

NAPIER PORT HOLDINGS LIMITED ANNUAL SHAREHOLDERS' MEETING

10:30am, Friday 17th December 2021

Napier Port Chair, Alasdair MacLeod

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.

On behalf of the Board, the Chief Executive, and our leadership team I'd like to welcome shareholders, Napier Port people and media to Napier Port's third Annual Shareholders' Meeting as a listed company.

I'd now like to give an overview of the 2021 financial year.

In the face of ongoing lockdowns, global shipping congestion, disrupted shipping schedules and supply chains, Napier Port has had a remarkable year.

As Todd and Kristen will comment on later in this meeting, the team at Napier Port kept cargo flowing, moving record volumes 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 diversity of our trade portfolio.

The stability that this diversity provides, and the fortitude of our regional producers, gives us the confidence to continue investing in long term strategic infrastructure with the purpose of connecting our region – and our customers – to the world.

As we have said previously, 6 Wharf is the centrepiece of this investment and when live will give cargo owners more shipping and supply chain options, access to larger 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 6 Wharf construction has so far not only stayed on track and on budget during 18 months of a global pandemic, but in fact we now expect it to be operational earlier and under initial estimated costs.

This year, the Board is particularly pleased to have created a Sustainability Committee at Board level that oversaw the launch of a comprehensive sustainability strategy and action plan, including our first Climate Change Related Disclosure Report.

The passion of Napier Port's people for integrating wellbeing, te reo and tikanga Māori, saw the launch of a Te Ao Māori strategy, and a Marine Cultural Health Programme working closely with mana whenua to protect the Ahuriri marine environment.

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

The Board has declared a final dividend of \$9.4 million, 4.7 cents per share, bringing total dividends for the financial year to 7.5 cents per share, up from 5 cents per share last year. This should have been paid into your bank accounts yesterday, 16 December.

While we expect COVID-19 related disruptions to continue in the new financial year, and while inflationary pressures are building in the economy, the continued 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, positions us well.

We will comment on the outlook later in the meeting.

As a company that plays an important part in regional growth and prosperity, the team at Napier Port has been unwavering in their commitment to keeping COVID-19 out of the region and keeping port people and the community safe. Thank you to Todd and the senior management team for the tenacity with which they have adopted a leading position on border protocols, mandatory vaccinations and testing.

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 like to introduce Napier Port Chief Executive, Todd Dawson, to present his report on the 2021 financial year.

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.

Napier Port has been more than resilient this year. It has performed incredibly well, under very challenging circumstances, and I am immensely proud of the whole team.

The dedication of our people, and their pride in connecting our region to the world, meant we were able to move record tonnes of cargo, resulting in record financial results this year:

- revenue of \$109.5 million is up 9% from last year;
- net profit of \$23.2 million is up 5.2% from last year; and
- 5.9 million tonnes of cargo handled is up 16.3% from last year's 5 million tonnes.

Kristen will comment in more detail shortly.

I want to focus on providing a summary of how we've been able to achieve these results, especially in the face of ongoing lockdowns and global shipping challenges.

Our success can largely be attributed to five key things:

- Firstly, we are seeing the benefits arising out of the very clear and detailed strategy that we developed in 2018;
- Secondly, buoyant international markets keep demanding the food and fibre products of our region;
- Thirdly, our cargo owners have shown true resilience throughout the pandemic. Despite ongoing labour shortages, shipping disruption and operational constraints on their production, they have continued to deliver strong volumes through our port;
- Fourth, the forestry sector and log exports were consistently strong this year, despite harvesting being stopped during the August lockdown; and
- Lastly, through our strategy to grow our presence throughout the North Island, we have successfully attracted cargo from outside Hawke's Bay, which contributed to increased volumes this year.

I will now talk in a bit more detail about our business strategy, which has underpinned our ability to weather the pandemic and sets us up well for the coming years.

Strategy Driving Growth and Resilience

Underpinning Napier Port's business strategy is our purpose – which is very clear.

