

Annual Review 2015



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Welcome to Ports of Auckland's Annual Review 2015



The Waitematā harbour has always been a magnet for people and trade. Its settled waters and strategic location have been recognised by all comers, from the first Polynesian explorers through to British settlers and later arrivals. On September 18, 1840, Ngāti Whātua, under Apihai Te Kawau, made land available for British settlement on the Waitematā and founded the City of Auckland.

The City of Auckland and the Ports of Auckland have grown together on the Waitematā Harbour for 175 years. The Port primarily serves Auckland delivering products and goods that Aucklanders want and need, enabling growth and vibrancy in this great city. During that time, we have also been the port of choice for Auckland manufacturers and the primary sector from across the North Island to export goods to the world.

In our early history many immigrants arrived here through this port; now we welcome visitors for short stays on more cruise ships to Auckland than at any other New Zealand port. We handle 90 - 100 cruise ships annually and each ship visit is worth about \$1.5 million to the local economy, which is good for the vitality of Auckland.

We are New Zealand's largest container port and the key hub for New Zealand's cruise industry.

Over the years, we have reduced our footprint significantly to free up land for recreation, business and residential use. Large parts of the Auckland CBD are built of former Ports of Auckland reclamations. Today, we strive to improve our productivity and sustainability while remaining a vital part of Auckland's, and increasingly New Zealand's, growth and well-being.

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In this Annual Review we provide an update on the challenges and achievements of the past year and also of the challenges and opportunities we believe the future will bring. We take obligations to our owner Auckland Council and of our stewardship of the land seriously. We are committed to the continued judicious use of the Port's land and responsible infrastructure development that will enable Aucklanders to live in a thriving, vibrant, liveable city with access to better value goods, the benefits of tourism and a world-class operation to be proud of.

Chairman's Report



On balance 2014/15 was a good year

Dividend and net profit performance

We have paid our shareholder, Auckland Council Investments Limited, a dividend of \$41.7 million for the 2014/15 financial year. This compares with last year's dividend of \$66.6 million, which included a one-off tax credit payment of \$16.4 million.

A dividend of \$41.7 million is a substantial lift compared to recent years and is a significant contribution to the City. It equates to \$88 per Auckland household, or around 3.75% of the average residential rates bill. This performance belies the myriad of challenges faced during the past financial year.

The net profit after taxation was \$63.2 million, down 14.6% from \$74.0 million the previous year largely because of one-off costs. This represents a solid performance considering challenges faced.

Revenue and volumes

At the beginning of last year we were faced with Maersk's decision to withdraw its business from Auckland. This was a significant loss of volume and revenue but in the year the management team, led by Tony Gibson, has replaced that volume and revenue from on-going operations was up 2.1% from \$211.0 million to \$215.4 million.

Prospects for the coming year seem subdued, particularly with softening international dairy prices and a falling New Zealand dollar. We have seen an immediate softening in some import trades and it is uncertain how this year's import season will hold up. Car volumes remain strong, although we are forecasting slower growth this year, as well as a decline in some bulk commodities as a result of a slowdown in the Chinese economy.

Our container terminal is now the most efficient container operation in Australasia in its crane, ship and vessel rate and remains the largest in New Zealand. Our efficiency helps make imports cheaper and exports more competitive.

\$41.7M

SHAREHOLDER DIVIDEND
FOR THE 2014/15 FY

Sustainability improvements

We are committed to further improving our sustainability and have achieved significant success with increasing rail use and the relative reduction in truck movements. We have played a key role in reducing shipping speeds through the Hauraki Gulf, helping to safeguard the local Bryde's Whale population. Our location, close to the city, means that Auckland imports and exports have a smaller carbon footprint.

The Board is very focused on improving our sustainability practices and lifting productivity further to make best possible use of our land and resources.

Strategically balancing imports and exports

Ports handle both imports and exports. A challenge is to balance the volumes so that we are not shipping out empty containers, but rather New Zealand exports. To help our exporters we are developing intermodal freight hubs¹ across the North Island to make it easy and convenient for them to use Ports of Auckland. Customers can drop their exports off at one of our freight hubs near them and we do the rest.

In the past year we opened a freight hub in conjunction with the Port of Napier at Longburn near Palmerston North to receive freight from customers in the lower North Island. We are reconfiguring our Wiri freight hub and we recently announced a freight hub at Mt Maunganui for the Bay of Plenty. The Board's strategy is to open more intermodal freight hubs and build a comprehensive, integrated network.

¹ An intermodal freight hub is one which is served by, and exchanges freight between, different transport modes, i.e. road and rail. Sometimes called inland ports.





The shift from 'finger wharves' to 'terminals'

The introduction of containerised shipping created the need across the world to reconfigure the shape of wharves and the operation of ports. The challenge we continue to face is that freight and cruise ships calling at Auckland are continuing to get bigger. Services that previously called at Onehunga now use ships that are too big for that port, and call at the Waitemata port instead. Cruise ships are set to outgrow our longest wharves and the freight ships which call now have many times the capacity of the pre-WW2 freighters that once berthed at Queen's Wharf.

We need to change the size and shape of the Bledisloe Wharf area to handle the larger ships now plying world trade routes. With larger ships and containerisation, ports the world over have moved from the finger wharves of yesteryear to 'terminals', wharves with large areas of land behind them to provide space for entire shiploads of freight to be quickly unloaded. Our efficiency and productivity has improved dramatically over time - the speed of turn-around of a ship - once days, now hours - is a vital productivity metric for a modern port and for shipping lines.

The new generation of cruise ships also demand longer wharves in order to accommodate them. We are the country's largest cruise port and handle 90 to 100 cruise ships annually. Each ship visit is worth approximately \$1.5 million to the local economy, which is good for the vitality of Auckland.

It is an issue of national importance that New Zealand's largest city should be able to accommodate the new standard of cruise ships and container ships.

Resource consent setback

During the year, we had successfully applied to Auckland Council for resource consents to begin changing the shape and size of the Bledisloe Wharf area. It was a setback for the Board that soon after the end of the financial year the High Court found that the Auckland Council should have publicly notified the resource consents to extend the Bledisloe wharves and it ruled that the consents were invalid.

As a result \$7.3 million has been provided to cover costs and provisions for the Bledisloe wharf extensions. If the project had certainty, which it no longer has, those costs would not have been expensed.

Engagement with Auckland

At the same time as the resource consents were appealed, there was a public debate about the wharf extensions, much of it critical of the Port.

The Board and management have decided that, alongside the communications undertaken to the citizens of Auckland about our operations and achievements by our owners, Auckland Council, we will engage more directly as well.

We have commenced a more proactive programme of engagement, of consulting and listening with citizens, Iwi, businesses and interest groups.

