



ANNUAL REPORT 2018

NEW ZEALAND'S CARGO GATEWAY TO THE WORLD



TABLE OF CONTENTS

2018 Highlights	1
National Network	2
Services and Infrastructure	4
Integrated Reporting	6
Chair and Chief Executive's Report to Shareholders	8
Our Journey	14
Purpose and Value Creation Model	18
Capital #1 - Relationships	20
Capital #2 - People	26
Capital #3 - Skills and Knowledge	32
Capital #4 - Environment	40
Capital #5 - Assets and Infrastructure	50
Capital #6 - Finances	54
Board of Directors	58
Senior Management Team	60
Financial Statements	62
Directors' Responsibility Statement	63
Independent Auditor's Report	64
Corporate Governance Statement	101
Statutory Information	102
Financial and Operational Five Year Summary	110
Company Directory	
	Inside Back Cover

2018 HIGHLIGHTS

Group NPAT up

13.0%

Revenue up

10.9%

Total trade up

10.2%

Container volumes up

8.9%

Transhipment up

23.3%

(25.7% of all TEUs)

Imports up

13.7%

Exports up

8.2%

Ordinary dividend up

13.4%

Asset valuation increased by

\$226 million

Subsidiary and Associate Companies earnings up

11.9%

Contractors' Total Recordable Injury Frequency Rate down nearly

69% to 9.3 per million hours worked

Tertiary scholarships awarded

14

Crane productivity rate of

35.5 moves/hour, well above the national average

Ship visits up

5.8%

TEU = Twenty Foot Equivalent Unit - a standard measure of shipping containers

THE NATIONAL NETWORK THAT DELIVERS GLOBAL ACCESS

New Zealand's importers and exporters are within easy reach of Port of Tauranga's national network of ports, inland freight hubs and logistics services.



Key

- State Highway 1
- State Highway 2
- Golden Triangle Rail Network



1 PARENT COMPANY

- New Zealand's largest port and international freight gateway
- Container terminal, bulk cargo wharves and bunkering
- Extensive cargo storage and handling facilities
- Rail connections to Hamilton, Auckland and the central North Island
- Extensive road connections



3

Operated by Parent Company and KiwiRail

- Inland port in the heart of Auckland's commercial and industrial area, connected by rail to Tauranga and Hamilton



1 2 3 5 6

50% ownership with Kotahi

- Freight logistics group incorporating Tapper Transport, Dairy Transport Logistics and MetroPack
- 50% shareholding in MetroBox
- Operates New Zealand's largest intermodal freight hub at Otahuhu in Auckland
- Operates freight hub at Crawford Street, Hamilton



4

50% ownership with Marsden Maritime Holdings

- Deep water commercial port near Whangarei



1 3

50% ownership with Ports of Auckland

- Online cargo management system



5

Operated by Timaru Container Terminal

- Intermodal freight hub at Rolleston
- Rail connections to Timaru Container Terminal and rest of South Island
- New warehouse being built for Coda Group



5 6

50.1% ownership with Kotahi

- Direct links to Tauranga
- Operates MetroPort Christchurch at Rolleston



1 6

100% ownership

- Specialist cargo handling services company with operations at Tauranga and Timaru.



6

50% ownership with Timaru District Holdings

- Commercial port in Timaru
- Bulk cargoes including major cement handling facility
- Developing new oil terminal

HIGHLY PRODUCTIVE SERVICES AND INFRASTRUCTURE

Our international cargo gateway at Tauranga is one of the world's most efficient ports and the only New Zealand port able to accommodate the largest container vessels to visit.



¹ Source: NZ Forest Owners Association
² Source: Ministry of Transport

INTEGRATED REPORTING

Welcome to Port of Tauranga's Annual Report for the year ended 30 June 2018.



We have adopted a different format this year in response to the NZX's updated Corporate Governance Code. We have based our report on the internationally recognised Integrated Reporting framework (www.integratedreporting.org).

The Integrated Reporting framework examines the capitals or resources that we use or affect, and their interdependencies. We have identified the following categories as relevant to

Port of Tauranga:

- Relationships
- People
- Skills and knowledge
- Environment
- Assets and infrastructure
- Finances.

We explain how we use these six forms of capital to create value for our shareholders, customers and the community in the short, medium and long-term.

We still have some way to go to be able to fully report on our activities in the manner prescribed in the Integrated Reporting guidelines.

We will refine our approach in future, especially in identifying the factors material to our stakeholders and the significance of those factors to our success. For this report, we have included, but not tested, the matters we believe are material to our ability to create value. We have relied on our knowledge from regular formal and informal consultation with our customers, partners and investors,

as well as broader trends. In future, we will engage with our stakeholders to ensure we are responding to their priority needs and interests.

It is the very beginning of this journey for us, but we believe it will benefit all our stakeholders to transparently evolve our approach over time.

The financial statements within this report have been independently audited, but we have not sought external assurance of the non financial contents. Where appropriate, we have indicated where more detailed

information can be obtained (in many cases via our website, www.port-tauranga.co.nz).

We are confident in the integrity of the report and its alignment with the principles of the Integrated Reporting framework.

David Pilkington
Chair



Mark Cairns
Chief Executive

David Pilkington
Chair

BUILDING ON SUCCESS

Chair and Chief Executive's
Report to Shareholders

We are pleased to present our annual report on the activities, performance and outlook for New Zealand's largest, fastest growing and most productive port.

Port of Tauranga had another excellent year, handling nearly 24.5 million tonnes of cargo, including almost 1.2 million TEUs¹, and producing a record Group Net Profit After Tax of \$94.3 million.

Our expansion programme to accommodate larger vessels, coupled with New Zealand's buoyant economy, has resulted in the 10.2% increase in cargo volumes. Revenue increased 10.9% to \$283.7 million.

Transshipment, where containers are transferred from one service to another at Tauranga, has grown 23.3% in the past year, demonstrating the success of the hub and feeder port model in New Zealand.

International hub port

The growth in transshipment is a direct result of Port of Tauranga's six year investment in building capacity to become big ship capable, completed in 2016.

With fast connections between Tauranga and North Asia, North America and South America, Australian and New Zealand shippers have increasingly been using Tauranga as a hub port. Containers transhipped from other New Zealand ports increased 54.7% compared with the previous year.

Overall, transhipped containers now make up 25.7% of total TEU.

¹TEU =Twenty Foot Equivalent Units



It is not just larger container ships that are calling. The mega cruise ship *Ovation of the Seas*, at 347 metres long and carrying 4,900 passengers supported by 1,500 crew members, visited three times last summer and will call seven times in the coming season. We also had an overnight visit from the trans-Atlantic ocean liner *Queen Mary 2*, one of the largest and most luxurious cruise ships to ever visit Tauranga.

Trade trends

Imports increased 13.7% to 9 million tonnes and exports increased 8.2% to 15.4 million tonnes for the year ended 30 June 2018.

Log exports increased 14.3% to 6.3 million tonnes. Sawn timber exports also increased 10.3% in volume. Forestry products are still fetching record prices internationally.

Dairy product exports increased 4.0% overall to 2.3 million tonnes. Imports of dairy industry food supplements increased 18.2%, and fertiliser imports increased 16.5%, reflecting a strong agricultural sector.

Other primary produce sectors also fared well, with frozen meat exports increasing 11.3%, and apples increasing 20.9%.

Cement imports increased 18.9%, while steel exports increased 25%.

Oil product imports increased 9.3% and other bulk liquids increased 39.9%.

The volume of cars and other vehicles imported at Port of Tauranga doubled compared with the previous year.

Whilst kiwifruit volumes were down 5.8%, an increasing proportion is being shipped via refrigerated container. The number of TEUs increased 27.6% compared with the previous year.

Health, safety and the environment

We are proud of the safety culture that is developing in our business. This year we initiated a project to extend and improve the health aspect of our health and safety programme.

With guidance from Toi Te Ora Public Health, we launched Ship Shape, a wellbeing programme for all Port of Tauranga employees. The programme incorporates the Company's existing benefits – such as annual medical checkups, free flu vaccinations and health insurance – and will develop new initiatives based on staff feedback and priorities.

We want to be as successful in our environmental performance as we have been in our safety outcomes. We have undertaken a comprehensive, independent carbon emissions audit which will help us measure future improvements.

We have expanded our internal capability with the recruitment of an Environmental Manager and we are making use of technology to reduce carbon emissions, improve energy efficiency and keep the harbour and our city clean.

Stormwater management is a current priority. We have increased sweeping of the log yards and installed stormwater screening chambers to ensure dust and debris is prevented from entering the harbour. We are also stepping up our efforts to improve air quality and reduce energy use.

We continue to support forestry industry efforts to reduce the amount of methyl bromide used in fumigation at the port. We are encouraging exporters to de-bark logs prior to arrival at the wharves.

Operational highlights

We established an eight crane fleet at the Tauranga Container Terminal last year and we have ordered a ninth crane which will be delivered in 2020.

We continue to increase container terminal capacity by relocating and reorganising buildings and activities where it is efficient to do so. Last year's relocation of Oji Fibre Solutions to a new purpose-built shed freed up space for an additional 820 container ground slots right next to the berths.

We now have a total of 2,634 refrigerated container connection points, which are supplemented in the peak season with 12 generators, each supplying power to 35 containers. This is believed to be the largest reefer capacity in Australasia.

Associate and Subsidiary Companies

Quality Marshalling continues to diversify its business in niche cargo handling and container services. Quality Marshalling has secured the contracts to operate the Tauranga Container Terminal's straddle carrier maintenance workshop as well as refrigerated container monitoring.

We are building a new warehouse for Coda Group at our MetroPort Christchurch inland freight hub. Coda will lease the facilities for container packing and distribution. The new

premises comprise a 19,000m² warehouse, a 2,200m² canopy and 210m² office.

MetroPort Christchurch is linked by rail to the Timaru Container Terminal and the rest of the South Island.