"Together, we build a thriving region by connecting our customers, people and community to the world".

That purpose is front and centre of everything we do and in 2018 it was the starting point of a 10-year strategic roadmap we developed for Napier Port.

Developed against the backdrop of year on year volume growth from our region, we needed to ensure we built the capability to futureproof Napier Port and support that continued growth.

Our strategy defined three phases, spanning 10 years:

Phase 1: A period of setting the foundations required to support our region's future growth and largely focused on creating the capital structure and development of critical infrastructure we would need to support the region.

Phase 2: A period of developing our people, systems and process capabilities to ensure we can best leverage the benefits of the infrastructure we are building; and open the opportunities for Phase 3 - where we are transforming our business and delivering a refreshed NZ-Inc approach to supply chains, providing a greater number of services and new value streams for Napier Port.

This year's highlights are good examples of where we are making solid progress in our strategic roadmap; and sees us build further on our sustainability initiatives. I'll touch on those now.

6 Wharf and Infrastructure Investment Unlocking Growth

6 Wharf is a major inter-generational asset for the region. I am pleased to report it has remained on budget and on track for completion, and in fact it's actually progressed faster than originally planned and is now expected to be operational in the second half of 2022.

We have achieved this through applying a disciplined approach right from the start. The decision to invest in a 350m wharf, and to fund that through an IPO, was based on a sound business case. This disciplined approach has continued into the construction programme which has given us the resilience to stay on track and on budget, despite two periods of lockdown during construction.

We expect the final cost of 6 Wharf to range between \$173-\$179 million. This is lower than our earlier estimate of \$173-\$190 million.

6 Wharf opens up growth opportunities and shipping options for cargo owners. It will accommodate the larger vessels arriving in New Zealand, including 50m wide container ships and Oasis-class cruise liners. It will provide greater flexibility and availability across all our other wharves, such as for bulk cargo. This will enable us to handle the increasing numbers of shipping vessels arriving at Napier Port.

In addition to 6 Wharf, this year we embarked on a range of other investments to enhance our services to customers. This includes working with customers to introduce an on-port mobile log debarker and preparing our mobile harbour cranes for log loading on to charter vessels.

Debarking will replace methyl bromide fumigation of logs at Napier Port from 1 January 2022, a move which we have been committed to for some time.

Supply Chain Network Solutions

In March this year, we launched our Landside Logistics Service. This provides customers with a greater range of freight and cargo-handling options via Napier Port.

We've extended our partnership with KiwiRail and with local transport and logistics providers to offer managed logistics services. This is providing a seamless link to our port for both importers and exporters.

Growing the central and lower North Island supply chain network is an important strategic initiative for us. Having our own logistics service allows us to extend our reach and offer services to customers outside Hawke's Bay.

Our joint venture initiative, the Manawatū Inland Port, is a key part of our network solution. Road and rail services now run 7 days a week between Napier Port and Manawatū Inland Port.

The inland port provides services to major shipping lines and offers cargo owners within the central and lower North Island convenient access to shipping services via Napier Port. This end-to-end service has attracted new cargo to Napier Port, giving customers greater flexibility and options for moving imports and exports.

Whakatū Inland Port in Hawke's Bay remains an important part of our future supply chain network. Our timeframe for development has shifted back to our original medium- to longer-term timeframe, however we remain flexible to bring this development forward if there is a compelling business case to do so.

Data & Technology Providing a Better Experience

A key pillar of our strategy is developing data and technology to provide customers with a better service and experience when working with us.

This year, in a time of shipping disruption and change, our planning technology in particular has provided extra flexibility for our customers and enabled us to better link their needs with our operational planning.

An example of this is Propel: our in-house Vehicle Booking System. Propel makes it easier for transport operators to book a timeslot for pick-up and delivery of containers. It provides users with improved visibility, access to and communication with Napier Port. It also allows us to better manage terminal capacity and demand.