Port Future Study Group

The debate around the remodelling of Bledisloe Wharf and its resource consents caused Auckland Council, the ultimate owner of Ports of Auckland, to establish an independent and representative committee of citizens and experts to provide it with recommendations on the long-term future of the Port.

We welcome this initiative. We have already commissioned analysis of the financial and non-financial cost benefits of relocation to different sites and found that, on balance, we should remain where we are with reconfiguration of our space and constant productivity improvements.

While we have been operating on the Waitematā harbour for 175 years close to the City that takes 70% of the imports (by value) that come through the Port, we acknowledge the need to periodically review all aspects of our operations and for these to be transparent.

Our Chief Executive, Tony Gibson, is a member of the committee and the study is due to be completed by mid-2016.

Chairman's Report

Retirement of Chairman

At the end of July 2015, Chairman Graeme Hawkins stepped down from the Ports of Auckland Board. Mr Hawkins has been a Board member since September 2009 and was Chair for the last 18 months of his tenure.

During his time on the Board the company has undergone a transformation from an underperforming business to the top performing container port in Australasia, delivering solid returns to its owners, the people of Auckland. The Board and the Executive would like to express our thanks to Graeme for his leadership and the part he has played in helping turning this company around.

Summary

In summary, overall our operational, sustainability and financial performances have been solid and are in line with expectations. We acknowledge our engagement with the wider community can be further improved and we are working to address this.

Our many successes were underpinned by the hard work and tough decisions undertaken in recent years. We have strong foundations in place and we are ready to keep driving forward and further improve our performance. The Board is appreciative of the loyalty and hard work undertaken by the Chief Executive, the management team and all of the staff and thank them for their efforts in the past year.

Rodger Fisher

Acting Chairman (from 1 August 2015)



Chief Executive's Report



For the management and the Ports of Auckland team this has been a busy year rebuilding container volumes following last year's record performance, continuing our productivity improvements and advancing a range of strategic initiatives that we believe are necessary to continue to achieve our objectives.

Financial performance

Revenue from on-going operations was up slightly to \$215.4 million from \$211.0 million the year before, reflecting the increased volumes in all areas. Total group revenue was \$218.3 million, down from \$221.2 million the year before, reflecting the sale of our subsidiary Conlinxx part way through the year.

However a number of factors have contributed to increased costs and a lower profit. \$7.3 million was provided to cover costs and provisions for the Bledisloe Wharf extensions and there was a further \$4 million for wharf and building demolition, including the demolition of Marsden Wharf and part of 'Shed 1' to make way for the new Holcim cement dome. \$2.4 million in voluntary severance payments was made to staff who left the port after the settlement of a collective agreement with the Maritime Union. The settlement has facilitated a rearrangement of duties which has improved productivity.

\$215.4M

REVENUE FROM ON-GOING
OPERATIONS

Chief Executive's Report

Volumes

In our 2014 Annual Review we reported on a year of record cargo volumes in both the container business and general cargo.

On the container side, we saw a big bounce back of volume lost in 2012 and some exceptional volumes in the second half of the financial year due to unusual shipping circumstances overseas. We advised that 2015 would not see the same gains and we thought we might lose volume after Maersk moved a major service away from Auckland last year.

It is pleasing therefore to report that container volumes (TEU¹) finished the year 0.4% up against the prior year.

In contrast, the multi-cargo business has continued its strong growth. The car import industry has continued to boom, with volumes up this year by 17.4% to a record 243,801 units. In total, breakbulk tonnage – which includes cars and other vehicles, bulk shipments and non-containerised freight – was up 4.4% to a record 5.9 million tonnes.

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Our proximity to the Auckland market and continued high productivity have been important factors in our ability to retain import volumes. In the last year a shift to larger ships has also changed the way Pacific Island nations are served, with more containerised freight being transhipped via Auckland as larger ships are not able to call at the Pacific ports.

This trade in particular shows the importance to Auckland of having a strong multi-cargo operation able to service the smaller vessels which serve the Pacific. It has also put pressure on our multi-cargo wharves (Freyberg, Jellicoe, Bledisloe and Captain Cook) which means that from the 2016/17 cruise season we will no longer be able to accommodate longer cruise ships at Jellicoe Wharf. The visit of the Queen Mary II to Jellicoe Wharf in March 2016 will be the last. This highlights our sense of urgency with the resource consents to improve our capability to handle larger ships at Bledisloe Wharf.

¹ One TEU = one 20 foot container equivalent.

243,801

IMPORTED CARS

5.9

MILLION TONNES OF
BREAKBULK CARGO,
UP 4.4%



Chief Executive's Report

Productivity

Our container terminal productivity has been the shining star in our performance this year.

For many years our performance fell behind other New Zealand ports. In 2011, we started to put in place measures to lift our performance. Any significant change can be hard and change in our business was no exception.

We went through a difficult period of negotiations with our staff and their union, which also affected public perceptions. We persevered and the results have started to show through. This financial year, and particularly in the second half, productivity rates have increased.

The most recent container port productivity figures, published by the Ministry of Transport, show that in the April-June quarter of 2015 we were the best performing container port in the country on all three performance measures. Not only did we take the number one spot, we set new records for each category – crane, ship and vessel rate. These are productivity figures never before seen in New Zealand and comparable to top performing ports worldwide.

This year we have also benchmarked our performance globally and have found we are performing well above world averages on most measures. For example, we handle more TEU per quay metre than the average for any other world region, including the high performing Asian and Middle Eastern zones.

TEU per quay metre per annum

Auckland	1,677
South East Asia	1,462
Middle East	1,399
South Asia	1,244
Far East	1,243
Caribbean & Central America	1,080
World average	1,072
Northern Europe	931
Oceania	849
Eastern Europe	792
North America	781
Africa	776
Southern Europe	774
South America	707

Chief Executive's Report

The number of TEU we handle per hectare is above the world average and 132% higher than the average North American port (Source: Drewry Maritime Research).

TEU per hectare by world region, 2013

South East Asia	42,097
South Asia	36,088
Far East	31,526
South America	26,638
Middle East	26,399
Auckland	25,553
Southern Europe	25,278
World average	24,791
Oceania	22,852
Caribbean & Central America	22,181
Africa	20,053
Northern Europe	18,015
Eastern Europe	12,553
North America	11,016

High productivity is important. It means we are using our land efficiently and reduces the need for reclamation. Our improved productivity is the reason we have been able to merge two container terminals into one (Bledisloe container terminal work is now carried out by Fergusson) and increase our capacity by around 300,000 TEU a year.

We can get even more out of our land by stacking containers higher. The technology most ports use to do this is very expensive and not well suited to the size and shape of our port, so we are looking at an innovative alternative, using taller, robotic straddle carriers. We have started consultation with staff on the possibility of automating the yard and truck grid, while maintaining manual operation under the cranes. Feedback from staff will be considered in a scoping study which is expected to take about three months. A decision on whether or not to proceed will be made in early 2016, after a second round of consultation.