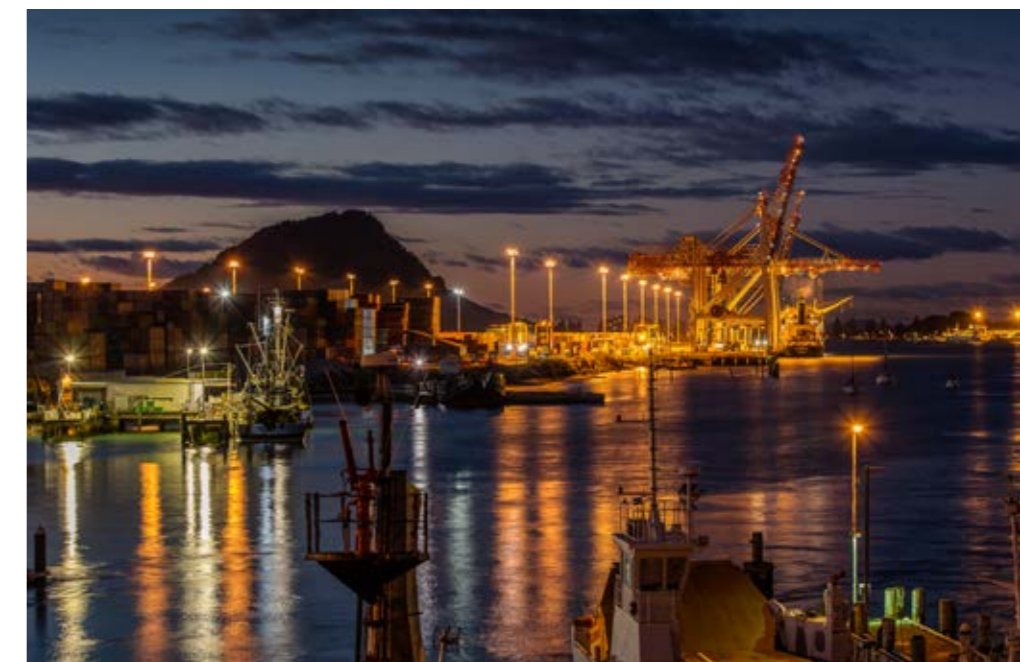
The container terminal's landlord is PrimePort Timaru, in which Port of Tauranga has a 50% shareholding. The terminal had another record year with volumes up 5% on the prior year.

PrimePort Timaru has been buoyed by news of a major new bulk fuel terminal to be built at the port. The new facility will join a major cement handling facility opened by Holcim in early 2016.

Log exports continue to grow through PrimePort, increasing 19% from the previous year.

Meanwhile, Northport has seen an increase in container traffic following the introduction of the first scheduled container service in 2017, and forest product exports continue to set new volume records.

We are making use of technology to reduce carbon emissions, improve energy efficiency and keep the harbour and our city clean.



We expect cargo growth to continue in the next year across most categories and particularly in containerised cargo.

Governance

Alison Andrew was appointed to the Board of Directors in April 2018 following Bill Baylis' retirement after 11 years. Alison is currently Chief Executive of Transpower, has held senior executive roles across various industry sectors and has been a Director of Genesis Energy.

Our majority shareholder, Quayside Holdings, has appointed Director Rob McLeod to the Board following the retirement of Michael Smith after 16 years. In addition to Quayside Holdings, Rob is currently on the Board of the Sanford Group and is a former Oceania CEO of Ernst & Young and Chair of Ernst & Young New Zealand.

Alison Andrew and Rob McLeod will be seeking election at the 2018 Annual Meeting.

At the Annual Meeting, Directors Julia Hoare and Doug Leeder will retire by rotation and seek re-election. Both have the unanimous support of the Board.

External operating environment

In February 2018, the new Government announced an Upper North Island Supply Chain Review. A working group will review the current supply chain, advise on priorities for transport investment and explore options for moving the location of Ports of Auckland. As a key stakeholder in this review, Port of Tauranga expects to be consulted by the working group.

Port of Tauranga is proud of our industrial relations record and our relationships with staff and unions. However, we have concerns about aspects of the Government's

significant changes to the industrial relations framework. Port of Tauranga has made a submission opposing certain aspects of the Employment Relations Amendment Bill. Specifically, we are concerned with the repeal of the ability for employers to opt out of Multi Employer Collective Agreement (MECA) negotiations. This breaches the voluntary nature of collective bargaining required under the International Labour Organisation's Right to Organise and Collectively Bargain Convention that New Zealand has ratified. We believe the Bill will undermine New Zealand's competitiveness through increased costs, decreased productivity and increased business complexity.

Sector performance

The Office of the Auditor-General has recently raised a number of issues identified in its audit of the New Zealand port sector². It found considerable variation in port companies' approach to valuations, making it difficult to see whether capital expenditure was a good use of shareholders' funds.

We support the Office's advice to port companies to use fair value, based on the expected cash flows to be generated. This is the process we adopt for the justification of major capital investments.

In Port of Tauranga's case, we seek a minimum return of 8.5% after tax.

Outlook

Port of Tauranga operates in a complex environment with many factors outside its immediate control. However, we believe we have implemented the policies, processes and practices required to deliver excellence in service to our customers, economic benefit to our communities and strong returns to our shareholders.

We expect cargo growth to continue in the next year across most categories and particularly in containerised cargo. We will invest appropriately in the infrastructure required to manage these volumes and remain confident that our current footprint allows for significant expansion without the need for expensive reclamation.

Recognition

We were very proud to see our long-serving Chief Financial Officer (CFO), Steve Gray, recognised as CFO of the Year in the 2017 Deloitte Top 200 Business Awards. Steve's sound judgement and steady hand have helped steer Port of Tauranga on its successful journey.

We would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga the company it is today.

In recognition of our employees' outstanding contribution to the success of the business, we are pleased to announce an enhanced share ownership scheme for permanent staff.

Individuals will be able to obtain up to \$5,000 worth of shares at a 30% discount, utilising interest-free loans over three years. More than 90% of our staff are already shareholders, so we expect this will be welcome news to the team.

Finally, we thank our customers, service providers, business partners and friends in the community for their ongoing support in making Port of Tauranga New Zealand's Port for the Future.

David Pilkington
David Pilkington
 Chair

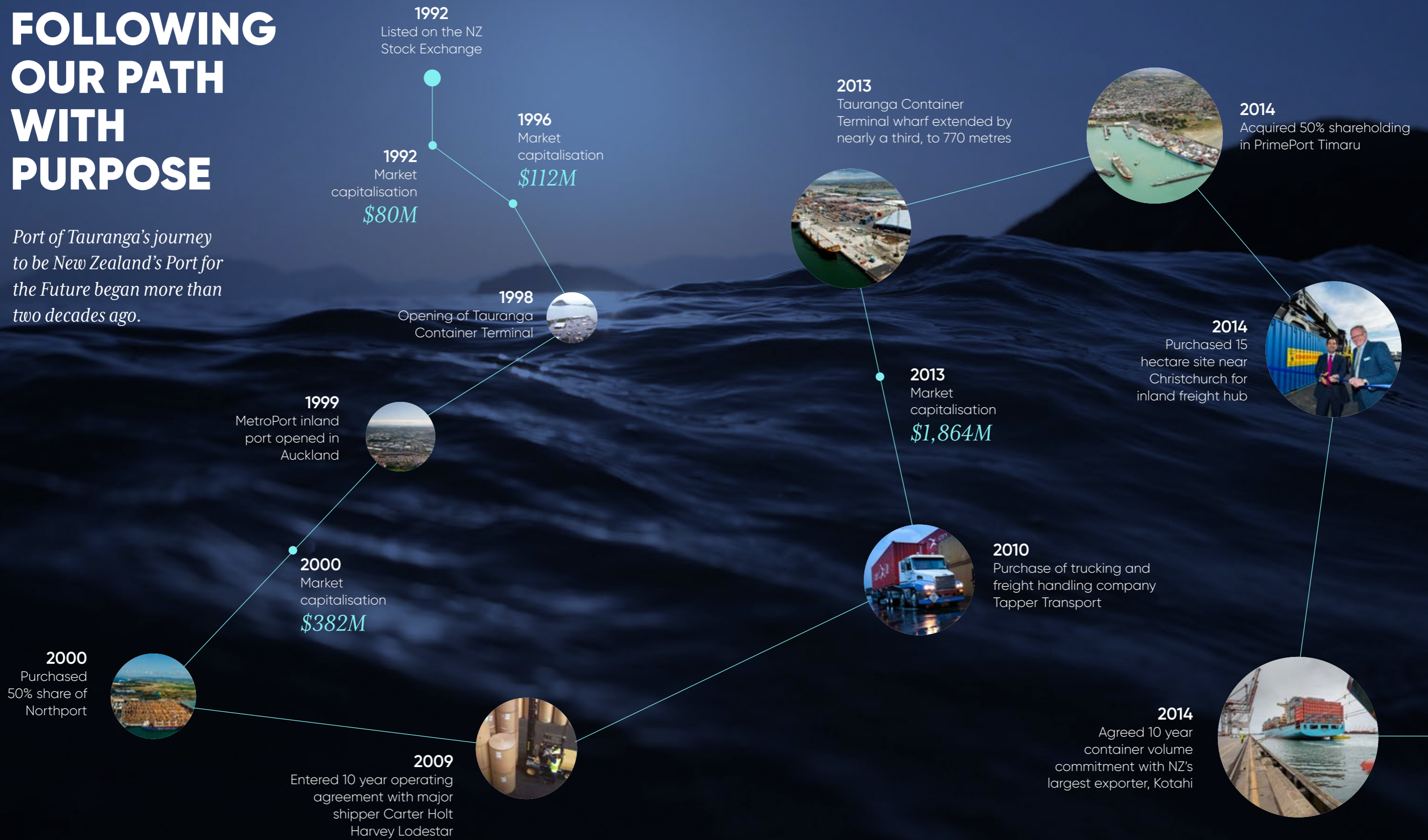
Mark Cairns
Mark Cairns
 Chief Executive