Feedback from customers has confirmed they are benefitting from improvements in operational planning technology, as Napier Port has been able to respond rapidly to changing supply-chain patterns throughout the year.

The key to making our technology work is our people. They have developed the tools in-house, and they work closely with cargo owners, shippers, carriers, agents and government agencies, to create as many opportunities as possible to ensure customers' cargo continues to flow.

I thank our customers for trusting that we are doing all we can to bring vessels in and keep them connected to markets, during unprecedented disruption.

Health & Safety Focus on Critical Risk

In relation to Health & Safety, the priority this year has been our Critical Risk Control programme. This focuses on marine and shore-based hazards that have the potential to cause serious harm or death.

This year we completed critical risk assessments that address a range of hazards, including COVID-19.

Our next step, which is already underway, is to complete and validate critical control plans for each risk and to make changes throughout the business if required.

We are making significant financial investments to ensure progress continues at pace in this area.

A recent example of this is the purchase of new shore tensioning systems. This is a hydraulic mooring system that will replace the use of traditional shorelines on port. This will allow us to minimise and eliminate critical risks associated with mooring at the port.

This is a significant investment being made to ensure the ongoing safety of our people. The Board and the management team remain focused on prioritising safety.

Embedding Sustainability in Everything We Do

Sustainability has been embedded into our business strategy this year. This reflects the importance we place on social, economic and environmental sustainability across our business.

While sustainability has been an overriding consideration throughout Napier Port for some time, this year we launched a comprehensive Strategy and Action Plan aligned to the United Nations Sustainable Development Goals.

Our philosophy is to think globally but act locally, and put our efforts into issues we are in the best position to influence and make a meaningful difference.

The Marine Cultural Health Programme is a great example of this, where we have partnered with mana whenua to monitor the health of the marine environment in and around Napier Port. The programme balances western science and Maori worldview and is the first marine cultural health programme of its kind in New Zealand.

Other sustainability highlights during the year include the:

- creation of two artificial reefs
- the launch of our Te Ao Māori strategy and the refresh of our diversity and inclusion policy
- the third year of our partnership with Massey University to support kororā (little blue penguin) research, and
- the release of our first Climate Change Related Disclosure Report, providing an understanding of the potential implications of climate change on Napier Port

Partnerships and People

Collaborative partnerships and our culture of care are fundamental to our business.

Hearing from our people, customers and community gives us a realistic gauge on how we're going as a company.

This year, we surveyed these stakeholder groups to see what we're doing well and how we can improve.

We kicked off a new annual employee engagement survey with 71% of our team taking part. Our people told us the work we do at Napier Port is important, they are proud to work for Napier Port and they would recommend Napier Port as a great place to work.

They also want us to recognise and celebrate success more and have greater collaboration between departments. We were really pleased with an overall engagement score of 77% and we look forward to implementing some changes and improving on this score.

We surveyed different customer groups for feedback on our service levels. We were pleased to receive a consolidated overall customer satisfaction score of 7.9 out of 10.

It was pleasing to know that our customers recognise we are doing all we can to keep their goods flowing, and developing flexible, fit-for-purpose solutions to their shipping challenges. We want to be known as the port that says yes.

Late in the financial year we surveyed 360 community residents and undertook deep-dive interviews with 12 stakeholder groups. This is the first time Napier Port has initiated a community survey and early results are very positive – 99% agreed that Napier Port is of key importance to the region and 76% thought Napier Port had a good reputation.

But there's room for improvement. We need to communicate more and share what happens inside our gates, with our community who want to know more about our long-term planning and the sustainability work we're undertaking.

To summarise, when we look at our results this year, we can see that our strategy is clearly working – we did what we set out to do.

Napier Port is in great shape to capitalise on the growth prospects and opportunities we see in the future.

I'll now hand over to Napier Port's Chief Financial Officer, Kristen Lie to present our financials.

I'll then briefly return to comment on our outlook for 2022.

Napier Port Chief Financial Officer, Kristen Lie

Thank you Todd and good morning everyone.

