



NAPIER
PORT

PRODUCT DISCLOSURE STATEMENT

INITIAL PUBLIC OFFERING OF ORDINARY SHARES
IN NAPIER PORT HOLDINGS LIMITED

15 JULY 2019

The issuer under this offer is Napier Port Holdings Limited.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose, offer number (OFR12679).

Napier Port Holdings Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

JOINT LEAD MANAGERS

Deutsche
CRAIGS

Goldman
Sachs

CO-MANAGER

 **FORSYTH BARR**

SECTION 1 / KEY INFORMATION SUMMARY

1.1 WHAT IS THIS?

This is an offer of ordinary shares (**Offer Shares**) in Napier Port Holdings Limited (**Napier Port Holdings**). Ordinary shares in Napier Port Holdings (**Shares**) give you a stake in the ownership of Napier Port Holdings. You may receive a return if dividends are paid or Napier Port Holdings increases in value and you are able to sell your Shares at a higher price than you paid for them.

If Napier Port Holdings runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

1.2 ABOUT NAPIER PORT

Napier Port is a port located in Hawke's Bay and is New Zealand's fourth largest port by container volume¹. Napier Port provides a range of port and logistics services (marine, handling and value-add services), with its core revenue streams arising from container services, bulk cargo and cruise. In FY2018 Napier Port managed the arrival and departure of over 680 ships, carrying over five million tonnes of cargo and over 100,000² cruise passengers.

Napier Port Holdings will be the parent company of the Napier Port group on completion of the Offer. Napier Port Holdings is currently a wholly-owned subsidiary of Hawke's Bay Regional Investment Company Limited (**HBRIC**), the investment arm of Hawke's Bay Regional Council. Port of Napier Limited is the operating company of the Napier Port group and will be acquired by Napier Port Holdings prior to Listing.

For more information, see Section 2 (*Napier Port and what it does*).

1.3 PURPOSE OF THIS OFFER

The primary purpose of the Offer is to raise capital for Napier Port to:

- reduce existing debt and provide capacity to fund the 6 Wharf expansion project; and
- enable HBRIC to realise a portion of its investment in Napier Port (on completion of the Offer, HBRIC will own 55% of the total Shares on issue).

For more information, see Section 3 (*Purpose of the Offer*).

1.4 KEY TERMS OF THE OFFER

Offer	Offer of new Shares by Napier Port Holdings
Description of the equity securities	Fully paid ordinary shares
Indicative Price Range¹	\$2.27 – \$2.60 per Offer Share
Total number of Shares being offered under the Offer	90 million Shares, representing 45% of the 200 million Shares on issue immediately after Listing
Gross proceeds from the Offer²	\$204.3 million – \$234.0 million
Priority Offer opens	23 July 2019
Priority Offer closes	5 August 2019
Institutional Offer and Bookbuild	6 August – 7 August 2019
Final Price announced and allocation	7 August 2019
Broker Firm Offer opens	8 August 2019
Broker Firm Offer closes	16 August 2019
Settlement and allotment	19 August 2019
Listing, expected commencement of trading on the NZX Main Board and earliest expected mailing of holding statements	20 August 2019
Expected payment of first dividend following the Offer	December 2019
Liabilities, fees and charges	If you sell your Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Shares. You should seek your own tax advice in relation to your Shares

The above dates are indicative only and may change. Napier Port, in consultation with the Joint Lead Managers, reserves the right to vary or extend these dates. Napier Port may also withdraw the Offer at any time before Settlement or accept late Applications (either generally or in individual cases).

¹ The Indicative Price Range is indicative only. The Final Price will be set after the conclusion of the Bookbuild and may be within, above or below this range. The Indicative Price Range may be varied at any time by Napier Port.

² Equal to the number of Offer Shares multiplied by the lower and upper end of the Indicative Price Range (as applicable).

For more information, see Section 3.2 (*Minimum Offer amount*), Section 5 (*Terms of the Offer*) and Section 13 (*Glossary*).

¹ Deloitte Freight Yearbook 2019.

² 2017/2018 cruise season.

1.5 HOW PRICING OF OFFER SHARES IS FIXED

Napier Port has set an Indicative Price Range of \$2.27 to \$2.60 per Offer Share.

The Final Price will be set by way of a Bookbuild managed by the Joint Lead Managers. The Bookbuild is expected to take place from 6 August to 7 August 2019 and the Final Price is expected to be announced and posted on www.napierportshareoffer.co.nz on or about 7 August 2019. All Offer Shares will be issued at the Final Price.

For more information, see Section 5 (*Terms of the Offer*).

1.6 HOW YOU CAN GET YOUR MONEY OUT

Napier Port Holdings intends to quote the Offer Shares on the NZX Main Board. This means you may be able to sell them on the NZX Main Board if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

1.7 KEY DRIVERS OF RETURNS

Drivers of financial performance	Key strategies and plans
Cargo volume received by the Port Export and import trade to and from Hawke's Bay and the surrounding regions passing through the Port is a key driver of revenue, with logs and containers being the largest components.	<ul style="list-style-type: none"> • Maintain close and collaborative relationships with a wide range of primary producers, forestry industry participants and other cargo owners through the integration of our Port operations with their supply chains. • Provide innovative solutions that create efficiencies for our customers, such as our vehicle booking system for traffic management. • Further develop our network of infrastructure to extend our reach across our catchment areas through the use of off-Port sites, such as the Thames Street container depot and the Whakatū land holding. • Actively manage our pricing strategies to ensure we earn a fair return on our assets.
Cargo mix Our charges and revenue vary across the different containerised and bulk cargo products passing through the Port and therefore cargo mix is an important driver of profitability.	<ul style="list-style-type: none"> • Increase the focus on handling high-value cargo such as perishable primary products exported in refrigerated containers. • Build relationships with importers to increase the number of full containers coming into the Port rather than empty containers. See Section 2.10 (<i>Strategic case studies – Big Save Furniture</i>) for an example of us implementing this strategy. • Provide fit for purpose port facilities that allow the Port to meet the needs of a diverse range of export and import cargo.
Ships visiting the Port The number, type and size of ships calling at the Port is a key driver of our revenue given we charge a fixed all-in marine services fee depending on a ship's characteristics.	<ul style="list-style-type: none"> • Development of port infrastructure and marine services to accommodate an increased range and frequency of ships visiting the Port to meet our customers' needs. • The construction of 6 Wharf will increase the Port's capacity for the number of ships that can visit as well as the size of ships that can visit. • Invest in ongoing training and marine simulation testing to support the development of our marine personnel involved in the safe management, planning and handling of ships visiting the Port.
Napier Port service offering Our value-add services contribute to revenue and increase our customer connection.	<ul style="list-style-type: none"> • Grow our existing value-add service offering, such as container storage and container packing/unpacking services, through our connections with customers and informed by data collected from them, and explore additional incremental service offerings. • Build on existing data capture and technological developments such as container condition reports and container stowage software programs to improve the quality of the service offering to shipping lines and their customers.
Operating costs Our operating costs directly impact our profitability.	<ul style="list-style-type: none"> • Improve organisational capability and our teams' wellbeing by continuing to invest in our 'culture of care', through training and improved work practices. • Utilise fit for purpose asset management and port layout planning tools and processes to optimally manage the use and maintenance of our plant, machinery and port site assets. • Harness data and technology to develop new cost-effective methods of providing our services. • Manage peak cargo periods to minimise ship movements and ensure smooth cargo transfer.

You should read this table in conjunction with Section 2 (*Napier Port and what it does*) and Section 7 (*Napier Port's financial information*).

1.8 KEY RISKS AFFECTING THIS INVESTMENT

Investments in shares are risky. You should consider if the degree of uncertainty about Napier Port's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Napier Port considers that the most significant risk factors that could affect the value of the Shares are:

6 Wharf construction risk: We are committed to constructing a new sixth wharf (as detailed in Section 2.7 (*6 Wharf expansion project*)), which is planned to commence at the end of 2019 and be completed at the end of 2022. There is no assurance that the construction of 6 Wharf will complete on time and on budget, or at all. In addition, the construction may have an adverse impact on our operations.

Significant asset damage and interruption risk: A major natural event, such as a tsunami or a significant earthquake, could destroy or damage our assets, which are essential to our operations. If such an event was to occur, it is unlikely that our insurance policies would cover us for all of the damage.

Major Shareholder risk: Following completion of the Offer, the Council (through HBRIC) will control 55% of the shares in Napier Port Holdings. The Council will have material influence over Napier Port. There is a risk that the Council's interests may conflict with the interests of other Shareholders.

Forestry sector risk: Our business is heavily dependent on the forestry sector, particularly logs, woodpulp and timber. Any decrease in the supply or demand for New Zealand or Hawke's Bay and surrounding areas' forestry products could have a significant adverse impact on our financial position and performance. An example of this is the recent reduction of log prices being paid by Chinese buyers.

Biosecurity risk: Our exports are primarily made up of primary produce, including forestry products, pipfruit and meat. Any significant biosecurity event could result in the supply or demand for primary produce exported through the Port being materially reduced, and could also increase the production costs for growers and producers associated with ongoing quarantine and monitoring processes.

China and other Asian market risk: Exports to Asian markets made up 84% of our total exported cargo volume by weight in 2018 (65% to China)³. If access to these key markets was impaired, or some other event occurred that resulted in demand for cargo passing through the Port decreasing, it could have a material adverse impact on our financial position and performance.

Cargo owner customer concentration risk: A significant proportion of our revenue is from a small number of cargo owner customers. Any loss, or decrease in demand from, key customers may have a materially adverse effect on our financial performance.

This summary does not cover all of the risks of investing in the Shares.

You should also read Section 2 (*Napier Port and what it does*), including Section 2.7 (*6 Wharf expansion project*), Section 2.8 (*Capital management*), Section 2.9 (*Industry overview*) and Section 2.20 (*Other material governance disclosures*), and Section 8 (*Risks to Napier Port's business and plans*).

³ Ministry of Transport (Freight Information Gathering System); 2018.

1.9 NAPIER PORT'S FINANCIAL INFORMATION

The financial position and performance of Napier Port are essential to an assessment of this Offer. You should also read Section 7 (*Napier Port's financial information*).

Capitalisation Table	
Number of Shares being offered	90 million
Number of Shares on issue following the Offer	200 million
Indicative Price Range	\$2.27 - \$2.60
Implied market capitalisation	\$454.0 million - \$520.0 million
Net Debt / (Cash) on completion of the Offer	\$(22.4) million
Implied enterprise value	\$431.6 million - \$497.6 million

Key investment metrics		
	FY2019F	FY2020F
Implied enterprise value / Pro forma EBITDA	10.9x - 12.5x	10.6x - 12.2x
Price / Pro forma earnings per Share	23.6x - 27.1x	22.7x - 26.0x
Pro forma earnings per Share	\$0.10	\$0.10
Price / Earnings per Share	81.2x - 92.9x	22.7x - 26.0x
Earnings per Share	\$0.03	\$0.10
Dividends declared per Share ¹		\$0.07
Implied dividend yield – cash dividend declared ¹		2.9% - 3.3%
Implied dividend yield – gross dividend declared ¹		4.0% - 4.6%

¹: Dividends declared per Share, implied dividend yield – cash dividend declared and implied dividend yield – gross dividend declared for FY2019F have not been included as Napier Port considers these metrics are not comparable due to the \$44.0 million special dividend which has been declared and will be paid to HBRIC on completion of the Offer. See Section 3.1 (*Purpose of the Offer*) and Section 7.6 (*Dividends*).

The above metrics should be read in conjunction with the assumptions and risks in Section 7 (*Napier Port's financial information*) and Section 8 (*Risks to Napier Port's business and plans*).

1.10 APPLICANT WITHDRAWAL RIGHTS

In certain limited circumstances, including where a significant adverse development occurs prior to the Bookbuild, Applicants under the Priority Offer may have the right to withdraw their Applications within a certain time period and have their Application Monies refunded. You should also read Section 5.6 (*Priority Offer Applicants' withdrawal rights*).

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LETTER FROM THE CHAIR

Nā tō rourou, nā taku rourou ka ora ai te iwi.

With your food basket and my food basket, the people will thrive.

Tēnā koutou e ngā kaiwhakarato moni – Greetings Investors,

On behalf of the Napier Port board, I am delighted to invite you to invest in our company.

For nearly 150 years, Napier Port has been connecting Hawke's Bay and the surrounding regions with the people and markets of the world.

We operate a long-term regional infrastructure asset that supports the Hawke's Bay economy. Indeed, our strategic purpose is to continue to build a long term successful business by collaborating with the people and organisations that have a stake in helping our region grow.

We are New Zealand's fourth largest port by container volume and have experienced growth in cargo volumes over the last 10 years. The Port is also the gateway to the Hawke's Bay region for an increasing number of cruise ship visits. These cruise visits are making a growing contribution to the Port and the broader region.

We have long standing collaborative relationships with many of the world's largest shipping lines. With our connections to the core national road and rail networks, we also reach outside Hawke's Bay to the lower North Island and the east coast to the north of Hawke's Bay.

Led by Chief Executive Todd Dawson, Napier Port has a management team experienced in all aspects of the operation and development of such an important regional asset. The team is also committed to our strategy of fostering strong connections and relationships with our customers, our people and the broader Hawke's Bay region to build on our success and fulfil the important role we play in the community. In addition, we have an experienced board of directors with extensive experience in the port industry and the finance sector and with listed company experience that will assist Napier Port during the Offer period and going forward.

The combination of a robust regional economy, our position in the country's major transport routes and our experienced management team, has underpinned the Port's strong financial performance in recent years.

We are committed to making further investments to support our role in Hawke's Bay and the growth of the region for the future. The centrepiece of this investment programme is our plan for a new wharf, 6 Wharf.



The planned wharf offers benefits including reduced on-Port congestion, increased container vessel capacity and operating efficiencies, and an ability to handle larger vessels and growth in cruise ship demand.

Funds raised from the issue of new Shares in this Offer will allow Napier Port to pay off its current debt and allow it to finance 6 Wharf and the other investments necessary to achieve its aspirations from new borrowing and future retained earnings. The Offer will also allow Hawke's Bay Regional Investment Company Limited (**HBRIC**) to realise part of its investment in Napier Port.

Napier Port is currently 100% owned by HBRIC, the investment arm of Hawke's Bay Regional Council (**Council**). HBRIC will retain a 55% stake following the Offer, reflecting the ongoing support of Council and HBRIC to Napier Port and their desire to remain involved in Napier Port as a long-term owner – alongside new investors.

This PDS contains important information about Napier Port and the offer. We encourage you to read it carefully and consider, in particular, Section 8 (*Risks to Napier Port's business and plans*) before making your investment decision.

Nakū noa, Nā

Alasdair MacLeod
Chair

SECTION 2 / NAPIER PORT AND WHAT IT DOES

2.1

OVERVIEW



**4TH LARGEST
PORT BY
CONTAINER
VOLUME⁵**



FY2018

**5M+ TONNES
OF CARGO**



FY2018

680+ SHIPS

In this Section 2, we describe the business of Napier Port, as well as other important matters that you should be aware of, including the proposed 6 Wharf construction (Section 2.7 (*6 Wharf expansion project*)), our approach to capital management (Section 2.8 (*Capital management*)) and matters relevant to our relationship with our major Shareholder (Section 2.20 (*Other material governance disclosures*)).

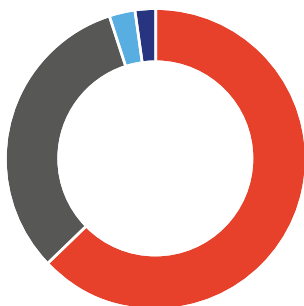
The Hawke's Bay region is an \$8.1 billion⁴ economy and a major New Zealand producer, processor and exporter of primary products supported by high sunshine hours and fertile soils. Key Hawke's Bay primary products include logs, forestry products, pipfruit, vegetables, meat and wine.

For nearly 150 years, Napier Port, currently New Zealand's fourth largest port by container volume⁵, has been connecting Hawke's Bay and its surrounding regions with the people and markets of the world. We are located on the east coast of New Zealand's North Island and benefit from a sizeable local cargo catchment. We are located on the main New Zealand transit route for international shipping services and we are connected with national road and rail networks.

The role of the Port is to receive and process cargo, container and cruise ships arriving and departing by sea. We provide a range of port and logistics services, with our core revenue streams arising from container services, bulk cargo and cruise. In FY2018 we managed the arrival and departure of over 680 ships, carrying over five million tonnes of cargo and over 100,000 (2017/2018 cruise season) cruise passengers.

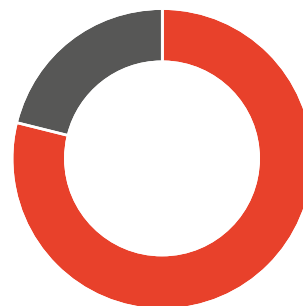
REVENUE BREAKDOWN FY2018

- CONTAINER SERVICES
63%
- BULK CARGO
32%
- CRUISE
3%
- OTHER INCOME
2%



EXPORT / IMPORT SPLIT FY2018, BY WEIGHT

- EXPORTS
79%
- IMPORTS
21%



⁴ StatsNZ, nominal gross regional product for the year-ended Mar 2018.

⁵ Deloitte Freight Yearbook 2019.

Our growth over the last 10 years has resulted in a strategic upgrade of certain infrastructure being required so that we can support ongoing growth and customer service standards. This includes plans to develop the new 6 Wharf (which has received all resource consents expected to be required) shortly after completion of the Offer and a third tugboat due to be operational by the end of 2019.

Napier Port Holdings will be the parent company of the Group and its shares will be listed on the NZX Main Board on completion of the Offer. Napier Port Holdings is currently a wholly owned subsidiary of HBRIC, the investment arm of the Council. Port of Napier is the operating company of the Group and will be acquired by Napier Port Holdings prior to Listing pursuant to the Acquisition

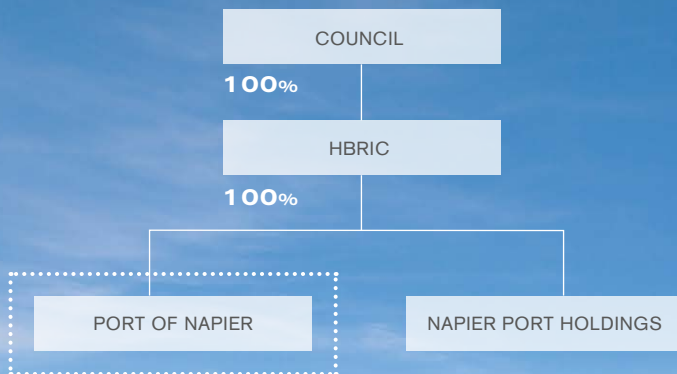
Agreement. Upon the issuance of Offer Shares by Napier Port Holdings under the Offer, HBRIC's shareholding in Napier Port Holdings will be diluted from 100% to 55%.

For further information on the Acquisition Agreement, see Section 2.20 (*Other material governance disclosures – Acquisition Agreement*) and the document titled "Other material information" on the Offer Register.