If it does proceed, automation would bring significant capacity benefits but also community benefits with reduced lighting and emissions.

This year we have benchmarked our performance globally and have found we are performing well above world averages on most measures.

Chief Executive's Report

This year we completed work on our new expanded truck grid and it has quickly proven its worth. With more lanes, a clear separation between trucks and straddles, and a best-practice layout, throughput is up and truck turn times are down. Queues have been very rare since its completion, though the real test will come this export season. We seek to implement productivity improvements measures such as this whenever we can identify them.

Last year we announced that we were delaying the implementation of a new terminal operating system until we were confident it could be introduced seamlessly. That work has been underway all year and culminated with the launch of the new system in July 2015. To date the system – Navis N4 – has been operating well with only minor teething problems.

Health and Safety

There is no doubt a port is a high risk environment, so keeping our people safe is our number one priority. Over the past financial year, we have made significant gains around visibility and engagement of Health and Safety. We have improved communication, auditing and recognition of positive safety engagement.

We have made significant gains around visibility and engagement of Health and Safety.

This year we have refined our Drugs and Alcohol Policy and Procedures, and our Hours of Work Policy. We have been working on the introduction of 'Portsafe', a new health and safety reporting and monitoring tool, which went live in October 2015. This is all part of our work to improve our performance and ready the business to meet the requirements of the Health and Safety legislative changes. These challenges have been met with excellent results overall, leaving the port in a strong position to move forward into the future with confidence.



Chief Executive's Report

Sustainability

We have put considerable effort into increasing our rail throughput as part of our commitment to improving our sustainability and reducing the impact of trucking on our neighbours. In the last year we have increased rail services to Wiri from 8 to 21 shuttles per week in each direction.

We have lifted rail volumes to over 100,000 TEU per annum for the first time and taken 53,500 TEU off local roads in the last year. We are looking to increase rail services further and are trialling optical character recognition on the rail grid and our cranes to improve our speed and efficiency.

The work we have been doing with shipping lines since 2012 to reduce the speed of ships through the Hauraki Gulf has been paying off. Ship speeds are down by 23%, which reduces the likelihood of a fatal collision between ships and whales in the Gulf. This is particularly important for the small local population of Bryde's whales.

We continue to focus on reducing our use of fuel and power and again this year we have reduced the amount of diesel used per container moved through the port. We are also trialling the use of LED lighting on the port and hope to be able to significantly reduce lighting power consumption as this technology improves.

Community engagement

Our most visible community engagements are our sponsorship of the Round the Bays fun run and the sponsorship of the Auckland Anniversary Weekend regatta. We also offer support to two South Auckland primary schools and provide weekly public and school tours of the port by boat in partnership with the Auckland Maritime Museum. This year we have expanded our successful involvement with SCOUTS New Zealand with a three year sponsorship aimed at helping them grow their membership in the Auckland region.

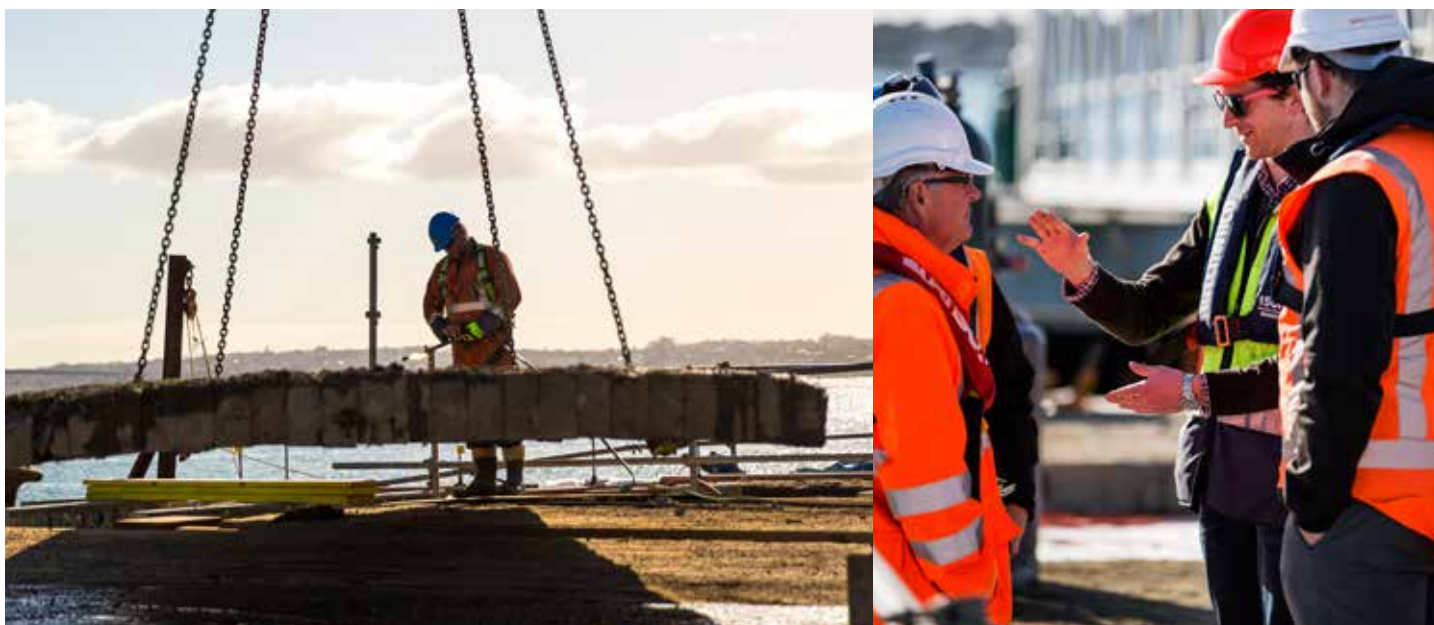
We have plans to provide better viewing areas for visitors to observe the Port's operations and beautification of our boundary and the iconic red fence. The fence is essential because wharf operations are both customs controlled areas and present tangible risks to people if not supervised.

As the Chairman has noted in his report, this year we will be more focused on directly communicating and listening to all our stakeholders – citizens, Iwi, businesses and interest groups – alongside the activities of our owners, Auckland Council and its communications. We want to understand their concerns and for them to value the contribution the Port makes to their lives, well-being and vibrancy of Auckland.

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53,500
**TEU TAKEN OFF LOCAL
ROADS THIS YEAR**

Chief Executive's Report



Port developments

There was much public focus on the Bledisloe Wharf extensions, but there is a lot more going on than that.