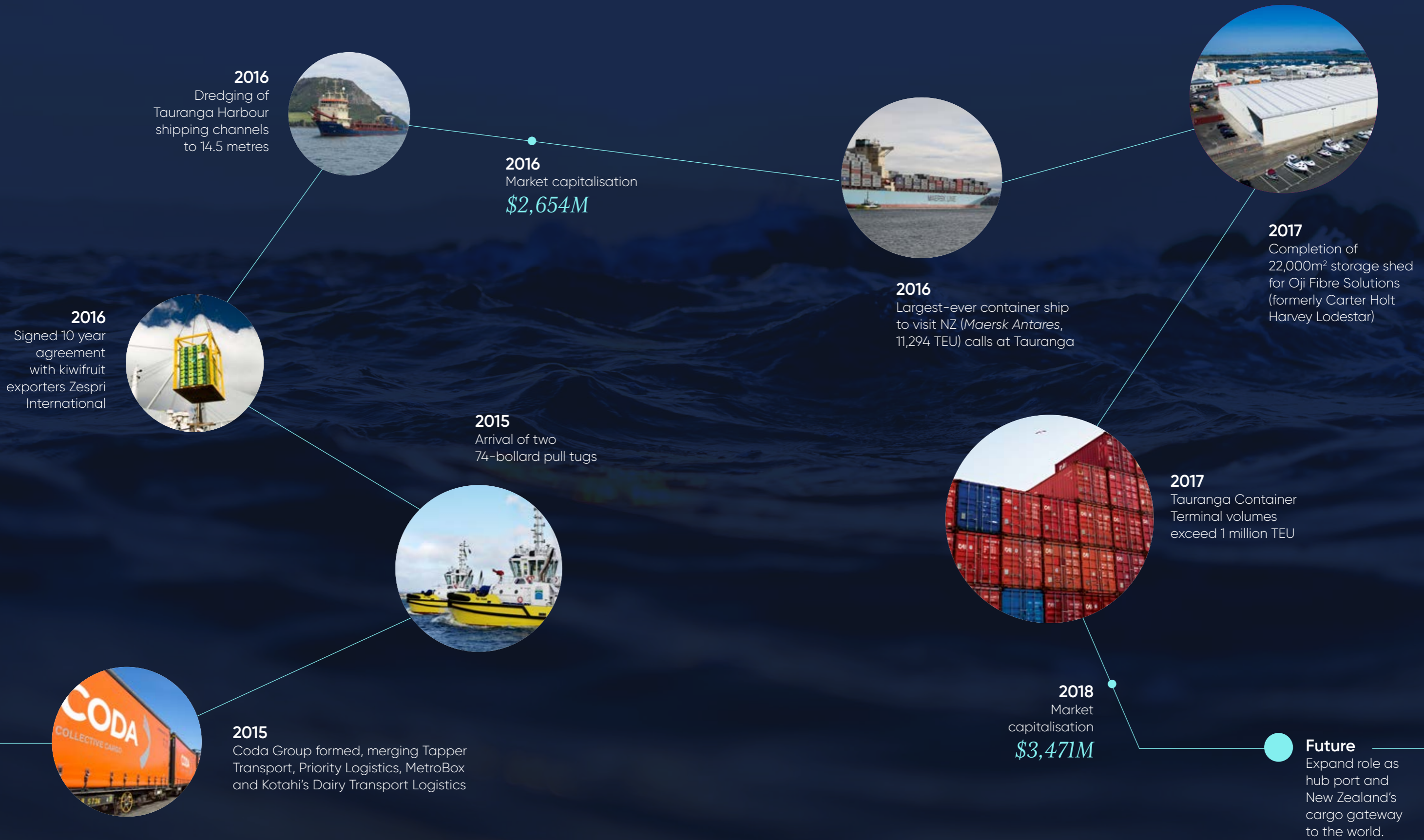


²<https://oag.govt.nz/2018/port-companies-audits>

FOLLOWING OUR PATH WITH PURPOSE

Port of Tauranga's journey to be New Zealand's Port for the Future began more than two decades ago.







Kaitiakitanga: the Maori concept of guardianship, of the sea, sky and land



RELATIONSHIPS

Port of Tauranga's relationships with customers, communities, employees and other stakeholders are characterised by their longevity and a desire for mutual success.

Luxury ocean liner puts Port to the test

The luxurious flagship of the Cunard Line, *Queen Mary 2*, stayed overnight at Port of Tauranga in March 2018 during her maiden 13-night cruise around New Zealand.

The visit presented Port of Tauranga with logistical challenges. The 345-metre long ship's deeper than usual draught meant some juggling of other ships and cargoes was required to

accommodate the large ship alongside the Mount Maunganui wharves.

Our loyal customers and service providers shared Port of Tauranga's can-do attitude to make it work. Port of Tauranga's Manager Operations Services and Security, Ricki Ross, says their understanding and flexibility ensured the visit went off without a hitch.

"Everyone really pulled together to make sure it was a smooth visit for the *Queen Mary 2*, while minimising the disruption to our day-to-day operations," says Ricki.

"It wasn't easy and there were lots of last minute changes, but with plenty

of internal and external support we really rolled out the red carpet for the passengers and crew."

Cruise ship visits are an important contributor to the Bay of Plenty tourism industry, with passengers spending an estimated \$59 million in the year to June 2017.

Port of Tauranga hosted 83 cruise ship visits in the 2017-2018 summer season. This will increase to an estimated 113 calls this summer, including seven visits by the giant *Ovation of the Seas* carrying up to 4,900 passengers each time.



RELATIONSHIPS

Continued



Cargo volumes continued to grow on the back of long term freight agreements with our biggest customers, including Kotahi, Zespri and Oji Fibre Solutions

1,200

people hosted on port tours, with plans to expand next summer



Joined Project Tauranga, the public/private partnership to fund community projects



Investment in a range of community and regional infrastructure projects, such as the Bay Oval upgrade and support boats for the Tauranga Yacht and Power Boat Club

The Company's innovative approach to typical supply chain challenges has helped build our reputation as a strong business that supports our stakeholders' interests.

Business partners for the future

Our long-term freight agreements with major exporters such as Oji Fibre Solutions, Kotahi and Zespri International give us the certainty to make rational investments for the future.

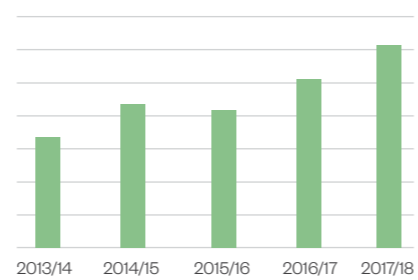
Our customers often refer to our can do attitude when it comes to logistical challenges or finding solutions to tricky problems. This approach to doing business was evident in March 2018 when Port of Tauranga hosted the grand *Queen Mary 2* for an overnight visit.

Working and living in the Bay of Plenty

The Port's activities have wide-reaching benefits for the Bay of Plenty economy and beyond, including the direct and indirect employment of tens of thousands of New Zealanders.

On top of this, Port of Tauranga has an important role to play as an investor in community wellbeing. The Company sponsors and donates to causes in the arts, sport, environment, education and business sectors.

Sponsorship investment



Mark Cairns and Nick Wrinch from Tauranga Yacht Club with the new patrol boats

“Much of our success is due to the open and honest relationship we have with Port of Tauranga. They have seen the potential in our company, our innovation and flexible work practices. We have similar philosophies in that we give our people authority and responsibility.”

Don Howard, Managing Director, Independent Stevedoring Limited



Port of Tauranga contributed to the investment of state-of-the-art floodlighting at the Bay Oval

Partnerships to build community strength

In the past year we have been refocusing our sponsorship portfolio to steer investment towards the provision and protection of longer-term infrastructure and equipment. In the recent past, we have sponsored the construction of the Pilot Bay boardwalk in Mount Maunganui as well as a specialist winch on the Bay of Plenty Trustpower TECT rescue helicopter.

Port of Tauranga and other local sponsors recently paid for the installation of state-of-the-art floodlighting at the Bay Oval sportsground next door at Blake Park, Mount Maunganui. The upgrade elevated the stadium to the busiest international cricket facility in the country in the 2017/2018 season.

Port of Tauranga has purchased two patrol boats for some other neighbours, the Tauranga Yacht and Power Boat Club. The boats will be used for supporting young sailors learning on the harbour and other club operations.

Support of regional initiatives

In 2018, we formalised our role as an official supporter of Project Tauranga, a partnership between Tauranga City Council and local businesses to fund community projects.

This role will allow us to better identify suitable investments in the future and ensure we are supporting the things that really matter to local communities. One of our first Project Tauranga initiatives is one close to home – the enhancement of walkways on Mauao, the revered mountain that stands sentinel to the entrance of Tauranga Harbour and the port.

“We are keen to make a difference where it counts,” says Mark. “Project Tauranga is a great way to connect with the city and get some meaningful projects completed.”

The Port has committed to supporting a variety of initiatives, but the first and foremost is \$30,000 to support the maintenance of walking tracks on Mauao.

“Mauao is Tauranga's identifying landmark. It is visited by people nearly two million times a year including our own staff and an increasing number of cruise ship passengers, and it is held in reverence by tangata whenua. We wanted to help take care of it,” says Mark.

Port of Tauranga's main shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of nearly \$62.3 million over the past year. The total payout has been more than \$700 million since the company was listed on the New Zealand Stock Exchange in 1992.

A \$200 million infrastructure fund has been established to help the Council invest in iconic assets. The fund was set up in 2008 through a share issue by Quayside, which owns 54.16% of Port of Tauranga's shares.

The fund has been used to kickstart projects such as the new tertiary education campus in Tauranga city, redevelopment of Opotiki Harbour and the Scion Science Innovation Park in Rotorua.



RELATIONSHIPS

Continued

Sponsorship

- Business
- Education
- Community
- Environment
- Sports

Facebook page – total page likes increased

16.4%

Iwi – 14 scholarships provided to students with iwi links to Tauranga Moana through the Turirangi Te Kani Memorial and Ngā Mātarae Charitable Trust scholarship schemes

Events for our community

Port of Tauranga was a founding supporter of the biennial Tauranga Arts Festival and until recently was the naming rights sponsor of the Port of Tauranga Half, a popular triathlon, for 29 years.

Port of Tauranga staff and customers are enthusiastic fundraisers and collect donations for a range of causes close to their hearts, including the Cancer Society's Daffodil Day, Prostate Cancer Foundation and the Red Puppy Guide Dog Appeal. In April, the Port's annual Gibo's Fun Fishing Tournament for staff, customers and suppliers raised a record \$4,500 for the Waipuna Hospice.

Our annual Christmas donations (in lieu of customer gifts) went to the Tauranga Community Foodbank (\$6,000) and this year's staff-nominated charity, Good Neighbour (\$4,000).

The nature of Port of Tauranga's operations means they are often hidden from public view for safety reasons. Web cameras on our website allow people outside the port to see what's happening in real time and the very popular annual bus tours allow the public to see what happens on the other side of the port gates. Due to their

Funding good causes

During the financial year, Port of Tauranga made donations to: HeartKids, Otumoetai College Young Enterprise Scheme, St John Ambulance (new Tauranga headquarters), Tauranga Volunteer Coastguard, Brain Injured Children Trust, Wish4Fish, CanTeen, Otumoetai Swimming Club, Seaweek, Merivale Community Inc Christmas event, Eastern BOP Brass Band, Te Tauranga o Nga Waka Kapa Haka, Tauranga Sport Fishing Club, One Base Fishing Competition, Autism New Zealand (Tauranga/ Mount), Ballance Farm Environment Awards, Huria



Iwi perform a blessing at the opening of the newly constructed Shed 1

popularity, the tour programme will be expanded.

Working with iwi

We work both formally and informally with the three iwi that have mana whenua status in Tauranga Moana – Ngāi Te Rangī, Ngāti Ranginui and Ngāti Pūkenga.

Our formal partnerships include the Ngā Mātarae Charitable Trust, established to balance the impact on the cultural and spiritual values of local Māori from our harbour dredging project.

The Trust has a scholarship programme administered by the Port and sponsors projects to improve the wellbeing of Te Awanui Tauranga Harbour.

One of these projects was an initiative to relocate pipi within the harbour, involving local schoolchildren and University of Waikato researchers.

Marae, Mount Maunganui Runners and Walkers Half Marathon, Bethlehem School, Papamoa Primary School, Arataki/Omanu Scout Group, Mount Maunganui Tennis Club, Diabetes Help Tauranga, BaySwim, Judea Softball Club, Merchant Navy Day, Mount Maunganui Sport Fishing Club, Bay of Plenty Lifelines, Tama Tū Maori Battalion Tour, Mount College Golf Fundraiser, Avocado New Zealand, plus individual sportspeople travelling to international tournaments or participating in charity events.



