

NAPIER PORT HOLDINGS LIMITED ANNUAL SHAREHOLDERS' MEETING
10:30am, Friday 16th December 2022

Napier Port Chair, Alasdair MacLeod

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 Alasdair MacLeod. I am the Chair of the Napier Port Board and I'll be running today's meeting.

2022 Highlights

I'd now like to give an overview of the 2022 financial year.

In the face of ongoing pandemic impacts and disruptions to shipping schedules and supply chains, Napier Port has had a successful year.

As Chief Executive Todd Dawson, and CFO Kristen Lie, will comment on later in this meeting, the team have moved one of our highest annual volumes of cargo, which in turn resulted in the solid financial results we are presenting today.

Underpinning these results, was the continued global demand for our region's food and fibre products, which highlights one of Napier Port's key strengths. The world continues to demand the premium primary sector commodities our region excels at producing and Napier Port continues to be able to move.

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.

Strategically it has been a highly successful year. We have made significant progress continuing to put in place the infrastructure and capabilities that will underpin the success of Napier Port, and our wider regional economy, for decades to come.

The centrepiece of this investment is Te Whiti Wharf. Without a doubt its opening on 22 July was a highlight for us and delivered on the commitment we made when we launched our initial public offer and NZX listing in 2019.

As we have said previously, it gives cargo owners more shipping and supply chain options, access to the largest vessels coming to New Zealand and greater flexibility and berth availability on our other five wharves.

It is a credit to Napier Port, and our contractor partners, that construction not only stayed on track and on budget during two and a half years of a global pandemic, but became operational earlier and under initial estimated costs.

The construction of Te Whiti Wharf has been one of the country's largest pieces of privately-funded transport infrastructure investment in a decade, which we were able to undertake with your support.

As Todd will detail shortly, while Te Whiti Wharf has been the centrepiece of our infrastructure programme, other investments we have been making on behalf of customers have progressed alongside. This places Napier Port in a prime position now to leverage our increased capacity and our new capabilities to deliver more cargo, for more customers, via more road, rail and shipping options.

It is important to the Board that our actions as a business match the aspirations and expectations of our shareholders, as well as our people, customers, and the community. We hope you share with us the emphasis we place on our uncompromising stance on health and safety, our progress on a very diverse range of sustainability initiatives, and being a good employer, and a good neighbour to our community.

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

The Board has declared a final dividend, which was paid yesterday, of \$9.4 million, or 4.7 cents per share. This brings the total dividend for the 2022 financial year to \$15.0 million, or 7.5 cents per share, the same as last year.

We have confidence that Napier Port's balance sheet and core strategic infrastructure positions the Company well in the face of the changing macro environment and inflationary pressures. The demand for the exports that cross our wharves, together with the benefits we see coming from our strategic capital investment programme and Napier Port's proven resilience, stand us in good stead. I'd like to introduce Napier Port Chief Executive, Todd Dawson.

Following the business of the meeting, I will return later this morning with a few words on what the past eight years as Chair of the Napier Port Board has meant to me.

Napier Port Chief Executive Officer, Todd Dawson

Thank you, Alasdair.

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

As Alasdair said, it has been another challenging year, which makes our results, and our progress on strategic developments, even more satisfying.

From a trading perspective we handled one of the highest volumes of cargo in our history, 5.39 million tonnes, and revenue increased to a record \$114.5 million.

This is a credit to our whole team, customers and partners who worked together to achieve this result.

During the first half of the year our customers faced a particularly difficult time.

- Labour shortages and workforce absence caused by the pandemic limited their production

- Adverse weather events, particularly high rainfall, further impacted local production, and
- Global supply chains remained disrupted and caused significant diversions from shipping schedules and reduced the number of vessels visiting New Zealand and Napier Port.

Shipping Schedule Reliability

This chart perfectly illustrates the container shipping disruption Napier Port has experienced this year, but also over the last two and a half years.

Shipping services largely maintained schedules until the onset of Covid, about half way through our 2020 financial year. Since then they have become more random resulting in being serviced largely on a 'first-in, first-served' basis.