In March, we started demolition of the northern piled section of Marsden Wharf. Marsden is an old finger wharf that is scheduled to be removed entirely as part of our plan to modernise our layout and increase berth space at Bledisloe and Captain Cook wharves. The northern section was a concrete piled structure, life-expired and in poor condition. The southern section is reclaimed land founded on sandstone, so will be more difficult and expensive to remove. It is still useful for storage of cars and so will be retained for the medium term.

'Shed 1', formerly used by Fonterra to pack Northland milk products for export via Tauranga, was partially demolished to make way for Holcim's new cement silo to supply Auckland and the upper North Island markets. Holcim is stopping production at its plant in Westport and importing cement in larger ships, making it impossible for it to continue to use Onehunga port. All our cement handling operations will be consolidated at the Waitematā port from late 2016, though Holcim will retain a cement bagging operation in Onehunga.

At Fergusson Terminal work to extend the main berth by 50 metres has progressed well and is on track to be finished in October 2015. This will allow us to berth two large container ships and work all the bays on these ships effectively. In July 2015, we applied for building consent to construct a new 296 metre berth along the north face of the terminal, under resource consent granted in 1998. Work starts in October 2015 and will be complete in early 2017. The addition of a third berth, in deep water, will be a significant boost for the terminal, giving us greater flexibility and capacity.

Freight hub network and partnerships

Another big feature of this year has been our move to establish a network of intermodal freight hubs throughout the North Island. Competition in the port sector has benefitted importers and exporters by driving up standards while keeping costs low, but not all regions have benefitted. In our view ports can no longer be passive participants in the market. We have to reach out to the hinterland and provide infrastructure which makes it as easy as possible for exporters and importers to get their goods to market.

There is a lot of waste in the supply chain currently, particularly in the movement of empty containers around the country. We believe that with our network of freight hubs and our strategic partners, we can reduce waste in the supply chain and deliver savings to our customers.

Chief Executive's Report

An important aspect of all our supply chain initiatives is that they will operate as an open platform, available to all stakeholders in the supply chain. We believe freight owners want choice and that choice and competition will deliver the cheapest, fastest, most flexible routes to market.

We have had an inland port at Wiri, South Auckland for some time. In the past it has been little more than an empty container depot but it is now being developed into an intermodal freight hub. Construction of a new cold-store which will be operated by Polarcold has been underway this year and the facility will be opening in October 2015. We are in negotiations over the construction of a new cross-dock facility at Wiri and hope to make an announcement later in the year.

We believe freight owners want choice and that choice and competition will deliver the cheapest, fastest, most flexible routes to market.

Early this year we opened our lower North Island Freight Hub at Longburn in the Manawatu, a partnership with Icepak and Napier Port. This is an area with huge export potential and our freight hub is strongly aligned with the recently announced Central New Zealand Agribusiness Strategy, a collaboration between councils in the Horizons Regional Council area to double Agribusiness exports from \$1.9 billion to \$3.8 billion per year by 2025. Manawatu also offers significant strategic advantages in terms of distribution of imports thanks to its central location and excellent transport connections.

We recently announced the establishment of a third freight hub in Mount Maunganui to give Bay of Plenty exporters real port choice. We have teamed up with Toll Networks who will also operate the facility. 1.4 hectares will be developed initially with an option to develop a further 0.6 hectares. The land is adjacent to a rail siding and will be developed to include a rail connection and container handling facilities.

In September 2014, we joined forces with Netlogix to establish an open, collaborative supply chain network across New Zealand. Called Nexus Logistics Limited, it is a joint venture that will provide independent container logistics and distribution services across New Zealand.

We believe by developing partnerships, and creating an open, competitive freight hub network, we can significantly grow our export business.

In February 2015, we announced a strategic partnership with CHH Lodestar to establish new facilities to handle and pack Lodestar's Auckland-based forest products cargo. Lodestar appointed Netlogix as its materials handling specialist to operate the facilities which will be located at our Wiri Intermodal Freight Hub and Waitemata sea port. We believe by developing partnerships such as this, and creating an open, competitive freight hub network, we can significantly grow our export business.

Conclusion

The management team and I thank the superb team of staff who understand and work with us to improve our performance for our customers, for our shareholders, and for the community.

We take nothing for granted and we remain focussed on continuing to build on the progress we have made to date and the comprehensive range of initiatives still underway.

Tony Gibson
Chief Executive

Operations



35.03

MOVES PER HOUR –
CRANE RATE
(AUSTRALASIAN
WATERLINE
STANDARDS)



1,558

VESSEL VISITS



\$63.2m

NET PROFIT
AFTER TAXATION

\$41.7m

DECLARED DIVIDENDS
TO COUNCIL

972,434

TEU

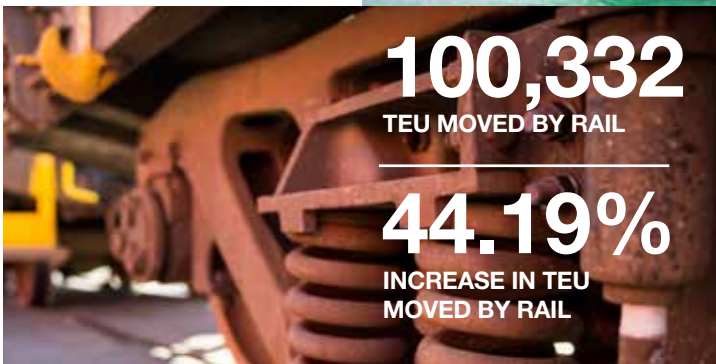


100,332

TEU MOVED BY RAIL

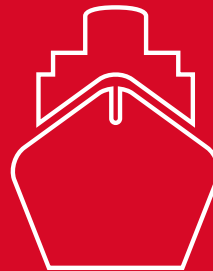
44.19%

INCREASE IN TEU
MOVED BY RAIL



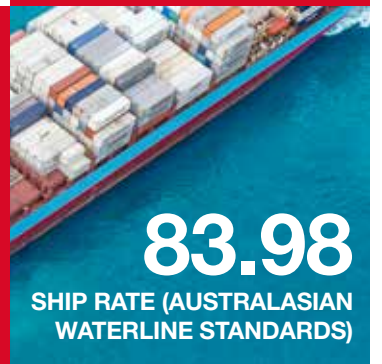
90

CRUISE
SHIP
VISITS



83.98

SHIP RATE (AUSTRALASIAN
WATERLINE STANDARDS)



4.4%

INCREASE IN VOLUME
OF BULK AND
BREAKBULK CARGO



243,801

CARS



DIESEL USED BY
STRADDLES (LITRES)
PER ENGINE HOUR
HAS DECREASED BY
4.5% NOW THAT HALF
THE FLEET USE LED
LIGHTING AND AN
IMPROVED ENGINE
MANAGEMENT SYSTEM



Operations

Cars (Units*)

2015	243,801
2014	207,591
2013	170,835
2012	147,221
2011	123,362

* In 2012/13, we introduced automated manifest and billing. This has meant that all other vehicles other than cars are measured in tonnes and not units.

