NAPIER PORT HOLDINGS LIMITED ANNUAL SHAREHOLDERS MEETING
10:30am, Friday 15th December 2023

Napier Port Chair, Blair O'Keeffe

Tēnā koe Te Kaha, mo te mihi tuatahi o te kaupapa i te ra nei - formal thanks Te Kaha for the first greetings of today's occasion.

Ki a koutou kua tae mai ki te kaupapa nei, koutou hoki i runga i te ipurangi, no reira tēnā koutou katoa - to those who have come for this occasion, and to those joining online, formal greetings to you all.

Kia ora, good morning everyone, and welcome to Napier Port's Annual Shareholders Meeting. My name is Blair O'Keeffe. I am the Chair of the Napier Port Board and I'll be running today's meeting.

2023 Highlights

Given the challenges presented, we are pleased with Napier Port's performance and results for the 2023 financial year.

The year started very strongly, which led to growth in volumes and revenue in the first half.

Cyclone Gabrielle landing on 13-14 February resulted in widespread damage to our region, and this dented the rebound we were seeing after the pandemic.

Napier Port's infrastructure held up well and fortunately none of our people were injured.

As a result, we could immediately begin our role as a critical lifeline asset for the region.

Our team, led by Todd, performed outstandingly during this crisis, and the Board is incredibly proud of the role Napier Port played in the cyclone response, and continues to play, in our region's recovery.

It is fair to say, accounting for the impact of Cyclone Gabrielle on our trading volumes for the second half of the year, Napier Port finished the year stronger than anticipated with total revenue of $118.4 million, a 3.4% increase on the previous year, and net profit of $16.6 million, down 18.8% on the previous year.

We have remained vigilant in our commitment to safety and wellbeing and are pleased to report no incidents of serious harm during the year and that we continue to remain vigilant in our approach to improve safety across the port.

We are grateful for your support and confidence to continue investing in Napier Port.

The Board has declared a fully imputed final dividend, which was paid yesterday, of $7.1 million or 3.55 cents per share. This brings the total dividend for the 2023 financial year to $10.5 million or 5.25 cents per share.

We expect to see a further recovery of cargo volumes during the 2024 financial year and earnings growth alongside volume recovery, albeit with some headwinds to navigate related to local trade and wider economic conditions.

The world continues to demand the premium primary sector commodities Hawke's Bay excels at producing. And Napier Port's record of resilience and delivery, seen during the pandemic and after the cyclone, gives us confidence the company is well positioned to continue supporting the region for the long term.

Thank you to our cargo owners, who have worked closely with us this past year to overcome the considerable disruptions we have all faced. To contractors, suppliers and transport operators a sincere thank you for helping Napier Port keep our cargo owners, and our community, connected to global markets.

I'd now like to introduce Napier Port Chief Executive, Todd Dawson.

Napier Port Chief Executive Officer, Todd Dawson

Strong First Half Year

Thank you, Blair.

Good morning everyone and thank you for taking the time to attend our Annual Shareholders Meeting today.

I'd like to start by providing some colour around what our 2023 financial year looked like for Napier Port.

We began the year very optimistically – and a good number of our customers were also seeing relief after the pandemic and supply chain disruptions of previous years.

Labour shortages and shipping disruptions had eased.

Growing conditions were very good across a number of different food and fibre trades.

Te Whiti wharf had opened and was adding more flexibility and availability for shipping. Increasing shipping services were calling, and new customers and cargoes were arriving through our gates.

Alongside Te Whiti wharf, our wider programme of infrastructure investments were driving efficiency, growth, and greater supply chain and shipping options across both Hawke's Bay and the North Island for our customers.

Napier Port's capacity and our capability had increased.

We were able to handle more cargo from a wider geographical area, moving it faster, more efficiently and safely. Customers had more options to connect to the world via Napier Port. While other ports in the North Island were at capacity and experiencing delays of up to 2-3 weeks, we were in a great position to support our customers and release, or ease, the pressure being felt across the New Zealand supply chain.

Our trade during the first half showed strong growth in revenue and operating earnings and we were tracking to the higher end of our earnings guidance in the market at the time.

We were strongly motivated by what we saw as Napier Port's true capability under normal operating conditions.

It's fair to say, Napier Port was on track for a record year.

Then, Cyclone Gabrielle arrived.