Dr Isolde Liebherr, Mark Cairns, Patricia Rūf and Pat O'Leary

A long time link with Liebherr

Port of Tauranga has a special long-term relationship with Liebherr that spans 40 years.

The independent, family-run business has been the sole supplier of Port of Tauranga's ship-to-shore gantry container cranes since the first was purchased in 1978. A further eight cranes have followed.

With another purchase imminent, Liebherr Group Vice Chair Dr Isolde Liebherr, her daughter and senior executive Patricia Rūf and Liebherr Container Cranes Managing Director Pat O'Leary visited Port of Tauranga in March 2018. They were impressed by the scale of the port and its picturesque location.

"I was very impressed by the size of the port," said Patricia. "A port embedded in such beautiful scenery is very rare."

Port of Tauranga Chief Executive, Mark Cairns, believes the relationship with Liebherr has endured because of shared core values.

"Liebherr is constantly innovating and produces a quality product that performs consistently and reliably. These are all qualities we seek to adhere to ourselves," he says.

In the next year, we plan to formally engage with our stakeholders to better understand their needs and

wants, so we can prioritise strategies and actions that are most relevant and valuable to us all.



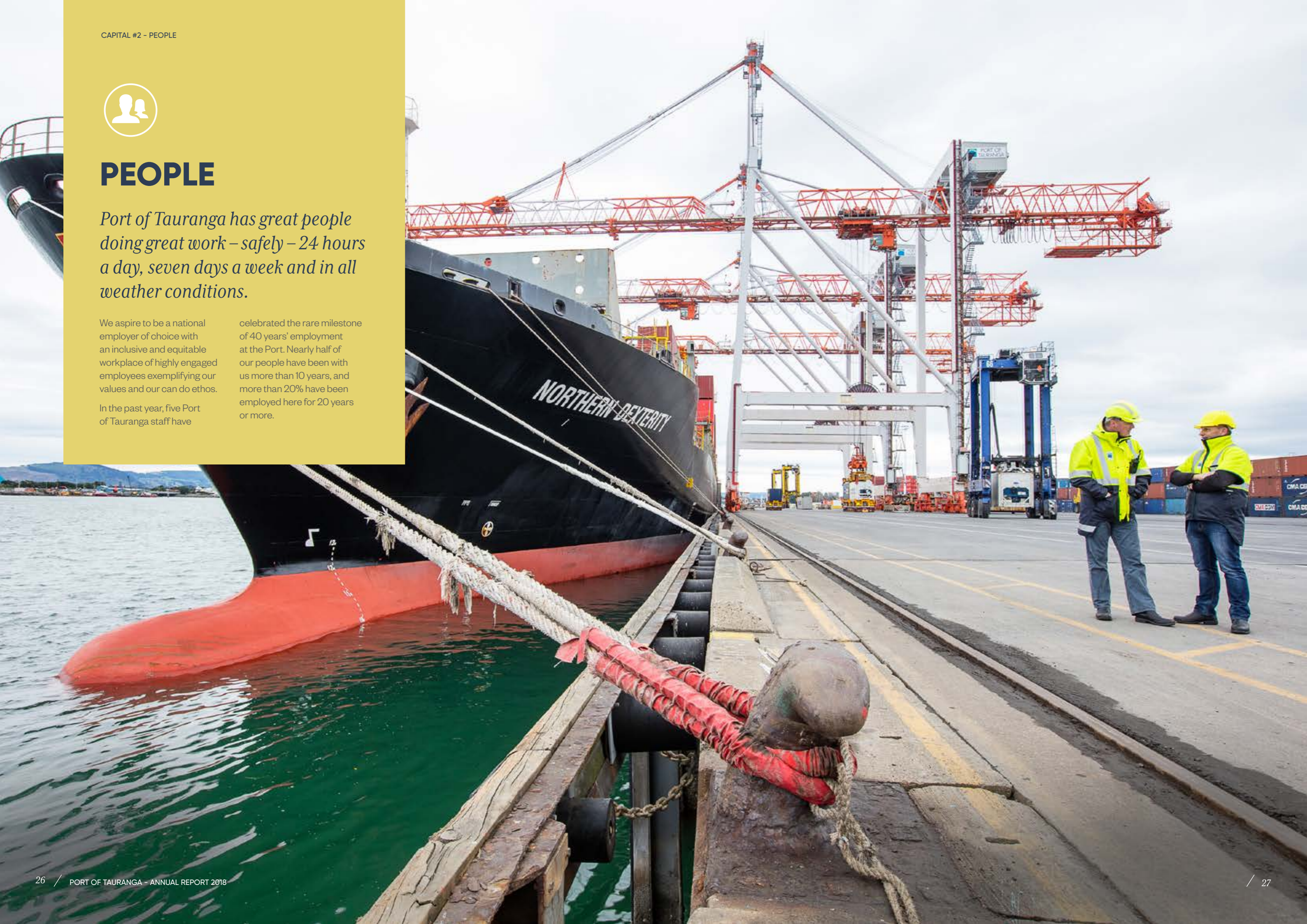
PEOPLE

Port of Tauranga has great people doing great work – safely – 24 hours a day, seven days a week and in all weather conditions.

We aspire to be a national employer of choice with an inclusive and equitable workplace of highly engaged employees exemplifying our values and our can do ethos.

In the past year, five Port of Tauranga staff have

celebrated the rare milestone of 40 years' employment at the Port. Nearly half of our people have been with us more than 10 years, and more than 20% have been employed here for 20 years or more.





PEOPLE

Continued

Launched Ship Shape, our programme to support staff to work better through wellbeing



Longevity of service and low staff turnover remain features of our workforce

Staff survey shows

70% of staff are satisfied or very satisfied with their jobs

Internal promotions filled

60% of vacancies



No pay equity disparity



Enhanced share scheme for employees announced

As some of our older workers retire, we are seeking ways to encourage younger people to pursue a lengthy career in the port industry. Around 60% of our permanent position vacancies during the year were filled internally, helping develop talent within the business.

We have cadetship, apprenticeship and internship programmes. Our 2014 cadet, Toi Ohomai business studies graduate Sam Mannix, has just accepted a full time role at the Tauranga Container Terminal as a vessel and operations planner.

We are also investing in future workers, for the port industry and other sectors, through two educational scholarship schemes for Māori students with connections to the Bay of Plenty.

Keeping the port operating

Port of Tauranga directly employs 208 permanent and 37 casual people. Around ten times that number are estimated to work daily on the wharves or at associated businesses. Together, these people work to keep the port operating at world-leading productivity levels through flexible, competitive and safe work practices.

Port of Tauranga has respectful, constructive relationships with our employees' unions. Approximately half of our employees belong to one of three main unions.

Looking after our people's wellbeing

An independent, three month study of our pilots, tug and pilot boat crews gave us benchmarks to manage the risk of fatigue. Subsequent staff workshops, facilitated by a fatigue management expert, have looked at potential changes to work patterns, rosters and other mitigation measures.

In 2017, we introduced an expanded Sun Smart policy for outdoor workers, which includes more training and the provision of sun protection such as wide brimmed hats, sunglasses and sunscreen. Skin checks were already part of annual health monitoring.

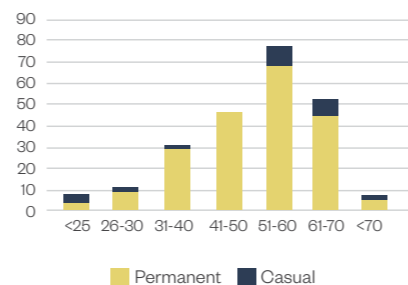
Our wellbeing programme, Ship Shape, brings together health initiatives to support staff to work better through wellbeing. We will work towards accreditation under the WorkWell framework offered by Toi Te Ora Public Health.

Louise Kelly is Port of Tauranga's Receptionist and Staff Lead of the Ship Shape wellbeing programme.

"One of our pilots, Richard Haxell, was the winner of a staff competition to name the new wellbeing programme. Staff will have a say in all aspects of the programme so we can be sure it meets their needs," says Louise.

"We have formed a committee of representatives from various divisions and all staff are encouraged to raise ideas or issues. We hope regular communication means everyone gets on board and sees the benefit for them and their families. Ship Shape will help us build on the great benefits that our Company already provides for our staff and include fun activities and health information for everyone."

Age Profile



Developing a diverse workforce

Port of Tauranga is committed to providing a workplace that recognises and values different skills, abilities, genders, ethnicities and experiences. This means removing barriers for existing and potential staff and eliminating any inappropriate systems, practices or attitudes.

Like most companies in the ports and logistics industries, our workforce has traditionally been male-dominated.

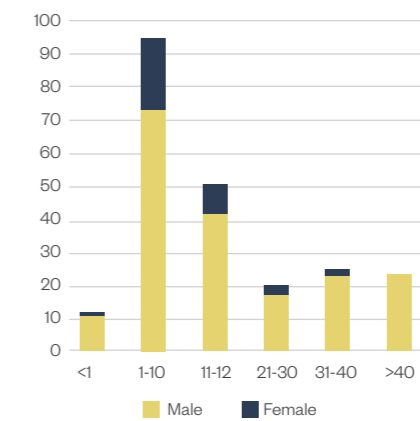
Overall, 17% of our employees are female with 40% in key operations, supervisory or management roles.

Both our longevity and gender profiles are slowly changing, with 34% of our staff with us for five years or less and 24% of these recent appointments being female. Our service providers have female employees in key roles including crane drivers, straddle drivers and other heavy machinery operators.

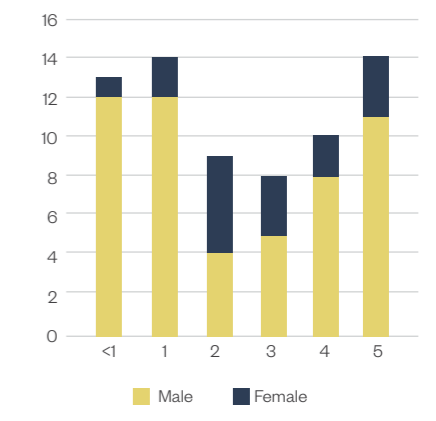
We do not have pay disparity between male and female employees in comparable roles and having similar experience. We believe in merit-based appointments for all roles, irrespective of gender, ethnicity and age. We recruit for attitude, train for skills and then promote on performance and merit.

