

NAPIER PORT HOLDINGS ANNUAL SHAREHOLDER MEETING

10.30am, Friday 20th December 2019

Napier Port Chairman, Alasdair MacLeod

On behalf of the Board I'd like to welcome shareholders to Napier Port's first Annual Shareholders Meeting as a listed company

I am Napier Port's chairman, Alasdair MacLeod, and I'll be running today's meeting.

I'd like to give an overview of the 2018/2019 financial year.

It has been a huge year for Napier Port – we've seen significant change and significant progress.

We received resource consents to build 6 Wharf, an asset that will future-proof our port for the economic prosperity of our region.

In order to fund our future growth, we became a listed company, welcoming more than 9000 new shareholders, including many local residents and 97% of all Napier Port employees.

Napier Port is a key regional long-term infrastructure asset with the purpose of connecting our region to the world.

Napier Port provides direct routes to global markets for the region's high-value export cargo and efficient access for import products to feed the regional, and national, economy.

The financial results we are presenting today show we have made a good start as a publicly-listed company.

While headline net profit has substantially decreased compared to 2018, the result is in-line with forecasts and is the result of costs related to capital restructuring and listing on the NZX.

The listing and a successful year mean we now have the capital in place to embark on our centrepiece development project, 6 Wharf, which has been in the making for several years.

We are looking forward to breaking ground on this project in the New Year and having construction well underway within the first quarter of 2020.

6 Wharf will position us to deal with the cargo growth we are already experiencing – relieving congestion and allowing the region to thrive.

2020 is set to be another milestone year for Napier Port:

- We look forward to further delivering our business plan – commencing on a number of projects that support our strategy: to strengthen our networked infrastructure; connect with our customers; harness technology and data; and, collaborate with our partners;
- We'll also be developing our sustainability strategy in line with the UN Sustainable Development Goals to guide our response to global issues, our diversity and enhance environmental outcomes.
- We look forward to sharing our progress with you at the interim report in May.

We are pleased with progress and have no reason to change forecasts that we made at the time of the Product Disclosure Statement publication prior to listing.

I'd like to introduce Napier Port chief executive, Todd Dawson to present his report on the 2018/2019 financial year.

Napier Port Chief Executive, Todd Dawson

Good Morning Everyone,

Hawke's Bay as a region is experiencing very strong growth - the world wants what our region has to offer.

Our purpose, our reason for being, at Napier Port is to do everything we can to support a thriving regional economy – and that means helping our exporters get their product to global markets and our importers what they need to feed our economy.

The 2018/2019 financial year has been a positive one for Napier Port – setting the foundations for our future and supporting our ability to serve this region for many generations to come.

For nearly 150 years, NP has served the region, building the agile and resilient infrastructure we have today. It continues to serve the growing needs of the region, with solid plans in place to support the economy of Hawke's Bay and New Zealand. Our main port site at Breakwater Road site consists of:

- 50 hectare of storage and operational area
- 6 mobile harbour cranes
- More than 1000 connection points for refrigerated cargo
- More than 42,000-square-metres of warehousing
- 37 heavy container handling machines

- 16 hectares of container storage space
- An 8,000-square-metre on-port packing facility – Port Pack
- 10 hectares of dedicated log storage
- Dedicated stevedoring services through SSA
- Skilled log marshalling and stevedoring services, through ISO and C3
- Our Empty Container Depot at Thames Street was developed in 2015 to allow for empty-containers to be stock piled ahead of the pipfruit season and we began developing a second depot, Thames II, this year.
- We also have land holdings at Whakatu – this site future proofs our off-port capability in Hawke’s Bay and we are currently doing investigations on what development opportunities are possible for this site to support our customers’ export and import requirements.

It’s worth a reminder of the key strengths of our business. We are a long-term infrastructure asset linked to the Hawke’s Bay economy – there is a symbiotic relationship between the region and the port. When the region does well, the port does well and vice versa.

Hawke’s Bay is currently experiencing significant growth, and many of the key markers we look for across the regional economy are trending upwards.

We also have strong key customer relationships that have been built over the last 150 years.

We have a good diversified trade portfolio, which means we are not reliant on one or two key commodities to sustain the port.

We are well-positioned, with good visibility of cargo volumes – we can go out and touch the apple trees that are in the ground or being planted, we can see the forests that are ready to be harvested and count the stock units of farms that are coming our way.