Cyclone Gabrielle

In the immediate aftermath of the cyclone, Napier Port was the only entry point into Napier.

Our infrastructure is designed to cope under pressure and held up very well during the cyclone. Our cameras measured multiple waves over 10m high, equivalent to a 3 or 4 storey building.

Following the cyclone, the best way we could support our community, and customers, was being able to resume operations as quickly as possible. Our region was relying on us for urgent deliveries, including fuel, recovery equipment, and medical supplies.

Any of our team who could safely get to Napier Port did so and we kicked into gear with two priorities in mind: (1) welfare checks on all our people, especially those closest to the areas of intense flooding and those cut-off from returning home; and (2) getting our port operational as quickly as possible.

Though the network power supply in Napier and surrounding areas was out, due to our own power generators onsite, we had enough energy for our operations, and we were also able to help by lending our large generators to the regional airport and local medical centres, in order for them to reopen and continue to operate.

We were also able to preserve our customers' cargo that was on port, ensuring it remained on power and stayed chilled until it could be exported. One of our largest customers, Pan Pac, moved their administrative teams into our main port offices and were able to set up and run their emergency response operations from the port for several weeks after the cyclone.

We quickly became a community base for emergency response co-ordination and activities with both the New Zealand Army and Navy arriving at our port gates and establishing their base from our facilities.

Our former Te Whiti wharf construction site became their Napier base, as it provided a secure location with all the facilities they needed. Next to our Kororā/penguin sanctuary, this base became affectionately known as 'Camp Penguin'.

Our Napier Port team have a deep sense of responsibility to the community and this commitment ensured that the first fuel tanker and container vessels were back in port within days. Within three weeks, the first cruise vessel had also returned providing much needed economic stimulus to a town and region in recovery mode, signalling we remain open for business as a region.

As the immediate response phase came to an end, the greatest challenges we saw on the horizon for Napier Port were the damage to regional road and rail infrastructure, and varying degrees of damage across customers' crops and premises in horticulture, agriculture and forestry.

Maintaining Momentum and Opportunities

Soon after, our attention turned to what we could do to continue the momentum we saw in the first half of the year.

The flexibility and resilience we have built into our operations, enabled us to respond to this challenge.

With the rail line from Hastings to Napier Port out of service, a replacement roading solution was set up. Temporary container terminals were established at Heinz Watties and Team Global Express (Toll) sites in Hastings.

Working with customers, Kiwirail and local transport operators, cargo from the central and lower North Island transferred from rail to road and was trucked through to Napier Port. This operation ensured that most of the cargo that comes to Napier Port by rail, continued to arrive.

We were also able to swiftly support the establishment of a temporary coastal shipping service initiative. This connected Gisborne exporters with Napier Port's international shipping services, while the East Coast roads were under repair.

We kept developing our landside logistics service, so when the rail line re-opened in September, we were able to officially launch our Viewpoint Supply Chain service to the market.

Viewpoint provides landside road, rail and warehousing services and is a key part of our strategy to grow Napier Port's presence into the central North Island and hinterlands.

This year further motivated and challenged us to use our wharves and space on port even more dynamically.

With a focus on being dynamic in how we use our assets and allocate resource to meet demand, we have improved our operational flexibility and efficiency, as well as availability of wharf space. This allowed us to adapt and accept new cargo, such as wood chips, and windthrow, which is storm damaged logs.

With less containers on port, we brought forward planned pavement upgrades, and this has expanded our storage availability, as well as provides further flexibility in the types of cargo we can hold on port, in anticipation of continued future growth.

This year has reinforced the considerable resilience we have built into Napier Port. Not only in terms of infrastructure and operations, but as well as our culture. Our teams were able to respond readily and do whatever it took to keep moving forwards.

Some of our teams' work was impacted by reduced volumes, due to the Cyclone. We have focused on secondments and redeployments, such as our Port Pack team, who undertook a 6-month secondment to Port Otago – and our Night Rail Team, who relocated to the Heinz Watties site in Hastings, to support the road bridging operation. It was important for us to keep our people meaningfully employed and this work and approach continues today.

The Cyclone has sharpened our focus on cost containment, which we will retain as volumes recover. This includes deferral of non-critical capital and operating expenditure, a hiring freeze, reallocation of resources, and parking up of some plant and equipment.