	Male	Female
Permanent Employees	173	35
Average Age	52	47
Average Length of Service (Years)	14	10
Executive Team	80%	20%
Directors	72%	28%

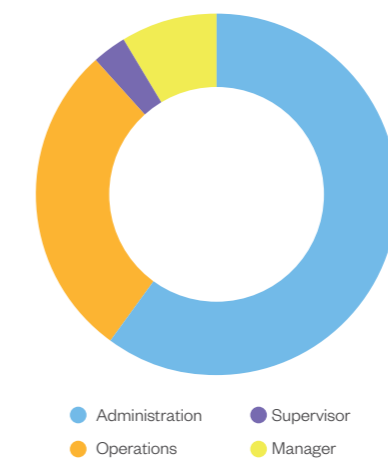
Diversity Length of Service (Years)



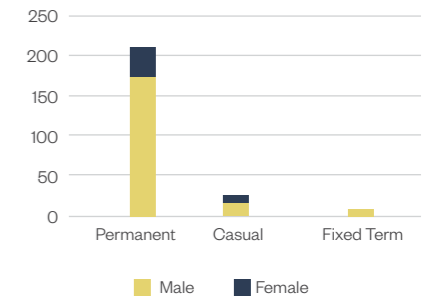
Diversity and Service (Years)



Diversity - female roles



Diversity and Gender



Port Users' Forum widens focus

The Port Users' Health and Safety Forum was established around 15 years ago to bring together all key operators working on the port to identify, discuss and collaborate on common safety issues and improvements. Its success has resulted in the model being adopted as an industry standard. This year, the forum has expanded its focus to include environmental issues.

Monitoring staff satisfaction

We undertook a staff engagement survey that found employee satisfaction was 70%. Work groups involving staff from across the business are now developing action plans to address points raised.



PEOPLE

Continued

2018 scholarships awarded to 14 students

Fourteen students in fields ranging from education to pharmacy received scholarships in 2018 from the two schemes administered by Port of Tauranga.

The Turirangi Te Kani Memorial Scholarship has operated for the past 28 years. It was established in honour of Turirangi Te Kani, a Tauranga kaumatua with strong links to the Port, who died in 1990.

This year, four first year students received scholarships and three second year students had theirs renewed.

The second scheme is offered by the Ngā Mātarae Charitable Trust, which was established in 2014 to promote the wellbeing of Tauranga Harbour following the dredging programme.

The Trust awards scholarships to students with ties to Tauranga iwi. Three first year students were awarded scholarships and four second and third year students had theirs renewed.

Port of Tauranga takes an active interest in the tertiary careers of the students. The scholarships are awarded on a year-by-year basis and the students report back on their progress and exam results each year.

Small steps add up to big strides

In a multi-user environment, keeping people away from dangerous operations is a priority.

Our container terminal staff were concerned about disembarking international crew adhering to pedestrian walkways.



Contractors' safety performance improved

To overcome any language barriers, weather-proof, pictorial instruction cards were printed to attach to gangways and handrails.

Another safety initiative has seen us draw on our internal expertise to design, fabricate and fit protective guards on our container cranes.

This project presented multiple practical challenges, not least of which was working around the cranes' busy shipping schedules.

The guards will protect operators and maintenance crews from dangerous moving parts.

Keeping our people safe

Safety is one of our core values and we continue to create a culture where proactive worker safety is integral to every individual who works on our sites.

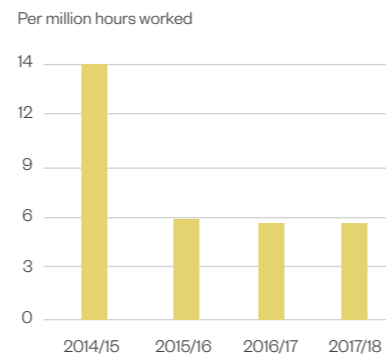
Our Total Recordable Injury Frequency Rate (TRIFR) reduced by only 2%, with the total number of injuries the same as the previous year at two, both back strains with one resulting in lost time and the other requiring medical treatment.

Our contractors significantly improved their performance and achieved a 69% reduction in TRIFR, down to 9.3 per million hours worked. Port of Tauranga and contractors combined achieved a 62% reduction to 7.9 per million hours worked.

We are very pleased that proactive attitudes towards safety are reflected in the reporting of near misses, which has increased more than 35%. There was also a 7% increase in safety observations and engagements across the business. A further indication of progress was reflected in our survey feedback where 84% of employees agreed or strongly agreed that their manager consistently gave a high priority and support to health and safety.

	2018	2017
- Employee TRIFR	5.5	5.7
- Contractor TRIFR	9.3	NA
Near Miss Reports	35% increase	35% increase
H & S training	44% increase	47% increase

Safety: Total Recordable Injury Frequency Rate (TRIFR)



Directors visit Port of Tauranga's straddle workshop

Directors talk safety

Our Board of Directors is personally involved in building safety engagement, visiting sites at Port of Tauranga as well as our Subsidiary and Associate Companies.

Director Julia Hoare was part of a group that visited Port of Tauranga's straddle workshop.

"We were briefed that two critical risks for the straddle workshop were 'Working at Heights' and 'People vs Plant' interactions. It was interesting to see the high bay platforms they designed and built to enable the team to operate safely at heights. When these platforms were introduced by the team at the Port they were a world first and promoted by the manufacturers Kalmar to other ports. In addition, the staff were able to explain in depth how they manage people versus plant

safety in the workshop and, importantly, when a straddle breaks down in the terminal operating area. I was really impressed with the level of focus and the deep commitment to health and safety. They run a really effective operation."

Our business is only as good as our people. We strive to attract and retain workers with aligned values and the right attitude, and then help them reach their full potential.

This includes supporting our deeply experienced ageing workforce, at the same time as making the port industry an attractive one for both younger and female employees.

Employee-led initiatives are being implemented to address themes raised in the staff survey, such as improving communication and recognising outstanding effort.



SKILLS AND KNOWLEDGE

Port of Tauranga boasts a talented pool of specialist port, marine and supply chain knowledge. We invest in our people's skills to serve the industry and our customers with world-leading productivity and innovative business solutions.



Partnership with KiwiRail evolves and adapts to new challenges

Port of Tauranga is not the only organisation that has had to transform the way it does things in order to accommodate bigger ships.

As we invested in the infrastructure and systems required to handle larger volumes of cargo per ship visit, so did our partners.

KiwiRail needed to reconfigure its train services and simplify the supply chain to enable efficient transfers of cargo and empty shipping containers to and from Tauranga. KiwiRail also invested

\$15 million to upgrade its container handling facilities in Auckland, increasing capacity by about 40%.

The new streamlined system sees trains transfer imported containers from Tauranga to our inland freight hub at MetroPort Auckland. Trains are then filled with emptied containers to be shifted to Hamilton, where Fonterra can refill them with exports. The train is then reloaded with cargo bound for export from Tauranga, thereby completing the "Golden Triangle"

and avoiding the need to constantly relocate empty containers via road, rail and sea.

The triangulation project has reduced the lead time to source empty containers, lowered inventory costs for shipping companies and optimised train capacity, eliminating wastage for all three organisations.

Port of Tauranga favours rail transport over road whenever possible to avoid road congestion and carbon emissions.



SKILLS AND KNOWLEDGE

Continued



Supply chain integration enables efficiencies for our customers



Container terminal maintains industry-leading productivity rates



Chief Financial Officer wins top prize at Deloitte Top 200 Business Awards

Port of Tauranga has taken an integrated view of New Zealand's supply chain, leading to the development of a national network of expertise in port operations, property management, warehousing, logistics and transport.

This indepth knowledge gives Port of Tauranga and its customers the opportunity to be efficient, commit to rationally economic infrastructure and achieve mutual benefits.

We've drawn on our expertise to expand our hinterland beyond our traditional Bay of Plenty home, negotiating long-term freight agreements with our biggest customers to give us certainty to plan for future volumes.

We've replicated the success of our MetroPort Auckland operation near Christchurch. MetroPort Christchurch is linked to the Timaru Container Terminal and rest of the South Island by rail, giving importers access to a major metropolitan area and exporters access to international services.

We are working with partners to develop intermodal freight hubs in Hamilton and the central North Island.

Our joint ventures, such as Coda Group, give us the platform to integrate the Port with all other parts of the supply chain, utilising rail, road transport and inland freight consolidation hubs to remove cost, empty capacity and delays from the cargo network.

Sharing our experience and expertise

Port of Tauranga contributes to national forums to address the issues faced by our industries and others. We take an active role (including governance positions in many cases) in groups such as the Port Industry Association, Port Chief Executives' Forum, Business Leaders' Health and Safety Forum, Priority One (Bay of Plenty Economic Development), Export NZ (Bay of Plenty), Business New Zealand, the Employers and Manufacturers' Association and the Tauranga Chamber of Commerce.

We also have strong working relationships with national industry regulators such as WorkSafe and Maritime New Zealand.

Understanding Te Awanui/ Tauranga Harbour

Tauranga is fortunate to be the home of the University of Waikato's Coastal Marine Field Station. Port of Tauranga supports a range of research programmes that contribute to Tauranga Harbour's reputation as one of the most researched and best understood harbours in Australasia.

Researchers have recently looked at the impacts of dredging, the health of kaimoana and the potential effects of future development.



Kyle Murray is a keen Crossfit athlete and has represented New Zealand at international challenges

Balancing work, study and the rest of life

Kyle Murray is putting his hands-on knowledge of port operations to good use in a new career in health and safety management.

After 11 years as a heavy machinery operator and crane driver at Port of Tauranga and Port of Brisbane, Kyle decided to head back to study in Tauranga to gain qualifications in occupational health and safety management.

He is combining his study with a job as a Health and Safety Coordinator

for Port of Tauranga. His projects include reviewing compliance with new hazardous substance regulations and injury prevention among port workers with physically demanding roles.

Kyle supplements this work with casual shifts in the Operations Services and Security team.

"My career to date sums up the opportunities available in this industry," says Kyle. "I started straight from school and have worked in a variety of jobs, from driving trucks to tying up ships to helping cruise ship passengers find their way around.

"I started with just a learner's licence and now I have every type of special driving licence there is. I'm putting all

that experience to work in a desk job that will help keep future workers safe."

Kyle says the Port has given him the flexibility he needs to complete assignments, while giving him real life examples to study.

Despite his busy schedule as a Port of Tauranga employee, student and dad of three young children, 33-year-old Kyle also manages to fit in an elite sports career as a Crossfit competitor.

As a member of the Mount Crossfit team, Kyle has won national titles and represented New Zealand at international challenges.



SKILLS AND KNOWLEDGE

Continued

Improving our risk management

Port of Tauranga recently initiated a process to integrate our operational and strategic risk management. It also integrates the safety improvement plans of each of our divisions, helping us to establish improvements, responsibilities and targets.

A comprehensive, independent safety audit was undertaken during the year. The first stage looked at the Port's top four critical operations risks, such as transferring pilots to and from vessels and the interfaces between people and machinery. The second stage assesses how our governance and executive leadership stacks up against the Health and Safety at Work Act 2015. The review has identified a series of improvements for the Board and management.

New Zealand's most efficient container port

The Ministry of Transport has been monitoring productivity since 2011 using data collected from the country's six container ports¹.