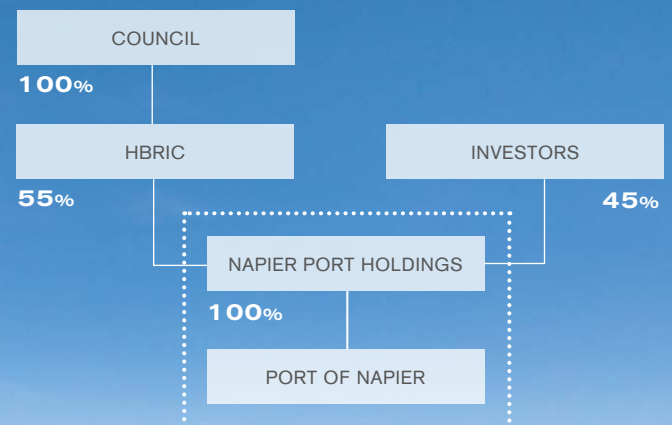
See Section 8 (*Risks to Napier Port's business and plans – Major Shareholder risk*).

PRE AND POST OFFER OWNERSHIP STRUCTURE

PRE-OFFER STRUCTURE

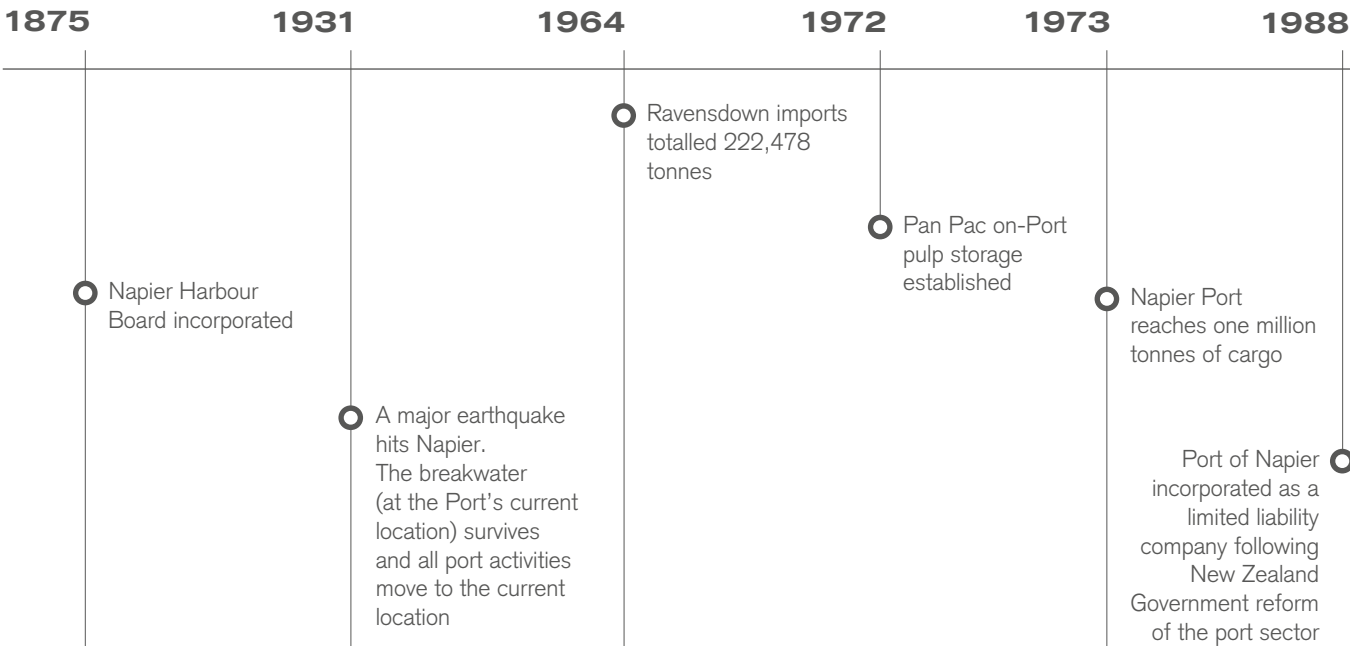


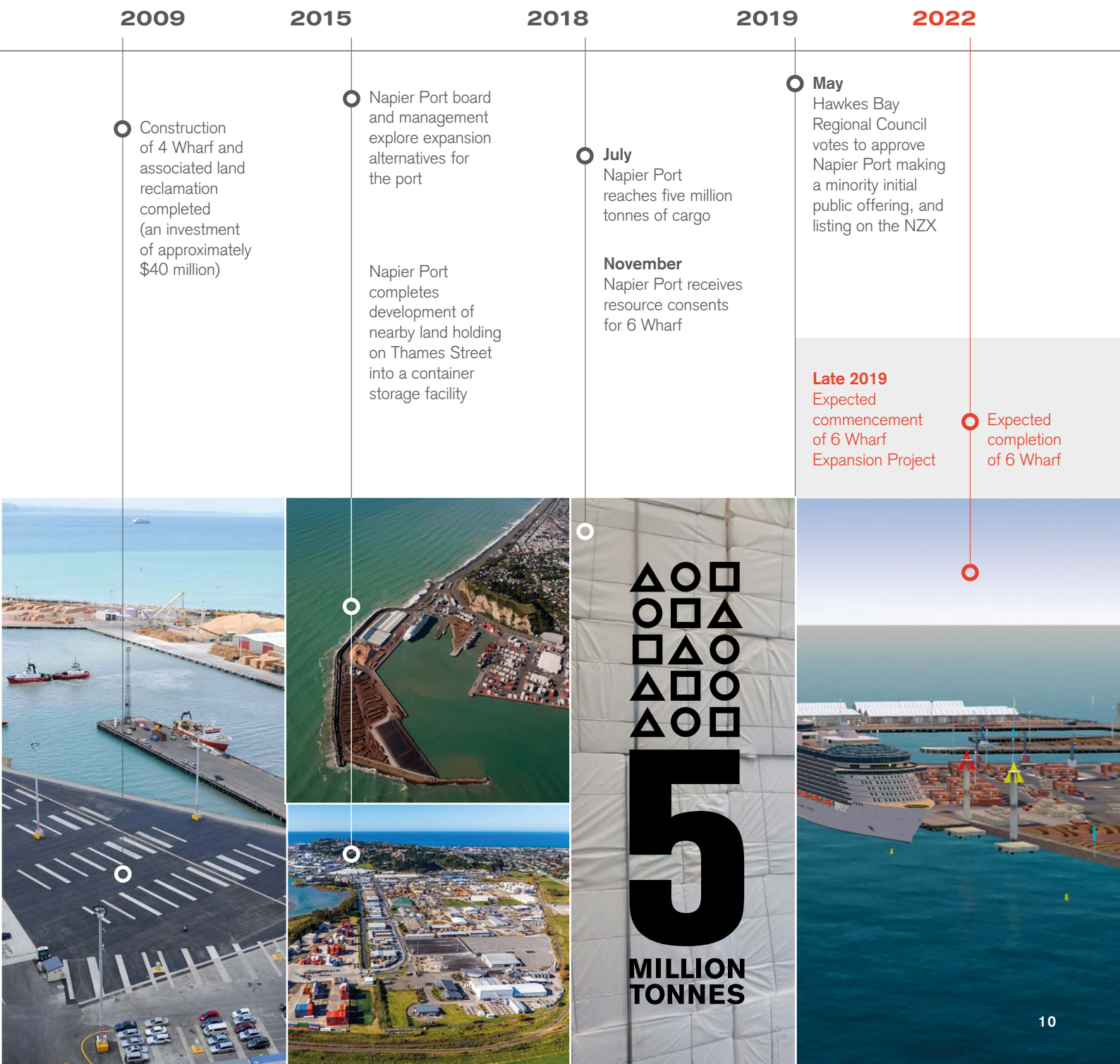
POST-OFFER STRUCTURE



2.2
OUR HISTORY

Napier Port is a longstanding and established business, originating in 1875. Our purpose is to build a thriving region by connecting our customers, people and community to the world.





2.3

KEY BUSINESS STRENGTHS

1 | LONG-TERM INFRASTRUCTURE ASSET

- Napier Port is an established long-term infrastructure asset that provides a key gateway linking Hawke's Bay and its surrounding regions to global markets.
- The majority of our exporters are located within 100 kilometres of the Port, providing a nearby, cost effective route to market.
- The Port is positioned on New Zealand's main shipping route with core national rail and road network connectivity.
- A number of the world's largest shipping lines regularly call at the Port.

KEY INFRASTRUCTURE METRICS:

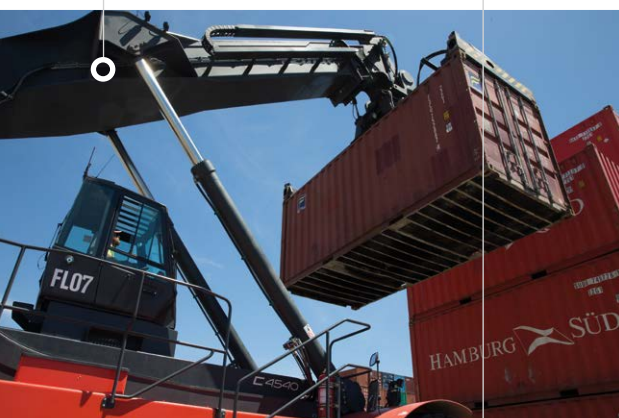
○ 35 heavy container handling machines

○ 5 existing wharves (1.67 kilometres total length)

○ 6 mobile harbour cranes

○ 50 hectares of on-site port land

○ 1,000+ connection points for refrigerated cargo



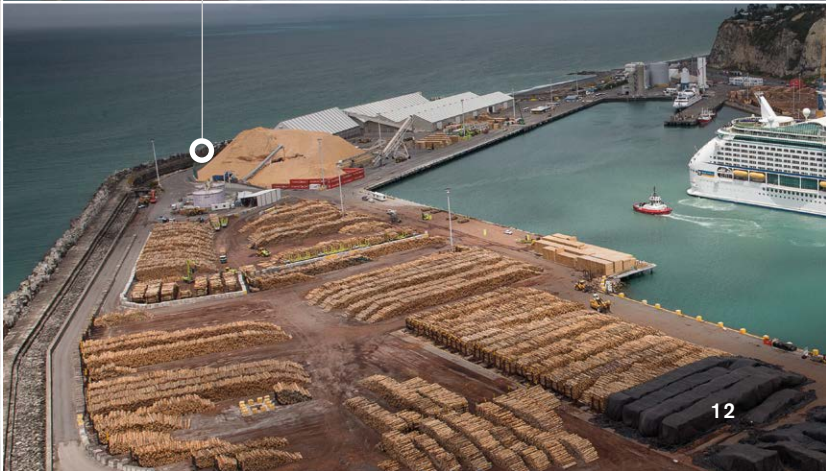
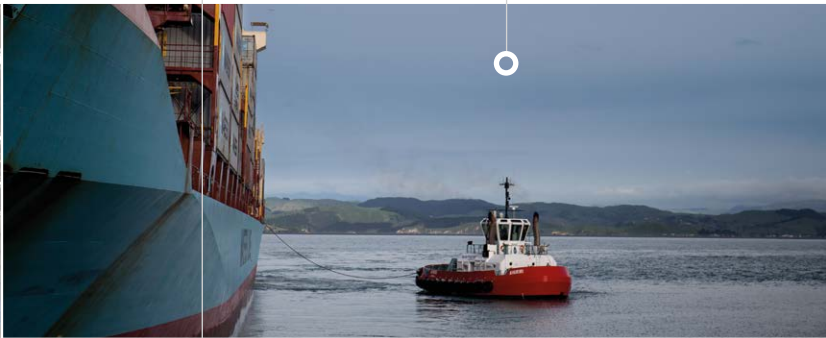


○ 36,607 square metres of warehousing

○ 16 hectares of dedicated container terminal space

○ 10 hectares of dedicated log storage space

○ 2 tugboats with a third tugboat due to be operational by the end of 2019



2.3

KEY BUSINESS STRENGTHS

2 | SUPPORTIVE REGIONAL ECONOMIC GROWTH DRIVERS

- Napier Port's 6.5% compound annual growth in combined export and import cargo throughput (by weight) over the last 10 years has been primarily driven by trade destined for, or originating from, Hawke's Bay and its surrounding regions.
- Hawke's Bay is an \$8.1 billion⁶ economy which has experienced 4.4%⁶ compound annual growth in its gross regional product over the last 10 years. It produces some of New Zealand's main primary sector commodities, having approximately 61%⁷ of New Zealand's total planted area of pipfruit and approximately 8%⁸ of New Zealand's total planted forest area.
- Hawke's Bay's growing profile as a tourism destination has supported growth in cruise ship visits through the Port, a trend that is expected to continue into the 2019/2020 cruise season.

For further information on Hawke's Bay, see Section 2.4 (*Our region*).

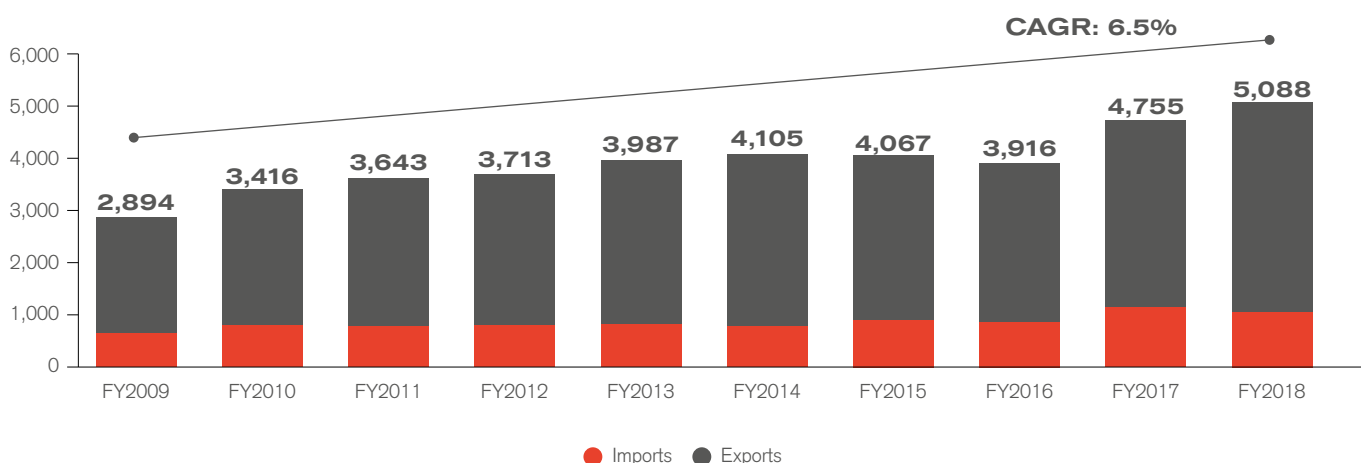


61%
OF NEW ZEALAND'S
TOTAL PLANTED
PIPFRUIT AREA⁷



8%
OF NEW ZEALAND'S
TOTAL PLANTED
FOREST AREA⁸

NAPIER PORT THROUGHPUT FY2009 TO FY2018, 000 TONNES



⁶ StatsNZ; nominal gross regional product for the year ended March 2018; compound annual growth of nominal gross regional product for the years ended March 2009 to March 2018.

⁷ Hawke's Bay Regional Council - Regional Pest Management Plan 2018 - 2038.

⁸ The Ministry of Primary Industries, Te Uru Rakau, the New Zealand Farm Forestry Association and the New Zealand Forest Owners Association - National Exotic Forest Description as at 1 April 2018.

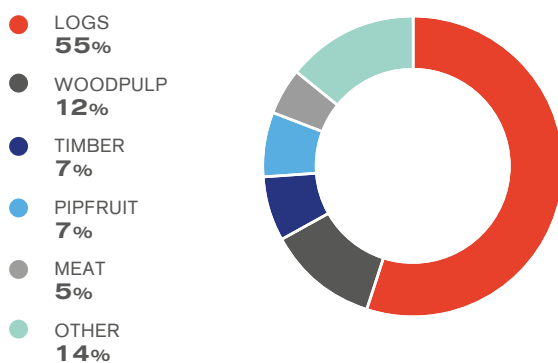
3 | DIVERSIFIED TRADE PORTFOLIO

- We are primarily export focused (with exports making up 79% of all cargo by weight processed through the Port in FY2018) but imports also contribute to our diversified trade portfolio.
- A number of different revenue streams across container services, bulk cargo, cruise and other income.
- Over 30 export and import commodity products are handled through the Port.

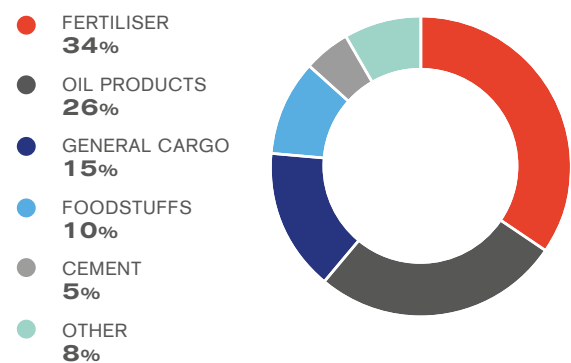
For further information, see Section 2.6 (*Our operations*).



NAPIER PORT EXPORT PRODUCT MIX
FY2018, BY WEIGHT



NAPIER PORT IMPORT PRODUCT MIX
FY2018, BY WEIGHT



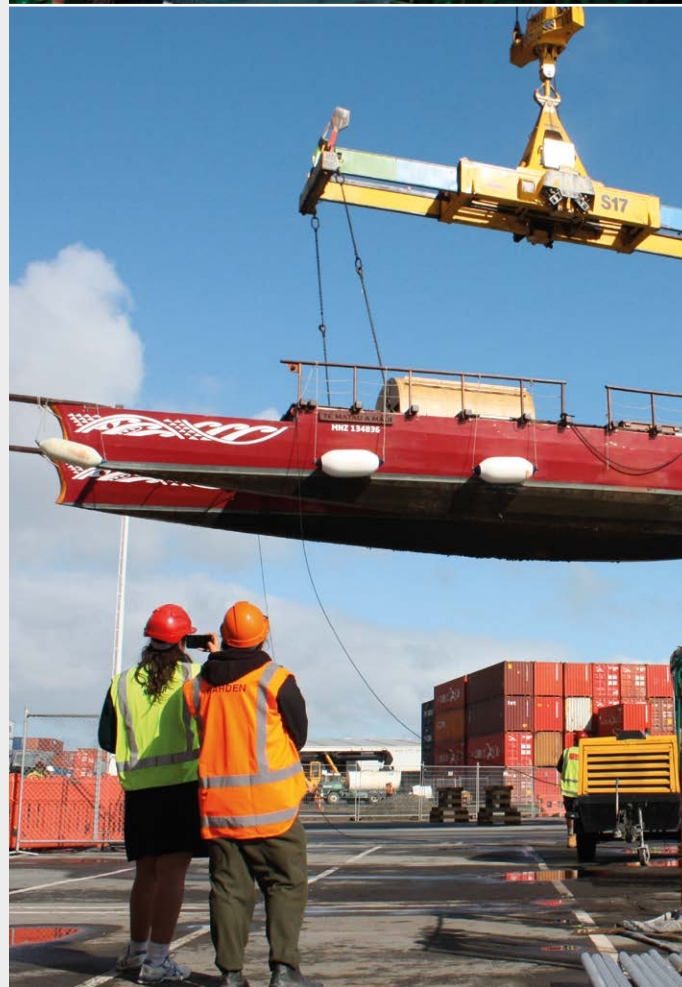
2.3

KEY BUSINESS STRENGTHS

4 | STRONG RELATIONSHIPS WITH OUR CUSTOMERS, PEOPLE AND COMMUNITY

- We have formed partnerships with a wide range of cargo owner customers over many years, integrating ourselves into their supply chains. These include providing port services for over forty years to each of Pan Pac (a forestry products business) and Ravensdown (a fertiliser business). For examples of such partnerships, see Section 2.10 (*Strategic case studies*).
- We work hard to maintain relationships with a number of global shipping lines in order to provide a range of options for our cargo owner customers. We currently have ten international container shipping lines operating through the Port, across six scheduled weekly services. See Section 2.9 (*Industry overview – Shipping line relationships*).
- We maintain collaborative relationships with our customers, people, unions, local iwi and central and local government.
- We recognise and respect the importance of the local and wider Hawke's Bay community to us. We acknowledge:
 - the need to generate trust and support in our operation of the Port;
 - the benefit our customers receive from their use of local infrastructure, including roads; and
 - our role in supporting Hawke's Bay and its surrounding regions.
- Napier Port has a sponsorship programme that supports community initiatives, sporting events and environmental projects, including the Napier Port Hawke's Bay Primary Sector Awards, the Napier Port Harbour to Hills multi-sport event and the Waitangi-Lower Tūtaekuri Wetland.