Social and Environmental Care

We continue to advance our commitment to sustainability, with a holistic focus on embedding social, economic, and environmental practices throughout our operations.

As a result, we are making good progress year on year.

Of the 100 actions we identified two years ago, 61% of those are now underway, which is up from 47% last year.

Our total carbon emissions reduced by 10% this year, largely due to reduced volumes, which required less fuel and electricity consumption.

Our interest in exploring lower emissions emitting equipment remains high and this year we commissioned four new eco-efficient container handling units and trialed other renewable technology, which is new to the market.

Port operations are capital intensive, and our equipment has a natural, long-term life, so it is critical the right environmental and investment decisions are made. As emerging technologies become more certain in terms of cost, supply and distribution, our ability to adopt lower emitting equipment becomes more feasible for our major emission sources such as cranes, container handlers and marine fleet.

We microchipped the 250th penguin in our sanctuary and we celebrated the placement of a Rāhui, by the Minister for Ocean and Fisheries, over one of the artificial reefs we have built in partnership with others. This will help the reef to establish, flourish and grow in the future.

Also in partnership with others, we continue to monitor our surrounding marine environment.

This year we refreshed our climate change risk assessment based on newly available climate data – we used this new assessment to update our annual climate change report which you can read on the investor centre website.

I will now hand over to Chief Financial Officer, Kristen Lie.

Napier Port Chief Financial Officer, Kristen Lie

Cargo Volumes Reduced on Disruptions

Thank you Todd and good morning everyone.

I am pleased to be able to provide a financial report to accompany our audited financial statements for the 2023 financial year.

The most significant factor for 2023 and continuing into the new financial year has been Cyclone Gabrielle's damage to road and rail infrastructure and to customers' crops and premises. Following a buoyant first half-year's trading, this reduced our cargo volumes and softened our overall financial results for the year.

We handled 4.6 million tonnes of cargo in total, which was 14.4% less than the prior year.

Within Bulk Cargo, log export volumes reduced 11.3% to 2.5 million tonnes, due to less harvesting as a result of adverse weather, damaged roading infrastructure and subdued log export market conditions during the year.

The volume of containerised cargo was 222,000 TEUs (a TEU is a measure of container volume in units of twenty-foot containers). This was 12.7% less than last year, primarily due to the flooding and closure of Pan Pac's wood pulp and timber mills, and lower produce and other chilled exports due to crop losses following the cyclone.

We welcomed the return of cruise vessels, with 64 cruise ships calling, after two years of effectively no cruise when borders were closed due to the pandemic.

Despite the overall trade volume decline in the second half of the year we were encouraged to see a recovery in some products in the fourth quarter of the financial year:

- log exports that had been pushed back by Cyclone Gabrielle ramped up in the fourth quarter, resulting in volumes on par with the same quarter of the previous year, and

- containerised cargo for canned goods, apples, meat and fresh and other chilled produce was also on par with the same quarter of the previous year.

Higher Revenue on Lower Trade Volume

For the financial year, despite the reductions in containerised and bulk cargo trade volumes, we again achieved a new record for total revenue of $118.4 million, an increase of 3.4% from the previous year.

This was primarily due to:

- the return of cruise, which added $5.3 million to revenue, and

- continued positive progress with average revenue per unit increases. These increases are linked to our investments in infrastructure and additional customers services on port, such as log debarking, and are as a result of cost recoveries for major expenses such as fuel and insurance.

Operating Result and Net Profit Lower on Lower Volumes and Higher Costs

Whilst revenue grew by 3.4% in the year, total operating expenses increased by 9% year on year, reflecting continued high cost inflation across all expense categories. This led to a lower result from operating activities of $37.2 million – down from $40.1 million in the prior year. I note that this result excludes $6.5 million of net business interruption insurance income and related expenses which we recorded as Other Income in our income statement.

We continue our close focus on managing operating expenses in a challenging inflationary environment. All expense categories have increased year on year and, as directly variable expenses make up only a small proportion of overall spend, there has been little expense relief flowing through from the lower trade volumes.

Reported net profit after tax for the period was $16.6 million, down from $20.4 million in the prior year. In addition to the lower operating result, there was downwards pressure from previously communicated increases to depreciation and finance costs following the completion of the Te Whiti wharf investment in 2022. Depreciation expense increased $2.7 million and finance costs by $5.9 million. This was partially offset by the recognition of the net insurance income of $6.5 million and lower tax expense.

