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Port of Tauranga Posts Strong First Half Performance

FINANCIAL RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2018

Port of Tauranga (NZX.POT), New Zealand's largest port, today reported a strong start to the 2019 financial year, with increased cargo volumes contributing to a 4.0% increase in Group Net Profit After Tax to \$49.0 million.

Highlights

- Total trade increased 8.8% to nearly 13.6 million tonnes
- Container volumes grew 5.1% to 621,117 TEUs
- Group Net Profit After Tax increased 4.0%, to \$49.0 million for the six months to 31 December 2018
- Transshipment growth continued, with volumes increasing 18.9% to 174,983 TEUs
- Imports increased 5.7% from 4.7 million tonnes to almost 5.0 million tonnes
- Exports increased 10.8% from 7.7 million tonnes to 8.6 million tonnes, with a significant increase in log exports (up 11.7%)
- Interim dividend of 6 cents per share, up 5.3% on the previous period's dividend.

Half year trade volumes at the country's busiest cargo gateway grew by 8.8% overall.

Transshipment volumes, where containers are transferred from one service to another at Tauranga, continue to rise as the Port solidifies its role as an international hub. It allows shippers from all over New Zealand to access fast and frequent connections to North Asia and South America. Transshipments made up more than a fifth of containers handled over the six month period.

Port of Tauranga Chair, David Pilkington, said the results were very pleasing.

"Group operating profit grew 4.0% in the first half of the financial year. Tauranga is working very well as an international hub port for shippers looking to quickly and efficiently access large ship container services.

"Tauranga is the only New Zealand port that can easily accommodate these big ships and we are very pleased by the amount of transshipment occurring from other New Zealand locations as well as Australia," said Mr Pilkington.

Bulk cargo volumes also continued to grow, driven largely by the increase in log exports but also increases in kiwifruit, meat and apple exports.

Port of Tauranga's inland freight hub, MetroPort Auckland, handled a 3.8% increase in containers to set a new record in cargo transferred by rail to and from Auckland during the seasonal peak between October and December.



Port of Tauranga Chief Executive, Mark Cairns, said it was pleasing that KiwiRail had been able to gear up quickly to transfer shipments diverted to Tauranga due to operational issues in Auckland.

He said Port of Tauranga was continually assessing the future needs of importers and exporters to ensure we invest in a timely manner the meet the anticipated growth.

“It has been two and a half years since the successful completion of our expansion programme to accommodate larger ships,” he said.

“All evidence points to a continuing trend to larger vessels. Our strategy to create long term value for our shareholders is clearly working and we are now planning for the next stage of cargo growth,” said Mr Cairns.

A ninth container crane has been ordered for delivery in 2020 and preparations are under way to extend the container terminal quay by up to 385 metres by converting port-owned land south of the existing 770-metre quay. The Company is assessing options for increasing container storage and handling capacity.

Reconfiguration of existing wharf space is under way on both sides of the harbour to ensure efficient cargo handling.

“We also have the capacity to increase train frequency in future as required,” said Mr Cairns.

Rail is Port of Tauranga’s preferred mode of cargo transfer due to its environmental benefits and to avoid contributing to road congestion, which is an ongoing concern for Tauranga residents due to the massive population growth in the region.

“Long term value creation for our shareholders is only possible if we keep up our efforts to enhance our environmental performance, our relationships with our employees, our suppliers and our community,” said Mr Cairns.

In the six months to 31 January 2019, the Port’s use of rail avoided the equivalent of more than 300,000 truck movements.

Port of Tauranga has renewed its long-term operating agreement with Oji Fibre Solutions, New Zealand’s major manufacturer of market kraft pulps, container board and packaging products. Oji has committed to consolidating the majority of its import and export cargo volumes through Port of Tauranga for the next decade.

Cargo trends

Log exports remain buoyant on the back of strong demand from China and record international prices. Log volumes increased 11.7% to 3.7 million tonnes for the six month period, while sawn timber volumes increased 9.0%.

Kiwifruit volumes increased 30.2% compared with the previous corresponding period, with the trend continuing towards refrigerated containerisation of kiwifruit exports.

Other produce exports also grew substantially, with volumes of frozen meat increasing 17.3% and apples increasing 64.9% compared with the same period last year.

Dairy product exports remained steady, with the volumes the same as the first half of the last financial year.



Imported oil products, fertilisers, chemicals and bulk liquids remained steady or decreased slightly. Salt and grain imports increased 15.5% and 7.3% respectively.

Ship visits decreased 5.4% to 842 in the six month period but their average length continues to increase.

Subsidiary/Associate Companies

Quality Marshalling, which is 100% owned by Port of Tauranga, continues to perform well with a refreshed portfolio of cargo and service contracts. Its earnings increased 36.4% compared with the previous corresponding period.

Our Associate Companies' earnings declined compared with the previous six month period.

Industry environment

Mr Pilkington said Port of Tauranga was pleased the Government have preserved the opt-out provisions of Multi Employer Collective Agreements (MECA) in proposed employment legislation.

"However, we are concerned about the potential impacts of the recommendations from the Fair Pay Agreement Working Group and we will be watching developments closely," he said.

Mr Pilkington said that the likely outcome of the Government's Upper North Island Supply Chain Study was unclear at this stage.

"We have had brief contact with the working group to date and we await their report with interest," he said.

Outlook

Port of Tauranga is on track to deliver a strong result for the full financial year, subject to any significant change in the global trading environment and the usual cyclical fluctuations in commodity cargo volumes.

We expect our earnings to be at the upper end of the previous guidance of \$96 to \$101 million given at our Annual Meeting in October.

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About Port of Tauranga:

Port of Tauranga, headquartered in the Bay of Plenty, is New Zealand's largest port and international freight gateway. It operates wharves in Tauranga, Mount Maunganui and Timaru, as well as **MetroPort Auckland**, a rail-linked inland port in South Auckland and **MetroPort Christchurch**, an intermodal freight hub in Rolleston. The Port of Tauranga Group includes: **Quality Marshalling** (100% ownership), a cargo services company; **Coda** (50% ownership), a freight logistics group; **Northport** (50% ownership), the deep water commercial port in Whangarei; **PrimePort Timaru** (50% ownership), the commercial port in Timaru; **Timaru Container Terminal** (50.1% ownership), which leases and operates the terminal at Timaru; and PortConnect (50% ownership), an online cargo management system. For more information, please visit www.port-tauranga.co.nz