Record Total Cargo Tonnes

Our expectations coming into the 2021 financial year were tempered given the ongoing pandemic effects and risks, and knowing there would be no cruise ship visits contributing to our 2021 financial results.

In the final reckoning, we are pleased to report another year of growth and records in our key financial metrics with the main driver being the stable and positive export market conditions for New Zealand logs throughout 2021. Log exports through Napier Port increased 27.6% to reach just over 3 million tonnes. Total bulk cargo, including logs and products such as oil and fertiliser imports, was 3.95 million tonnes, an overall 26.6% increase on the prior year.

Our container services business grew as volumes increased by 2.9% to 276,000 TEU (twenty-foot equivalent container units). Within this total growth, containerised dry export cargo was down by 3.4%. This reduction was mainly due to lower wood pulp and timber volumes, which were impacted by shipping schedule disruptions and shipping capacity constraints during the year, as well as exporters' plant maintenance and shutdowns.

Higher value containerised refrigerated ('reefer') exports increased 4.7% mainly due to higher meat exports. Apple and pear reefer export volumes reduced 1.5% to 25,000 TEU – a good result given the well publicised apple industry challenges with securing seasonal labour.

Other container movements, including Discharge, Load, Restows (DLRs) and transhipped containers, increased 58.4% to 17,000 TEU due to increased container repositioning by shipping lines related to shipping schedule disruptions.

While charter vessel calls have increased by 39 to 343 ship calls due to the increased log exports, container vessel calls were down to 242 ship calls from 293 calls in the prior year. Global shipping congestion and disrupted supply chains continued to result in volatile schedules, with scheduled calls missed and significant reductions in total container shipping capacity from New Zealand and Napier. We also experienced a relatively high number of weather event days, further restricting shipping during 2021.

Strong Revenue Growth

Record bulk volumes led to our bulk cargo revenue growing \$10.2 million, or 32.7%, to \$41.5 million for 2021 - more than offsetting the complete loss of all cruise revenue which was \$4.3 million last year.

Our container services revenue grew 4.8% to \$65.3 million, due to the higher volumes, and 1.8% higher average revenue per TEU compared to the prior year. Additional revenues were earned as a result of container shipping disruptions, including additional storage and refrigerated container servicing. These gains were partially offset by the lower container vessel calls and lower Port Pack pulp and timber packing volumes during the year.

Total Napier Port revenue, compared to the prior year, grew by \$9.0 million, or 9.0%, to a record \$109.5 million.

Operating and Net Profit Higher

As a result of the arrival of COVID-19 in early 2020, we implemented a number of measures to reduce and defer expenditure. Coming into the 2021 financial year we did not expect the temporary cost measures implemented during 2020, to continue to the same degree. With this effect, and continued investment in our capability and resilience, and an increasing inflationary environment, total operating expenses grew by 10.8% to \$65.7 million.

The net result from operating activities increased by 6.4% to \$43.8 million – a record result and much better than our expectation coming into the 2021 financial year.

Reported net profit after tax increased by 5.2% to \$23.2 million from \$22.0 million in the prior year.

On a comparable underlying basis, 2021 net profit of \$22 million increased 7% from \$20.5 million in the prior year.

Capital Expenditure

In 2021, we committed the significant sum of \$110.4 million to capital investment projects. This included \$100.9 million on 6 Wharf construction, as significant progress was made on all the major project workstreams. Other investments included increasing our capacity to store refrigerated

containers, new plant for the log debarker and mobile harbour crane log loading trial, and maintenance and replacement spend on the Te Mata tug dry docking, wharves, paving and buildings, and replacement bulk cargo hoppers, among others.

This level of capital spend will represent the peak of our annual capital investment as we look forward to the completion of the 6 Wharf construction project, ahead of plan, in the second half of the next financial year.