As explained during our half year update, the disrupted schedules results in additional rehandling and restacking of containers in the container terminal as well as putting pressure on terminal space management and labour rosters – increasing our operating costs. Schedule disruption also results in fewer container vessels calling and reduced shipping capacity available to cargo owners to ship their products.

These factors, together with intense cost pressures across the supply chain, had flow-on effects. Total cargo volumes decreased compared to the same period a year ago. Operating costs also rose substantially.

Coming into the second half of the year, we were pleased to see volumes recover in line with the prior year.

It is also encouraging to see the ongoing demand for our region's exports, and early indications, that global shipping disruption and pricing are showing signs of easing. A return to schedule reliability and pro forma berthing windows during 2023 is starting to look more possible.

On the positive side, we are heartened by the enthusiasm with which our region has welcomed back cruise to Hawke's Bay and look forward to a record season with 87 cruise vessels expected to call.

Strategic Projects

This year we have delivered on long-standing strategic objectives that position Napier Port for the future.

The opening of our new wharf – Te Whiti - six months ahead of schedule and under budget was an incredible milestone the team delivered for our region.

We are already seeing the benefits of extra capacity and more seamless movement of cargo and vessels in and out of our Port.

In the first few months of our new financial year we are seeing an increase in the number of vessels calling, as well as strong interest from current and new shipping lines to add Napier into their port calls. This includes a new weekly direct Napier to China weekly service announced recently.

Concurrently, we have been enhancing our configurations for berthing and working vessels and our terminal and log yard layouts, to improve productivity and extend our capability and operational performance.

These developments all lend themselves to support future growth for customers and Napier Port across all our key cargoes – containers, bulk and cruise.

As Alasdair said, Te Whiti Wharf is part of a wider programme of infrastructure investment we have been undertaking to drive efficiency, growth, and greater supply chain and shipping options across both Hawke's Bay and the North Island.

Our logistics service which coordinates road, rail and warehousing, from site-to-sea is now a year old and growing. Partnering with KiwiRail, road transporters and the Manawatu Inland Port, it provides customers in the central, lower and now upper North Island more freight and cargo-handling options via Napier Port. We are getting interest from further afield and growing this service is a key focus area for us.

Log debarking is another new Napier Port operation that began during the year and volumes are climbing as we see demand increase for the service. We are now looking at ways to increase throughput in the coming year by expanding its capability and utilisation.

In an environmental win for our region, implementation of the debarker also enabled us to end methyl bromide fumigation of logs on port. Further reducing risk to health and safety and improved environmental outcomes.

Another advancement in safety and operational efficiency for our customers has been the start of our log-loading operations using mobile harbour cranes and customised log grabs.

The grabs were designed, built and fitted to our existing mobile harbour cranes enabling faster loading times. This creates further efficiency for our customers and will help us to effectively manage the forecast increase in log volumes. Importantly, log grabs also deliver improved safety by removing people from the area where the logs are lifted, further reducing risk on port.

These investments have increased Napier Port's capacity and our capability. We can now handle more cargo, we can move it faster, more efficiently and safely, and from a wider geographical area. Customers now have more options to connect to the world via Napier Port.

While other ports in the North Island are at capacity and experiencing delays of up to 2-3 weeks, we are now in a great position to support them and release, or ease, the pressure being felt across the New Zealand supply chain. This further supports our regional growth and Napier Port's role as an essential part of the New Zealand supply chain.

Culture of Care

Underpinning our success in all our strategic projects is our team and our culture of care that prioritises health and safety and the development of our people.

We have had an uncompromising approach towards reducing and, where possible, eliminating critical risk, which are those incidents most likely to cause serious harm or death.

Putting in place engineered controls has been a significant focus for us in removing critical risk.

This approach has required commitment and investment in good infrastructure and engineered design for safety.

An example of this is our MoorMaster and ShoreTension mooring technology, and physical barrier protection separating people from machines.

As we continue to mature our health and safety roadmap, our focus on critical risk control management will continue, as well as building on our health and wellbeing focus.