Port of Tauranga is by far New Zealand's largest container port, handling 40% of New Zealand's container volumes in the 2017 calendar year. Tauranga's average crane rate (containers per hour per crane) was 35.5 moves per hour for the year ended June 2018, compared with the national average for 2017 of 33.5 moves per hour. In Australia, the top five container ports had an



The Port of Tauranga is New Zealand's largest container port

average crane rate of 28.9 moves per hour in the six months from January to June 2017².

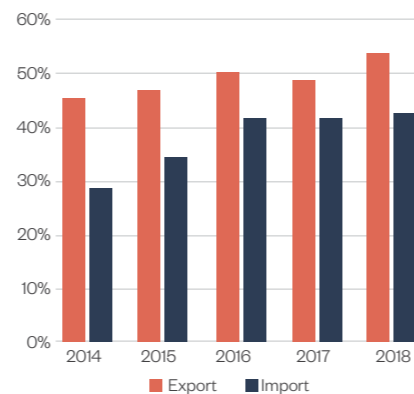
Tauranga's average ship rate of 87.4 moves per hour per ship in the year to June 2018 compared with the 2017 average New Zealand ship rate of 77.8 moves per hour and the Australian average of 55.3 moves per hour.

Industry-wide labour supply issues

All supply chain-related industries in New Zealand are experiencing skilled labour shortages and, although Port of Tauranga is an employer of choice, we are not immune. The Port and its service providers have, for example, been short of straddle drivers at peak times. We are reviewing entry level requirements and working with the industry to develop specific NZQA qualifications to improve the skills of port workers. The industry needs to make it both easy and attractive to join and build a career.

Rail share of land movements in and out of the container terminal

Source: Ministry of Transport



¹ <https://www.transport.govt.nz/resources/research-papers/containerproductivitynzports/>

² https://bitre.gov.au/publications/2017/water_061.aspx



Steve Gray, Chief Financial Officer wins top prize at Deloitte Top 2017 Business Awards

Port CFO wins accolade

Port of Tauranga's Chief Financial Officer, Steve Gray, won the 'CFO of the Year' prize at the 2017 Deloitte Top 200 Business Awards.

The judges said Steve was seen as a competent CFO who made prudent investments, a long-term performer and one who was respected by the market.

He has overseen outstanding returns for shareholders in his 10 years in the role. He led the team that negotiated the long-term freight agreement with Kotahi that enabled big ships to start calling at Tauranga, quickly building it into the country's largest port.

Recently he has driven the moves to conduct a share split and return capital to shareholders.

"You've got to work very hard to make sure you don't just look at the numbers," says Steve.

"You've got to look at all aspects of the company and what is the best way to drive growth for shareholders. We've got a small team at Port of Tauranga so I've got to be across everything."



SKILLS AND KNOWLEDGE

Continued

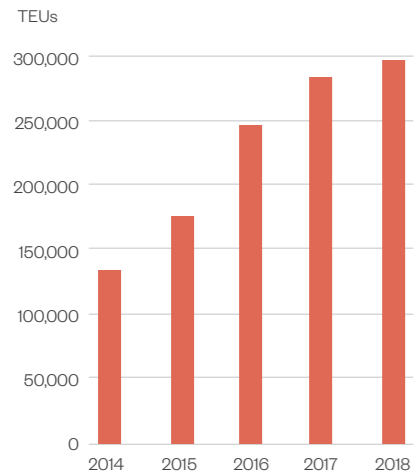


Average crane rate of 35.5 moves per hour per crane, compared with 2017 national average of 33.5 moves per hour



Number of TEUs transferred to MetroPort Auckland by rail increased 4%

MetroPort rail volume



Putting the Port to the test

Port of Tauranga's operational emergency preparedness was tested in September 2017 when fire broke out in timber stowed in the hold of a vessel berthed at the Mount Maunganui wharves.

Our operations team won praise from emergency services for their quick response and our tug boat *Tai Pari*, equipped with firefighting equipment, was on hand to assist.

We have a close working relationship with all emergency services. We conduct a range of joint training exercises with Fire and Emergency New Zealand and the Police. Around 100 police officers from multiple divisions have recently completed safety inductions so they can regularly patrol the premises and quickly assist in emergencies.

We work closely with Tauranga Volunteer Coastguard and the Tauranga Harbourmaster on marine safety, and the Ministry for Primary Industries on biosecurity surveillance.

Port of Tauranga staff and systems helped authorities foil blackmarket cigarette smuggling attempts and New Zealand's biggest ever cocaine shipment.

Our security officers, high-tech surveillance cameras and 24-hour customer service centre supported the Police and New Zealand Customs Service in detecting the crimes and apprehending the alleged offenders.

In June 2017, one of our biggest customers, Maersk, fell victim to a

global cyber-attack that forced us to use manual systems and work-arounds. Following this real life malware attack, we held a cybersecurity crisis simulation exercise in August 2017 that led to multiple enhancements to our crisis management and business continuity processes.

We will continue to test the resilience of our business continuity systems and processes.

Our skilled operations team includes highly experienced marine crews



MetroPort Christchurch

National network ensures best use of assets

The Port of Tauranga Group has strengths in many parts of the supply chain and puts its expertise to work for New Zealand importers and exporters.

One example of cooperation is our Associate Company Coda Group's new

facilities at MetroPort Christchurch, which will serve Westland Milk.

MetroPort Christchurch is located at Rolleston and connected by rail to our Timaru Container Terminal. The Port is building a new 19,000m² warehouse there, which will be leased to Coda Group to handle Westland Milk's exports.

Our skills strategy aims to protect and enhance the culture, capability and capacity of our organisation. We value the knowledge, skills and experience inherent in our people,

while investing in productivity improvements and innovation. We are formalising a training and development programme for supervisor and manager level

employees to ensure continuing professional development. We also intend to expand our leadership programme to workers at all levels of the organisation.



ENVIRONMENT

Port of Tauranga has an important role as a guardian of the environment in which we operate. Our community looks to us for responsible stewardship and to maintain the integrity and diversity of our environment.



ENVIRONMENT

Continued



Appointed new Environmental Manager



Investing in energy-efficient equipment (e.g. electric vehicles, LED lighting)



Continual renovation of infrastructure to improve stormwater quality (e.g. installing screens and enviropods)



504,139 truck trips avoided by using rail



E-vehicles are the way of the future at Port of Tauranga

Seeking energy-efficient solutions

As we replace and purchase new equipment, energy-efficient options are prioritised. We are also utilising better alternatives in construction. Our new coolstore, leased to Tauranga Kiwifruit Logistics, uses a more environmentally-friendly refrigerant and energy efficient lighting.

Operational vehicles are gradually being replaced with electric or hybrid versions where available and a fast-charging station has been installed.

Many of the Port's straddle carriers are diesel electric models and are 40% more fuel efficient than older models, with enclosed braking systems to avoid dust.

Our container cranes generate their own electricity when lowering, feeding surplus energy to other cranes working nearby.

Reducing fumigation impacts while keeping bugs at bay

Methyl bromide is a toxic gas used to fumigate imports and exports to kill any bugs trying to enter or leave New Zealand. The biggest users of methyl bromide in New Zealand are

log exporters, whose major markets demand methyl bromide fumigation.

Workers are protected from any potential health risk from methyl bromide through strict fumigation protocols regarding exclusion zones and notifications.

Fumigation at Port of Tauranga is carried out by highly experienced operators Genera, according to codes of practice laid out by various New Zealand authorities (such as the Environmental Protection Agency (EPA) and the Bay of Plenty Regional Council) as well as our own protocols. Genera recaptures the methyl bromide used at Tauranga as required by the Council and the EPA has set a 2020 deadline for 100% recapture of methyl bromide used in fumigation.

Port of Tauranga supports the phasing out of methyl bromide use due to its negative impact on the environment.

Forestry exporters are working to reduce the amount of methyl bromide used, identify suitable alternative fumigants, and utilise new technologies and processes to increase recapture. One of the ways to reduce the amount required is to de-bark logs prior to their arrival at the port. There is already a de-barking facility on the Mount Maunganui wharves, with proposals for expansion. One of the largest log exporters, Kaingaroa Timberlands, is installing a large de-barking facility at Murupara.

The Port hosted the recently formed Tauranga Moana Fumigation Action Group on a tour of the port to educate the group and hear their concerns. We hope to continue constructive dialogue with this group in future.



Timberlands is installing a multi-million dollar de-barking facility at its Murupara rail exchange

Timberlands invests in de-barking plant

Kaingaroa Timberlands, owner of the country's largest plantation forest, is taking a big step towards reducing the need for log fumigation prior to export.

Timberlands Limited, which manages the 189,000 hectare Kaingaroa Timberlands forest estate in the central North Island, is installing a multi-million dollar de-barking facility at its Murupara rail exchange. More than 90% of its export logs are transferred by train to the Port of Tauranga.

Timberlands Chief Executive, Robert Green, says it is a significant capital

investment that will greatly reduce the use of methyl bromide. The company currently exports around 1.7 million tonnes of logs each year, about a third of its harvest.

De-barked logs destined for China, New Zealand's biggest log market, are not required to be fumigated because insects are removed along with the bark.

"We already de-bark at one of our other sites so we are confident that we'll be able to quickly gear up to processing export logs on a much larger scale," says Robert.

The new facility will open by mid-2019.

Timberlands also has an extensive research and development programme aimed at doubling productivity over the next 30-year growing cycle.

"We are investing in research and development in the fields of nutrition, genetics and technology to enhance what is already a highly efficient forest products supply chain," says Robert.

The shareholders of Kaingaroa Timberlands and Timberlands Limited are the Public Sector Pension Investment Board (PSP Investments, Montreal, Canada), NZ Super Fund (Auckland, New Zealand) and Kakano Investment Limited Partnership (Rotorua, New Zealand).



ENVIRONMENT

Continued



Investment in comprehensive monitoring to identify improvements available in stormwater management



Undertook a range of biosecurity initiatives in partnership with MPI, KVH and other primary producers (recognised in the national Biosecurity Awards 2017)



Initiated an independent carbon emissions review

Building effective rail and road networks

Port of Tauranga is working with the city and regional councils and the New Zealand Transport Agency to protect and enhance the roading networks that connect the port to importers and exporters.

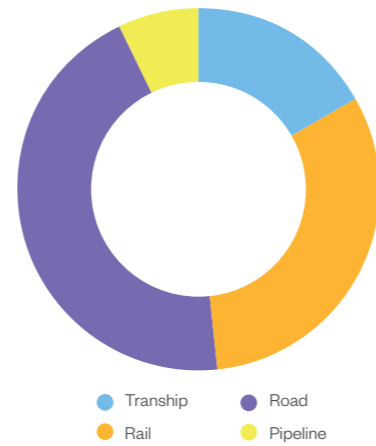
Much of the Port's cargo growth in recent times has been transhipped containers (which do not leave the terminal) or cargo that can be moved on rail, avoiding a big increase in truck movements. Just over half of all cargo volumes are either transhipped, transported by rail or carried via pipeline. Nearly 45% of all forestry exports arrive by rail. Road traffic congestion is a city-wide problem, however, and we want to ensure authorities continue to invest in the roading network for residents and industry alike.