For further information on our values and our engagement with the Hawke's Bay community, see Section 2.11 (*Culture of care*).





WE MAINTAIN COLLABORATIVE RELATIONSHIPS

with our customers, people, unions,
local iwi and central and local government.

2.3

KEY BUSINESS STRENGTHS

5 | 6 WHARF EXPANSION PROJECT



- 6 Wharf is a long-term solution which will enable us to capitalise on future growth opportunities and continue to support our customers, and therefore Hawke's Bay and its surrounding regions.
- Benefits include reduced congestion, an ability to handle larger vessels and growth in cruise ship demand, extending the Port's capacity to handle container vessels, an ability to provide 24-hour berthing of larger container vessels and increased operational agility and resilience.
- HEB, which is a member of the VINCI Group (as part of the VINCI Construction International Network), has been engaged as the main construction contractor so that the project can commence shortly after completion of the Offer.

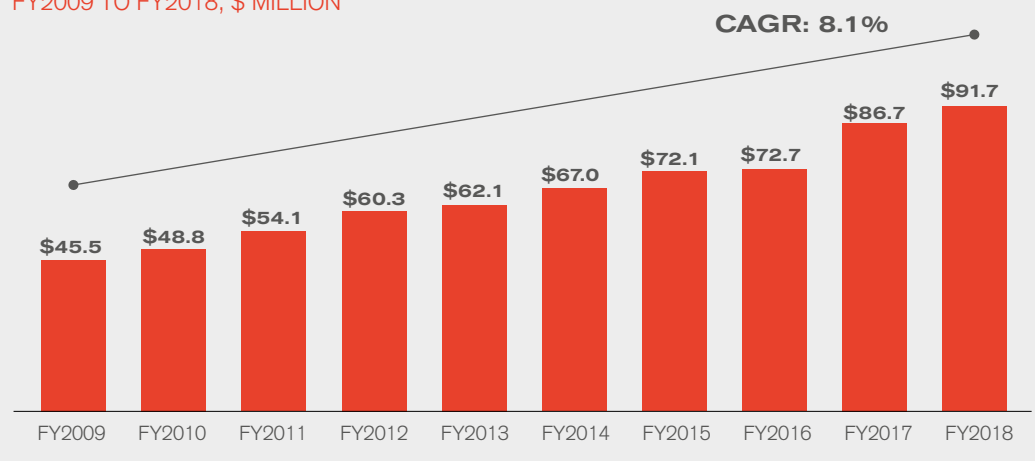
For further details in relation to the 6 Wharf expansion project, see Section 2.7 (6 Wharf expansion project) and Section 8 (Risks to Napier Port's business and plans – 6 Wharf construction risk).

6 | STABLE GROWTH

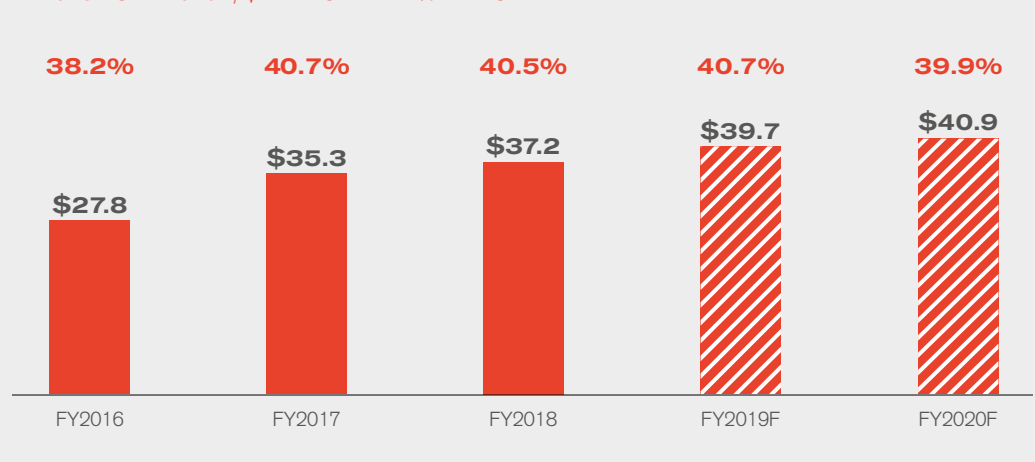
- Napier Port has delivered compound annual revenue and EBITDA growth of 8.1% and 8.7% respectively, over the last ten years (FY2009 – FY2018).
- Forecast to deliver compound annual revenue growth of 5.7% from FY2018 – FY2020F and consistent Pro forma EBITDA margins of approximately 40% in FY2019F and FY2020F.
- Forecast to deliver a gross dividend yield of between 4.0% and 4.6% in FY2020F.

For further information, see Section 6.2 (*Dividend policy*) and Section 7 (*Napier Port's financial information*).

NAPIER PORT REVENUE
FY2009 TO FY2018, \$ MILLION



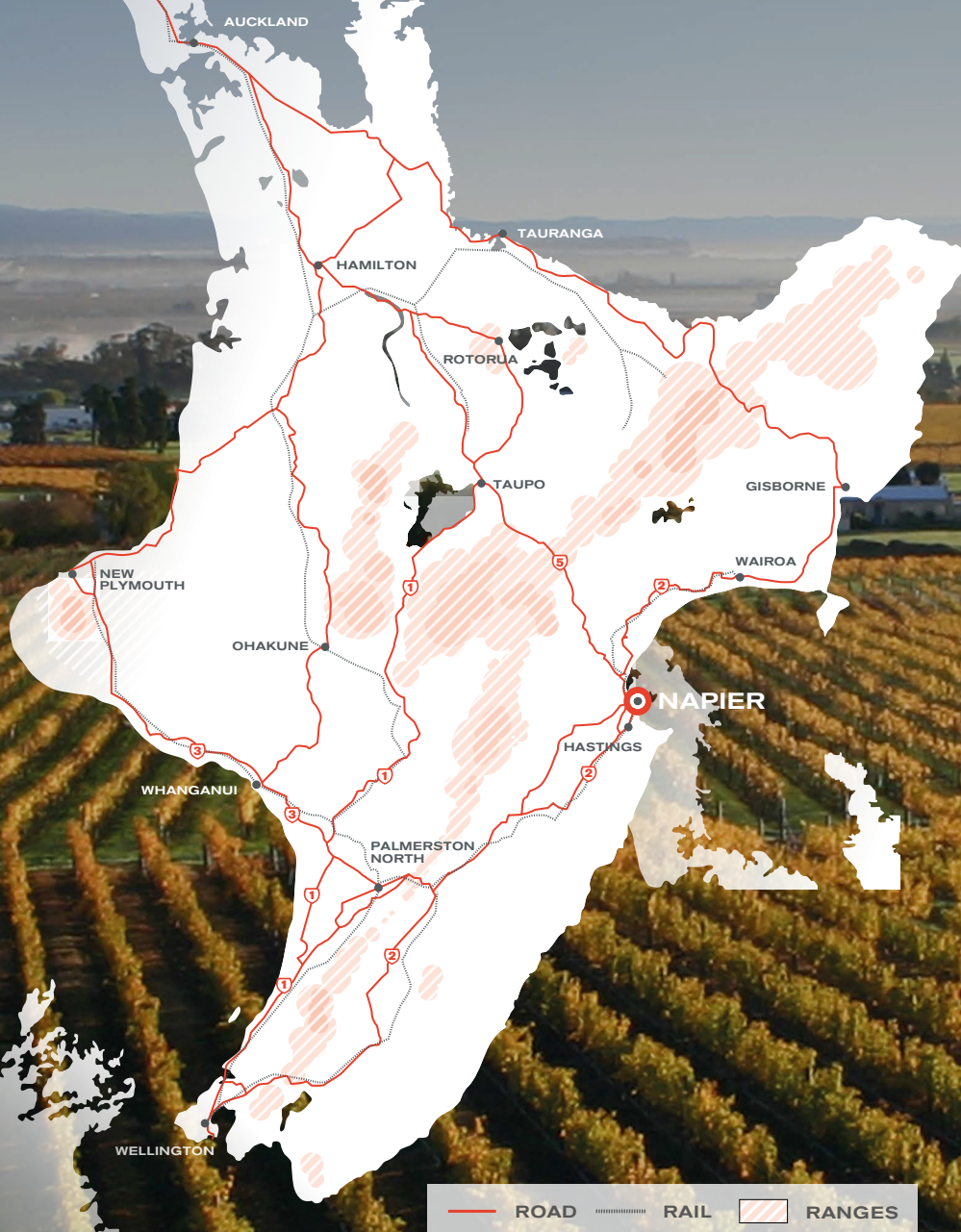
NAPIER PORT PRO FORMA EBITDA
FY2016 TO FY2020F, \$ MILLION AND % MARGIN



2.4

OUR REGION

The Hawke's Bay region is a major producer, processor and exporter of primary products including logs, forestry products, pipfruit, vegetables, meat and wine. For the year ended 31 March 2018, primary produce represented 12.2%⁹ of Hawke's Bay gross regional product by value, compared to the national average of 6.7%⁹.



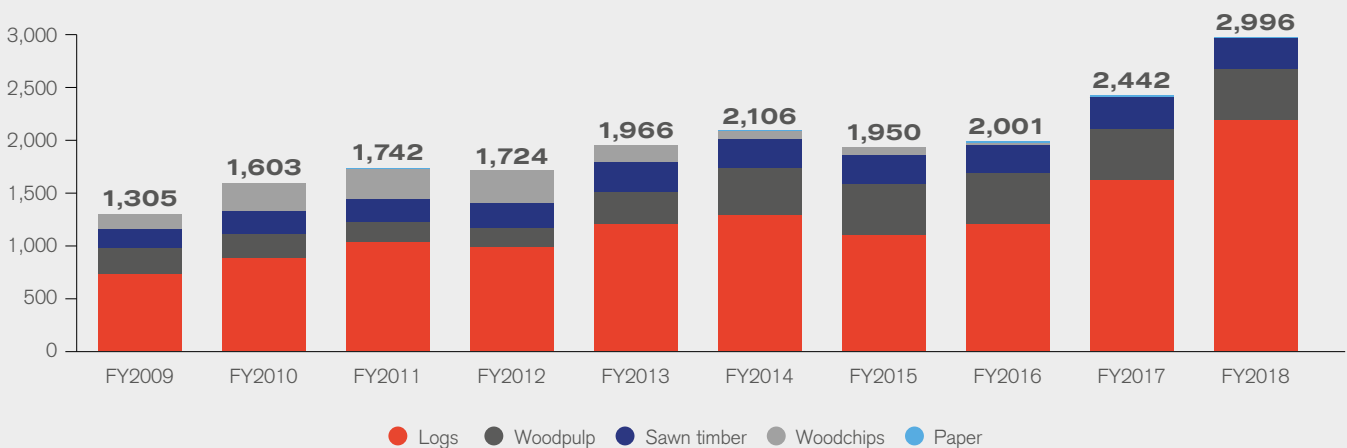
HAWKE'S BAY IS A KEY PLAYER IN NEW ZEALAND'S FORESTRY INDUSTRY

- Hawke's Bay has approximately 134,000 hectares¹⁰ of planted forests (approximately 8% of New Zealand's total planted forest area) and its forestry exports represent approximately 11%¹¹ of New Zealand's total forestry exports.
- Forestry harvests in Hawke's Bay have increased in volume over recent years, and are expected to further increase over approximately the next five years due to the significant programme of tree planting carried out in the mid-1990s coming to maturity. Trees (predominantly *pinus radiata*) are typically harvested 25 to 30 years after planting. The increased volumes experienced in recent years are expected to reduce in accordance with the planting and harvest profile after this next five year period.

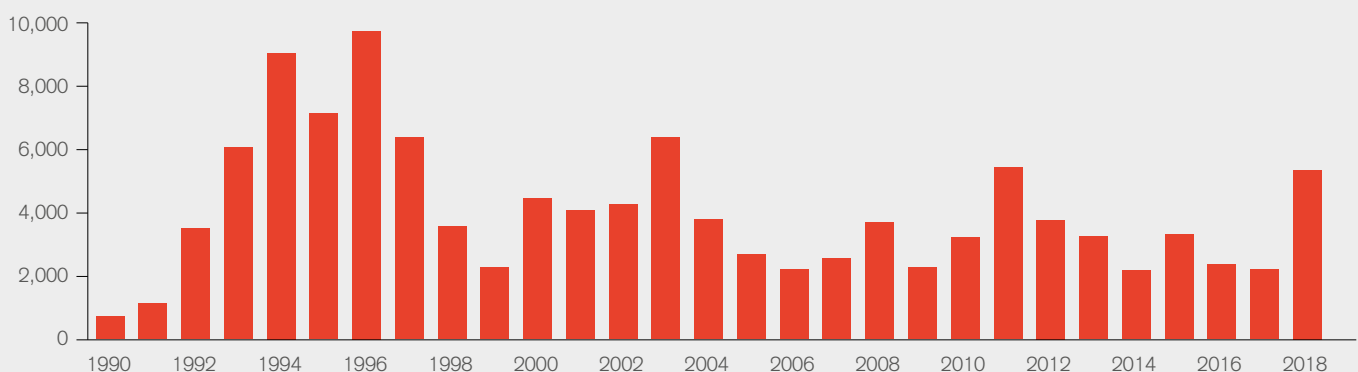
- Demand for log exports from New Zealand has grown over recent years mainly due to growth in the Chinese construction industry.¹²
- The Port is conveniently located for both cargo owners and shipping lines and is an export gateway for logs and forestry products from Hawke's Bay, as well as for some areas in the surrounding regions.
- An increase in Hawke's Bay forestry harvest volumes has contributed to the growth in the volume of forestry products cargo exported through the Port from approximately 1.3 million tonnes in FY2009 to approximately 3.0 million tonnes in FY2018.

See Section 8 (*Risks to Napier Port's business and plans – Forestry sector risk*).

NAPIER PORT FORESTRY PRODUCT EXPORT COMPOSITION FY2009 TO FY2018, 000 TONNES



HAWKE'S BAY FORESTRY PLANTING 1990 TO 2018, HECTARES



Source: Forre Forest Industry Consultants.

⁹ Infometrics, 2018 Annual Economic Profile, Hawke's Bay; Year ended March 2018. Primary produce defined as agriculture, forestry, fishing and mining.

¹⁰ Ministry for Primary Industries, Te Uru Rakau, the New Zealand Farm Forestry Association and the New Zealand Forest Owners Association - National Exotic Forest Description as at 1 April 2018.

¹¹ Ministry of Transport (Freight Information Gathering System); 2018.

¹² Ministry for Primary Industries. Situation and outlook for primary industries, June 2019.

2.4

OUR REGION

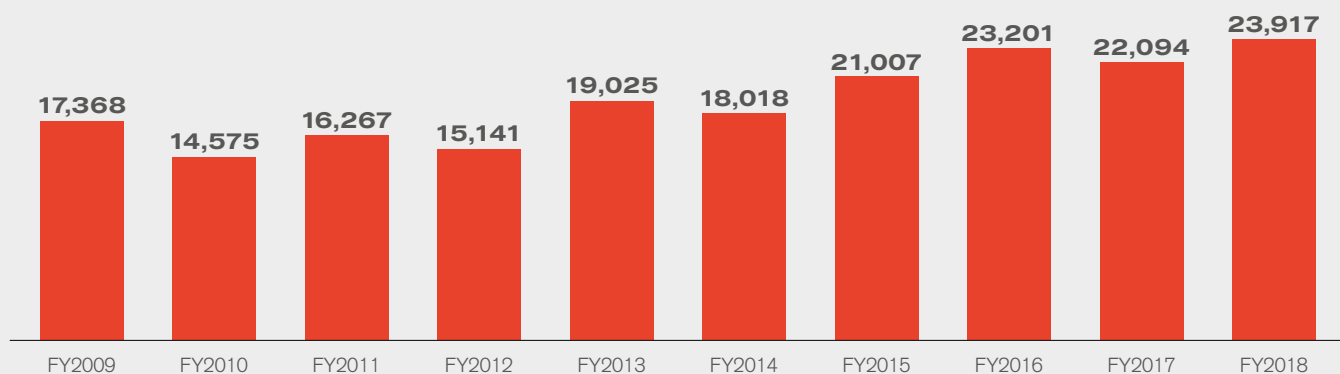
HAWKE'S BAY IS NEW ZEALAND'S LARGEST APPLE AND PEAR (PIPFRUIT) PRODUCER

- Hawke's Bay is New Zealand's main pipfruit producing region, with a total planted area of approximately 6,000 hectares¹³ of pipfruit, representing approximately 61% of New Zealand's total planted area of pipfruit.¹³
- Apples are New Zealand's third largest horticultural export by value (following kiwifruit and wine).¹⁴
- New Zealand apple orchards are yielding an average of approximately 61 tonnes/hectare¹⁴, assisted by the adoption of new growing strategies and technologies by local growers. The global average yield for apple producing countries is approximately 23 tonnes/hectare.¹⁵

- It is anticipated that approximately one million apple trees will be planted in New Zealand in 2019, with at least two thirds of those plantings in Hawke's Bay.¹⁶
- The Port is the most conveniently located export gateway for Hawke's Bay pipfruit, given the close proximity of Hawke's Bay's orchards to the Port and the need to quickly export the fruit following harvest.
- An increase in Hawke's Bay pipfruit harvest volumes has contributed to the growth in pipfruit cargo exported through the Port from 17,368 TEUs in FY2009 to 23,917 TEUs in FY2018.
- Napier Port has invested in purpose-built refrigerated container stacking towers to increase on-Port capacity for pipfruit and other perishable goods and to support product quality requirements for those goods.