The port sector review by Maritime New Zealand and WorkSafe concluded that Napier Port had no immediate issues to remedy. While this is encouraging and reflects the priority the team has placed on safety, there is never room for complacency. We will always try harder to improve safety for everyone working at and visiting Napier Port.

Employee engagement remains strong with our annual employee survey, showing overall engagement above 70% once again. Feedback from our team tells us that Napier Port is a great place to work and our people feel strongly connected to Napier Port and our purpose of building a thriving region. We are pleased that in another year of challenges, our people feel connected to the business and recognise the role that they play in its achievements.

This year we also asked our community how they felt about Napier Port. Our reputation is important to us, because community support effectively gives us our license to operate. This research showed 99 per cent of respondents felt that Napier Port is of key importance to the region. It is seen as integral to the region's prosperity, bringing in freight and tourists, leading to jobs and economic benefits.

Sustainability & Climate Change

We have made good progress on our sustainability initiatives since the launch of our strategy and action plan last year.

Of the 100 actions we outlined, more than half are underway or complete and a further quarter are in planning phases.

These cover a wide range of social, economic and environmental projects – such as:

- Developing an equality diversity inclusion roadmap,
- Implementation of our marine cultural health program and partnerships with research institutions and Iwi,
- Our climate change risk assessment, emissions inventory and tracking, and
- A terminal efficiency roadmap to optimise storage and movement of in and outbound cargo.

Our focus on our emissions measurements, reporting and reductions is becoming increasingly important.

Last year, we published our first climate change related disclosure report, detailing the potential financial implications of climate change on Napier Port.

During 2022, we have published our second climate change related disclosure report and developed an emissions reduction strategy. This provides a framework and pathways going forward for reductions. We widened the scope of our Scope 3 emissions reporting, and our emissions inventory was audited externally for the first time by Toitū Envirocare.

Our total carbon emissions reduced by 5.2% this year. This was as a result of a decrease in total cargo volumes as we use less fuel for our mobile plant and marine fleet.

Our largest emitters are forklifts, marine fleet, cranes and from purchased electricity.

Looking forward, we have more work to do to deliver our emissions reduction strategy, which seeks to replace over time our diesel-powered plant and equipment with low emissions alternatives.

In the short term, we will take steps to enhance our decision-making by further integrating emissions considerations and in the medium term grow our electrical infrastructure capacity. In the coming year, every team at Napier Port has been challenged to identify an emissions-reduction activity including a target to work towards.

I'll now hand over to Kristen to talk through the financial and operating results.

Napier Port Chief Financial Officer, Kristen Lie

Thank you, Todd, and good morning everyone.

Cargo Volumes Reduced on Disruptions

Due to the factors that Todd mentioned, the difficult first half of the year led to reduced overall production within our cargo customers' operations.

The second half saw a relative stabilisation in trade volumes notwithstanding the ongoing effects of the lower primary sector production from the first half of the year.

The overall impact was an 8.1% reduction in total cargo handled through Napier Port to 5.39 million tonnes.

Within that total, log volumes decreased by 5.8% to 2.84 million tonnes due to the softer log export market conditions in China throughout the year, and total bulk cargo volume, including log exports, of 3.65 million tonnes was 7.6% lower than the prior year.

Total annual container volumes decreased 7.9% to 254,000 TEU and container vessel calls declined by 16% due to the shipping disruptions Todd talked about. Whilst container volume falls were across the board, Timber, apples and meat exports led the declines.

Higher Revenue on Lower Trade Volume

For the 2022 financial year, we again achieved a new record for total revenue of \$114.5 million, which increased by \$5m or 4.6% from the prior year.

This result was achieved despite annual volume declines in both areas, and the practical absence of cruise vessel calls.

Our container services revenue increased by \$5m to \$70.5m. Offsetting the volume decrease of 7.9%, we achieved an overall increase of 17% in the average revenue per TEU earned compared to the prior year.

These additional revenues were earned from:

- Providing complementary container handling services,
- Pricing increases related to our increased infrastructure investments, and
- The introduction part way through the year of a fuel cost recovery charge which helped to partially offset the large increase in fuel prices.