We welcome the Government's signalled intention to invest more in KiwiRail's network. We believe rail is the most efficient option for moving large volumes of freight to and from key cargo catchment areas.

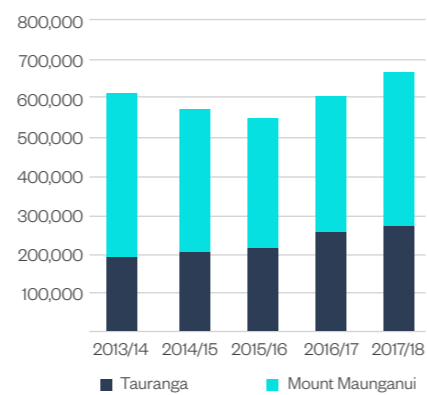


Rail is the most efficient option for moving large volumes of freight

Volumes moved to and from Port by transport mode



Truck movements to and from the Port



Joey McKenzie Port of Tauranga's first Environmental Manager

First Environmental Manager appointed

Port of Tauranga has appointed its first Environmental Manager to help all areas of the business better manage any potential environmental impact from port operations.

Joey McKenzie joined the Port in January 2018, bringing significant previous experience, particularly in the areas of environmental regulations and compliance.

"The importance of sound environmental practices was already acknowledged by Port of Tauranga. My appointment has helped establish better coordination of the efforts of all port users to continuously improve environmental performance," says Joey.

"It's really important that everyone does what they've promised when it comes to preventing and dealing with environmental risk."

The Port is continuously reviewing its environmental policies and procedures, with a particular focus on preventing spills, avoiding (where possible) and reducing pollutants entering

stormwater and preserving air quality by managing dusty activities such as bulk cargo movements on the port.

"A lot of our risks relate to activities of other port users where we don't have direct control, such as the handling of import and export goods," says Joey.

"We have to take a joint approach to finding solutions, and at times require port users to address environmental risk and make improvements."



ENVIRONMENT

Continued

Port of Tauranga won recognition in the industry section of the national Biosecurity Awards 2017



On the frontline of biosecurity

The second annual Biosecurity Week at Port of Tauranga raised pest awareness among port workers and the wider community.

The week highlighted the need for vigilance from all port users.

"Any pest incursion has the potential to severely impact the local economy. We have a responsibility at the port to protect the industries we are serving," says Mark Cairns, Port of Tauranga's Chief Executive.

The Port's biosecurity excellence partnership won recognition in the industry section of the national Biosecurity Awards in 2017. The partnership involves Kiwifruit Vine Health (the organisation established after the PSA bacteria crisis of 2011), the Ministry for Primary Industries, other local and central government agencies, and primary produce organisations.

The organisations share data and have established systems for reporting and identifying the biggest risks, including the looming threat of the brown marmorated stink bug.

Preventative measures, such as housekeeping to avoid attractive breeding grounds for mosquitoes, is a big focus, as is arming frontline staff to know what to look for and what to do if they see something suspicious.

Preventing air and water pollution

New wind fencing at our Hewletts Road and Totara Street log storage yards will help prevent near neighbours being annoyed by dust.

Port of Tauranga has almost completed sealing all wharf and cargo storage areas to reduce dust and make cleaning easier. Log debris sweeping has been doubled by the purchase of a second machine by service provider Daltons, which collects the excess bark for composting. The Port has installed dust suppression misting sprays on bulk cargo hoppers used for fertiliser, stock feed and other potentially dusty cargoes. There are already wind limits for discharging bulk cargoes and stevedores are monitored by the Port's 24 hour Customer Service Centre to ensure they comply with handling rules.

More than a dozen stormwater screening chambers have been installed at the Mount Maunganui wharves, where our dustiest cargoes are handled. The Port has also installed 'enviropods' in stormwater cesspits at Sulphur Point to remove any pollutants prior to drainage to the harbour.

Port of Tauranga is working through a stormwater management resource consent application with the Bay of Plenty Regional Council for stormwater discharges from the Mount Maunganui wharves area. The Port is

also investing in enhanced monitoring of stormwater quality to support continual improvement.

International issues for the port industry

The International Maritime Organisation (the United Nations agency charged with preventing marine pollution by ships) is pursuing a move to low sulphur fuel worldwide by 2020. We fully support this policy and have made formal submissions in support of this policy.

We have also reviewed the potential impact on our operations of climate change. It is our view that our current systems and processes are sufficient to manage extreme weather events, and our infrastructure (including wharves and equipment) will be unaffected by any rise in sea level.

Tidy work sites keep water clean

Port of Tauranga engineers successfully trialled the use of a silt boom when working on some harbourside repairs over the summer.

The works to the north face of the container terminal required a digger, which had the potential to stir up sand and silt and affect harbour water quality.

A silt boom was deployed to contain the site and keep the water nearby clear and clean.



The beach beside Whareroa Marae on Tauranga Harbour has been replenished with sand from maintenance dredging

Pipi abundant in Tauranga Harbour

Marine ecologists have been monitoring the pipi populations at Paritaha or Central Bank in Tauranga Harbour following the dredging project.

University of Waikato scientists sampled pipi at multiple depths at

several locations on the sand bank - before and just after the dredging, and again six months and 15 months following the project.

In the report completed earlier this year¹, the researchers found the pipi beds had recovered well following the dredging and were now abundant.

"Fifteen months after dredging was completed, pipi beds on Te Paritaha have recovered to their pre-dredge

population structure and abundance... any impacts of the dredging campaign were shortlived," concluded the report.

Pipi have an important role to play in the harbour, filtering the water and providing a rich food source for other sea life such as crabs, fish and stingrays.

¹ Ross, P.M., Culliford, D.P. 2018. The impact of capital dredging on the pipi (*Paphies australis*) of Te Paritaha (Centre Bank) in Tauranga Harbour. Environmental Research Institute Report No. 109. Client report prepared for the Port of Tauranga Limited. Environmental Research Institute, Faculty of Science and Engineering, The University of Waikato, Hamilton. 12pp.



ENVIRONMENT

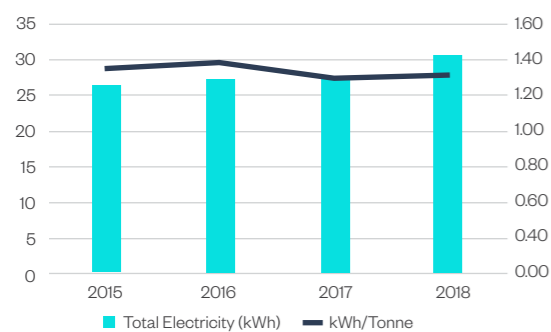
Continued

MEASURING OUR PROGRESS

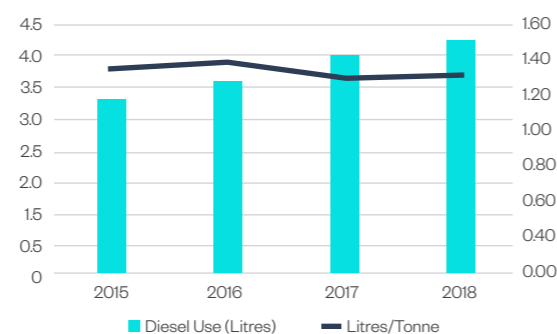
	2018	2017	2016	2015
Electricity Use (kWh)				
Total Electricity Use by Port Operations (kWh)	30,953,194	27,780,702	27,134,489	26,592,230
Electricity use by terminal operations (kWh/TEU) ¹	26.18	25.58	28.44	31.24
Electricity use by terminal reefer operations (kWh/TEU)	102.80	100.92	108.48	108.36
Electricity use by bulk operations (kWh/Tonne)	1.27	1.25	1.35	1.32
Diesel Use (Litres)				
Total Diesel use by port operations (Litres)	4,232,872	3,944,777	3,494,666	3,178,645
Diesel use by terminal operations (Litres/TEU)	2.76	2.91	2.96	2.81
Diesel use by terminal operations per straddle (Litres/Hour)	18.09	18.67	19.48	18.74
Diesel use by marine operations (Litres/Vessel)	587.93	530.89	529.18	570.62
Transport				
Truck Movements - Mount Wharves	278,170	261,317	225,305	217,706
Truck Movements - Tauranga Container Terminal	388,888	344,278	334,297	362,749
Total Truck Movements	667,058	605,595	559,602	580,455
Rail (NTKs ² Billion) ³	1.583	1.600	1.500	
Reduced heavy vehicle impact (# Trucks) ³	504,139	463,930	458,388	
Fuel Savings (Million Litres) ³	20.9	21.3	21.3	
CO ₂ emission savings (Tonnes) ³	58,829	57,994	57,923	

¹TEU = Twenty Foot Equivalent Units
²Net Tonne Kilometres
³Source: KiwiRail

Electricity use and electricity use/tonne
Millions



Diesel use and diesel use/tonne
Millions



Sand replenishment at Pilot Bay beach, Mount Maunganui

Recycling waste material

The landscape supplies business Daltons transforms log operations waste into a valuable export product and sought-after potting mix.

Daltons collects bark and cleans the wharves, processing the byproduct into rich, high quality horticultural products that are shipped around New Zealand and across the world.

Sand from shipping channel maintenance has been used to replenish

local beaches as well as for roading projects throughout the Bay of Plenty.

Recent recipients of sand include Pilot Bay at Mount Maunganui, the beach beside Whareroa Marae near Tauranga Airport, and Kulim Park on the Tauranga side of the harbour.

Port of Tauranga is committed to responsible environmental stewardship and protecting the integrity of our harbour and surrounds.

We monitor fuel and electricity consumption and recently engaged Enviro-Mark Solutions for an

independent carbon emissions audit. The results will inform our target-setting and reporting in future.

Stormwater management is a priority involving multiple activities. We are installing preventative controls to avoid contaminants on land from entering stormwater, as well

as improving wharf housekeeping. We are also renovating stormwater infrastructure and installing additional treatment where required.

Increased monitoring will help us adapt our approach.



ASSETS AND INFRASTRUCTURE

To fulfill our aspirations, Port of Tauranga must invest in and manage our infrastructure and assets prudently. This includes our land, our buildings and our equipment, as well as the people using them.

CONTAINER THROUGHPUT

8.9%

increase from 1,085,987 to 1,182,147 TEUs

TRANSHIPMENT RATES

23.3%

increase in transhipment volumes, with 25.7% of all TEU now transhipped

OVERALL CARGO VOLUMES

10.2%

increase from 22,194,014 tonnes to 24,457,715 tonnes

SHIP VISITS

5.8%

increase from 1,651 to 1,747.





ASSETS AND INFRASTRUCTURE

Continued



New purpose-built coolstore opened at Mount Maunganui to handle kiwifruit and other chilled cargoes



Expansion under way at MetroPort Christchurch with construction of a 19,000m² warehouse, plus canopy and offices, to be used by Coda Group



Planning for container cargo growth with a ninth crane ordered for delivery in 2020

The current growth in cargo volumes was made possible by the Company's investment in capacity to accommodate bigger ships. We spent more than \$350 million over six years to prepare for larger vessels, which started calling in late 2016.