Container Throughput (TEU*)

2015	972,434
2014	968,741
2013	818,819
2012	808,654
2011	894,383

* 1 TEU = 1 standard 20-foot container

Bulk and Breakbulk Cargo* (Million Tonnes)

2015	5.9
2014	5.6
2013	4.4
2012	3.8
2011	3.5

* Ports of Auckland's Waitematā seaport and Onehunga seaport. Includes cars.

Cruise Ship Calls

2015	90
2014	89
2013	100
2012	97
2011	79

Cruise Passengers

2015	199,250
2014	195,944
2013	200,000
2012	188,694
2011	150,289

Truck Turnaround

(Trucks turned around in under 30 minutes)

2015	81	17	2
2014	79	18	3
2013	85	13	2
2012	84	14	2
2011	78	18	4

■ <30 minutes
 ■ 30-60 minutes
 ■ >60 minutes

Operations

Crane Rate

(Australasian Waterline standard)

2015	35.03
2014	33.49
2013	31.82
2012	29.14
2011	26.31

Staff Hours per Container

(Index year 2000 = 200)

2015	1.05
2014	1.03
2013	1.12
2012	1.22
2011	1.22

Volume of Containers Moved by Rail*

(TEU)

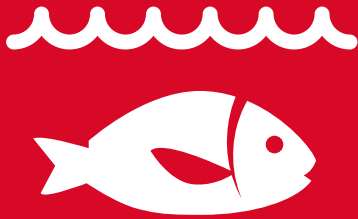
2015	100,332
2014	69,585
2013	42,353
2012	56,512
2011	95,417

* Volume of containers moved by rail previously included shuttle moves. These have now been removed for all previous years. In 2012, volumes moved by rail was impacted by the industrial dispute. The business lost is yet to be recovered, even so, the volumes moved by rail has increased in 2013/14.

Operations

3,575

TONNES OF FISH



43,495

TONNES OF BANANAS



15,570

TONNES OF OTHER FRESH FRUIT



405,505

TONNES OF CEMENT

26,899

TONNES OF ROAD METALS

28,349

TONNES OF TRACTORS



59,024

TONNES OF WOOD PRODUCTS



220,897

TONNES OF GRAIN



213,938

TONNES OF SAND



162,516

TONNES OF MACHINERY



Financials



Port Operations EBIT (\$Million)

2015	77.8
2014	84.5
2013	55.4
2012	49.0
2011	54.7

Port Operations Revenue (\$Million)

2015	217.3
2014	219.9
2013	186.6
2012	175.4
2011	175.4

Note: Financial review includes information on Ports of Auckland's Waitematā seaport and Onehunga seaport.

Financials

Shareholder's Equity*

(\$Million)

2015	521.3
2014	493.4
2013	456.1
2012	432.7
2011	400.9

* Shareholder's Equity was impacted by asset revaluation (net of deferred tax) changes in 2012 of \$39.2m.

Ordinary Dividends declared for the year*

(\$Million)

2015	41.7
2014	66.6
2013	29.5
2012	20.1
2011	18.0

* The declared dividend for 2014 includes a special dividend of \$16.4 million.

Interest bearing debt to debt + equity

(%)

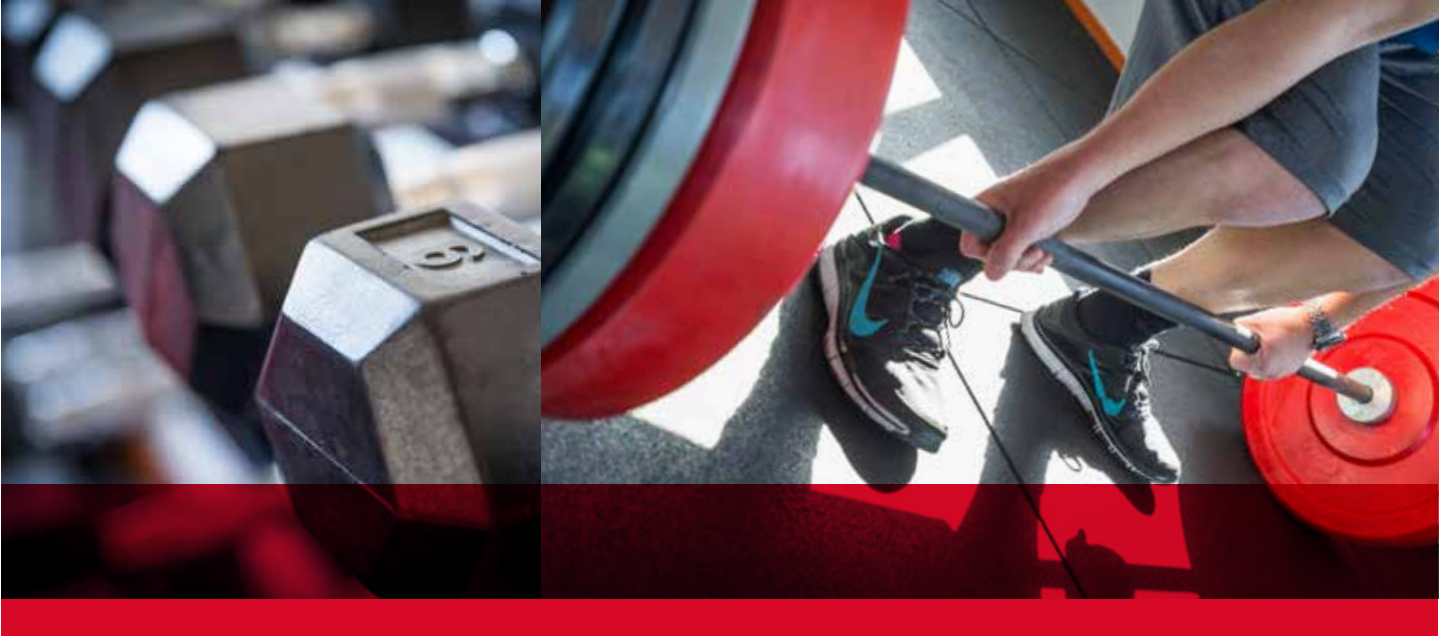
2015	29
2014	27
2013	31
2012	34
2011	37

Capital Expenditure

(\$Million)

2015	41.8
2014	27.8
2013	13.9
2012	10.1
2011	14.4

Health & Safety



Health and Safety is at the forefront of everything we do

Over the last year, we've continued to integrate Health and Safety into all operational aspects of the business.

This has meant a significant increase in the scope and requirements for either involvement or oversight business wide and as a result has seen our Health and Safety team grow in size to three full time and one part time employees.

We retained our tertiary grading in the Accident Compensation Corporation audit for the tenth year running. The tertiary grading is the highest obtainable and retaining it demonstrates our commitment to the health and safety of our staff.