The positive progress to date with 6 Wharf construction has seen the range of remaining risk from this project reduce, enabling us reduce the range of expected cost outcomes. Whilst significant risks with the project remain, as Todd noted, we have reduced our estimate for the total construction project cost to between \$173 million and \$179 million, excluding capitalised overheads and finance costs, which is lower than the original estimate.

Given the inflationary cost pressure we are seeing across many cost categories – e.g. energy, labour, equipment, technology & insurance - we are pleased to be in this position.

Liquidity and Capital Management

Our balance sheet remains strong. At the end of the financial year, Napier Port had net drawn debt of \$78.0 million, in addition to \$102 million in undrawn credit facilities.

A year ago, we were flagging the likelihood of our key Net Debt to EBITDA metric peaking above our target ceiling of 3.5x through the 6 Wharf construction period. This was due to the impact of COVID-19, including the expected loss of cruise revenues. Better than expected underlying earnings and 6 Wharf cost refinements mean, all things being equal, at this point in time we are now comfortable with reverting back to our original target ratio guidance of no greater than 3.5 times through the 6 Wharf construction period. We continue to expect that over time the ratio will be managed to within the long-term target range of 2.0 – 3.0 times, following completion of 6 Wharf.

I will now hand back over to Todd.

Napier Port CEO, Todd Dawson

Thanks Kristen.

Looking forward to the 2022 financial year, unfortunately, we see the continuation of supply chain and shipping disruptions. Our customers are concerned by ongoing constraints with equipment and shipping capacity, congestion, increasing costs, labour shortages and the increasing inflationary environment.

We look forward to successfully delivering a number of our strategic projects – including 6 Wharf which we expect to be operational in the second half of 2022.

Looking out further, we expect to see international borders reopening and a return of cruise ships. No cruise ships are expected at Napier Port during the current 2022 season. We are hopeful the cruise industry will start rebuilding during our 2023 financial year.

In terms of trade and results expectations for 2022, as we have seen this year, log export volumes can have a material effect on our financial results. We noted in our annual results, that we are seeing

the moderating of export prices and higher shipping costs, which are negatively affecting the log export trade.

Whilst log volumes for the first two months of the financial year are largely in line with the prior year, we are expecting to see some slow-down in harvesting and exporting activity around the New Zealand summer holiday period and leading into the Chinese New Year period, at the beginning of February.

There is an increasing profile of maturing trees ready for harvest across the Hawke's Bay and the lower North Island and our base case assumption for log export volumes in 2022 is in-line with our 2021 result, of 3 million tonnes.

In respect of earnings, we are committed to improving yields and growing revenue to generate returns on investments in our strategic assets.

Taking into account the expected contributions from completing strategic projects, our base-case assumption for log volumes, and assuming a continuation of the current market conditions, we expect our underlying result from operating activities to increase by approximately 10% for the new financial year.

I would like to take this opportunity to thank the whole team at Napier Port for the dedication they have shown. We are delighted to have been able to recognise everyone's contribution through our Employee Recognition Scheme that saw a total payment of \$800,000 distributed to our employees, and was made up of a mix of both cash and Napier Port shares.

Thank you to the Board for their support of the management team this year.

We are looking forward to the future and continuing to see our strategy deliver great results for Hawke's Bay and you our shareholders.

Thank you again for joining us today – I'll now hand back to our Chair, Alasdair MacLeod.

Napier Port Chair, Alasdair MacLeod

In concluding our Annual Shareholders Meeting for the 2021 financial year, 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.

On behalf of the Board, I extend our thanks to all shareholders, our region, 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 – have delivered an outstanding result.

It has been my absolute pleasure to serve as Chair and Board Member for Napier Port since 2014. In accordance with long-standing Napier Port practice and good governance principles, it is my intention to stand down at the end of the coming year, with the December 2022 shareholder's meeting being the last I convene as Chair. We will communicate more in due course.

One final reminder that all shareholders are invited to join us on Friday 4th February for morning tea to meet the team and ask any questions about port operations. The details will be posted on Napier Port's investor centre before the end of the year.

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

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