Section 8 (*Risks to Napier Port's business and plans – Biosecurity risk*).

NAPIER PORT PIPFRUIT EXPORTS FY2009 TO FY2018, TEUs



¹³. Hawke's Bay Regional Council - Regional Pest Management Plan 2018 - 2038.

¹⁴. FreshFacts 2018, The New Zealand Institute for Plant & Food Research Ltd.

¹⁵. FreshFacts 2018, The New Zealand Institute for Plant & Food Research Ltd. Global average yield based upon 33 countries.

¹⁶. Apples & Pears New Zealand.

61%¹³

OF NEW ZEALAND'S
TOTAL PLANTED AREA
OF PIPFRUIT IS IN THE
HAWKE'S BAY REGION

2.5

OUR STRATEGY

Our strategy will guide how we manage our assets (see Section 2.7 (6 Wharf expansion project)), work with our customers to improve their supply chains (see Section 2.10 (Strategic case studies)) and engage our people (see Section 2.11 (Culture of care)).

OUR STRATEGY

OUR PURPOSE

TOGETHER WE BUILD A THRIVING REGION BY
CONNECTING OUR CUSTOMERS, PEOPLE AND
COMMUNITY TO THE WORLD

FOCUS AREAS



CUSTOMER
CONNECTION



HARNESS DATA
& TECHNOLOGY



NETWORKED
INFRASTRUCTURE



COLLABORATIVE
PARTNERSHIPS

OUR FOUNDATION



CULTURE OF CARE

OUR FOCUS AREAS



CUSTOMER CONNECTION

- Develop close customer relationships that help us to identify opportunities to deliver innovative logistics solutions and integrate us into our customer supply chains, with our business model extending beyond the Port gate.
- Use insights gained from these connections to inform our investment decisions, both on and off the Port.



NETWORKED INFRASTRUCTURE

- Connect our customers' cargo to market with an established and growing infrastructure network, operating as an integrated and intelligent system.
- Enhance our reach across our catchment area, and provide opportunities to develop further customer solutions, including through our off-Port sites, including the Thames Street container depot and Whakatu land holding.



HARNESS DATA AND TECHNOLOGY

- Capture data from customer supply chains and operations to deliver productivity gains for customers and Napier Port.
- Develop innovative technologies that create efficiencies for our customers and our Port operations.



COLLABORATIVE PARTNERSHIPS

- Work to develop collaborative partnerships with people and organisations, particularly those within the Hawke's Bay region, with shared interests and aspirations to support our efforts to build a thriving region.
- Support our local community and the environment.

OUR FOUNDATION



CULTURE OF CARE

- Support our strong and resilient culture which encourages care for our people, the local community and the environment. This 'Culture of Care' is the foundation of our strategy and is pivotal to achieving our goals. See Section 2.11 (*Culture of care*).

2.6

OUR OPERATIONS

We generate revenue by providing port and logistics services, with core revenue streams arising from container services, bulk cargo and cruise.

Napier Port's on-site operations include marine, handling and value-add services. Supporting our operations, we have a team of engineers, electricians, carpenters and technicians that maintain and service the Port's infrastructure.

PORT ACTIVITIES

CONTAINERS

- We handled over 260,000 TEUs in FY2018, across a diverse range of dry and refrigerated cargo and empty containers
- Exports represented approximately 80%¹⁷ of our container trade (by TEU) in FY2018

¹⁷ Excluding empty and other container movements.

BULK CARGO

- We handled over three million tonnes of bulk cargo in FY2018
- Exports represented 78% of our bulk cargo trade (by weight) in FY2018

CRUISE

- We welcomed 70 cruise ships and over 115,000 cruise passengers in the 2018 / 2019 cruise season

MARINE SERVICES

- Marine services include pilotage (ships being guided through the channel by our pilots), towage (manoeuvring vessels by tugboat) and berthing and mooring services
- Marine services revenue is based on a fixed all-in fee depending on the vessel's length



HANDLING SERVICES

- We conduct handling services for containers, which involve all container movements between the entrance gate and the vessel
- Handling services for bulk cargo are predominantly conducted by external service providers and involve all cargo movements between the entrance gate and the vessel
- We contract with an external stevedoring company, which provides on-board stevedore services (guiding and lashing containers onto vessels)

VALUE-ADD SERVICES

We have implemented a range of value-add services to grow our service offering, integrate us into the supply chains of our customers and attract new customers, in particular from surrounding regions. These services include Port Pack (an on-site container packing and unpacking facility operated by Napier Port) and depot services (surveying, cleaning, repairing, pre-trip inspections and storage of containers)

OTHER ON-SITE SERVICES

Other services provided on-site include the leasing of four hectares of Port space to bulk cargo owners for storage purposes and the provision of Port space for external providers to offer log fumigation services (Napier Port is one of only three ports in New Zealand which offers this)



2.6

OUR OPERATIONS

CONTAINERS

EXPORT-DRIVEN DIVERSIFIED TRADE

Our container trade is predominantly export driven (accounting for approximately 80%¹⁸ of our container trade by TEUs in FY2018), and consists of a diverse range of primary produce, including forestry products, pipfruit and meat.

Our service offering includes marine, handling and value-add services such as depot services, Port Pack and empty container storage at the Thames Street container depot.

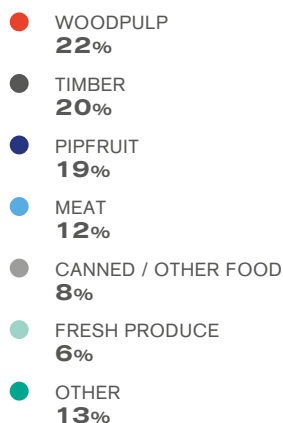
Approximately 40% of our exported containers by TEU are refrigerated containers (reefers) carrying perishable primary products. Reefer exports are high-value cargo to global shipping lines, which assists in encouraging shipping lines to call at the Port.

A significant portion of containers imported through the Port are empty containers required by regional exporters (constituting approximately 75% of all TEU imported through the Port in FY2018).

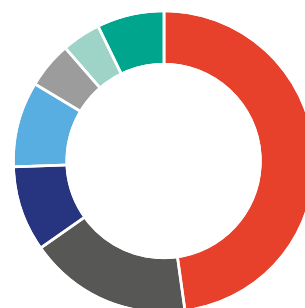
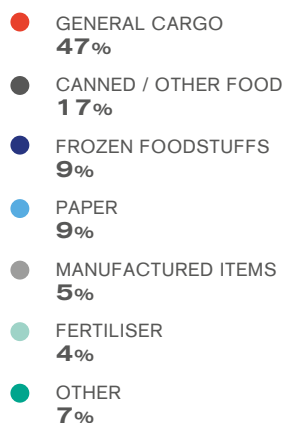
Increasing the proportion of imported TEUs containing goods provides us with a potential future opportunity to grow our position as an import gateway, improve our revenue and provide two-way income for shipping lines.

Our ability to service larger container vessels is currently constrained at the Port. The planned new 6 Wharf will extend the Port's container vessel operating capability and capacity. For further information in relation to the 6 Wharf expansion project, see Section 2.7 (6 Wharf expansion project) and Section 8 (Risks to Napier Port's business and plans – 6 Wharf construction risk).

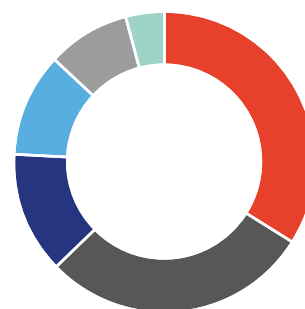
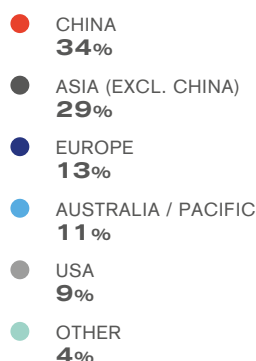
CONTAINERS – EXPORT PRODUCT MIX
FY2018, BY TEU¹⁸



CONTAINERS – IMPORT PRODUCT MIX
FY2018, BY TEU¹⁸

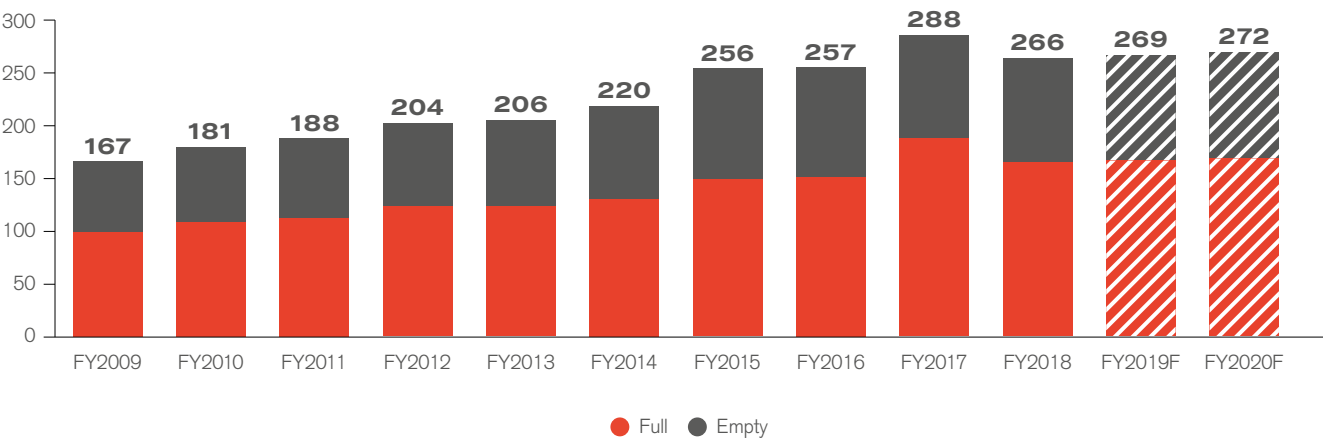


CONTAINERS – EXPORT DESTINATION MIX
FY2018, BY TEU¹⁸



¹⁸ Excluding empty and other container movements.

CONTAINER VOLUMES
FY2009 TO FY2020F, 000 TEUs



Note: Full container includes DLRs; Increase in FY2017 container volumes partially due to the impact of the Kaikoura earthquake on CentrePort Wellington.



2.6

OUR OPERATIONS

BULK CARGO
LOGS DRIVE CARGO VOLUMES

The principal bulk cargo exports through the Port are log and forestry products, while the principal bulk cargo imports are fertiliser, petrochemicals and cement.

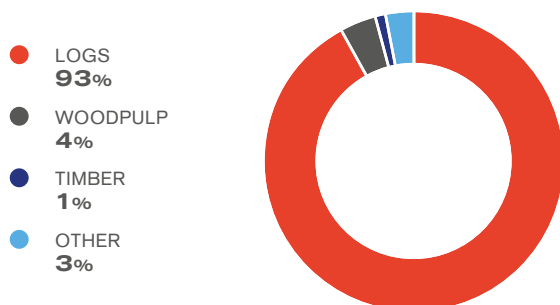
We maintain close relationships with cargo owners, including three forestry estates, eight logging exporters and more than 10 general cargo producers and importers.

Our service offering to bulk cargo owners includes marine services, handling services and log fumigation facilities with some services

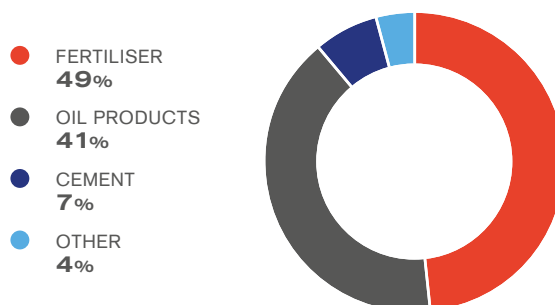
provided by third-party providers. In addition, we lease sheds, silos and tanks (or the ground on which such structures are affixed) to bulk cargo owners.

Logs account for a significant portion of our total bulk cargo throughput (72% by weight in FY2018). Logs represent an opportunity for increased trade for us over approximately the next five to ten years as forests planted in the mid-1990s in Hawke's Bay and surrounding regions mature for harvest and potential export as they approach 25-30 years since planting.

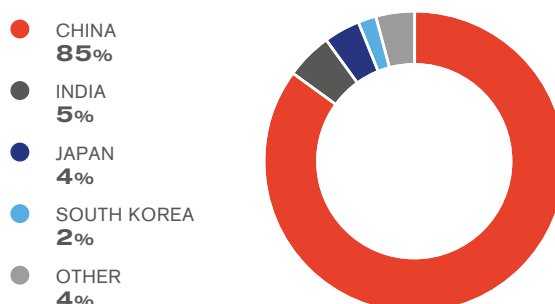
BULK CARGO – EXPORT PRODUCT MIX
FY2018, BY WEIGHT



BULK CARGO – IMPORT PRODUCT MIX
FY2018, BY WEIGHT

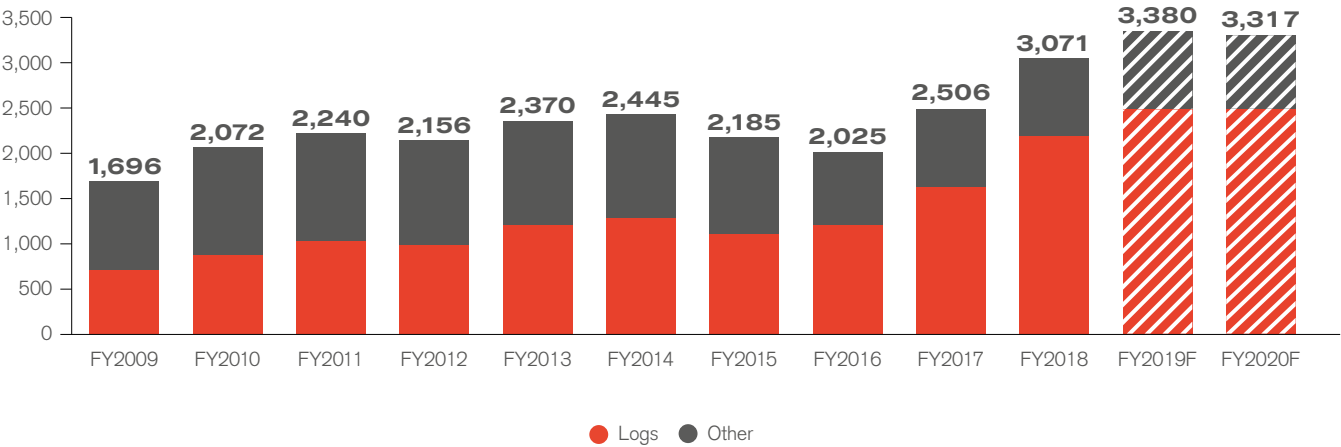


BULK CARGO – EXPORT DESTINATION MIX
2018, BY WEIGHT¹⁹



¹⁹ Ministry of Transport (Freight Information Gathering System), 2018.

BULK CARGO VOLUMES
FY2009 TO FY2020F, 000 TONNES



2.6

OUR OPERATIONS

CRUISE

HAWKE'S BAY IS A POPULAR TOURIST DESTINATION

Hawke's Bay offers a wide range of tourist attractions including vineyards and wineries, golf courses, festivals, museums, and restaurants as well as Napier's renowned Art Deco architecture.

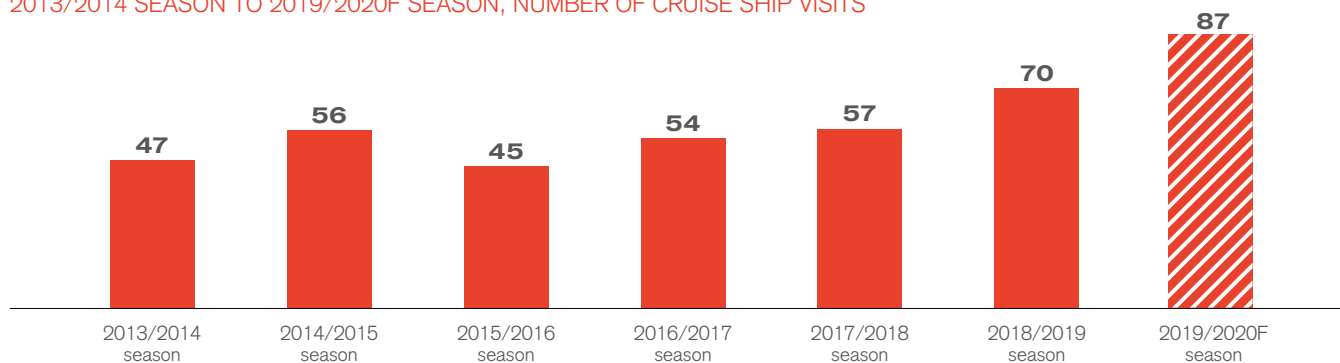
We are the gateway to the Hawke's Bay region for the growing number of cruise visits and we are one of the key ports of call for cruise ships in New Zealand. Cruise tourism has grown in popularity over recent years. Globally, the number of people taking cruises increased from 24.7 million in the year ended 31 December 2016 to 28.5 million²⁰ in the year ended 31 December 2018 (7.7% CAGR). The number of cruise visitors to New Zealand has grown from approximately 237,000 in the year ended 30 June 2016 to approximately 259,000 passengers in the year ended 30 June 2018 (4.6%²¹ CAGR).

In the 2018/2019 cruise season, we hosted over 115,000 passengers on 70 cruise ship calls, including six visits from Ovation of the Seas (a 348-metre cruise ship which can hold approximately 4,900 passengers), the largest cruise ship visiting New Zealand waters.

Based on advanced cruise ship bookings, the number of cruise ship calls to the Port is forecast to increase to approximately 87 for the 2019/2020 cruise season. Cruise lines typically book up to two years in advance, providing visibility for capacity planning and financial forecasting purposes. Our ability to service the growing demand for cruise ship visits is currently constrained by congestion and 6 Wharf will relieve some of this congestion (see Section 2.7 (6 Wharf expansion project)).

CRUISE SHIP VISITS

2013/2014 SEASON TO 2019/2020F SEASON, NUMBER OF CRUISE SHIP VISITS



²⁰ Cruise Industry Ocean Source Market Report: Australia 2016 & New Zealand 2018.

²¹ Stats NZ; Unique cruise passengers to New Zealand (number of passengers), 30 June 2016 to 30 June 2018.





OFF-SITE SERVICES

We have developed certain off-site services and opportunities to develop further customer solutions:

- 11.6 hectares of off-site container storage capacity at nearby Thames Street container depot.
- 12.3 hectares of off-Port land holding in nearby Whakatu held for the purposes of potential development into an off-site port facility, providing us with an opportunity to expand our storage capacity.
- a 1.9 hectare container yard and a warehousing facility at the Manawatu Inland Port which is connected by rail and road across the lower North Island through to the Port.

