

Port of Tauranga Limited Annual Meeting 22 October 2009

Mark Cairns, Chief Executive

Good afternoon Ladies and Gentlemen.

I am proud to report on another solid Company performance for the year, against a backdrop of negative economic headlines.

The business environment has remained intensely competitive and the Company has retained its market leadership position as confirmed by a number of measures; trade volume, productivity and profitability.

Statistics NZ Port Volumes

This slide presents independent data produced by Statistics New Zealand, which confirms Port of Tauranga as New Zealand's largest port, with our market share further increasing to where we now handle some 56% more international cargo than any other port, and 236% more international exports. The yellow bars highlight the import volumes, and the green bars highlight the export volumes. Left to right, we have Tauranga, Whangarei (whose figures include the crude oil imports to the refinery), Auckland, Lyttelton, New Plymouth, Napier, Wellington, Bluff etc.

Group Profit After Tax

The Chairman has commented on the financial performance for the Company. Management consider the 7% increase in earnings on reduced trade and revenue to be a very satisfactory result, against the prevailing economic headwinds. This increase in earnings can be attributed to; lower interest costs and a lower corporate tax rate, a general reduction in costs across the board, improvement in dairy, meat, and log exports, and increased property income from the additional 13.7 hectares of additional land purchased since April 2008.



Import & Export Pie Charts

The Company's positioning strategies have insulated the Company to a degree and our increasingly diverse trade mix is relatively defensive.

Our total cargo through the port reduced slightly by 0.5% during the year to 13.5 million tonnes. As a result of the recessionary environment, import volumes reduced by 12% to 5 million tonnes, but impressively export volumes actually increased by 7.6% to 8.5 million tonnes.

I won't bore you with a breakdown of individual trades as these are provided in your annual report, but it was pleasing to see New Zealand's three largest export earners all increasing their volumes through the port, with dairy exports increasing by 24%, meat exports increasing by 17% and forestry exports increasing by 27%.

Container Volumes

Also associated with the recessionary drop-off in imports, container volumes decreased 6% during the period. Over the last ten years, container throughput has compounded at an average growth rate of 19.2% per annum.

Vessel Productivity

The Chairman has mentioned the Organisation for Economic Co-operation and Development (OECD) report highlighting the cost disadvantages that our importers and exporters face. The tyranny of distance is something that port companies must strive to overcome through boosting productivity both within the port gates and also with efficient intermodal connections outside the port gate.

We are proud to have increased the Company's already high level of productivity in the container terminal to an average net crane rate of 33.8 moves per hour.

Australasian Ports Productivity

Recent independent benchmarking by Rockpoint Corporate Finance shows the Port to be some 25% more productive than any other Australasian port (as measured by the Australian Productivity Commission).

Additional Terminal Capacity

Following our recent 1.3 hectare expansion to the terminal pavement area, we have seen a further 4% productivity improvement over the second half of the financial year, where our net crane rate has averaged 35.3 moves per hour.

New Crane

Our productive capacity has been further enhanced following the recent commissioning of our fifth Liebherr gantry crane in July this year.

Northport

We had a stronger contribution from Associate Companies during the year with income up 20% or \$0.85 million on last year.

Northport is our joint venture with Northland Port Corporation to own and operate a deepwater port at Marsden Point.

Northport NPAT

Northport Limited's earnings were up 52% or \$1.770 million on last year. We continue to regard Northport as a key strategic asset, anticipating long-term growth and we welcome the commencement of the designation process for the Marsden Point rail spur line.

C3

C3 (formerly named Toll Owens) is our stevedoring and marshalling joint venture with Asciano and has a presence in all 13 major ports.

We have an excellent new Chief Executive, Dean Camplin, who has got to grips with the demands of this business in fairly short order and we look forward to earnings growth momentum from this Associate into the future.

C3 NPAT

Earnings for C3 Limited were up slightly at 1% or \$0.034 million up on last year.

Both Northport Limited and C3 Limited are well positioned to participate in increased forestry exports.

Management team

I consider that I am privileged to lead a special team and I am proud of the achievements of our relatively small senior management team, who are left to right; Graeme Marshall - your Commercial Manager, Steve Gray - your Chief Financial Officer, Tony Reynish - your Property Manager, and Terry James - your Corporate Services Manager.

Our Staff

I do say it every year, but please do not think my words are trite - it remains that it is our staff who give the Company our strongest competitive advantage.

I would like to take the opportunity to highlight our staff service profile – there would not be many companies who could boast such a large number of loyal staff. Over a third of our staff have had more than 20 years' service, 10% of staff have had in excess of 30 years' service, and even two individuals have had more than 40 years' service with the Company, including this good looking gentlemen shown here, Wayne Ruegg, who celebrated an impressive 45 years service with the company in August this year.

The “*can-do*” attitude and task focus of our staff, and our whole community of “*Port People*” working on and around the wharf, including our stevedores and marshallers, shipping agents, transport operators (both road and rail), Customs and MAF staff, truly gives us a winning competitive advantage.

Safety

Our financial achievements are hollow if we injure or maim our staff in the course of our operations. Our commitment to workplace safety is a daily practice at the Port and I am pleased to report another strong improvement in safety performance with the Company incurring only one Lost Time Injury for the year, reducing our Lost Time Injury Frequency Rate by 72% to 3.5. This is still considered one accident too many, but in our hazardous working environment this is a significant achievement and excellent progress towards our goal of having an accident-free workplace. We were also honoured with the Accident Compensation Corporation ranking Port of Tauranga as the best performing port in New Zealand in terms of claims history, which we believe is testament to the Port-wide Users' Health and Safety Forum.

