



22 August 2013

Port of Tauranga Records Record Profit

Highlights

- Revenue increases 7% to \$244.1 million.
- Reported net profit after tax rises 52% to \$112.1 million.
- Underlying net profit after tax rises 5% to \$77.2 million, a new record.
- Total trade volume increased by 3% to just over 19 million tonnes, driven by export growth of 6%.
- Container volumes increase 7% to 848,384 twenty foot equivalent units (TEU) consolidating Port of Tauranga's position as New Zealand's leading container terminal.
- Final dividend of 26 cents per share, lifting full-year dividend 18% to 46 cents per share.
- Invested \$68 million for further growth.

New Zealand's international freight gateway Port of Tauranga (NZX: POT) has today reported another record annual result as it reaps the rewards of its twenty-year investment programme to extend its freight catchment across the country.

Revenue rose 7% from \$227.2 million to \$244.1 million. Underlying Group Net Profit After Tax¹ rose 5% from \$73.5 million to a new record of \$77.2 million, reflecting cost containment and strong growth in containers and bulk cargo shipped across Port of Tauranga's wharves.

Reported net profit after tax rose 52% to \$112.1 million from \$73.5 million a year earlier, lifted by strong earnings from associate companies and a \$38.2 million profit on the sale of our 50% share in freight logistics company C3 Limited.

Port of Tauranga Chairman John Parker said: "Port of Tauranga has delivered another stand-out annual result. Over the last two decades we have grown to become New Zealand's largest port by marshalling freight from an ever-widening area and delivering world-class productivity in our freight-handling operations.

"Our recently announced agreements to acquire a 50% stake in PrimePort Timaru and an additional 6.8 hectares of land next to MetroPort, our highly-successful inland port in Auckland's industrial precinct, will put in place key building blocks for this growth to continue.

"We have a strong balance sheet, net bank debt stands at \$191 million and gearing as measured by net bank debt to net bank debt plus equity is 20%, providing capacity to make these moves and prepare our facilities for even greater cargo volumes.

"Reflecting our confidence in Port of Tauranga's outlook and our policy to steadily increase dividend payments year-on-year, consistent with Company performance and the Board has declared a final dividend of 26 cents per share.

¹ Underlying Group net profit after tax is a non-Generally Accepted Accounting Practice (GAAP) performance measure and is defined and reconciled to GAAP on page 4 of this release. All references to this measure throughout this release are consistent with the definition.



“Combined with our interim dividend of 20 cents per share, the final dividend lifts the total dividends for the year by 18% from 39 cents to 46 cents per share.

“As previously announced, I intend to retire as Chairman at the Annual Shareholders Meeting in October after 17 years as a Director and nine years as Chairman, and David Pilkington, who has sat on the Board since 2005, will take over the chair.

“I am proud of the achievements we have made over the period I have been a Director and I am looking forward to watching the Port’s next phase of development,” Mr Parker said.

Port of Tauranga Chief Executive Mark Cairns said: “Port of Tauranga has delivered another excellent result. Over the last year we have benefited from the consolidation of international shipping services on Port of Tauranga.

Our Tauranga Container Terminal now hosts 16 separate international services – more than any other port in the country – and is now a key New Zealand hub for international traffic.

“Shippers are meanwhile recognising the Port offers a quicker and more flexible route to international markets thanks to the frequency of these visits, combined with the Port’s world-class productivity.”

Operational highlights

Total freight transported across the Port grew 3% from 18.5 million tonnes to 19.1 million tonnes with growth in exports – particularly in dairy products and logs – more than offsetting a decline in import tonnages.

Port of Tauranga also consolidated its position as the country’s largest container port. Container volumes grew 7% from 796,095 TEU to 848,384 TEU even though the prior year’s figures included traffic diverted to Port of Tauranga during Ports of Auckland’s industrial unrest.

“Trans-shipped containers – those that pass across Port of Tauranga’s gates before being shipped onto another destination – rose 12% from 118,666 to 133,122. The strength of these trans-shipments underscores the pivotal role Port of Tauranga occupies in the New Zealand supply chain as a freight hub,” Mr Cairns said.

“Over the last year, we invested \$68 million in our infrastructure to accommodate the growing traffic volumes. We finished the \$30 million expansion of Sulphur Point, extending the berth length by nearly a third and creating sufficient space for three large container vessels.