Capital Management

Finally, a brief update on our capital management and debt profile which continues to be in a sound position.

Supported by continued robust operating cashflows in the period, our total drawn debt was $130 million at balance date. In addition, Napier Port had $50 million in undrawn credit facilities available at the end of the financial year.

Our Debt to EBITDA ratio decreased to 2.98 times at 30 September 2023 which is within our target range of between 2-3 times, and down from 3.36 times at the end of the previous financial year.

In addition, our average term to maturity for loans and borrowing was a relatively healthy 3.7 years.

As at the balance date, 85% of our total gross borrowing was subject to fixed interest rates at a fixed underlying base interest rate, excluding margins and costs, of just under 3%.

I will now hand back over to Todd for concluding remarks.

Napier Port Chief Executive Officer, Todd Dawson

Looking Ahead FY2024

There are many reasons to be optimistic about the year ahead and Napier Port's future.

Road and rail to Napier Port are back online; and the future prospects for our key customers and cargoes are positive:

- Pan Pac's timber and pulp operations are expected to start in the coming months, and to be fully operational by the end of calendar year 2024,
- Several major apple exporters suffered less permanent tree damage than initially thought, and they have already replanted or started replanting,
- Two major new apple export warehouses opened in the past year, signalling long-term confidence in this industry,

- Log exports picked up in the last quarter of the financial year. A new forestry export customer has started, and our log debarking operation continues to be in high demand and performing well. Forest estates in our catchment area are still maturing, and

- This cruise season looks to be our busiest on record, with 90 ships and around 150,000 thousand passenger visitors expected. We have confidence in this industry's growth and bright future.

With new wharf capacity, operational flexibility, new services on port, and the recent launch of our Viewpoint Supply Chain service, Napier Port is well placed to receive and process cargo from across the North Island.

In doing so, we can help ease supply chain pressures and support exporters and importers across New Zealand who may be impacted by limited capacity or infrastructure deficits at other ports.

Both our region, and the underlying demand for its food and fibre products, continues to grow alongside our reputation for providing excellent and reliable levels of service for our customers.

In the short to medium term, earnings growth will be linked to the recovery of volumes, together with efficiencies from the investments we have made in infrastructure and customer services on port. In the short term, earnings will be supported by ongoing business interruption insurance.

The pace of recovery will become progressively clearer as we move forward. In the first quarter of the new financial year to date we are seeing continued softer containerised volumes but solid volumes of log exports. We are looking forward to the recommencement of the Pan Pac timber and pulp manufacturing operations as well as the new season's agricultural and horticultural produce coming on stream during our second quarter.

While we anticipate, and are hopeful, of less disruption than seen during 2023, we are still expecting inflationary cost pressures together with uncertain global economic activity to remain a challenge.

Earnings will continue to be supported by our proven ability to recover higher costs, alongside our team's cost containment and capital management discipline.

Finally, I'd like to acknowledge and thank my whole Napier Port Team, including our Board of Directors, for their efforts this year.

I will now hand back over to Blair.

Napier Port Chair, Blair O'Keeffe

I would like to take this opportunity to extend our sincere thanks to Diana Puketapu, who is retiring as a Napier Port director today.

We wish her all the very best as Chair of the New Zealand Olympic Committee and Chair of New Zealand Cricket.

Diana joined the Napier Port Board in December 2017, at a time of rapid growth and development. During her two terms, Diana's strong financial acumen and diverse governance experience has brought an invaluable voice to our board table. This has been evident in her contribution during the

IPO process and subsequent transition to being a publicly listed company, and in the development of Napier Port's sustainability, equality and diversity strategies.

Thank you Diana for your commitment to Napier Port and our region, and your passion for the role Napier Port plays in connecting central New Zealand to the world.

On that note, it is my pleasure today to conclude the Annual Shareholders Meeting for the 2023 financial year.

On behalf of the Board, I extend our thanks to all shareholders, our community, and the cargo owners who entrust their product to Napier Port.

And to the entire Napier Port team who – led by an excellent Senior Management Team – continue to bring their best to work every day, facing whatever the day brings with an unflappable commitment and resolve.

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

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