We have the permissions we need to construct the developments we have planned – such as the fully-consented 6 wharf project.

We’ve delivered a strong financial performance over a number of years for our previous 100 percent shareholder, Hawke’s Bay Regional Council, and we have a robust record of delivering on growth opportunities.

We have a great management team across the Napier Port business and we have strong relationships with our cargo owners and other stakeholders across the shipping industry and the community to support our business.

In 2018, we refreshed our business strategy.

We worked with our team, our customers and stakeholders on our purpose “Together we build a thriving region by connecting you, our customer, our people and our community, to the world.

We established a strategy, including our four key focus areas:

- Customer Connection – getting closer connections and getting deeper insights into what our customers need from us.
- Harnessing Data and Technology – we capture a lot of data on our customer’s businesses, as well as data on the operation of our own business every day. We already use this data to improve the efficiency of our own business but increasingly we are using data and technology to enhance the efficiency of our customer’s supply chains.
- Networked Infrastructure – it’s important as a port that we remain connected to our customers through the development of infrastructure, such as our links through road, rail and sea and the building of infrastructure that will provide the services required by our customers and region, now and into the future.
- Collaborative Partnerships – at Napier Port we like to work with people that know and understand our business, but more importantly share in the same aspirations as we have to make our region thrive.

This strategy helps us to establish our business goals and we now have a 10-year road map to guide and direct us into the future.

All of this is built on a strong foundation of our “Culture of Care” which recognises the history and importance of the people within our port and the community that we operate in. Our culture of care is demonstrated by:

- Our care for the health and safety of our people;
- Our care for our customers and their cargo; and
- Our care for the environment and the communities we operate in.

This strategy drives everything we do at Napier Port.

2019 has been a significant and historic year for Napier Port. We’ve seen a strong operating result and continued growth across all major trades.

We enjoy a buoyant local economy and rural sector seeing continued investment in Hawke’s Bay, despite concerns of global trade headwinds and recent pricing fluctuations in forestry and fibre.

Investment in new infrastructure, plant and equipment is boosting our operational capability and resilience.

We’ve added additional experience to our Senior Management Team, driving our strategy and innovation agenda and commercial areas of the business to support regional and out-of-region growth.

We have continued to develop and invest in our people and culture of care.

In contrast to many other ports, Napier Port is privileged to have a strong social license, as demonstrated by:

- Local support for our resource consents for the development of 6 Wharf
- Significant demand and support from locals for ownership via the IPO
- 97% of full-time employees are now shareholders in Napier Port
- Four of our local iwi now invested in Napier Port.

2019 has been a year of significant change and progress. We've made a good start as a publicly-listed company, with strong operating result and continued growth across all our major trades.

New infrastructure, plant and equipment has boosted operational capability and our resilience as a port.

We've gained 9,000+ new shareholders and 97% of our team are now shareholders in the business.

We've also now got the balance sheet we need to support growth of the port and our region.

I'd now like to hand over to Napier Port's Chief Financial Officer, Kristen Lie to present the financials.

Napier Port Chief Financial Officer, Kristen Lie

Good morning everyone,

It has been another big year for cargo volumes, with new records set. Across all cargo trades, our total of 5.5 million tonnes was a 7.3% increase from 2018 and a new record.

The main growth driver for total cargo and in particular, bulk cargo, is logs.

In 2019, we achieved a new record of 2.6 million tonnes of logs, an increase of 16.9% from 2018 and 3.2% ahead of forecast.

For container services we had a total container TEU volume of 271,000, 1.9% ahead of the prior year, and 1% ahead of forecast.

A highlight was the 9.9%, or 5000, TEU increase to 54,000 TEU in export reefer containers.

Higher export volumes were driven by another record export season for apples, an 8.6% increase, increased meat exports, offset by decreased canned and other food exports.

As forecast, 2019 cruise vessel visits increased to 70 from 57 in 2018 - a 22.8% increase.

2019's cruise revenue increased 46.1% to \$3.7M compared to 2018, and was up 4.1% on our forecast.

Cruise is a major contributor to the region with Statistics New Zealand estimating that cruise passengers spent \$28.4M in Hawke's Bay in the year to June 2019.