“We have paved an additional 4.1 hectares of container storage land lifting ground slot capacity by 30% and refrigerated container slots by 60%. We commissioned a sixth container crane and ordered a seventh for delivery early in 2014.

“In March we also won government approval to commence the long-awaited harbour dredging project, to ready the port for bigger ships. Detailed design work has been completed and consultation with local Iwi is underway to manage any potential impacts on the harbour.”

Mr Cairns said: “The first stage of dredging, due to start in 2014, is estimated to cost \$40 million to \$50 million and will make Port of Tauranga the first port in New Zealand capable of hosting container ships with a capacity of 5,000 to 6,000 TEU.

“We are looking forward to the arrival of these new ships, which have lower operating costs and will enhance the competitiveness of New Zealand exporters and importers by lowering freight costs.

Leading through Innovation and Commitment



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“Our recent investment in PrimePort Timaru and the expansion of our MetroPort facility will ensure these savings are available to more New Zealand importers and exporters.”

Freight highlights

Freight volumes were driven by strong increases in log, dairy products and meat exports.

Dairy exports rose 27% to 1.6 million tonnes due to the consolidation of Fonterra traffic at Port of Tauranga. Log exports, driven by high international log prices, were up 14% to 5.6 million tonnes.

These volume gains offset falls in kiwifruit, steel and other forestry product exports, fertiliser and grain imports. Kiwifruit volumes fell 8% to 704,000 tonnes due to the effects of the PSA virus, while fertiliser imports fell, reflecting constrained rural sector spending and the drought.

Other forestry product exports were down slightly due to increases in domestic demand as well as reduced supply from some manufacturers.

Results from associates

The subsidiaries and associates contribution to Group profit increased 9% from \$13.3 million to \$14.5 million, with excellent results from Tapper Transport and Northport.

Subsidiaries and associate profits contribute 19% of Group profits, demonstrating the importance of our diversified investments in these companies.

C3 was sold to our joint venture partner Asciano in November 2012 for a \$38 million profit.

“In February we completed our acquisition of Quality Marshalling Limited, the country’s second largest log marshalling and scaling operation. With operations throughout the North Island, the acquisition strengthens our presence in the forestry industry supply chain and will make a solid contribution to the group in the current financial year,” said Mr Cairns.

Outlook

Port of Tauranga has completed its twenty-first year as a listed company and is well positioned for the 2014 financial year.

“The global economic outlook still remains uncertain. However, we believe earnings growth for the Company will continue, due to our proven diversification strategy and our continued investment in infrastructure to provide the capacity to accommodate anticipated future cargo growth. We will provide FY14 earnings guidance at our Annual Meeting on Thursday 24 October 2013, when we have a better feel for the first quarter’s trade volume,” said Mr Cairns.

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About Port of Tauranga

Port of Tauranga is New Zealand's largest port by volume of cargo and New Zealand's international freight gateway. It operates wharves at Sulphur Point and Mount Maunganui, as well as MetroPort, a rail-linked inland port in Auckland reflecting its strategic objective to become New Zealand's hub for international freight traffic.

The Port of Tauranga Group includes:

- Tapper Transport Limited – New Zealand's largest wharf cartage company and operator of a container freight station adjacent to MetroPort Auckland, which includes Priority Logistics – a Bay of Plenty based transport and freight handling operation.
- Quality Marshalling Limited – the country's second largest log marshalling and scaling company.
- Northport Limited – a joint venture with Northland Port Corporation, which operates a deep water commercial port at Marsden Point.
- MetroPack Limited – a container packing and unpacking facility run in partnership with C3 Limited and Tapper Transport Limited.
- MetroBox Auckland Limited – a joint venture with Pinnacle Corporation which handles container cleaning, repair and storage at MetroPort.
- Cubic Transport Services Limited (37.5% ownership), which specialises in moving freight within New Zealand.

Reconciliation of Underlying Group Profit After Tax

12 Months Ended 30 June	2013 \$000
Reported profit after tax	112,123
Gain on sale of associate	(38,214)
Loss on termination of interest rate swaps	4,610
Tax impact of termination of interest rate swaps	(1,291)
Underlying Group profit after tax	77,228

The key difference between the underlying Group profit and the reported profit in 2012 relates to the sale of the investment in C3 Limited, and the derivative contracts closed out that related to debt repaid from consideration received from the sale.