The investment included dredging to widen and deepen shipping lanes, extending the container ship wharves by a third, and purchasing new ship-to-shore cranes and other equipment.

Annual container volumes broke the one million TEU milestone in August 2017. In the year to 30 June 2018, Port of Tauranga handled almost 1.2 million TEUs.

New coolstore at Mount Maunganui

A new purpose-built coolstore has opened at Berth #1 to handle increasing volumes of kiwifruit cargo and better maintain produce quality.

Shed 1 is primarily being used to handle kiwifruit during the export season from March to November. It has been leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

The transitional coolstore facility is far more efficient than the converted cargo shed that formerly occupied the site, using less electricity and more environmentally-friendly refrigerant.

The shed is one of two new facilities that opened in 2017. On the other side of the harbour, Shed 16 was constructed on 2.2 hectares of land adjacent to the Tauranga Container Terminal gate. It is being leased by pulp and paper exporter Oji Fibre Solutions

for product storage, handling, packing and dispatching.

Geographic reach across New Zealand

We have extended our national network to bring fast, cost-effective services within easy reach of New Zealand's biggest importers and exporters.

Our inland freight hubs in Auckland, Hamilton and Christchurch, and our South Island container terminal in Timaru, ensure unrivalled connectivity to international shipping services via road, rail and sea.

At Rolleston, our MetroPort Christchurch intermodal freight hub is set to expand. We are constructing a new warehouse complex for our associate company Coda Group, scheduled to open in early 2019.

The hub is connected by rail to Port of Tauranga's Timaru Container Terminal.

Rail is also our preferred mode of freight transport in the upper North Island. Eighty six trains per week transport containers to and from Auckland, while bulk cargoes such as logs, timber, pulp and paper, steel and dairy products are delivered to Tauranga by rail from all over the North Island.



Maersk provides fast connections to South America and North Asia

Gerard Morrison, Managing Director, Maersk Line Oceania:

"Port of Tauranga's investment was the catalyst for us to bring in bigger ships, which are now calling weekly. They connect the New Zealand supply chain directly to the global Maersk Line

network. It has enabled us to offer more services and open up new markets that were perceived to be too far away for some cargoes," says Gerard.

"We now have the flexibility to match capacity to demand and be as efficient as we can be."

Gerard says ongoing collaboration and partnerships are the key to continued growth in an era of rising costs.

"New Zealand's competitiveness relies on the speed and cost to our international markets. We need to keep working together to reduce both, by

finding better ways to do things and challenging the status quo."

He says that includes technological solutions.

"As an industry we are well behind other sectors when it comes to automation and digitisation. Our customers want more visibility, real-time information and better management of their cargoes in transit," he says.

"We can use technologies such as blockchain to achieve integration between shipping lines, ports, shippers and their customers around the world."

Port of Tauranga is now planning for the next stage of cargo growth.

Of our 190 hectares, about 40 hectares are available for expansion, and container throughput could

potentially triple with land reconfiguration and stacking cranes.

We are investing in a new container crane and technology, such as vehicle booking systems, to better manage the

flow of container trucks at peak times.

Longer-term, we could extend the quay length both sides of the harbour using Port-owned land south of existing berths.



FINANCES

Port of Tauranga has strived to ensure shareholders receive sustainable returns by having diverse income streams.

GROUP NET PROFIT AFTER TAX – RECORD

\$94.3M
(up 13.0% on previous year)

EARNINGS PER SHARE

14.0 Cents
(Per Share)

REVENUE

\$283.7M
(up 10.9% from previous year)

ORDINARY DIVIDENDS

12.7 Cents
(Per Share – up 13.4%)

GROUP EBITDA

\$169.2M
(up 11.1% on previous year)



FINANCES

Continued

Strong profit growth of
13.0%
compared with previous year

Group Net Profit After Tax
up 21.9%
since completion of \$350 million big ship capability investment in 2016

Earnings from Subsidiary and Associate Companies
\$16.4M
(up 11.9% from previous year)

Assets revalued, increasing by
\$226M

Nearly
\$62.3M
in dividends paid to Bay of Plenty Regional Council's Quayside Holdings, bringing the total contribution to more than \$700 million since 1992

Port of Tauranga is not only the largest container port in New Zealand, but also the largest bulk port. It exports the majority of logs, dairy products and kiwifruit from New Zealand.

The Port has a large port-related property portfolio that generates in excess of \$27 million in rental income. Strategic property acquisitions ensure future capacity can be expanded for port and port-related activities.

The Group's Associate and Subsidiary Companies are spread throughout New Zealand and earn 17% of its income.

Our strategy is to continue to produce sustainable returns for our shareholders while ensuring we do this with the appropriate levels of risk.

Port of Tauranga's compound annual growth rate since listing on the New Zealand Stock Exchange (NZX) in 1992 is 22.4%.

This has been achieved by ensuring all our capital expenditure achieves the required rate of return expected by our Board of Directors.

Returns to shareholders

Two years ago we announced a capital restructure, aiming to return up to \$140 million to shareholders over four years. This is the third year of special dividend payments of \$34 million or 5 cents per share.

Emerging cargoes offer new revenue sources

Port of Tauranga's space and efficient services continue to attract new customers and we see great potential in cargoes that are currently small in volume, such as cars.



Cruise ships are an attraction for locals too

Cruise ships bring tourism boost to Bay

More than 151,000 cruise ship passengers spent an estimated \$59 million in the Bay of Plenty region in the year to June 2017¹. The region had the second-largest cruise spend in the country according to Tourism New Zealand. With cruising an increasingly popular holiday choice, ship visits to Tauranga are expected to increase from 83 last season to around 113 calls in the 2018/2019 season.

¹<https://www.tourismnewzealand.com/media/3359/cruise-sector-infographics-march-2018.pdf>



The port is a major contributor to the Bay of Plenty economy



Nigel Tutt, Chief Executive, Priority One:

(Bay of Plenty Economic Development Agency)

"Port of Tauranga is a huge economic asset to the Western Bay region.

¹ Bay of Plenty Times, 23 July 2018.

"Having the port here is a key attractor of new businesses to the area and provides opportunities for Bay businesses to grow.

"The Port's strategic leadership, particularly around its expansion programme and the dredging to accommodate larger ships, is paying real dividends to the local economy.

"It gives exporters an edge in accessing international markets."

According to economic consultancy Infometrics, the Bay of Plenty economy grew 4.1% in the year to March 2018, compared with the national average of 2.7%¹.

We are pleased to report we are on track to continue to deliver our planned capital return to shareholders, given our requirement to maintain a conservatively geared balance sheet.

We continue to invest in additional assets to ensure we can accommodate growth in all cargoes. We are currently undertaking a capacity review of all our

infrastructure to ensure we can meet our customers' needs in future.

BOARD OF DIRECTORS



D A PILKINGTON

BSc, BE, GradDip Dairy Science & Technology, CFInstD, Chair

INDEPENDENT DIRECTOR

David Pilkington was a member of Fonterra's senior executive team. He holds directorships in Northport Limited, Port of Tauranga Trustee Company Limited and PrimePort Timaru Limited and chairs Douglas Pharmaceuticals Limited, Hellers Limited and Rangatira Limited. He has a strong background in marketing, international business and supply chain logistics. David joined the Board in July 2005.



A M ANDREW

BE Chemical & Materials (1st Class Honours), MBA (Distinction), FEngNZ, CMIInstD

INDEPENDENT DIRECTOR

Alison Andrew is currently Chief Executive of Transpower New Zealand Limited having joined in 2014. She has held a number of senior executive roles across various industry sectors, most recently as Global Head of Chemicals for Orica PLC. She has also been a Director for Genesis Energy. Prior to those roles, she held a number of senior roles at Fonterra Cooperative Group and across the Fletcher Challenge Group in Energy, Forests and Paper. Alison has a MBA from Warwick University, and studied Engineering (Chemicals and Materials) at Auckland University. Alison joined the Board in April 2018.



K R ELLIS

BCA Economics (1st Class Honours), BE Chemical (1st Class Honours)

INDEPENDENT DIRECTOR

Kim Ellis is Chair of Metlifecare Limited, NZ Social Infrastructure Fund Limited and Sleepyhead Group Limited, and a Director of Ballance Agri-Nutrients Limited, Fonterra Shareholders Fund (FSF) Management Company Limited and Freightways Limited. Kim chairs the Remuneration Committee and joined the Board in May 2013.



J C HOARE

BCom, FCA, CMIInstD

INDEPENDENT DIRECTOR

Julia Hoare has a comprehensive range of commercial, financial, tax, regulatory and sustainability expertise which she developed over the course of 20 years as a partner with PwC.

Julia is Deputy Chair of The a2 Milk Company Limited and Watercare Services Limited and her other directorships include: Director, Auckland International Airport Limited, AWF Madison Group Limited, New Zealand Post Limited, and The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited), and Member of Auckland Committee, Institute of Directors, Advisory Panel to External Reporting Board and the Institute of Directors Council. Julia chairs the Audit Committee and joined the Board in August 2015.



A R LAWRENCE

BCA Business Admin

INDEPENDENT DIRECTOR

Alastair Lawrence is a very experienced corporate advisor, specialising in commercial evaluation and strategy development. He was a Director of private investment bank, Antipodes, from 1998-2014.

Governance roles have included Takeovers Panel, Landcare Research Limited, Coda GP and a number of mid market private companies. Alastair joined the Board in February 2014.



D W LEEDER

Doug Leeder is Chair of Bay of Plenty Regional Council. He is a dairy farmer, and has considerable experience in governance and management. Doug has held positions of governance in Federated Farmers, was a Director and Chair of Bay Milk Products, Director of the East Bay Health Board, Chair of Subsidiary East Bay Energy Trust, Chair of NZ Dairy Group and Dairy Insight, and Director of DEXCEL. Doug joined the Board in October 2015.



R M CLEOD

Rob McLeod joined the Board of Quayside Holdings Limited in November 2016 and is Chair. Rob is currently on the Board of NZX listed Sanford Group and Tax Management NZ Limited, and has been past Board Member at ANZ National Bank, Tainui Group Holdings, SkyCity Entertainment Group and Telecom. Rob was Oceania (Australia, New Zealand and Pacific Islands) CEO / Managing Partner for the international accounting practice of Ernst & Young and more latterly as Ernst & Young New Zealand Chair, a position from which he retired on 31 December 2015. Rob joined the Board in October 2017.



SENIOR MANAGEMENT TEAM

Steven Gray
Chief Financial Officer

Leonard Sampson
Commercial Manager

Sara Lunam
Corporate Services Manager

Dan Kneebone
*Property & Infrastructure
Manager*

Mark Cairns
Chief Executive