Bulk cargo revenue of \$41.4 million was 0.3% lower than the prior year. This resulted from the 7.6% lower volume which was mostly offset by the 7.9% increase in average revenue per tonne we achieved.

Operating and Net Profit Lower on Higher Costs and Lower Volumes

Whilst revenues grew by just under 5% in the year, total operating expenses increased by 13.3% year on year, reflecting high cost inflation across all expense categories.

We have introduced mitigating revenue measures to offset some of our larger expense growth areas, such as fuel and inflation, but the high inflationary environment remains a challenge.

In addition to our continued focus on controlling spend where possible, we have proactively moved to increase our revenues to reflect our increased capital investments and from additional services, which has helped to mitigate higher operating expenses and the effect of reduced volumes during the year.

The result from operating activities of \$40.1 million decreased by 8.4% compared to the prior year record result.

Reported net profit after tax for the period was \$20.4 million, down from \$23.2 million in the prior year.

Capital Expenditure

Capital expenditure during the year in cash outflow terms was \$72.1 million, \$56.5 million of which again went towards Te Whiti 6 Wharf construction. This was reduced from the prior year's spend of \$104 million.

Other investments in the year included physical safety improvements, the acquisition of shore tension dynamic mooring units, replacement mobile plant, and payments towards the log debarker and mobile harbour crane log loading equipment.

We are of course very pleased with the outcome of the Te Whiti construction project. We have managed a complex and risky project successfully.

In the final accounting, the final construction cost of Te Whiti Wharf was \$171.1 million – lower than the original estimate of \$173 – 190 million.

Overall the Te Whiti project spanned seven years from initial planning and consultation to completion. Whilst this was not quick, nor was it easy, we did approach this project from the outset with an intent to make the most of the regulatory requirements. The work we have undertaken on this project is now reflected in a lot of the good work we are doing in the social and environmental areas within our sustainability strategy.

Liquidity and Capital Management

Around the time of the completion of the major construction project, and the effective passing of this significant business risk, we reviewed and renewed our financing arrangements to take us forward into our next phase.

As a result, we issued our first listed bond for \$100m in September which was used to principally repay bank debt.

We made a concerted effort to prioritise our shareholders for the bond offer and, hopefully, all shareholders received an invitation to review the offer and participate if you wanted to. As the offer closed, we were pleased to allot 100% of offers received via the shareholder priority offer.

We have also refinanced our banking facilities meaning we now have longer maturities and more diversified sources of funding. The weighted average term to maturity for our loans and borrowing at the balance date was a healthy 4.7 years.

In addition, at the balance date we had a relatively low exposure to variable interest rates with \$110m, or 82%, of our gross borrowing subject to fixed interest rates.

In terms of the amount of debt, we expect to see a peak in our Debt to EBITDA ratio during this financial quarter as we continue to work towards our long term target ratio of two to three times.

Thank you, I will now hand back over to Todd.

Napier Port Chief Executive Officer, Todd Dawson

Looking Ahead FY23

There are many reasons for us to be optimistic about the year ahead and beyond.

In the last year, we moved one of our highest volumes of cargo, despite significant supply chain disruption.

We completed construction of our new wharf, Te Whiti, and opened it early and under budget.

We have continued to introduce new revenue streams and growth opportunities and we have shown the ability to keep delivering on strategic projects. In doing so we have the core infrastructure and capacity available for our customers and ourselves.

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.

We are now moving into a period of transformation, whereby the people, infrastructure, systems and processes we have put in place are opening up new growth opportunities for Napier Port and our customers.

We are well placed to alleviate supply chain pressures and support other New Zealand ports who are currently at their capacity and suffering from limiting infrastructure deficits.

A few comments on the current outlook for our business.

Trading for the first two months of the new financial year is in line with our expectations.

Sentiment amongst customers, and ourselves, is we are cautiously optimistic for the year ahead, although there is no room for complacency within the current economic environment.

There are early signs of global shipping disruptions easing and freight pricing starting to decline globally. However, this still needs to flow through to New Zealand.

