

Chairman's Statement

AUDITED GROUP RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

The Directors of Kingston Wharves Limited (KWL) are pleased to present the audited results for the twelve months ended December 31, 2015, which are prepared in accordance with the International Financial Reporting Standards (IFRS).

The Group recorded revenues of \$4.67 billion as at December 31, 2015, an increase of \$853 million or 22.4% over the corresponding period in the prior year. Profit before taxation increased from \$921 million in 2014 to \$1.41 billion in 2015, representing a notable 53% growth. Net profits attributable to shareholders reflected a 49% or \$414 million increase, moving from \$843 million at the end of 2014 to \$1.26 billion for the corresponding period in 2015. As a result, in 2015, earnings per stock unit grew to \$0.88, from \$0.59 in 2014. In the fourth quarter of 2015, the Group generated revenues of \$1.33 billion, an increase of \$260 million over the corresponding period in 2014.

Operations at Kingston Wharves Limited outperformed 2014 with gains being realized in key segments of terminal and non-terminal operations. Domestic container volumes increased by 23%, while transshipment container throughput experienced an 8% growth. A similarly strong performance was realized in the motor vehicle segment, with the number of transshipment motor units handled growing by 7%, and its domestic counterpart achieved a 51% growth year on year. These terminal operations segments are expected to continue growing in the coming year as KWL cements itself as the premier multi-purpose and multi-user terminal in the Caribbean.

The warehousing and logistics units delivered solid performances, growing revenues in excess of J\$100 million over the same period in 2014. These advances were as a result of an improvement in overall service delivery and the continued expansion of KWL's customer base, particularly by clients operating in the motor vehicle, oil and lubricants industries for which KWL provides customized full-suite logistics services. Other non-terminal segments of the Group - Security Administrators Limited (SAL) and Harbour Cold Stores (HCS) - contributed 12% of revenues. This represents an increase of 8% year on year, with combined revenues from SAL and HCS advancing from \$522 million at the end of December 2014 to \$565 million for 2015.

Kingston Wharves paid out dividends of \$143 million to its shareholders in August 2015, at a stock unit value of J\$0.10. Additionally, a dividend payment of \$215 million was recorded in December 2015 at \$0.15 per share. The total value per stock unit for 2015 was \$0.25, compared with a per-unit value of \$0.20 in 2014.

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Maintaining these levels of growth in a business environment largely characterized by uncertainties, necessitates a clear strategic vision. In this regard, significant investments were made to upgrade the equipment fleet, facility infrastructure and training and development of our employees. Capital expenditure totalled \$1.1 billion for the year which included the acquisition of a Liebherr Mobile Harbour crane which arrived in the fourth quarter as well as two (2) Taylor Reach Stackers.

Of importance is the commencement of works on KWL's Total Logistics Facility (TLF) – an intelligently-designed space, intended to house the Group's warehousing and logistics services. The Company completed Phase 1 of the construction of its TLF which included site preparation and driving of reinforced piles. Phase 2 of the construction of the 160,000 square foot purpose-built warehouse and logistics facility is expected to commence early in 2016.

OUTLOOK

With the completion of the Panama Canal slated for this year, we anticipate increased volumes of cargo to the Port of Kingston. This, coupled with the investment strategies already in place, is expected to move KWL along the continuum of development and growth, propelling us toward realizing our vision of becoming the best multi-purpose and multi-user port in the region. More so, the establishment of the Special Economic Zones (SEZs) positions KWL to support its clients with a vertically integrated logistics service. In this regard, a number of additional initiatives will take form in 2016, primarily in the areas of information technology, training, local and internationally recognised certification and reorganisation. These efforts will translate to value not only for Kingston Wharves, but for Jamaica.

As we close the year in a strong financial position, we remain optimistic for the Group's performance in 2016 as we double our efforts to deliver growth in our customer value and return to our stakeholders. On behalf of my colleague Directors, I take this opportunity to express gratitude to our customers for their role in our seventy years of achievement, and commend the management and staff for their dedication to Kingston Wharves Limited.

Jeffrey Hall
Chairman