EMPLOYEES²²

Labour represents a significant cost in our business, making up approximately 50% of operating expenses for FY2018.

We employ over 280 people of which approximately 76% are directly involved in container, bulk cargo and cruise operations and handling. Approximately 30% of our employees have been with Napier Port for over 10 years.

Approximately 70% of our employees are party to collective employment agreements across three different unions. The most significant union by number of employees is the Rail and Maritime Transport Union (RMTU) (covering 156 employees). Napier Port will be required to negotiate a new collective employment agreement with the RMTU, with the current agreement expiring on 30 September 2019.

We have not experienced any industrial action for more than 10 years, which we believe is a reflection of the importance we place on healthy engagement with our people and the collaborative relationships we endeavour to maintain with the unions represented at Napier Port. Napier Port has a predominantly unionised workforce, whose unions and their members are afforded a number of rights and obligations under the Employment Relations Act 2000.

²² Information as at 31 March 2019.

2.7

6 WHARF EXPANSION PROJECT

**2022
TARGET
COMPLETION
DATE**

The 6 Wharf expansion project will enable us to address current operational constraints, capitalise on future growth opportunities and continue to support our customers, and therefore Hawke's Bay and its surrounding regions. The project is planned to commence at the end of 2019 and, on the basis of this commencement date, is expected to be completed in 2022. There are risks associated with the 6 Wharf expansion project – see Section 8 (*Risks to Napier Port's business and plans – 6 Wharf construction risk*).

6 Wharf will be a multi-purpose 350 metre length wharf, planned to be located along the northern face of the existing container terminal. The 6 Wharf expansion project includes a dredging programme which will create a new vessel turning area. The project has received all resource consents expected to be required, with other construction related consents such as building consents still to be obtained.

The key operational benefits of the 6 Wharf expansion project include:

- Reduced congestion: 6 Wharf will improve operating efficiency by reducing secondary vessel movements (temporarily moving vessels off wharves to accommodate other vessels) by an estimated 100 movements per year
- Ability to handle larger vessels: 6 Wharf will be able to handle container ships up to 320 metres in length and cruise ships up to 360 metres in length
- Extending the Port's container vessel capacity
- Allowing berthing for larger container vessels 24-hours per day
- Operational agility: 6 Wharf will be used for both container and cruise ships, and will be capable of supporting twin lift gantry cranes if required in the future
- Operational resilience: 6 Wharf's design improves the Port's potential resilience to a significant seismic event

There will be an impact on our operations during the period that 6 Wharf is under construction, principally through the reduction of the operational area for the existing container terminal. We are managing this risk through the development of detailed plans for capacity management and expected traffic movements, health and safety management planning and through the ability in the Construction Contract to prioritise shipping operations by temporarily suspending construction works. To create more space at our main port site we are planning to move components of the empty container depot service operation to our Thames Street site. However, there are still risks that 6 Wharf expansion project may have to our operations – see Section 8 (*Risks to Napier Port's business and plans – 6 Wharf construction risk*).



HEB has been engaged as the main construction contractor and Beca Group has been engaged to provide design and engineering services. HEB has been engaged pursuant to the binding Letter Agreement, which entitles Napier Port to require HEB to execute the Construction Contract within a specified timeframe and then commence carrying out the contract works under and in accordance with the Construction Contract. The Letter Agreement sets out the contract price for the construction, dredging and related works. The contract price is subject to finalisation based on certain fuel price movements, currency fluctuations and steel pricing as well as agreed changes arising from value engineering undertaken in accordance with the Letter Agreement. Once the Construction Contract is executed, the contract price is fixed other than in respect of certain measure and value items and also subject to cost fluctuation for fuel pricing (unless Napier Port elects to supply the fuel). A more detailed summary of the Letter Agreement and the Construction Contract is available on the Offer Register – see section 3.4 (*Material contracts – Summary of Letter Agreement and Construction Contract*) of the document titled "Other material information".

**350
METRES
LENGTH**

**\$173M –
\$190M
ESTIMATED
COST**



The 6 Wharf expansion project is estimated to cost \$173–190 million, excluding capitalised interest and overheads. The expected project cost includes the costs provided for under the Construction Contract with HEB (approximately \$147 million), other costs directly associated with the project (for example, mooring system procurement, engineering, project management and environmental) and an estimate of specific and overall project contingencies. The investment meets Napier Port's internal long-term return thresholds.

The net proceeds from the Offer received by Napier Port will be used to pay down existing debt and provide capital structure capacity to fund the 6 Wharf expansion project through Napier Port's cash on balance sheet and new debt facilities (see Section 2.8 (*Capital management*) and Section 3 (*Purpose of the Offer*)).

2.8

CAPITAL MANAGEMENT



Napier Port's board has determined to target a ratio of Net Debt to EBITDA in the range of 2.0x – 3.0x over the long term. The Board has determined that targeting a ratio of Net Debt to EBITDA of no greater than 3.5x is appropriate through the 6 Wharf construction period, with the expectation that Napier Port's Net Debt to EBITDA ratio will be managed to within its long-term target range over time, following completion of 6 Wharf.

Immediately after completion of the Offer, Napier Port is expected to have cash of approximately \$22 million and \$180 million available under new debt facilities. This cash and the funds available under the debt facilities are intended to be applied towards costs associated with the 6 Wharf expansion project and general corporate purposes. The Board views that, immediately following the Offer, Napier Port will have sufficient balance sheet capacity to fund the expected construction costs of 6 Wharf and to pay dividends from Free Cash Flow during the 6 Wharf investment and construction period and beyond. For a description of our dividend policy, see Section 6.2 (*Dividend policy*).

The financial covenants applicable to the new debt facilities include a limit of Net Debt to EBITDA ratio of 4.5x (1.0 x greater than the Board's targeted level). The Board does not expect to need to exceed its targeted level of 3.5x during the 6 Wharf construction period. However, there are risks associated with Napier Port's operations, specifically project execution and operational risks associated with the 6 Wharf expansion project, which could impact Napier Port's targeted Net Debt to EBITDA ratio. These risks are outlined in Section 8 (*Risks to Napier Port's business and plans*). The Board has considered these risks when establishing Napier Port's capital management and dividend policies.

The Board will review its debt facility limits regularly to ensure it has sufficient flexibility to enable Napier Port to meet its ongoing capital and general corporate requirements.

While Napier Port will be in a net cash position immediately following the Offer, the Board intends to manage interest costs and the risk of volatility as it draws on its banking facility through an appropriate hedging policy.

2.9

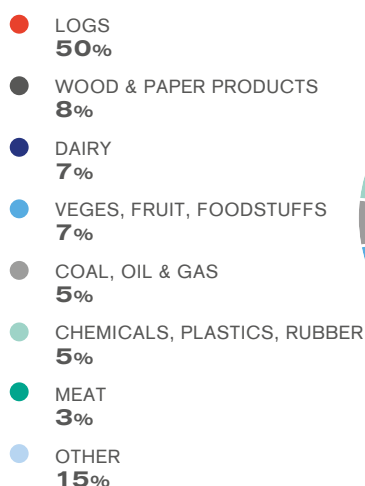
INDUSTRY
OVERVIEW

New Zealand has a long-standing history as a trading nation with \$82.3 billion²³ in exports and \$80.8 billion²³ in imports in the year ended 31 December 2018. The primary sector dominates New Zealand's export profile, making up approximately 75%²⁴ of sea exports by weight for the year ended 31 December 2018. New Zealand's exports have grown by 7.7% per annum by value from 31 December 2016 to 31 December 2018²⁵ while New Zealand GDP has increased by 5.9% per annum by value over the same period²⁶.

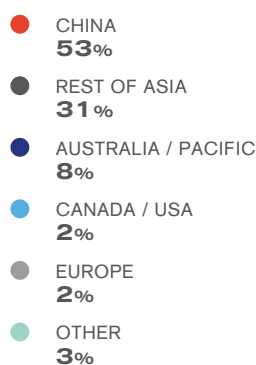
International trade is supported by New Zealand's free trade agreements with Australia, China and several other Asian countries. In addition, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership has increased New Zealand's connectivity with Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore and Vietnam.

Sea freight is New Zealand's main international trade transportation method, representing over 99%²⁴ of total overseas cargo movements (by weight) for the year ended 31 December 2018. New Zealand's national sea freight network includes 13 commercial ports, seven of which are located in the North Island and six of which are located in the South Island.

NEW ZEALAND SEA EXPORTS MIX
2018, BY WEIGHT²⁴



NEW ZEALAND SEA EXPORTS DESTINATIONS
2018, BY WEIGHT²⁴



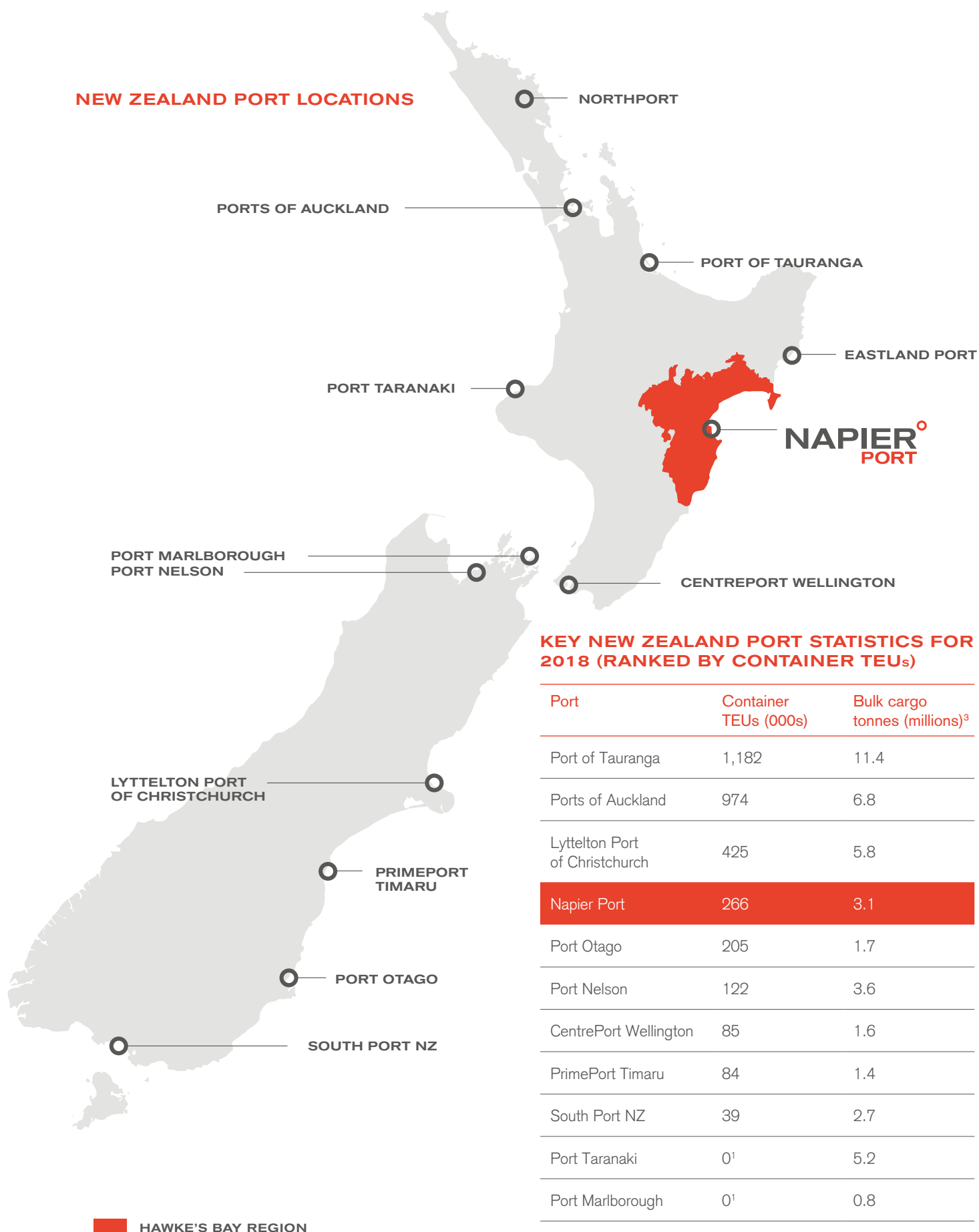
²³ StatsNZ; Goods and services trade (NZ\$ billions), year ended December 2018.

²⁴ Ministry of Transport (Freight Information Gathering System), 2018.

²⁵ StatsNZ; Goods and services trade (NZ\$ billions), 31 December 2016 to 31 December 2018.

²⁶ StatsNZ; Gross Domestic Product (NZ\$ billions), 31 December 2016 to 31 December 2018 (nominal values used).

NEW ZEALAND PORT LOCATIONS



KEY NEW ZEALAND PORT STATISTICS FOR 2018 (RANKED BY CONTAINER TEUs)

Port	Container TEUs (000s)	Bulk cargo tonnes (millions) ³
Port of Tauranga	1,182	11.4
Ports of Auckland	974	6.8
Lyttelton Port of Christchurch	425	5.8
Napier Port	266	3.1
Port Otago	205	1.7
Port Nelson	122	3.6
CentrePort Wellington	85	1.6
PrimePort Timaru	84	1.4
South Port NZ	39	2.7
Port Taranaki	0 ¹	5.2
Port Marlborough	0 ¹	0.8
Northport	— ²	— ²
Eastland Port	— ²	— ²

Source: Deloitte Freight Yearbook 2019

¹ Port Taranaki and Port Marlborough do not have container operations.

² Information not available in Deloitte Freight Yearbook 2019.

³ Bulk cargo tonnes does not include non-bulk cargo.

2.9

INDUSTRY OVERVIEW

New Zealand ports are impacted by a number of key trends in the global shipping industry, including:

- larger ships being manufactured for global container lines with larger tonnage vessels being cascaded into smaller trade lanes such as New Zealand.
- shipping lines consolidating and forming alliances – the three major alliances (2M, Ocean Alliance and THE Alliance) controlling approximately 80%²⁷ of global container ship capacity.
- varying shipping rates and fuel prices influencing the type and frequency of shipping services visiting New Zealand, the economics of various import and export goods and the speed with which goods are shipped to market (with slow steaming saving fuel costs for shipping operators).

REGULATION

The Port Companies Act and the Waterfront Industry Reform Act 1989 vested New Zealand's ports' social and environmental responsibilities to territorial authorities in the late 1980's. Ports in New Zealand benefit from a stable regulatory environment and are not subject to price or quality regulation. The New Zealand Commerce Commission can conduct competition studies and investigate whether port services should be subject to economic regulation under the Commerce Act 1986.

The Commerce Commission noted, in a release made on 18 December 2018 associated with the publication of its annual Consumer Issues Report, that it had received complaints regarding regional ports, primarily relating to the conduct of ports in competitive markets for the supply of services, and that it will be maintaining a close watch on the sector over the next year. Napier Port has not been contacted by the Commerce Commission in relation to this matter.

Further information on Napier Port's regulatory environment is available on the Offer Register in the document titled "Other Material Information".

SUPPLY CHAIN

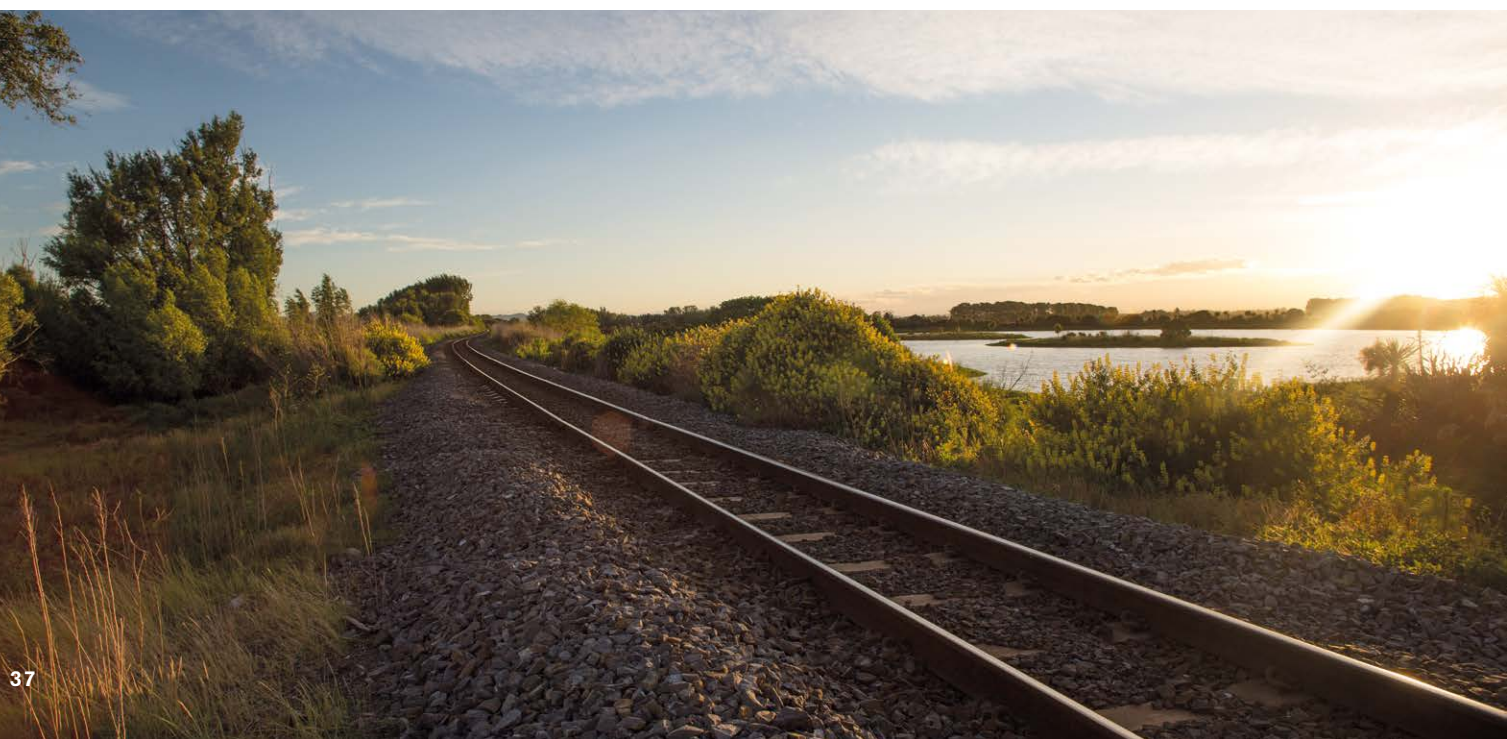
Ports are subject to a number of supply chain risks that are largely beyond their control. The cargo coming in and out of the Port arrives and leaves by road, rail and sea. Each of those connecting transport routes could be subject to disruptions, such as a blockage or shipping incident in the shipping channel, or landslides affecting the road or rail links. To reduce the impact of these potential disruptions, we maintain strong relationships with road and rail transport network operators and invest in agile equipment such as mobile container cranes, which can move container handling operations to another wharf in the case of disruption.