The Napier Port cruise call continues to be rated highly as a cruise destination in Australasia, which is a credit to the local community, those involved in providing the cruise experience, and Napier Port staff.

Total revenue for the year was \$99.6M representing a very healthy 8.6% year-on-year growth in revenue.

What was pleasing in this result was that we've seen revenue growth across all three of our service areas – container services, bulk cargo and cruise.

In all three areas, both volumes and average revenue per unit have grown.

Bulk cargo revenue rose by \$3.3M or 11.4% to \$32.3M in 2019, and was driven by the 10.9% volume growth to 3.4 million tonnes, including logs.

A good result for container services was achieved, with revenue rising \$3.1M or 5.5% to \$61.2M.

In addition to the 1.9% increase in TEU volumes, revenue increased due to:

- Introduction of pricing initiatives to recover the costs of infrastructure investments made to extend capacity and support growth;
- Additional income from on-port storage services, and off-port depot services; and
- A higher refrigerated container proportion in our container mix and income from ancillary services such as power and monitoring of these containers.

Statutory Net Profit After Tax for 2019, after deducting costs associated with the IPO and restructuring our debt portfolio, was \$6.8M, significantly reduced from 2018.

However, on a pro forma basis, which adjusts for the significant one-offs and the IPO capital structure changes, net profit of \$19.8M for 2019 was \$0.6M ahead of our forecast and \$2.2M higher than 2018.

Capital expenditure during the year was \$18.5M. Compared to our forecasts, a number of projects remained work in progress at year-end and some replacement spend has been deferred into 2020.

Key development projects in progress at year-end were 6 Wharf pre-construction, progress payments for our third tug Kaweka, and the further development of our off-port Thames Street container services depot.

Now that we have recapitalised our balance sheet as a result of the IPO capital raising we are in the process of mobilising to commence the 6 Wharf project and this, along with other development and replacement projects, will see our capital spend increase significantly in the next few years as we build for growth.

Compared to 2018 we have a transformed balance sheet.

The capital restructuring resulting from the equity raising sees us holding \$31.2M of cash at the year-end and undrawn bank facilities of \$180M, which means we are positioned to execute on our strategic development programme, including 6 Wharf.

This is a stronger cash position than forecast and this arose from the deferred capital expenditure, in addition to a positive operating cashflow result for 2019.

Thanks you and I will now hand back over to Todd.

Napier Port Chief Executive, Todd Dawson

As 2019 comes to a close, we are keenly focused on what 2020 and beyond will bring.

Over the last year we've been working to develop a 30-year Master Plan for the port, which has been critical to the share float process.

It examined the trade flows, engineering, design and shipping industry trends to help us to truly understand the future development requirements of the port to support our region.

We went through three extensive and distinct phases, which included working with our customers on what their future aspirations are to ensure that we can deliver the infrastructure that they needed to grow their businesses.

This information fed into the 6 Wharf business case and the information that went to investors ahead of the share float. Pleasingly, all this work confirmed without a doubt that we need to expand the port, including 6 Wharf, and that we have options available in the future, both on port and off the port, to manage longer term potential growth scenarios.

We've now launched the Master Plan to the public and we're asking for feedback.

This year we are excited to take delivery of our third tug, Kaweka. Over 80 percent of Napier Port's shipping requires two tugs.

The arrival of Kaweka gives us more resilience by managing the risk of an unexpected breakdown of one of the existing tugs, which could close the port for weeks.

It also gives us more capability to manage the larger vessels we are already receiving and the even larger ships we expect to see when 6 Wharf is complete.

It also gives the team an opportunity to get familiar with operating a three-tug team, which will be a requirement for berthing ships on 6 Wharf.

The third tug also helps reduce congestion, because we can manoeuvre ships day and night within the port, which we can't currently achieve with two tugs.

We're also happy to report that, due to collaboration with the tug manufacturer Damen during design, we have been able to make the tug 15 to 20 percent more powerful and significantly more efficient.

We're pleased that the development at Thames Street II, our second empty container depot, will be completed early in the New Year.

It will be a container storage and distribution facility but will also house our container pre-trip and wash activities to provide more room in the container terminal while we develop 6 Wharf.

It's great to be able to support exporters in the region, with an efficient and modern facility.

Due to the share float, we now have a strong balance sheet in place for infrastructure development.

