

Chairman's Statement

AUDITED GROUP RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

The Board of Directors is pleased to present the audited results for the twelve months ended December 31, 2016.

The Group recorded revenues of \$5.41 billion as at December 31, 2016, an increase of \$737 million or 16% over the prior year. Profit before taxation increased by 6% from \$1.41 billion in 2015 to \$1.49 billion in 2016. Net profits attributable to shareholders increased by 3% to \$1.29 billion.

Terminal Operations

KWL's Terminal Operations Division is the region's leading multi-purpose, multi-user shipping terminal. The annual operating revenue of the Terminal Operations Division amounted to \$4.17 billion, a 16% increase over prior year. This growth in revenue was due to the strong performance of both the container and motor vehicle handling units. Container volumes for the year increased by 4% over 2015. Domestic container moves and motor units showed particularly significant improvements, increasing by approximately 7% and 35%, respectively. Divisional operating profits increased by 3% from \$1.25 billion to \$1.29 billion, with the growth in revenues and profits being partially offset by some key one-off expenses including restructuring of the casual labour pool and strategic business development initiatives to drive future revenue expansion.

Logistics & Ancillary Services

The Logistics and Ancillary Services Division is a full service logistics provider in Jamaica with services ranging from warehousing, inventory management and cold storage, to cargo and port security operations. The Logistics and Ancillary Services Division continued to make significant strides as KWL builds out its logistics services initiative and cements its position as a leading player in the Caribbean. The Division generated revenue of \$1.24 billion, which represents a 15% or \$159 million increase over 2015. The increase was 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. Operating profit for the division increased by \$63 million from \$325 million to \$388 million.

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Outlook

Caribbean and Latin American economies are forecast to grow by 1.8 percent in 2017 and continue expanding in 2018. In light of this, our immediate focus in 2017 will be to improve our business prospects by expanding the range of cargo types that are serviced by our terminal.

Our investment program will seek to strengthen our unique capabilities to handle all types of automotive, bulk, break bulk, and containerized cargo. We will also seek to improve the overall efficiency of our operations, provide integrated logistics services to the region's major importers and exporters and expand the range of ports that receive a direct call from the network of shipping lines that use Kingston Wharves.

In line with our strategic plan, we made significant investments in 2016 to upgrade our equipment fleet, facility infrastructure and the training and development of our employees. Capital expenditure totalled \$1.8 billion for the year which included cargo handling equipment and additional open storage and warehousing capacity as well as the acquisition of a sixth mobile harbour crane - the largest of its kind in the Caribbean.

Kingston Wharves paid out dividends of \$200 million to its shareholders in August 2016, at a stock unit value of \$0.14. Additionally, a dividend of \$286 million was proposed December 2016 at \$0.20 per share and paid on January 19, 2017. The dividend per stock unit for 2016 was \$0.34, compared with a per-unit value of \$0.25 in 2015.

As we close the year in a strong financial position, we are optimistic about the Group's prospects for 2017. On behalf of my colleague Directors, I take this opportunity to express gratitude to our customers for their role in our achievement, and commend the management and staff for their dedication to Kingston Wharves Limited.

Jeffrey Hall
Chairman