SHIPPING LINE RELATIONSHIPS

Relationships with shipping lines are an important attribute of a port business. We arrange for ship visits directly with container shipping lines and cruise lines. Bulk cargo vessels are generally contracted or chartered directly by the cargo owner.

We currently have ten international container shipping line relationships, including with Maersk/Hamburg Sud, MSC, COSCO, OOCL, PIL, CMA-CGM, ANL, APL, ONE (Ocean Network Express) and Hapag Lloyd. Those ten shipping lines account for six scheduled services to the Port each week.

²⁷ Deloitte Freight Yearbook 2019.



2.10

STRATEGIC CASE STUDIES

CARGO OWNER RELATIONSHIPS

Our close and collaborative relationships with our largest customers provide a blueprint for how our strategies and plans are implemented across our full network of customers. Examples of our cargo owner relationships within that network are described below.



Pan Pac Forest Products Limited



CUSTOMER CONNECTION

For more than 45 years, we have worked closely with Pan Pac to export products including wood pulp, lumber and logs.



NETWORKED INFRASTRUCTURE

Pan Pac is a major customer of Port Pack and leases an on-Port shed for the storage of wood pulp ahead of shipping.



COLLABORATIVE PARTNERSHIPS

Our expertise in handling forestry products supports the needs of Pan Pac and other forestry sector companies.



Big Save Furniture



CUSTOMER CONNECTION

We have worked with Big Save Furniture retail chain, to import containers of furniture and homewares via the Port. As a result, Big Save has reduced its import costs by taking advantage of the shipping lines' desire to bring full containers into the Port (rather than the empty containers required to supply the region's export demand).



COLLABORATIVE PARTNERSHIPS

Napier Port and Big Save work collaboratively to support and expand imports into Hawke's Bay via the Port. This includes working with local business associations and with local government on regional transport and town planning activities to attract other importers to the Port.



Pipfruit exporters



CUSTOMER CONNECTION

We work closely with pipfruit exporters to understand their businesses and requirements to quickly deliver their high value, perishable products to market.



NETWORKED INFRASTRUCTURE

In 2015, we opened the Thames Street container depot to support the delivery of shipping containers ahead of the peak pipfruit export season.

We have also invested in purpose-built refrigerated container stacking towers to boost on-Port capacity and support product quality requirements.



COLLABORATIVE PARTNERSHIPS

We extend our opening hours and use a vehicle booking and a traffic management system to manage on-Port traffic during the peak pipfruit season.



HARNESS DATA & TECHNOLOGY

We have developed a container stowage planning application which is used to manage the movement of containers from our container terminal onto the ship, in order to meet shipping customers' stowage plans and relevant cargo product requirements.

2.11

CULTURE OF CARE

Our award-winning 'culture of care' promotes safety, resilience, and innovation. These values are at the heart of Napier Port. We focus on meaningful engagement with our people and the broader community, treating them well and taking safety seriously.

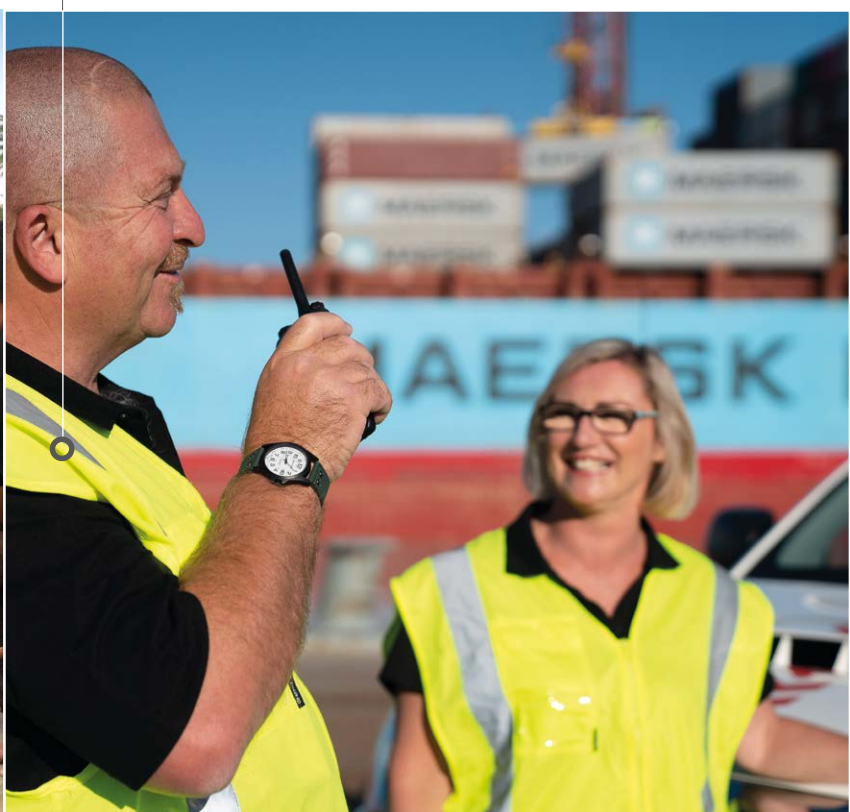
Our people repay us with their dedication and commitment to our customers and the Hawke's Bay region. Examples of this culture in action and how it delivers value to Napier Port are below.

COLLABORATING WITH OUR COMMUNITY

Napier Port's collaborative approach extends to the community. We engaged with more than 2,000 locals on the proposed 6 Wharf design before applying for resource consent. Now that such consent has been granted, we are working with local hapu and iwi organisations on a Cultural Marine Health Programme and recreational and commercial fishers to minimise any impacts that construction of 6 Wharf may have on fish stocks. The studies and monitoring we have conducted in connection with 6 Wharf are now publicly available and provide a comprehensive local environmental data set which we believe will assist us and the Hawke's Bay region in appropriately managing Hawke's Bay's marine environment.

HEALTH AND SAFETY LEADERSHIP

We are committed to ensuring the safety of our people and others that visit and work at Napier Port and our sites. Robust health and safety practices are embedded into our daily operations. Our health and safety practices were recognised at the 2018 New Zealand Workplace Health & Safety Awards. Our introduction of 'pre-vessel meetings' won the IMPAC Best Collaboration Between PCBUs (Persons Conducting a Business or Undertaking) award. The meetings are an example of the way we seek to establish collaborative relationships with all organisations working on the Port. They bring together all companies involved in the discharging and loading of an incoming ship to discuss conditions and agree protocols for the ship's visit. In the first year following the introduction of these meetings, log-related vehicle accidents at the Port reduced by 80%.



RESILIENT CULTURE AND COMMITTED PEOPLE

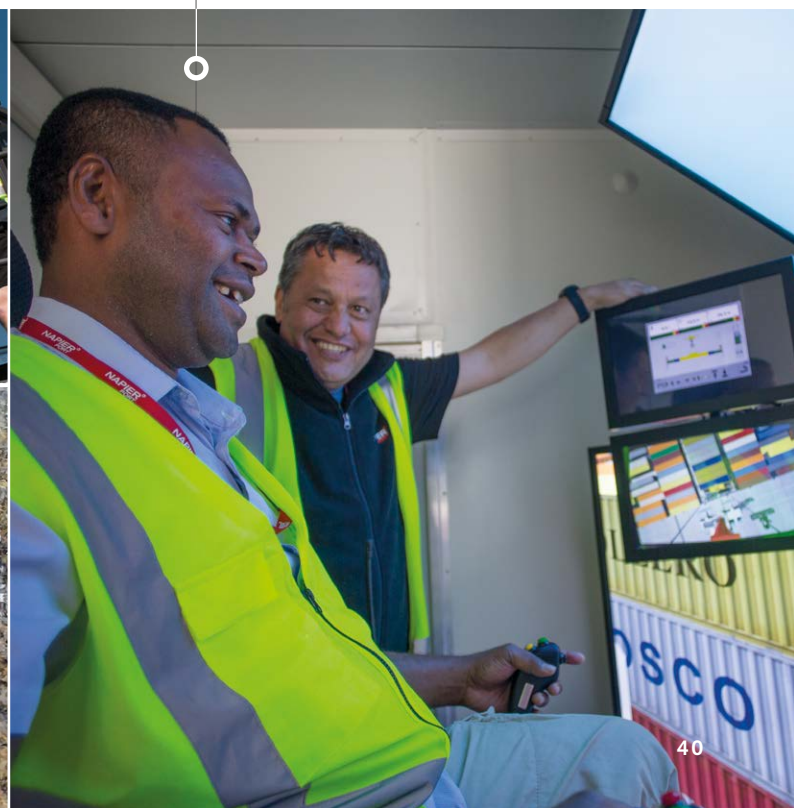
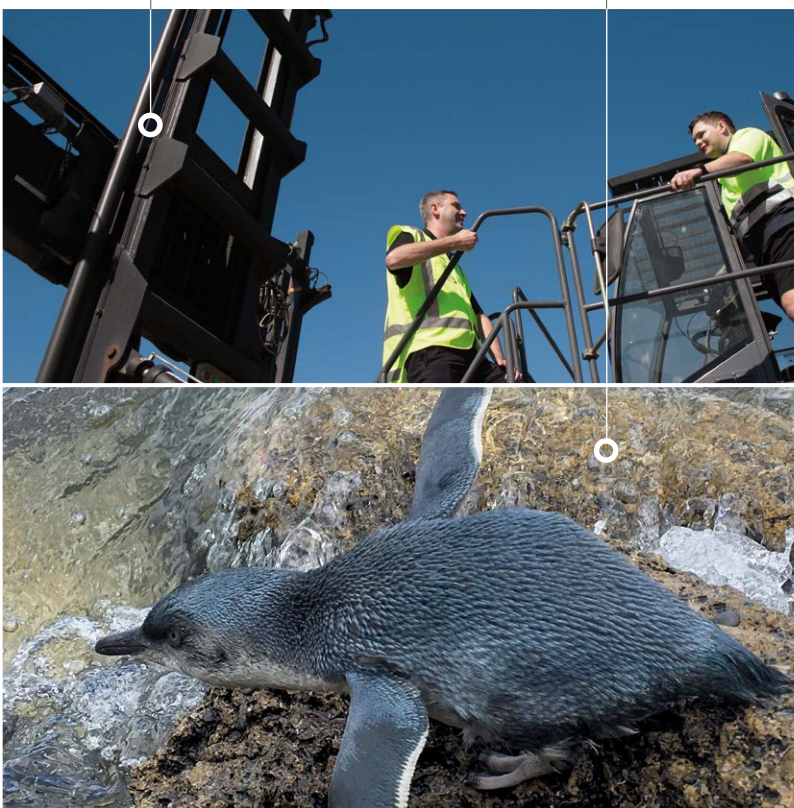
Our people demonstrated their commitment to Napier Port following the November 2016 Kaikoura earthquake. The impact to Wellington's container terminal caused by the earthquake resulted in us handling an increased number of TEUs. The Port achieved record container throughput in FY2017 through the support of our people without an increase in health and safety related incidents. We believe our success during this period, in significant measure, resulted from our focus on our engagement with and the development of our workforce.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Napier Port is committed to implementing a comprehensive environmental, social and governance (ESG) strategy. We have begun preparatory work and we are working towards beginning to implement this strategy in FY2020.

INNOVATIVE SOLUTIONS

Napier Port's crane training simulator represents a convergence of our safety culture and the determination of our people to develop innovative solutions. The simulator, which we developed with partners and opened in 2015, allows operators to train within different types of environment (e.g., weather, location, time of day and type of ship) for a role that demands mastery of a large, complex and high-value machine within a safety-critical environment. It is used as a recruitment tool to test candidate crane operators, while existing crane operators use the simulator to refine their skills. It is now also used by other New Zealand and offshore ports and several port-related companies for training and pre-employment assessment.



2.12

DIRECTORS AND SENIOR MANAGERS

BOARD OF DIRECTORS

Napier Port has an experienced Board with a diverse range of skills, including industry and business knowledge, financial management and corporate governance experience. The board of directors of Napier Port Holdings comprises an independent Chair, five other independent Directors and two other Directors. The board of directors of Port of Napier comprises the same directors as the board of Napier Port Holdings.



FROM TOP LEFT:

ALASDAIR MACLEOD
JOHN HARVEY
RICK BARKER
STEPHEN MOIR
WENDIE HARVEY
DIANA PUKETAPU
VINCENT TREMAINE
BLAIR O'KEEFFE



ALASDAIR MACLEOD**Independent Director and Chair**

HND (Civil), MBA, MInstD

Alasdair joined the Napier Port board in April 2014 and was appointed Chair in December 2014. Originally a Civil Engineer, Alasdair has a broad range of experience across the energy, infrastructure, technology and primary sectors. As a Partner in Deloitte for 12 years, Alasdair led the teams that developed New Zealand's Aquaculture Strategy, Horticulture Strategy, and Red Meat Sector Strategy. Alasdair is Chair of technology businesses Optimal Workshop Limited and SilverStripe Limited, and the independent member of the Board Appointments Committee for IHC New Zealand.

Alasdair is Chair of the Hawke's Bay chapter of ExportNZ (a division of BusinessNZ) and was involved in authoring the Hawke's Bay Regional Economic Development Strategy – *Matariki*.

STEPHEN MOIR**Independent Director**

Stephen Moir was appointed as a director of Napier Port on 19 December 2016 and chair's the Audit and Risk Committee.

Stephen brings an extensive background in institutional banking and financial markets, having held senior roles at Westpac Institutional Bank, Credit Suisse (Singapore), and Citibank (Singapore, Thailand and Australia).

Stephen is a director of The Guardians of the New Zealand Superannuation Fund and a director of the Todd Family Office. He was previously a non-executive director on the BNZ board, and chaired both BNZ Life Insurance Ltd and BNZ Insurance Services Ltd, as well as the advisory board to the Victoria University Chair of Business in Asia. Stephen was previously a member of the NZ Markets Disciplinary Tribunal.

JOHN HARVEY**Independent Director**

BCom, FCA and CFInstD

John joined the Napier Port board on 7 February 2019. John has a background in financial services, including NZX listings, acquisitions, mergers and financial reporting, with over 35 years' professional experience as a chartered accountant. He was a partner at PricewaterhouseCoopers for 23 years, including eight years as Auckland Managing Partner.

John is a Chartered Fellow of the Institute of Directors in New Zealand (Inc.) and is currently a director of Heartland Bank, Investore Property, Stride Property Group and Kathmandu Holdings. He previously served on the board of Port Otago for nine years, and has been a director of Ballance Agri-Nutrients and APN News and Media.

WENDIE HARVEY**Independent Director**

LLB, MInstD

Wendie joined the Napier Port board on 16 December 2013, and has over 25 years' experience as a lawyer, executive manager and business consultant.

Wendie is currently a director of Hawke's Bay Airport, Hawkes Bay Construction Limited (Chair), Centralines Limited, ETCO (Electrical Training Company Limited) and Aurora Energy Limited. Wendie also serves on the Eastern Institute of Technology Council, the Board of Fire and Emergency New Zealand and as a Commissioner on the New Zealand Gambling Commission. She has previously served on the board of Quality Roading Services (Wairoa) Limited, Hohepa Homes National Trust Board and the Hawke's Bay Rescue Helicopter Trust.

VINCENT TREMAINE**Independent Director**

BBus., FCPA, FAICD, GAIST

Vincent joined the Napier Port board on 7 February 2019. Vincent has broad experience in the port sector, having served for 16 years as CEO of Flinders Ports Holdings, which owns seven South Australian ports, the Adelaide Container Terminal and Flinders Logistics.

Vincent is currently Chair of Riverland Holdings and a director of South Australia's Statewide Super. He has served as Chair of Ports Australia and the South Australian Chamber of Commerce and Industry, and as a director of Australia's National Heavy Vehicle Regulator. Vincent also worked for Toll Ports and Resources, managing the Ports of Geelong and Hastings in Victoria.

HON RICK BARKER**Director**

MPP

Rick joined the Napier Port board on 27 June 2019. Rick serves as the Deputy Chair of the Hawke's Bay Regional Council, having been elected as a councillor for Hastings in October 2013. He was previously a Member of Parliament for 18 years, serving six years as a Cabinet Minister and also acting as Assistant Speaker to the House during his tenure.

Rick is currently working on behalf of the Minister for Treaty of Waitangi Negotiations on a number of negotiations to settle historic grievances against the Crown. Rick completed a Master's Degree in Public Policy 2012.

DIANA PUKETAPU**Independent Director**

FCA, CMInstD

Diana joined the Napier Port board on 13 December 2017, and has a background in commercial, iwi and sports governance. Diana is a director of Ngāti Porou Holding Company, Tāmaki Redevelopment Company, Manawanui Support Limited, New Zealand Olympic Committee and NZ Cricket. She has previously served as a director of Auckland Council Investments Limited and the World Masters Games 2017, and was formerly the Chief Financial Officer of Ngāti Whātua Ōrākei Corporate. Diana is a Fellow Chartered Accountant and a Chartered Member of the Institute of Directors.

BLAIR O'KEEFFE**Director**

BBS Honours, MInstD

Blair was appointed as a director of Napier Port on 27 June 2019. Blair is a professional company director, with governance experience in local and central government, and NZX listed companies. He is currently an independent director of NZX listed Z Energy. He is also the former Chair of crown entity Maritime New Zealand, was previously Chief Executive of CentrePort, a New Zealand port company, for seven years and is currently Chief Executive of HBRIC.

2.12

DIRECTORS AND SENIOR MANAGERS

SENIOR MANAGERS

FROM TOP LEFT:

TODD DAWSON, KRISTEN LIE, DAVID KRIEL,
VIV BULL, WARREN YOUNG, MICHEL DE VOS,
BRUCE LOCHHEAD, ANDREA MANLEY, ADAM HARVEY



TODD DAWSON
Chief Executive Officer
 BSC, PGDipBus, MInstD, PMP

Todd joined Napier Port as Chief Executive Officer in January 2018, bringing broad commercial experience across the transport and logistics sectors. Prior to Napier Port, Todd led strategic partnerships and new ventures at Kotahi Logistics, working on the introduction of big ships to New Zealand and intermodal freight hub joint ventures. He has over 20 years' experience, having worked on international projects including the transformation of UK supermarket Sainsbury's supply chain. He has previously held senior roles at IBM, Toll New Zealand and Mainfreight.

Todd holds a Bachelor of Science and a Post Graduate Diploma of Business in Operations Management from Auckland University. He is a member of the Institute of Directors in New Zealand and is a Chair of Napier Port's intermodal joint venture at Longburn and director of Total Advantage Group in Auckland.

VIV BULL
General Manager – Culture & Community

Viv joined Napier Port in 2011 and leads our human resources, health and safety and communications functions. Her career has included senior management roles with the Department of Corrections, KPMG and the State Services Commission.

Viv is Deputy Chair of the Hawke's Bay Chamber of Commerce and is an independent member of the audit and risk committee of the Heretaunga Tamatea Settlement Trust.