Health and Wellness

Our port is an operationally dynamic place where many roles are physically demanding. We've recognised the importance of being physically fit in the workplace and the benefits that come along with regular exercise.

Our employee exercise programme, PortFit, was specifically developed for port staff by Productive Biomechanics in late 2014 to address shoulder and back injuries. It has since grown to offer over 20 classes per week to staff of varying fitness abilities. It has developed strong support company-wide with the introduction of additional nutritional support in early 2015.

Staff have the option to attend over twenty classes per week led by Productive Biomechanics, with the programme proving to be a strong contributor to staff engagement across business functions.

We've continued running a rigorous drug and alcohol screening programme that was introduced in early 2014. The programme applies to all port users, including contractors and office based staff, and includes random testing. As a responsible employer we offer rehabilitation in the first instance to any employee that fails their test.

20+
FITNESS CLASSES
PER WEEK



Safety

The nature of operations at our port means that we're a high-risk workplace for injuries, and as such safety is our number one priority. This year we've remained committed to constantly improving safety in our workplace with the introduction of new initiatives.

In late 2014 we entered into an agreement with software company CMO to install a centralised online system for incident reporting and hazard management; PortSafe. The software ensures our incident reporting and investigation is nothing less than best practice. It allows us to track internal and external auditing, including ship and port inspections.

Training has also been at the forefront of our focus for safety.

Training has also been at the forefront of our focus for safety this past year which has resulted in considerable resource allocated to manager training for incident investigation and risk assessment and management. We provided forty front line managers, operational performance coaches and health and safety representatives with ICAM (Incident Causation Analysis Method) training and now apply the ICAM method of investigation for significant incidents. We also provided managers and employee representatives with risk management training in anticipation of the requirements of the new Health & Safety at Work Act.

Another focus has been communication, with several initiatives implemented in this area. Formalised briefings before stevedoring shifts have been introduced, ship-board risks are identified and logged on a 'Hazard Board' at the bottom of each gangway and monthly health and safety reports are distributed in common areas to reach non-desk based staff.

Seafuels, a 50:50 fuel bunkering joint venture between our port and PB Bunkers BVI Ltd, celebrated a significant safety milestone this year. The company was acknowledged for reaching two years of operation with no lost-time injuries incurred. Z Energy acknowledged Seafuels for this feat during the signing of a 10 year charter that will provide convenient and safe bunkering for marine fuel customers in our port.

Health & Safety



Lost-Time Injuries (LTIs)

2015	12
2014	8
2013	22
2012	17

LTI Frequency Rate*

2015	13.5
2014	19.7
2013	35.76
2012	17.74

* Injuries per 100,000 hours worked.

Medical recordable injuries

2015	57
2014	51
2013	80
2012	63

MTI Frequency Rate*

2015	66
2014	97
2013	114
2012	104

* Injuries per 100,000 hours worked.



Creating efficiencies through flexibility

A major highlight from the past year has been the agreement reached with unions on the need for staff to work flexible hours.

The long running dispute with the Maritime Union of New Zealand was settled and now all staff are working under the same rostering system. This has led to major efficiencies in how shifts are staffed.

Development

We continue to place significant investment in leadership development for our people.

Many of our staff have been given opportunities to work across multiple departments and in projects to increase their understanding of the wider business.

Many managers have been trained in project management to help them run projects within their own business area. We have also started to introduce the Belbin® Team Roles profiling tool to assist with team dynamics.

A lot of work has been done with regard to succession planning with regular “talent panels” now established. Critical positions at all levels in the organisation have been identified and key staff are being targeted for specific development that will ensure we have people available to fill these positions in the future. This is to counter the strategic risk of key staff leaving our port without known replacement options.

Investment in the development of our staff has resulted in innovation and introduction of new technology, equipment and processes that are enabling us to achieve world class productivity.

We recently introduced aptitude testing when recruiting crane operators and earned an



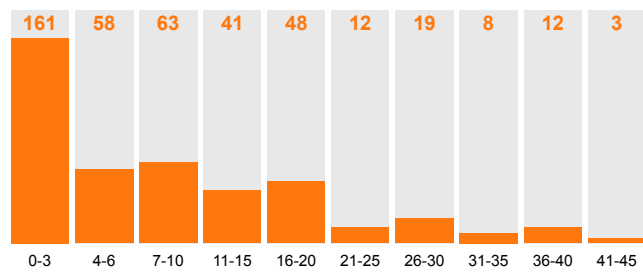
People & Culture

Innovation award from NZATD Education Trust Learning and Development Awards. We were also shortlisted for the Human Resources Institute of NZ HR Initiative of the Year award.

As well as major step changes, six sigma methodologies have been applied in a range of areas to refine what is already in place. Staff within our latest green belt cohort are working to improve health and safety practices, and make container movements and gate processes more efficient.

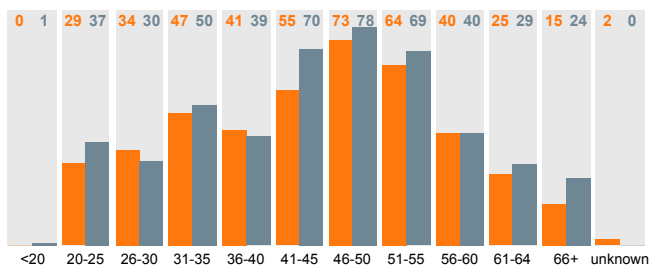
Over the last year our collaborative project management tool, i-lign, saw 170 ideas submitted from staff business wide. These ideas stimulated conversations, generating 916 comments and bringing 36 ideas to fruition. This has helped to build staff engagement and decrease incidents of departments working in isolation.

Staff Years of Service*



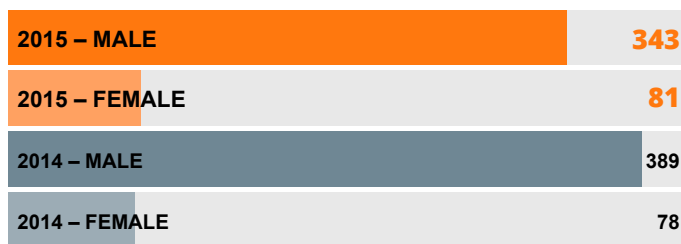
* Permanent staff only (does not include casual, fixed term and contractors)

Staff age profile*



* Permanent staff only (does not include casual, fixed term and contractors)

Staff Gender Balance





Celebrating Diversity

We have continued to place importance on embracing and celebrating diversity at our Ports. Since breaking down the barriers to entry, female stevedores have consistently ranked among the highest performers in terms of productivity and safety.

For the first time in our history, more than half of our high potential staff are female which earned us recognition in the EEO Trust Diversity Awards of 2014.

