

23 August 2016

Media Release

Ports of Auckland Announces Strong Result

Highlights

1. Financials

- Net Profit After Tax was \$84m, up \$21m on last year.
- Underlying profit before tax was \$70.6m up \$1m on last year.
- Declared dividend of \$54.3 million for the 2015/16 financial year. This compares with last year's dividend of \$41.7 million.
- Revenue was \$211.1 million, down \$7.2m and underlying expenses were \$105.7m, down \$12.7m.
- Investment property valuation increase of \$12.2m primarily reflects value created by improvements to Ports of Auckland's Wiri Freight Hub.

2. Volumes

- Container volumes down 6.7% to 907,099 TEU.
- Car and light commercial vehicle volumes up 1.7% to 248,065 units.
- Breakbulk and bulk volumes (including cars & LCVs) down 2.2% to 5.79 million tonnes.

3. Customer service and performance

- In 2016 we were voted Best Port in Oceania by our customers.
- Our crane rate averaged 36.6 moves per hour over the year, 7% up on the year prior and the highest in New Zealand. Crane rate has improved 25% over the past five years.

4. Strategic Initiatives

- Developing a North Island supply chain network to support future growth.
- Proceeding with partial automation of our container terminal.
- Investing in container terminal infrastructure, wharves and cranes.

Ports of Auckland today released its results for the 2015/16 financial year.

Chief Executive Tony Gibson said "I am pleased with what we have achieved. We continue to make significant economic and social contributions to Auckland and New Zealand, despite operating in a difficult market environment. We thought it was going to be a tough year, and so it proved, but we still increased profit and dividend. That we have been able to deliver a strong result in current conditions is a sign that our company is in good health."

"Two factors have contributed to a more difficult market. Lower iron and steel prices have resulted in significantly lower iron sand exports and while this was partially offset by increased cement throughput due to Auckland's booming construction sector, bulk volumes were down 5.5%. However, imports of cars, light commercial vehicles and 'high & heavy' vehicles increased, keeping the total fall in bulk and break-bulk volumes to just 2.2%. We expect similar volumes in the current financial year.

“Secondly, the container industry is facing ongoing difficulties caused by ship construction outstripping trade growth. The resulting overcapacity has led to a significant reorganisation of shipping services internationally, which is also affecting ports. Twelve of the world’s top 30 ports have reported volume reductions this year. In New Zealand, the changes have resulted in volume leaving Auckland. The situation is expected to continue. Global container throughput is expected to grow by only 0.3% this year while shipping capacity will increase by 4.6%. We are expecting our container volumes to be flat or fall this financial year.

“Our strategy has been to offer great service to customers, focus on improvements we can make through technological advancements, keep costs low and extend our reach into the supply chain so we can offer better value and service to freight owners. This is how we have been able to deliver strong results on lower volumes. We will continue and extend this successful strategy this year.

“On port we are completing the container terminal infrastructure we will need to cater for larger ships. We will also start work to automate our container terminal, the first in New Zealand to do so. This innovation will increase capacity and reduce cost, making us even more competitive.

“We are continuing to build our freight hub network. We have a cross-dock under construction at Wiri, South Auckland, and our Mt Maunganui Hub will open in September. We will soon lodge resource consent for enabling work at our Waikato freight hub, which will be our largest. This hub is ideally located in the fast growing Waikato region, with excellent links by road and rail north, south and east. Like all our hubs it will be port neutral and so will help facilitate the movement of freight by the most efficient, natural supply chain.

“We have recently entered a strategic alliance with Napier port, which will strengthen the position of both companies in the supply chain. With similar ownership structures, cultures and a complementary customer base, we see much potential in this partnership.

“There are many changes happening in our industry and it is an exciting time to be part of it. We look forward to the years ahead.”

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NOTES:

Ports of Auckland Ltd is the port for New Zealand’s largest city. It has been playing a vital role in the Auckland economy for 177 years, delivering things Aucklanders and New Zealanders need and enjoy. It is part of the special character of Auckland.

Voted best port in Oceania by our customers, we operate the most efficient container port in Australasia.

We are New Zealand’s hub port for car and container imports, handling 248,000 cars and light commercial vehicles and 907,000 TEU (1 TEU = 1 twenty-foot container) in the 2015/16 financial year.

We are also New Zealand’s cruise hub. The port handles around 100 cruise ships annually and each ship visit is worth about \$1.5m to the local economy.

Ports of Auckland is 100%-owned by Auckland Council Investments Ltd and serves Auckland’s growth. In the 2015/16 financial year its \$54.3 million dividend to the city was worth the equivalent of 4.4% of the average Auckland residential rates bill, or \$103 per household.

For further information contact:

Matt Ball

Head of Communications

P: +649 348 5262

M: +6421 495 645

E: ballm@poal.co.nz