The operating environment remains unpredictable and challenging. Rising costs both here and abroad are of concern for Napier Port and our customers.

At the same time, the global economic environment is seeing the impact of inflation and rising geopolitical tensions. This continues to represent a significant challenge to New Zealand's trading environment and a source of uncertainty related to both supply and demand.

As we have highlighted previously, we are seeing inflationary cost pressures across the whole business.

We have provided earnings guidance for an underlying result from operating activities for the year to 30 September 2023 of between \$42 million and \$48 million. This range reflects continuing uncertainties and assuming a continuation of the current market conditions.

Finally, I'd like to acknowledge and thank the whole Napier Port Team for their efforts this year, including our Directors and particularly our retiring Chair, Alasdair MacLeod for his support.

Alasdair leaves the Board at the conclusion of today's annual meeting, having led the Company through one of the most significant periods in Napier Port's history.

He leaves as his legacy a safer port operation where people are valued first and foremost.

He has successfully governed us through the initial public offer and listing on the NZX.

He has overseen the Company's largest ever investment and infrastructure development, and a successful navigation of periods of national emergency, including the Kaikoura earthquake, the global COVID pandemic and unprecedented disruptions to the national and global supply chains we have seen in recent years.

On behalf of shareholders, the Board and the whole Napier Port team, I thank him for his commitment to Napier Port, its people and our region.

I will now hand back over to Alasdair.

Napier Port Chair, Alasdair MacLeod

Over the past eight years I have had the opportunity to meet nearly everyone who makes Napier Port work and it has been a privilege.

Getting to spend time with mechanics, electricians, crane drivers, forklift drivers and pilots, as well as administrative staff and management has filled me with pride at the people we have.

That extends to the Board as well. I hope the region realises what a talented and committed Board we have. They are a collegial, clever, capable and occasionally challenging team of individuals who are collectively amazing.

I've never worked with a better team and I know Napier Port is in good hands.

I would like to formally welcome Kylie Clegg and Dan Druzianic to the Board. Their combined legal and commercial acumen, leadership, and governance experience across a wide range of sectors adds great value to Napier Port.

I would also like to extend a sincere thanks to Rick Barker, who is also retiring as a director today. Rick joined the Napier Port Board in 2019 as a non-independent director. Rick has been a hugely valuable member. He has contributed significantly to the development of our Sustainability Committee, our focus on health and safety, and always with a strong commitment to our region and its people.

Highlights of my time as Chair include:

- Our focus on health and safety – we're not perfect, but we constantly focus on getting people home safely from the port every day, every night
- Hiring Todd Dawson – the right person, at the right time, to build on the legacy nurtured by Garth Cowie
- Being part of the IPO process from beginning to end – it was one of the most challenging processes I've ever been involved in, and one of the most satisfying to help bring to a successful conclusion
- Being here through the Te Whiti Wharf process, from initial design to successful completion – as a former Civil Engineer, I probably poked my nose in more than a good governor should, but I have no regrets; and
- Encouraging Blair O'Keeffe to succeed me as Chair – everyone should aspire to find someone brighter and better than them to succeed them, and while it's obviously easier for me than for many, I'm delighted to be handling the baton on to someone as massively talented as Blair.

I have loved every minute of my eight years with Napier Port and it remains a place dear to my heart.

My sincere thanks to the former Chairs of the Hawke's Bay Regional Council – Fenton Wilson, Rex Graham and Rick Barker. All three Chairs have been rock-solid in support of Napier Port and we are delighted to continue that relationship with Hinewai Ormsby.

Thank you to our Shareholders – and the whole team, for what they deliver every day for our region, and to my colleagues for entrusting me with the Chair role during my time on the Board.

"Ehara taku toa i te toa takitahi, engari he toa takitini" – My strength is not that of an individual, but that of the many.

This brings me to my final duty as Chair of the Board of Napier Port – formally welcoming Chair Successor, Blair O'Keeffe.

I'd now like to invite Blair O'Keeffe to say a few words and close our Annual Meeting today.