In recognition of the different cultures that make up our staff profile, we've continued to celebrate a number of cultural events in the workplace including the Hindu festival of lights, Diwali. In 2014 we celebrated Diwali for the seventh consecutive year with lunch and dinner organised by a group of port staff.

In early 2015, for the first time we held a hangi for our Waitemata based staff to celebrate Queen's Birthday. We served over 300 meals across a lunch and dinner sitting and delivered our left over meals to the Auckland City Mission.

Supporting our Staff

Each year we commit part of our sponsorship portfolio to helping our staff in their sporting activities outside of the port.

In the last year our sponsorship has included helping Mt Albert Rugby League purchase new training gear, providing East Coast Bays Rugby League with funding for team petrol vouchers and assisting one of our stevedores to travel to Australia for training that will hopefully see him qualify for the Rio Olympics 2016 canoe sprint.

Our Community



Our port is your port

This year we've continued to celebrate our local communities through a diverse portfolio of events and sponsorships.

SeePort

In January 2015, we opened up Captain Cook wharf for our second annual open weekend; SeePort.

Held over Auckland Anniversary weekend, the event is a three day celebration of our Port, shipping industry and maritime heritage. SeePort featured free bus and boat tours, fun rides, live music and food stalls. The event also included displays from the port and our partners, including the Royal New Zealand Navy, NZ Customs and Maritime Museum.

Over 65,000 people visited the festival over three days – three times more than in 2014. SeePort has now solidified itself as our signature event and a key part of our community outreach. SeePort 2016 is scheduled for 30 January to 1 February.

65,000
PEOPLE VISITED THE
FESTIVAL OVER THREE DAYS

Our Community



Round the Bays

For the sixth consecutive year our port was the naming sponsor of Round the Bays.

For the sixth consecutive year our port was the naming sponsor of Round the Bays. The event, in its 43rd year, is New Zealand's largest mass participation sporting event and a celebration of Auckland's waterfront. We're thrilled to have just signed on to be the naming rights sponsor of the event for another three years from 2016.

The 2015 event raised a total of \$260k for a variety of charities including;

- Cancer Society
- Barnardos
- Youthline
- Blind Foundation
- Muscular Dystrophy Association
- Auckland City Mission
- Lifewise

Auckland Anniversary Day Regatta

Our port and the Auckland Anniversary Day Regatta have grown in tandem for many years.

The Regatta is one of New Zealand's oldest sporting events and biggest one day regattas in the world. We've been connected to the Regatta since it began, not just through the harbour and city we belong to, but also through sponsorship. We are proud to be the naming rights sponsor of this iconic Auckland event, now for the third year. Sponsoring events like Round the Bays and the Auckland Anniversary Regatta that support healthy, active lifestyles is an important part of our company culture.

Our four tug boats raced again this year as part of the regatta; an event highlight and popular attraction for spectators also watching from our SeePort event on Captain Cook wharf.

\$260,000

RAISED FOR A VARIETY
OF CHARITIES

Our Community



Spirit of Adventure Trust

We continued to sponsor the Spirit of Adventure Trust this year. Our sponsorship entitles us to three berths aboard any of the Spirit of New Zealand youth voyage sailings which we open to the children of our staff.

The trust provides young New Zealanders with character development programmes that are conducted in a maritime environment. Our port is proud to support the trust and help New Zealand youth develop both maritime and life skills.

ArtBox

In 2014 we teamed up with Maersk Line to commission a 40ft container to be painted by leading street artists Askew One and Trust Me.

The container was painted at the 2014 SeePort event before taking a trip around the world, well documented on social media.

Following its initial stop in Philadelphia with a load of Coromandel Greenshell mussels, ArtBox paid a visit to multiple ports including, Ghana, Barcelona, Shanghai, Abu Dhabi, Casablanca and Melbourne. ArtBox returned home to Auckland in early 2015. We are now considering transforming the container into an educational tool to teach people about ports and the shipping industry.

Touring your port by sea

We continued to offer free community boat tours of our port and harbour, working with 360 Discovery to run these on their *Tiri Kat* vessel.

In the last year 10,562 people joined us on our tours operating almost every Tuesday throughout the year up from around 8,000 on the year prior. This included 4,323 passengers during the tours run over our SeePort weekend. Our tours are a great way to get a close up look at our wharves at work from the safety of a boat.

During the Auckland Heritage Festival we also ran tours for a gold coin donation on the *William C Daldy* steam tug taking passengers on a trip back in time. 1,341 people toured the harbour on the *William C Daldy* during the festival, with proceeds from the tours going to the William C Daldy Preservation Society; a volunteer organisation that works hard to keep this magnificent vessel afloat for Aucklanders to enjoy.

10,562

PEOPLE JOINED ONE OF THE ONE HOUR BOAT TOURS OFFERED THROUGHOUT THE YEAR

4,323

PASSENGERS DURING THE TOURS RUN OVER OUR SEEPORT WEEKEND

Our Community



SCOUTS New Zealand

In 2014, Ports of Auckland teamed up with SCOUTS New Zealand as their first maritime industry partner in support of Sea Scouting, to give more young people the chance to experience the joy of sailing and water activities in safe way.

A total of \$65,733 was donated to support the growth and development of Sea Scouting in Auckland and surrounds.

As a result of that support, SCOUTS New Zealand was able to provide development support to 17 Sea Scout groups (serving 161 volunteer leaders and 859 Scouts) across Auckland and the surrounding region. This saw an additional 62 young people participating in Sea Scouting (until December 2014), as well as the launch of two new Sea Scout groups in early 2015. 27 cutter sails and 19 sunburst sails were provided for the National Scout Regatta and later distributed to benefit Sea Scout groups across the region.

SCOUTS also took part in SeePort with displays and fun activities on land and sea. SCOUTS experienced a huge spike in interest from people wanting to join as a result of their exposure at SeePort so in 2015/16 Ports of Auckland will help SCOUTS develop the extra capacity they need to be able to meet demand and respond to increased interest so that Sea Scouting can continue to develop across the region.

Westpac Auckland Business Awards

Celebrating Business Excellence is the aim of the Westpac Auckland Business Awards and Ports of Auckland is pleased to sponsor the "Excellence in Exporting" category for the Central, North and South regions. We've been involved with the prestigious awards programme in the Central Auckland area since its launch in 2011, with 2014 being the fourth consecutive year of our sponsorship.

Turning off the lights for ANZAC Day

This year marked the 15th year our port turned off over 1,000 lights at our Waitematā Seaport during the ANZAC Day remembrance service. It's become a tradition for us over the years and a small way for us to commemorate those that served our country. Lights were switched off this year at our Fergusson Container Terminal right through to Captain Cook Wharf.

