal freight hubs at Savill Drive in Auckland, to consolidate export, import and domestic cargo.

Our investments in PrimePort Timaru and Timaru Container Terminal are going very well, with container volumes now having more than quadrupled since 2014.

PrimePort has recently celebrated the opening of Holcim's new South Island cement distribution hub at the port.

Northport had yet another good year, with cargo volumes increasing 6.7% to a new record. Northport has plenty of room to expand and is progressively developing paved storage areas.

Quality Marshalling had a good year, more than doubling earnings, and has taken a new strategic direction exiting the forestry marshalling sector and focusing on opportunities in niche cargo handling – such as at PrimePort's new cement hub. It has also expanded its container handling services and equipment.

We expect our long-term alliances – with the likes of Oji Fibre Solutions, Kotahi, and more recently Zespri and Tauranga Kiwifruit Logistics – to continue to drive cargo growth, especially in container traffic. These initiatives also shelter us somewhat from swings in individual cargoes, such as last year's significant reduction in log exports – a decline of more than one million tonnes.

Our $350 million investment programme, our extensive land holdings in Tauranga, and our rail-linked MetroPort facility in Auckland, have readied us for this future expansion.

Many of you will be aware of the future port study recently undertaken on behalf of Ports of Auckland, in a bid to address the capacity constraints on the existing facilities there.

One of the proposals outlined in the plan is that of a new mega port on the Firth of Thames to accommodate Auckland and Tauranga cargo growth over the next 50 years.

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We have seen no economic justification for this idea, nor have we been privy to the assumptions that led to it. What we do know is that we can significantly expand the volume of imports we can deliver into Auckland, without adding to traffic flows in downtown Auckland. Ultimately, we believe the market will drive any rationalisation required, and we are about to see the efficiencies that can be had from the arrival of bigger ships.

I would like to thank my fellow Directors for their contributions this year, especially our relatively new Board members Doug Leeder and Julia Hoare.

At today's meeting, Bill Baylis and Kim Ellis retire by rotation and seek re-election. Both have the unanimous support of their fellow Board members.

I will hand over now to Mark to expand upon the cargo trends and operational highlights of the 2016 financial year.

David Pilkington
CHAIR

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