After many years in the planning, we will begin construction of 6 Wharf early in the new year and we're aiming to complete it in mid-to-late 2022.

6 Wharf is key to unlocking our future potential and providing the resilience that the region needs in its port, now and into the future.

It will improve the availability of our other wharves and reduce the secondary moves we are forced to perform currently due to congestion and larger ships.

We secured resource consent for 6 Wharf, uncontested without going to the Environment Court, which is rare for ports in New Zealand.

In line with our management plans, we are working closely with the community throughout construction to ensure minimal impact on our neighbours and the marine environment, including the establishment of a Mana Whenua Komiti and a local Fishing Liaison Group.

After a rigorous process to find the right contractor, during November this year we signed a contract with New Zealand-based company HEB Construction to construct the wharf.

Due to an 'early contractor involvement' process we were able to get a robust fix on the project cost, so there is no change to the estimated cost disclosed during the IPO process.

At Napier Port, we are focused on maintaining our social license - which for us means operating in a sustainable way.

It's not about one focus area – such as being carbon neutral or declaring a climate crisis. For us, sustainability is far broader and encompassing. We believe we need to think globally but act locally on areas we can make a real difference to.

This year we selected the UN Sustainable Development Goals framework to help guide where we put our focus. Next year we will use that to build our Sustainability Strategy, which we will start to take further action against and report our progress on.

It's pleasing to note that Napier Port is already working on a number of initiatives in the sustainability space, including our penguin sanctuary, energy efficiencies and collaborating with the community, even before we start developing our sustainability strategy,

This is an important element in our ability to maintain and develop our social license to operate and will become an increasingly important focus for our business.

Although we've had a great year on many fronts, the sobering reality is that we also experienced a number of safety incidents, including incidents that have left two of our people permanently injured.

It's been a wake-up call for us - that's made us stop, check and double-down on our health and safety efforts to ensure that everyone who comes on port goes home safely.

Our board is very clear - at Napier Port, profit will never come before people – so next year we are focusing more investment and resources on improving our health and safety processes and in particular we will be focusing on our critical risk areas.

This year we have continued to invest in the thing that sets us apart from many other big business – our culture of care.

As an example, we have established a Fatigue Working Group to design and deliver a Fatigue Risk Management Framework to help our shift workers manage their overall wellbeing.

We've provided mental health first aid training, so our people can recognise when their work mates need support.

We're implementing GPS mapping of activities and hazards on port to improve visibility of hazardous activities and bolster safety across the port.

We are embracing Te Aō Maori, establishing a Kahui group to identify and build our Maori tikanga and support Te Reo development in our workforce.

And we have ensured our people have an opportunity to take a share in the company through the provision of a Fair Share loan – which saw 97 percent of our people buy shares.

This year has been a significant year for us and next year will see more major milestones – we are up for the challenge and we look forward to sharing that journey with you all.

Thank you for coming today - I'd like to hand back to chairman, Alasdair MacLeod.

Napier Port Chairman, Alasdair MacLeod

In concluding our overview, I would like to take the opportunity to thank a few people for the key role they have played in our success over the last year.

While it's not normal to thank the major shareholder, I'd like to publicly acknowledge Hawke's Bay Regional Council chairman, Rex Graham. He's been an absolute rock of support in the lead up to listing the company – his leadership was extraordinary and a key reason for us all being here today.

I'd also like to commend Hawke's Bay Regional Council chief executive, James Palmer, and Hawke's Bay Regional Investment Company chief executive, Blair O'Keeffe, for their knowledge and guidance over what has been a gruelling IPO process.

Most importantly, I would like to thank the dedication and passion of our people. There was no stronger demonstration of your faith in this company than the 97% uptake of shares. Your commitment to the company and to the success of this region is a huge advantage and will be the key stone for us achieving the plans we have for the next decade. Thank you.

Lastly, I'd also like to make special mention of one of Napier Port's longest serving supporters. Warren Young has spent the last 21-years, a large chunk of his life so far, making an enormous contribution to the company through his business acumen and operational insight. He retires next week and, while his pragmatic wisdom will be missed, his legacy will live on in the talented team he has built. Good luck Warren.

Thank you for coming today and thank you for your continued support of Napier Port.

No reira tēnā koutou, tēnā koutou, tēnā koutou katoa.