\$65,733

DONATED TO SUPPORT
THE GROWTH AND
DEVELOPMENT OF SEA
SCOUTING

Our Environment



Reducing the impact of our operations on the environment

Environmental Management

We are continually looking for ways to enhance our environmental practices and ways to reduce the impact of port operations on the environment.

In December 2014, Auckland Council awarded us a Compliance Rating of '1 – Full Compliance' for both our Waitemata sea port and Onehunga ITA resource consents. We engaged an external environmental auditor to independently review the way we operate, with audit results confirming a positive trend of progress and highlighting our commitment to improvement.

Since the audit, we have continued to build on the progress of previous years by developing new initiatives and streamlining processes that help reduce the impact of operations on our environment.

We have successfully implemented an online environmental awareness module for staff and contractors with plans to roll out additional modules over the next year. Building on the module, we have developed a mobile application for environmental inspections of port activities which will be rolled out in 2015.

Managing fuel and energy

Managing the use of diesel and electricity at an industrial site such as the Port is critical to a sustainable operation.

Following a trial in 2014 for the use of LED lighting around the port, we're pleased to say that half of our straddle fleet now operates with LED lights. This is not a huge project, but even this little bit has helped reduce straddle diesel consumption by 4.5% from 21.69 litres to 20.71 per engine hour.

This financial year we will complete the installation of LED lights on the rest of the straddle fleet and trial LED lights for our cranes.

4.5%

STRADDLE DIESEL CONSUMPTION HAS DROPPED TO 20.71 LITRES PER ENGINE HOUR FROM 21.69

Our Environment



Recycling around our port

Our dredgings from both maintenance and berth deepening work around the Fergusson Terminal reclamation area continues to be our biggest recycling project for another year.

Approximately 13,700 cubic metres of dredged material has been used in the reclamation area in the last year that otherwise would have been dumped at sea. This includes 6,300 cubic metres of material from maintenance dredgings at our Waitemata and Onehunga ports. We also recycled 6,500 cubic metres of dredgings from marinas to be used as part of our Fergusson Terminal reclamation works.

A newly implemented general waste recycling programme has achieved more than 40 tonnes of recycled office and general waste in the last year. The programme included a shift from larger to smaller individual general waste bins for office staff to encourage recycling of recyclable materials.

Dealing with stormwater

This year we completed the installation of two stormwater treatment devices and we have more programmed for the next financial year. These are being implemented, not only where required by conditions of our ITA consent, but also in areas that we have identified would benefit from additional treatment over and above that specified in the consent conditions.

13,700m³

**DREDGED MATERIAL USED
IN THE RECLAMATION AREA**

Our Environment



Doing our bit for whales in our Gulf

Over the last quarter we have continued to lead the work with the shipping industry to reduce the impact of shipping on Bryde's whales in the Hauraki Gulf. In September 2013, in partnership with the shipping industry, we introduced a protocol for vessels travelling through the Hauraki Gulf. Under the protocol, vessels were asked to voluntarily slow down to as close to 10 knots as their schedule allowed. There is good scientific evidence that the risk to whales is substantially less from ships travelling at 10 knots compared to 15 knots or more.

In 2012, prior to the introduction of the protocol, the average transit speed in the Gulf was 14.2 knots. In June 2015 the average stood at 11.3 knots, almost a three knot reduction. We have also been working to reduce the number of vessels travelling at 14 knots or more, a speed recognised as high risk to Bryde's whales. In 2012 over half (52.2%) of vessels travelled at 14 knots or more. In June 2015 only 15.3% of vessels travelled over 14 knots.

Our port is continuing to lead industry efforts to safeguard our local population of Bryde's whales and our aim is to get speeds down still further.

A little bit of help for Motutapu

In 2014 Ken Samson of the Motutapu Preservation Trust alerted us to a moth plant infestation on our land along Tamaki Drive. Ken had been weeding the area himself to remove moth plant so it doesn't send seeds out to Motutapu Island, where they are working hard to clear weeds and restore native plants. Moth weed caused the greatest concern as its seeds had the ability to spread by wind to the Hauraki Gulf Islands. By spring, we had cleared the weeds and overgrown vegetation and sprayed the site to ensure they would not grow back.

In its place, we planted 1,800m² in native trees and shrubs and installed an irrigation system in the area to ensure the plants would survive through the summer months. The area now provides a native landscaped buffer area between our port and Tamaki Drive.

As a result of the eradication of invasive weeds we have removed a habitat for pests and rodents and have been complemented by Motutapu Restoration Trust for eliminating all moth weed in the area.

1,800m²

**NATIVE TREES AND
SHRUBS PLANTED**

Our Environment

Environmental Indicators

Reducing, Reusing and Recycling Indicator	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Electricity used by port operation (kWh)	22,508,050	18,302,864	17,358,646	17,772,839	18,164,150
Electricity used by port operation (kWh) per TEU*	28.56	22.64	21.20	18.35	18.68
Diesel used by port operations (litres)	3,372,107	2,740,275	2,778,502	3,211,682	3,113,857
Diesel used by port operations (litres) per TEU*	4.28	3.39	3.39	3.32	3.20
Diesel used by straddles (litres) per engine hour	21.21	20.79	21.58	21.69	20.71
Diesel used by port service - Marine (litres)	589,138	725,407	650,233	735,825	839,044
Water used by port operations (cu m)	87,657	74,667	83,870	81,242	69,949
Water used by port operations (cu m) per TEU*	0.11	0.09	0.10	0.08	0.08
Total dredgings used as environmentally friendly fill, including mudcrete (cu m)	0	49,900	87,100	34,000	13,700

Energy used measurements refer only to the Waitematā seaport

* 1 TEU is a standard 20-foot container

Transport Indicator	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Total containers moved by truck (TEU)	593,113	546,108	492,015	543,398	694,669
Containers trucked off peak (TEU)	224,068	185,723	172,205	223,955	298,604
Containers trucked off peak as % of total containers moved by truck (TEU)+	38	34	35	41	43
Total containers moved by rail (TEU)^	89,081	95,417	56,712	42,353	69,585
Rail moves as % of total land-side moves to/from the Port	13	15	11.6	11	10

Volumes refer to the Waitematā seaport only

+ Off peak refers to 7 pm - 7am weekdays and all day on weekends

^ Volume of containers moved by rail previously included shuttle moves. These have now been removed for all previous years. In 2012, volumes moved by rail was impacted by the industrial dispute. The business lost is yet to be recovered, even so, the volumes moved by rail has increased in 2013/14.

Complaints indicator*	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Noise and other complaints	71	40	25	48	25

Spills indicator	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Environmental spills~	0	1	1	0	1

~ The spills data refers to spills for which POAL has assumed responsibility.

Note: Environmental measurements are currently only made at the Waitematā seaport

* These do not include complaints relating to port development

Get in touch



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can be accessed online on our website:

 www.poal.co.nz/news_media/publications.htm

This report has been created primarily for the web.
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