Carter Holt Harvey

We work hard to strive for excellence in customer service and continue to put a lot of effort into building and maintaining mutually beneficial partnerships with our customers. Again this year, we have included some customer views on our performance in our annual report.

To all of our customers, a sincere thank you for your support and encouragement. It has been a pleasure working with you over the year.

Outlook

Now looking forward, I would like to spend a few minutes sharing with you how we are positioning the Company to ensure that we participate in the opportunities that we see the future bringing.

Fonterra

The Chairman has already touched on port reform in New Zealand and one strong driver of reform going forward will be the rapidly increasing size of vessels and in this regard, we note Fonterra's recent calls for New Zealand to ready itself for container vessels in the 6,000 to 7,000 TEU (twenty foot equivalent unit) range, as soon as practical.

Dredging Project

We are well progressed down this path, having lodged our resource consent application to widen and dredge our harbour channels and berth sitting basins to provide for 14.5 metres draught (at the lowest possible tide). Once these resource consents are secured, dredging could be initiated in a timely manner, as and when required by market demand.

Strategic Land Holdings

We have acquired a further 13.7 hectares of land over the last 18 months, which now brings our total strategic land holdings to 185 hectares (72 hectares for the container terminal alone). This further future-proofs our capacity to provide for continued growth in bulk as well as containerised cargoes.

Pacific Terminals' Tanks

And on that note, we are making good progress in growing the bulk liquids business, with Marstel establishing their \$15 million new terminal early in the financial year, and just last week Pacific Terminals imported seven new tanks from China to significantly expand their facility at the port, to handle non-hazardous bulk liquids such as tallow and vegetable oils.

HarbourLink Slide – Eastern Link

So you can see that we are well future-proofed with significant capacity for expansion, both wharfside and shoreside. But without the supporting road and rail infrastructure, any significant volume growth would be unsustainable.

Tauranga based shareholders will appreciate that the \$250 million HarbourLink roading project is nearing completion and we also welcome the Minister of Transport's recent announcement of a tolling proposal that could see the fast-tracking of the Tauranga Eastern Arterial Project, with construction commencing as early as next year. The Tauranga Eastern Arterial will be New Zealand's largest four lane roading project and the completion of this vital link will reduce freight costs and provide further supply chain productivity improvements for our importers and exporters - the tradable portion of New Zealand's economy.

KiwiRail

Rail continues to be an integral part of the Port of Tauranga's business model, with approximately 40% of all cargo moving into and out of the Port by rail. We are working closely with KiwiRail to increase capacity and enhance service levels on the MetroPort Auckland rail operation.

KiwiRail Growth

This slide was prepared by KiwiRail and illustrates plans to more than treble daily container capacity over today's volumes of around 500 TEUs per day to 1,800 TEUs per day, with the use of new locomotives, longer trains, and additional passing loops

NZL Dispute

I need to provide an update on the NZL dispute. On Christmas Eve last year, NZL lodged a claim to re-establish marshalling operations at Sulphur Point. This notice heralded an unexpected withdrawal by NZL from negotiations to renew a service contract agreement with Port of Tauranga, which they had been operating under for the past five years.

Over the first eight months of this year, there was very little direct engagement between the parties and in August this year, we lodged declaratory judgement proceedings in the High Court. Port of Tauranga has never been un-cooperative in trying to resolve the dispute and we have responsibly sought a number of legal opinions on the contractual interpretation. We are disappointed to have to initiate proceedings, but as a Listed Company we can not allow this

important matter to remain unresolved, nor to allow NZL attempting to litigate the dispute through the media.

We expect a court hearing date early next year and as the matter is now before the courts, it is not appropriate to make any further public comment

First Quarter 2010

Taking a look at our first quarter's trading this financial year, we have trade down 7.7%, containers down 24.6%, and Net Profit After Tax up slightly at 0.2% on the prior corresponding period.

Whilst it is pleasing that we have maintained earnings on reduced trade, it would not be wise to simply extrapolate the earnings position linearly to year end.

Vessels Laid Up

Significant turmoil remains in the container shipping market with 10% of global slot capacity now idling at anchor currently

Forestry

Forestry remains an important backbone to the Port, with forestry cargoes now representing 61% of our exports or 38% of our total trade,

Weekly Cart-in

We are pleased that forestry cart-in through the Port gate has continued to show a positive trend. This slide shows the current log cart-in since July in red, plotted against last year's cart-in shown in green, showing we are continuing to export approximately 30% more logs than last year.

MAF Forecast

MAF have recently published some excellent forecasting on Central North Island wood availability, with the key takeout from this analysis suggesting it is time to start planning to provide port infrastructure to handle annual export volumes of five million tonnes over the medium term., which has been confirmed by our forestry exporter customers.

Log Exports by Market

Most of the demand has come from China recently but we are also encouraged to see Korean markets starting to show a lift in demand again.

Exchange Rate

Whilst the economy looks to have found a floor and technically we are out of recession, there remains significant uncertainty to the outlook and speed/shape of any economic recovery. In particular, the persistently strong New Zealand dollar drags on the economic outlook, with the dollar having risen more than 50% since March.

It remains difficult to provide guidance for the remainder of the year, but at this stage we see no reason to change our earlier predictions of maintaining a full year earnings result similar to last year's.

Future Development

So to conclude, we remain very proud of our Port. Our business fundamentals remain sound and our relative competitive advantages are strengthening. We have a first class asset, and have secured ample land holdings to be able to capitalise on our natural geographic potential. The road and rail infrastructure necessary to support future growth is largely in place.

The Company is well poised as New Zealand's Port for the Future and these artist's impressions show our vision and future development plans for your Port.

Thank you, Ladies and Gentlemen.

Mark Cairns

CHIEF EXECUTIVE