

Dear Shareholder

Annual Report

South Port New Zealand's Annual Report for the year ended 30 June 2017 is now available on our website. You can view the Report at:

http://www.southport.co.nz/assets/reports/2017_Annual_Report.pdf

South Port achieved a tax-paid profit of \$8.45 million (2016 \$8.71 million) which represented a better than expected result given increased maintenance expenditure (+18% YOY).

Maintaining activity above the 3 million tonne cargo threshold is significant for the business and demonstrates a consistent period of growth since 2009 where cargo was 1.86 million tonnes. A container throughput record of 39,300 TEU was also established during FY17.

South Port's Invercargill based Intermodal Freight Centre commenced operating in August 2016. This site is performing well offering logistical services.

Continued emphasis on Health & Safety performance saw a revised risk scoring system implemented, enhanced Permit to Work process adopted and more rigorous Contractor monitoring. The Company also embarked on a major PCBU (Person Conducting a Business or Undertaking) project which is likely to take 24 months to complete.

As previously signalled, higher R&M loadings became a reality in FY17. Increased R&M costs relating to South Port's main infrastructure assets will have a noticeable impact on profitability for a further 5-7 years due to some assets being at or near the end of their physical useful life.

The insurance market tightened noticeably for the NZ port sector following the November 2016 Kaikoura earthquake leading to a significant increase in premiums which will impact the FY18 result.

South Port estimates that its earnings in the next financial year are likely to remain stable, based on all known factors at this time. In light of this steady earnings profile, the Directors will be aiming to maintain the current level of dividend payment.

Performance Highlights

Dividends per share	26 cents	No change
Record Cargo	3,053,000 tonnes	^ 0.2%
Operating Revenue	\$36.9 million	^ 0.4%
Reduced NPAT	\$8.45 million	v 3.0%
Earnings per share	32.2 cents	v 3.0%

Annual NPAT to 30 June 2017

\$8.45M

FY17 Dividend consistent at

26 cents
per share

Final Dividend

The final dividend declared of 18.5 cents per share takes the full year dividend for FY17 to 26.0 cents per share which leaves the dividend at the same level that was paid for FY16. The final dividend is due to be paid on 7 November 2017.

Yours sincerely



Lara Stevens
Finance Manager
South Port New Zealand Limited