BRUCE LOCHHEAD
Capability & Cruise Manager

Bruce is responsible for the development of our cruise operation and will oversee the future integration of major infrastructure investments. Bruce has more than 30 years' experience in the shipping sector and prior to joining Napier Port in 2005, worked for P&O Nedlloyd. Bruce sits on the board of the New Zealand Cruise Association.

KRISTEN LIE
Chief Financial Officer
 BBS, CA, CFA, CMInstD

Kristen joined Napier Port as Chief Financial Officer in September 2015. Kristen has more than 25 years' financial experience and strong commercial and strategic planning skills, returning to Hawke's Bay after 18 years working across London, Moscow and Oslo. His previous roles have been with the London-based office of listed shopping centre group Westfield, London-based property investment company Grosvenor, as well as Ernst & Young and PricewaterhouseCoopers.

Kristen holds a Bachelor of Business Studies from Massey University and is a Chartered Accountant, Chartered Financial Analyst and is a Chartered Member of the Institute of Directors in New Zealand.

WARREN YOUNG
General Manager – Container Operations

Warren joined Napier Port in 1998 and is responsible for our container terminal, the Port Pack operation, our empty depot network and Plant Services. Warren has previously served as Napier Port's Finance Manager and as manager of Port Pack. Prior to joining Napier Port, Warren was Chief Financial Officer at Montana Wines.

ANDREA MANLEY
General Manager – Strategy & Innovation

Andrea joined Napier Port in 2019. She is responsible for leading strategic planning and performance, identifying growth opportunities, implementing new strategic initiatives and developing digital solutions. Andrea has previously worked with Kotahi Logistics, Goodman Fielder, Alcatel-Lucent, Brightstar, Vodafone and IBM.

DAVID KRIEL
General Manager – Commercial

David joined Napier Port in 2018. David has a background in transport and logistics and worked with Lodestar and Oji Fibre Solutions from 2005 to 2018. David is a Fellow of the Chartered Institute of Transport and Logistics. He is a member of the East Asian Society for Transport Studies and the Humanitarian Logistics Association. David sits on the board of Business Hawke's Bay as the Napier Port representative.

MICHEL DE VOS
General Manager – Infrastructure Services

Michel joined Napier Port in April 2014. Michel is responsible for the maintenance, planning and construction of all port infrastructure, as well as overseeing our environmental management programme. Michel has a background in marine engineering, having held roles with Queensland's Gladstone Ports Corporation and Fremantle Ports in Perth, as well as working with multi-national dredging and maritime construction firms on projects throughout Asia.

ADAM HARVEY
General Manager
– Marine & Cargo Operations

Adam joined Napier Port in 2010 and is responsible for our log, logistics and planning, security and shipping operations. He has a background in human resources. Prior to holding his current position Adam was the Container Terminal Manager at Napier Port. Adam sits on the executive of the Port Industry Association.

2.13

SUBSTANTIAL SHAREHOLDERS AND RELEVANT INTERESTS HELD BY DIRECTORS AND SENIOR MANAGERS

EXISTING SUBSTANTIAL SHAREHOLDINGS

As at the date of this PDS, the following Shareholder has a relevant interest in 5% or more of the Shares in Napier Port Holdings:

Shareholder and nature of relevant interest	Number of Shares	% of Shares
HBRIC is the registered holder and beneficial owner of all of the Shares in Napier Port Holdings. All of the shares in HBRIC are owned by the Council. The Council has the same relevant interest as HBRIC. The Share held by HBRIC was issued to HBRIC upon incorporation of Napier Port Holdings on 12 June 2019.	1 Share	100%

EXPECTED SUBSTANTIAL SHAREHOLDINGS UPON LISTING

The following Shareholder is likely to have a relevant interest in 5% or more of the Shares in Napier Port Holdings immediately after Listing:

Shareholder and nature of relevant interest	Indicative number of Shares	Indicative % of Shares
HBRIC will be the registered holder and beneficial owner of Shares in Napier Port Holdings. All of the shares in HBRIC are owned by the Council. The Council will have the same relevant interest as HBRIC.	110 million Shares	55%
The Shares likely to be held by HBRIC will be the Consideration Shares. See Section 2.20 (<i>Other material governance disclosures</i>).		

SHAREHOLDINGS HELD BY DIRECTORS AND SENIOR MANAGERS

No Director or senior manager of Napier Port has a relevant interest in Shares at the date of this PDS.

The Board has made a policy decision that none of the Directors may acquire Shares under the Offer. Accordingly, none of the Directors will likely have a relevant interest in Shares immediately after Listing. The table below lists the senior managers of Napier Port who will likely have a relevant interest in Shares immediately after Listing:

Senior manager ¹	Nature of relevant interest	Number of Shares ^{2,3}	% of Shares ⁴
Todd Dawson	Beneficial owner ^{5,6}	68,582	0.03%
Kristen Lie	Beneficial owner ^{6,7}	42,710	0.02%
David Kriel	Beneficial owner ⁶	5,338	0.00%
Viv Bull	Beneficial owner ⁶	4,106	0.00%
Adam Harvey	Beneficial owner ^{6,8}	23,408	0.01%
Warren Young	Beneficial owner ^{6,9}	32,853	0.02%
Michel de Vos	Beneficial owner ^{6,10}	22,586	0.01%
Bruce Lochhead	Beneficial owner ⁶	10,266	0.01%
Andrea Manley	Beneficial owner ⁶	3,285	0.00%
Total		213,134	0.11%

¹ None of the Directors (being Alasdair MacLeod, John Harvey, Wendie Harvey, Stephen Moir, Diana Puketapu, Vincent Tremaine, Rick Barker and Blair O'Keeffe) are participating in the Offer or are likely to have a relevant interest in shares immediately after Listing.

² The interests in Shares expected to be held immediately following Listing assumes that the senior managers take up their full entitlement under the Executive LTI Plan and reflects the intentions of the Directors and senior managers at the date of the PDS in relation to their acquisition of further Shares under the Offer.

³ Based on the Final Price being the mid-point in the Indicative Price Range.

⁴ Based on there being 200 million Shares on issue immediately after Listing.

⁵ Includes rights to 66,529 Shares under the Executive LTI Plan.

⁶ Includes \$5,000 of Offer Shares under the Employee Share Loan. Any Shares funded through the Employee Share Loan will be issued to, and held by, Pacific Custodians (New Zealand) Limited as trustee on behalf of the relevant senior manager until that senior manager's loan has been repaid in full.

⁷ Includes rights to 40,657 Shares under the Executive LTI Plan.

⁸ Includes rights to 21,355 Shares under the Executive LTI Plan.

⁹ Includes rights to 24,640 Shares under the Executive LTI Plan.

¹⁰ Includes rights to 22,586 Shares under the Executive LTI Plan.

2.14

OTHER EQUITY SECURITIES OF NAPIER PORT HOLDINGS

As at the date of this PDS, there are no classes of Napier Port Holdings equity securities other than the Shares.

Under the Constitution, any other class of equity securities of Napier Port Holdings that ranks equally with, or in priority to, the Shares may be issued without a Special Resolution, provided that:

- for so long as a Council Party holds or controls more than 50% of the Shares, the restrictions relating to issuances of new equity securities provided for under the Constitution are complied with (see Section 2.20 (*Other material governance disclosures*)); and

- the issue of new equity securities in Napier Port Holdings complies with the Listing Rules, which requires an approval by Ordinary Resolution to the issue of new equity securities, except in certain circumstances set out in the Listing Rules.

2.15

DIRECTORS' REMUNERATION AND OTHER BENEFITS

Napier Port Holdings was incorporated on 12 June 2019. Accordingly, no Director received any remuneration or other benefits from Napier Port Holdings during FY2018. However, certain Directors did receive remuneration or other benefits in their capacity as directors of Port of Napier during FY2018, and during FY2019 prior to the incorporation of Napier Port Holdings.

Directors will receive directors' fees following completion of the Offer for the remainder of FY2019. Such fees will be aggregate fees in respect of both their role as a director of Napier Port Holdings and as a director of Port of Napier. The table below sets out the total remuneration and value of other benefits expected to be received by each Director in FY2019, as well as the nature of the services to which that remuneration, or those other benefits, relates (other than services provided in a person's capacity as Director):

Director	Remuneration and value of other benefits received in FY2018		Expected remuneration and value of other benefits expected to be received in FY2019 ¹		
	Fees as directors of Port of Napier	Fees as directors of Napier Port Holdings ²	Base fee	Committee work and other	Total
Alasdair MacLeod (Chair)	\$88,187	N/A	\$93,979 ⁴	\$10,000 ^{8,9}	\$103,979
Wendie Harvey	\$47,844	N/A	\$47,198 ⁵	\$13,583 ^{8,9,10}	\$60,781
Stephen Moir	\$47,094	N/A	\$47,198 ⁵	\$13,583 ^{8,9,11}	\$60,781
Diana Puketapu	\$33,844 ³	N/A	\$47,198 ⁵	\$10,000 ⁸	\$57,198
Vincent Tremaine	N/A	N/A	\$32,156 ^{5,6}	\$10,000 ⁸	\$42,156
John Harvey	N/A	N/A	\$32,156 ^{5,6}	\$10,000 ⁸	\$42,156
Blair O'Keeffe	N/A	N/A	\$13,354 ^{5,7}	—	\$13,354
Rick Barker	N/A	N/A	\$13,354 ^{5,7}	—	\$13,354

¹ Aggregate amounts in respect of both their role as a director of Napier Port Holdings and as a director of Port of Napier.

² As Napier Port Holdings was not incorporated in FY2018, there were no directors' fees paid.

³ Diana Puketapu was appointed as a director of Port of Napier on 13 December 2017.

⁴ With effect from 1 September 2019 the base fee for the Chair will be increased to \$135,000 per annum.

⁵ With effect from 1 September 2019 the base fee for directors (other than the Chair) will be increased to \$70,000 per annum.

⁶ Vincent Tremaine and John Harvey were each appointed as a director of Port of Napier on 7 February 2019, with fees in connection with their roles as directors being paid with effect from 1 February 2019.

⁷ Blair O'Keeffe and Rick Barker were each appointed as directors of Napier Port Holdings and Port of Napier on 27 June 2019, with fees in connection with their roles as directors being paid with effect from 1 July 2019.

⁸ Each of the independent Directors will receive an additional \$10,000 to remunerate them for additional work required in preparation for the Offer, subject to completion of the Offer.

⁹ With effect from 1 September 2019 the base fee for being a board committee Chair will increase to \$10,000 per annum. Alasdair MacLeod (as Chair of the Board) does not receive any fees in respect of his role as Remuneration Committee Chair.

¹⁰ \$3,583 in respect of performing the role of Health & Safety Committee Chair.

¹¹ \$3,583 in respect of performing the role of Audit & Risk Committee Chair.

2.16

EMPLOYEE
REMUNERATION

During FY2018, only four Directors received remuneration or other benefits from Port of Napier and no Director received any remuneration or other benefits from Napier Port Holdings. During FY2019, all Directors have received, and will following Listing continue to receive, directors' fees. In addition, the base fee and committee fees paid to Directors (as applicable) in FY2019 will be higher than that paid in FY2018, reflecting that, as a result of the Listing of Napier Port Holdings on the NZX Main Board, the Directors have increased responsibilities and will be required to devote more time to the performance of their duties as Directors. Accordingly, the remuneration and other benefits provided to Directors, in their capacity as a director of both Napier Port Holdings and Port of Napier, during FY2019 will be materially different from the remuneration and other benefits provided to Directors in FY2018.

The remuneration and other benefits to be provided to Directors during the next financial year (being FY2020) are expected to be consistent with the amounts payable from 1 September 2019 for the remainder of FY2019 on an annualised basis. As at the date of this PDS, the Directors are expected to receive the following annual Directors' fees in FY2020:

Position	Fees per annum
Chair	\$135,000
Directors (other than the Chair)	\$70,000
Committee Chair	\$10,000

With effect from 1 September 2019, Napier Port Holdings has set the Directors' fees in aggregate for all Directors at \$655,000 per annum in total. Under Listing Rule 2.11.3, if the total number of Directors subsequently increases, the Directors are permitted (without seeking Shareholder authorisation) to increase the total remuneration by the amount necessary to enable Napier Port to pay the additional Director or Directors remuneration not exceeding the average amount then being paid to each of the Directors (other than the Chair).

The Directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at meetings, or otherwise in connection with the Business. No retirement benefits will be paid to any Director on their retirement.

Napier Port has granted indemnities permitted by the Companies Act in favour of each of its Directors and certain employees. Napier Port also maintains insurance for its Directors and officers.

Napier Port Holdings does not have any employees as at the date of this PDS. It is not envisaged that Napier Port Holdings will have any employees as employees are, and are expected to continue to be after Listing, primarily employed by Port of Napier.

The number of employees or former employees of Port of Napier who, not being Directors, received remuneration and any other benefits in their capacity as employees in respect of FY2018 that in value was or exceeded \$100,000 per annum was as follows:¹

Remuneration and other benefits	Number of employees
\$100,000 – \$109,999	28
\$110,000 – \$119,999	21
\$120,000 – \$129,999	19
\$130,000 – \$139,999	15
\$140,000 – \$149,999	5
\$150,000 – \$159,999	2
\$160,000 – \$169,999	1
\$180,000 – \$189,999	2
\$190,000 – \$199,999	1
\$230,000 – \$239,999	1
\$240,000 – \$249,999	3
\$250,000 – \$259,999	2
\$270,000 – \$279,999	3
\$300,000 – \$309,999	1
\$340,000 – \$349,999	1
\$540,000 – \$549,999	1
\$560,000 – \$569,999	1

¹ These amounts include all monetary amounts and benefits actually paid during FY2018, including salary, redundancy, performance incentive payments on achievement of targets, employer's contribution to superannuation and other sundry benefits received in their capacity as employees.

Napier Port does not expect the remuneration or benefits of its employees during FY2019 to be materially different from the details shown in the table above, other than there only being remuneration and other benefits paid to one Chief Executive Officer in FY2019. The above table for FY2018 provides for the remuneration received by both Napier Port's previous Chief Executive Officer (who retired with effect from 31 December 2017) and Napier Port's current Chief Executive Officer (who commenced his role in January 2018).

2.17

**EXECUTIVE
LTI PLAN**

Concurrent with the Offer, Napier Port has adopted the Executive LTI Plan. Under the Executive LTI Plan, the Board may invite certain employees of Napier Port to participate in an award of share rights. Share rights provide each participant with the right to receive Shares for no cash cost subject to the satisfaction of certain conditions. The first grant of share rights under the Executive LTI Plan will be made to certain senior managers of Napier Port contemporaneously with the issue of Shares under the Offer and will have a two or three year vesting period. These share rights, if taken up in full, will equate to a total number of Shares that will be calculated based on an aggregate remuneration pool of \$423,000 divided by the Final Price (which would be 173,716 Shares based on the Final Price being set at mid-point of the Indicative Price Range).

Further information is available on the Offer Register in the document titled "Other Material Information".

2.18

**EMPLOYEE
SHARE LOAN**

Concurrent with the Offer, Napier Port Holdings has established an Employee Share Loan (known as "Fair Share"), the purpose of which is to facilitate participation by Napier Port employees as Shareholders, improving the alignment of interests between employees and Shareholders. Under the Employee Share Loan, Napier Port Holdings will fund the acquisition of up to \$5,000 of Shares by each Eligible Employee under the Priority Offer at the Final Price. This funding will take the form of a limited recourse, interest-free loan made by Napier Port Holdings to Eligible Employees.

The maximum aggregate amount of the loans to be made by Napier Port Holdings under the Employee Share Loan is \$1,320,000 (based upon 264 Eligible Employees as at the date of the PDS). This amount may change depending upon the final number of Eligible Employees.

The costs of operating the Employee Share Loan, including the trustee's fees and expenses, will be met by Napier Port.

Further information is available on the Offer Register in the document titled "Other Material Information".



2.19

MATERIAL INTERESTS IN NAPIER PORT

No Director, proposed Director, senior manager or proposed senior manager or any person associated with them has, or has had at any time since 1 October 2015, any direct or indirect material interest in Napier Port or any of its subsidiaries, or in any agreement entered into on behalf of or in respect of Napier Port or any of its subsidiaries, and that are material to either the person who has the interest, or Napier Port or any of its subsidiaries.

All of the senior managers of Napier Port have entered into employment agreements with Napier Port. In addition to being directors of Napier Port Holdings, all the Directors are directors of Port of Napier.

Information regarding related party transactions can also be found in section 19 of Port of Napier's FY2018 financial statements, which are available on the Offer Register.

2.20

OTHER MATERIAL GOVERNANCE DISCLOSURES

HBRIC – GENERAL SHAREHOLDER RIGHTS AND PROTECTIONS

Upon Listing, HBRIC will be Napier Port's largest Shareholder, with 55% of the total number of Shares on issue. See Section 8 (*Risks to Napier Port's business and plans – Major Shareholder risk*).

For so long as HBRIC holds more than:

- 50% of the Shares, HBRIC can pass or block the passage of an Ordinary Resolution (even without the support of other Shareholders). This means HBRIC will control the election/removal of Directors subject to the requirement to have a certain number of independent directors on the Board; and
- 25% of the Shares, HBRIC can block the passage of Special Resolutions.

In accordance with the Listing Rules, HBRIC will not be able to vote on certain matters in which it is interested.

HBRIC – SPECIFIC SHAREHOLDER RIGHTS AND PROTECTIONS

HBRIC will also have certain additional rights and protections to those provided at law or by the Listing Rules. These additional rights and protections are described below:

Consent to undertake material transactions

For so long as HBRIC (or any other Council Party), holds or controls more than 50% of the Shares:

- Napier Port Holdings will require approval by Ordinary Resolution before undertaking any of the following transactions:
 - acquiring or agreeing to acquire assets the value of which is more than 30% of the value of Napier Port Holdings' assets before the acquisition; or
 - disposing or agreeing to dispose of assets the value of which is more than 30% of the value of Napier Port Holdings' assets before the disposition (subject to limited exceptions relating to the granting of security over Napier Port Holdings' assets),

meaning that, in effect, HBRIC's (or the other Council Party's) consent is required in order for Napier Port Holdings to undertake such a transaction; and
- Port of Napier will require approval by Ordinary Resolution of Napier Port Holdings' Shareholders before undertaking any of the following transactions:
 - acquiring or agreeing to acquire assets the value of which is more than 30% of the value of Port of Napier's assets before the acquisition;
 - disposing or agreeing to dispose of assets the value of which is more than 30% of the value of Port of Napier's assets before the disposition (subject to limited exceptions relating to the granting of security over Port of Napier's assets);
 - making an alteration to, or revocation of, Port of Napier's constitution, or the adoption of a new constitution; or
 - issuing, or registering the transfer of, shares in Port of Napier to any person who is not Napier Port Holdings or a wholly-owned subsidiary of Napier Port Holdings,

meaning that, in effect, HBRIC's (or the other Council Party's) consent is required in order for Port of Napier to undertake such a transaction.

As a result of Shareholder approval being required for Napier Port to undertake transactions meeting a lower threshold than would otherwise have applied under the Companies Act, all Shareholders will benefit from enhanced engagement regarding those transactions.

For so long as Port of Napier is a subsidiary of Napier Port Holdings, Napier Port Holdings is required to exercise its rights and powers in a manner that is consistent with, and ensures compliance with, the provisions of Port of Napier's constitution described above.

Issue of new Shares and 51% minimum shareholding

For so long as HBRIC (or any other Council Party), holds or controls more than 50% of the Shares, unless HBRIC (or any other Council Party) agrees otherwise:

- all new Shares must, subject to certain limited exceptions (including new Shares issued in connection with any dividend reinvestment plan), be offered to Shareholders pro rata, such that HBRIC (or the relevant Council Party) is given the opportunity to subscribe for new shares that would result in HBRIC (or the other Council Party) holding or controlling at least the same percentage of shares it held or controlled prior to that offer; and
- no new Shares may be issued if it would result in HBRIC (or the relevant Council Party) holding or controlling less than 51% of the Shares.

Although not specifically provided for in the Constitution, in order for HBRIC (or the Council Parties) to reduce its Shareholding below 51%, public consultation will need to be undertaken pursuant to the Local Government Act. The consultation process will be required regardless of whether the reduction in Shareholding would result from the issuance of new Shares, the transfer of Shares by HBRIC (or any other Council Party) or otherwise.

The minimum shareholding threshold for HBRIC (or the relevant Council Party) has been set at 51% despite HBRIC holding 55% of the Shares immediately after Listing. HBRIC's minimum shareholding threshold was set below the level of HBRIC's shareholding immediately after Listing in order to provide Napier Port Holdings with the flexibility to undertake certain non-material pro-rata offer equity capital raisings without the need for HBRIC's participation or consent.

Mirror boards of directors

The composition of Port of Napier's board of directors must at all times mirror the composition of Napier Port Holdings' board of directors.

ARRANGEMENTS BETWEEN NAPIER PORT, HBRIC AND THE COUNCIL

Napier Port Holdings has entered into arrangements:

- with HBRIC and the Council which provide for HBRIC and the Council to receive Napier Port's information, subject to confidentiality, content and use restrictions; and
- with HBRIC which provide for Napier Port to assist HBRIC to sell any Shares should it wish to do so.

These arrangements are set out in the confidentiality deed, information access protocol and the deed of arrangement, further details of which can be found on the Offer Register.

ACQUISITION AGREEMENT

Napier Port Holdings and HBRIC have entered into the Acquisition Agreement, pursuant to which Napier Port Holdings will acquire all of the shares in Port of Napier on the business day immediately prior to Settlement. The consideration under the Acquisition Agreement will be the issuance of the Consideration Shares by Napier Port Holdings to HBRIC and cash, as illustrated in Section 3.1 (*Purpose of the Offer*).

Further details are available on the Offer Register in the document titled "Other Material Information".

OTHER GOVERNANCE DISCLOSURES

The Board intends to adopt, from Listing, various board policies and charters that are typical for a company listed on the NZX, including a Conflicts of Interest policy and a Code of Ethics.

Further information in relation to material contracts and other governance considerations is available on the Offer Register in the document titled "Other Material Information". This includes further information relating to:

- the encumbrance being registered in favour of the Council Parties restricting the use and transfers of the land at the Port site; and
- the regulatory environment in which Napier Port operates, including an overview of Port of Napier's obligations as a "port company", and Napier Port Holdings' obligations as a related party of a "port company", for the purposes of the Port Companies Act and Napier Port Holdings' obligations as a council-controlled organisation.

SECTION 3 / PURPOSE OF THE OFFER

3.1 PURPOSE OF THE OFFER

The primary purpose of the Offer is to raise capital for Napier Port to:

- reduce existing debt and provide capacity to fund the 6 Wharf expansion project; and
- enable HBRIC to realise a portion of its investment in Napier Port (on completion of the Offer, HBRIC will own 55% of the total Shares on issue).

The gross proceeds of the Offer will be used, and relate to our strategy, as follows:

Amount	Use of proceeds
\$110.2 million	Amount to be retained by Napier Port to repay Napier Port's existing debt (including the forecast cost of \$6.6 million to close out its interest rate swap liabilities) and provide Napier Port with cash and undrawn debt facilities sufficient to meet its future capital requirements, including the development of 6 Wharf.
\$13.7 million – \$14.3 million	To fund Offer costs.
\$1.7 million	To fund loans to Eligible Employees to purchase Shares under the Priority Offer under the Employee Share Loan and to acquire Shares for the purposes of the Executive LTI Plan.
\$78.7 million – \$107.9 million	To enable HBRIC to realise a portion of its investment in Napier Port comprising: <ul style="list-style-type: none">• \$44.0 million to pay HBRIC a special dividend in order to utilise substantially all of Napier Port's imputation credit balance (which would otherwise be lost due to the change in ownership following completion of the Offer); and• \$34.7 million – \$63.9 million to enable Napier Port Holdings to pay the cash component of the consideration due to HBRIC for the acquisition of Port of Napier shares under the Acquisition Agreement.
\$204.3 million – \$234.0 million	Gross proceeds from the Offer.

3.2 MINIMUM OFFER AMOUNT

A minimum amount of \$169.6 million must be raised before the Offer Shares are issued. This represents the total amount of new capital to be raised by Napier Port to repay its debt facilities and provide it with cash and undrawn debt facilities sufficient to meet its future capital requirements (\$110.2 million), the amounts required to fund Offer costs (\$13.7 million) and the loans to Eligible Employees to purchase Shares under the Employee Share Loan and to acquire Shares for the purposes of the Executive LTI Plan (\$1.7 million), and the special dividend (\$44.0 million) already declared and payable to HBRIC (each as shown in the table in Section 3.1 (*Purpose of the Offer*)). HBRIC will receive the balance of the proceeds of the Offer after all of these amounts are deducted.

The use of the proceeds raised under the Offer will not change depending on the total amount that is raised.

3.3 UNDERWRITING

The Offer is not underwritten.

SECTION 4 / KEY DATES AND OFFER PROCESS

4.1 KEY DATES

Priority Offer opens	23 July 2019
Priority Offer closes	5 August 2019
Institutional Offer and Bookbuild	6 August to 7 August 2019
Final Price announced and allocation	7 August 2019
Broker Firm Offer opens	8 August 2019
Broker Firm Offer closes	16 August 2019
Settlement and allotment	19 August 2019
Listing, expected commencement of trading on the NZX Main Board	20 August 2019
Earliest expected mailing of holding statements for Shares to be traded on the NZX Main Board	20 August 2019
Expected payment of first dividend following the Offer	December 2019

The above dates are indicative only and the dates may change. Napier Port, in consultation with the Joint Lead Managers, reserves the right to vary or extend these dates. Napier Port may also withdraw the Offer at any time before Settlement or accept late Applications (either generally or in individual cases).

Further information about these dates is set out in Section 5 (*Terms of the Offer*).



SECTION 5 / TERMS OF THE OFFER

5.1 KEY TERMS

The table below sets out the terms of the Offer. The Constitution sets out the terms of the Shares (a copy of which is available on the Offer Register).

Offer	This is an offer of 90 million new Shares (representing 45% of the total Shares on issue immediately after Listing).
Key dates	See Section 4 (<i>Key dates and Offer process</i>).
Price	<p>The Indicative Price Range is \$2.27 to \$2.60 per Offer Share. All Offer Shares will be issued at the Final Price. The Final Price will be set by way of a Bookbuild. The Bookbuild will take place from 6 August to 7 August 2019.</p> <p>The Bookbuild is a process through which selected Institutional Investors, and selected NZX Firms, submit bids for the number of Shares they wish to purchase across a range of prices for the Shares. That information is then used to assist with the determination of the Final Price and allocations of the Offer Shares.</p> <p>Napier Port, in consultation with the Joint Lead Managers, will set the Final Price following completion of the Bookbuild. Napier Port reserves the right to set the Final Price within, above or below the Indicative Price Range.</p> <p>In setting the Final Price, several factors will be taken into account, including:</p> <ul style="list-style-type: none">• the desire for an informed and active trading market for the Shares on the NZX Main Board;• the level of demand for Shares in the Priority Offer, the Broker Firm Offer and the Institutional Offer; and• any other factors that Napier Port deems relevant. <p>The Final Price is expected to be announced and posted on www.napierportshareoffer.co.nz on or about 7 August 2019.</p>
Structure of the Offer	<p>The Offer comprises:</p> <ul style="list-style-type: none">• the Priority Offer; and• the Broker Firm Offer; and• the Institutional Offer. <p>See Section 5.2 (<i>Components of the Offer</i>).</p> <p>HBRIC will hold 55% of the total Shares immediately after Listing.</p> <p>There is no general public offer or a public pool. Members of the public wishing to subscribe for Shares must be allocated Shares by an NZX Firm or must be offered Offer Shares by Napier Port Holdings as part of the Priority Offer.</p>

Discretion regarding the Offer and refunds	<p>The Offer may be withdrawn by Napier Port at any time before the Offer Shares are issued at Napier Port's sole discretion.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) no later than five Business Days after the decision to withdraw the Offer, or any part of it, is announced.</p> <p>Napier Port reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications, settlement or bids either generally or in particular cases, reject or refuse any Application or bid, allocate to any Applicant or any bidder fewer Shares than applied for or accept an Application in part only. If Napier Port refuses an Application or accepts an Application in part, the relevant Application Monies will be refunded (without interest) to the relevant Applicant no later than five Business Days after the last date on which Offer Shares are issued under the Offer.</p> <p>Refunds will be paid in the manner in which you elect any future dividends to be paid.</p> <p>If your Application Form is not completed correctly, or if the accompanying Application Monies are for the wrong amount, your Application may still be treated as valid.</p> <p>The decision of Napier Port as to whether to treat your Application as valid, and how to construe, amend or complete your Application Form, will be final. The decision on the number of Offer Shares to be allocated to you will also be final. However, you will not be treated as having agreed to purchase a greater number of Offer Shares than that for which payment has been made.</p>
Scaling	<p>If the Offer is oversubscribed, Applications for Offer Shares may be scaled back, subject to meeting the minimum guaranteed allocations described in Section 5.2 (<i>Components of the Offer</i>). Any scaling will be determined at the absolute discretion of Napier Port and may not be on a pro-rata basis.</p>
Allotment	<p>Any New Zealand resident with a CSN will have their Offer Shares allotted under their CSN, if the CSN is provided on their Application Form.</p> <p>Priority Offer and Broker Firm Offer Applicants who do not have a CSN or who do not provide a CSN on their Application Form will be allocated a CSN at the time of submitting an Application Form. The CSN will be advised at the time the allotment of Offer Shares is confirmed and the associated Authorisation Code (FIN) will be sent as a separate communication by mail on or around 7 August 2019.</p> <p>Offer Shares issued under the Offer are expected to be allotted on 19 August 2019 and commence trading on the NZX Main Board on 20 August 2019.</p> <p>Holding statements are expected to be sent to all successful Applicants on 20 August 2019 at the earliest. No person accepts any liability or responsibility should any person attempt to sell or otherwise deal with Offer Shares before a statement confirming allotment is received.</p>
What you need to do to sell your Shares	<p>If you wish to sell your Offer Shares on the NZX Main Board, after confirming your allocation, you must contact an NZX Firm and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will:</p> <ul style="list-style-type: none"> • be assigned one when you set up an account with an NZX Firm; or • receive one from the Share Registrar. <p>If you do not have an Authorisation Code (FIN), it is expected that you will be sent one as a separate communication by the Share Registrar. If you have an NZX Firm and have not received an Authorisation Code (FIN) by the date you want to trade your Shares, your NZX Firm can obtain one, but may pass the cost for doing so on to you.</p> <p>If you sell your Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Shares. You should seek your own tax advice in relation to your Shares.</p>
No guarantee	<p>No person guarantees the Shares offered under this PDS. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this PDS.</p>

5.2 COMPONENTS OF THE OFFER

	Broker Firm Offer	Priority Offer	Institutional Offer
Who can apply?	<p>The Broker Firm Offer is open to New Zealand resident retail clients of NZX Firms who have received an allocation from their NZX Firm.</p> <p>You should contact an NZX Firm to determine whether they may offer Shares to you under the Broker Firm Offer.</p>	<p>The Priority Offer comprises an offer to:</p> <ul style="list-style-type: none"> • Local Residents or Non-Resident Ratepayers; • Eligible Employees; and • Eligible Iwi. <p>An Applicant may only apply for one allocation of Shares under the Priority Offer, regardless of whether the Applicant qualifies for more than one of the eligibility categories.</p> <p>With respect to any application for Shares as a Non-Resident Ratepayer, only one allocation of Shares will be permitted for (i) each qualifying rateable property even where there is more than one Non-Resident Ratepayer for that property and (ii) each Non-Resident Ratepayer even where that person owns more than one qualifying rateable property.</p> <p>Applicants under the Priority Offer certify that they meet the relevant eligibility criteria for the Priority Offer.</p> <p>Napier Port reserves the right to determine in its sole discretion whether an Applicant is eligible to participate in the Priority Offer.</p>	<p>The Institutional Offer comprises an invitation to selected NZX Firms and Institutional Investors to apply for Shares.</p> <p>Certain Institutional Investors and NZX Firms will be invited to bid for Shares in the Bookbuild.</p>
How do you apply?	See Section 11 (<i>How to apply</i>) and the relevant Application Form for detailed instructions on how to apply for Shares.		
How many Offer Shares can you apply for?	Your NZX Firm will determine the number of Shares their clients may apply for. However, the minimum Application amount is 2,500 Shares.	<p>Applications under the Priority Offer must be for a minimum of \$1,000 of Shares, and thereafter in multiples of \$100.</p> <p>Each Share will be issued at the Final Price. The amount applied for in the Application Form will be divided by the Final Price to calculate the number of Offer Shares applied for, rounded down to the nearest whole Offer Share.</p> <p>There is no maximum dollar amount of Shares that can be applied for by investors applying under the Priority Offer.</p>	N/A
How do you pay for your Offer Shares?	See the Application Form for payment details.	See the Application Form for payment details.	Full details will be provided by the Joint Lead Managers to successful participants.
When do you need to apply?	<p>The Broker Firm Offer opens at 9.00am on 8 August 2019 following the Bookbuild.</p> <p>You should send your completed Application Form and Application Monies to your NZX Firm in time to enable forwarding to the Share Registrar by 5.00pm on 16 August 2019.</p>	<p>The Priority Offer opens at 9.00am on 23 July 2019 and will close at 5.00pm on 5 August 2019.</p> <p>The opening and closing date of the Priority Offer may be changed by Napier Port.</p>	N/A

	Broker Firm Offer	Priority Offer	Institutional Offer
Allocation policy	<p>The number of Shares to be offered under the Broker Firm Offer will be determined following the Bookbuild by Napier Port following consultation with the Joint Lead Managers.</p> <p>Allocations by NZX Firms under the Broker Firm Offer to their clients will be determined by those NZX Firms. It will be a matter for the NZX Firms to ensure that their clients who have received an allocation from them receive the relevant Shares. Broker Firm Offer Applicants should contact the NZX Firm from whom they received their allocation to find out if their Application was successful.</p>	<p>The number of Shares to be allocated to the Priority Offer, and among participants in the Priority Offer, will be determined following the Bookbuild by Napier Port following consultation with the Joint Lead Managers.</p> <p>Applicants under the Priority Offer will only receive one allocation under the Priority Offer even if they meet more than one of the eligibility criteria.</p> <p>Applicants who are Eligible Employees will receive a guaranteed minimum allocation of \$5,000 of Shares at the Final Price, rounded down to the nearest whole Offer Share (i.e., applications for up to \$5,000 of Shares by Eligible Employees will not be scaled).</p> <p>Local Residents and Non-Resident Ratepayers will receive a guaranteed minimum allocation of \$2,000 of Shares at the Final Price, rounded down to the nearest whole Offer Share (i.e., applications for up to \$2,000 of Shares by Local Residents and Non-Resident Ratepayers will not be scaled).</p> <p>Preferential allocations to Eligible Iwi will be determined once demand for the Offer Shares is known.</p> <p>Applicants should contact the Share Registrar by email at applications@linkmarketservices.co.nz to find out if their Application was successful.</p>	<p>The number of Shares to be offered under the Institutional Offer, and the allocation of Shares among Institutional Investors and NZX Firms that have bid for Shares in the Bookbuild, will be determined by Napier Port following consultation with the Joint Lead Managers.</p> <p>There is no assurance that any participant in the Bookbuild will be allocated any Shares or the number of Shares for which it has bid. The allocation policy will be influenced by a number of factors which may include the timeliness of the bid by particular bidders.</p>

5.3 LISTING

Napier Port expects that trading of the Shares on the NZX Main Board will commence on 20 August 2019. If admission to list on the NZX Main Board is denied, the Offer will not proceed.

Application has been made to NZX for permission to list Napier Port Holdings and to quote the Shares on the NZX Main Board. All of NZX's requirements relating to that application that can be complied with on or before the date of this PDS have been complied with. However, NZX accepts no responsibility for any statement in this PDS. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the FMC Act.

5.4 HBRIC'S INTENTION IN RELATION TO HOLDING OF SHARES

HBRIC is not subject to any escrow arrangements that would prevent it from selling or otherwise disposing of any Shares that it holds. However, HBRIC has advised Napier Port that HBRIC has no present intention to sell or otherwise dispose of any of the 55% shareholding in Napier Port that it will hold upon completion of the Offer. There are restrictions on HBRIC's holding of Shares falling below 51%, including the requirements for public consultation and Council approval. See Section 2.20 (*Other material governance disclosures*).

5.5 SELLING RESTRICTIONS

The Offer is only being made to:

- eligible persons under the Priority Offer;
- New Zealand resident clients of selected NZX Firms who have received a firm allocation of Shares from that NZX Firm under the Broker Firm Offer; and
- selected NZX Firms and Institutional Investors under the Institutional Offer.

5.6 PRIORITY OFFER APPLICANTS' WITHDRAWAL RIGHTS

Pursuant to the Exemption, if Napier Port becomes aware prior to commencement of the Bookbuild of a circumstance that has arisen since the PDS or Offer Register was lodged that otherwise would have been required by the FMC Act or FMC Regulations to be disclosed in the PDS or Offer Register, Napier Port will not be required to deal under section 80(1) of the FMC Act with Applications but may:

- update or replace the PDS or amend the Offer Register (as the case may be) to correct the deficiency; and
- advise investors of those developments by publishing advertisements in newspapers, with additional information on the Offer website and in a notice to be released via NZX and provided to Applicants by their broker (in the case of Applicants applying through a broker), by Napier Port (in the case of Eligible Employees) and by email (in the case of Applicants who have applied online).

In that case, in addition to any other rights of withdrawal that an Applicant may have, an Applicant may withdraw their Application within seven working days after the publication of the newspaper advertisements if the Application Form is dated on or before the date of the newspaper advertisements.

Notice of withdrawal must be given in one of the following manners:

- by completing the withdrawal form that will be made available on the Offer website www.napierportshareoffer.co.nz;
- by informing the NZX Firm through whom the Applicant had applied for Offer Shares; or
- by informing a designated Port of Napier representative in the case of Eligible Employees.

If an Applicant does not validly withdraw their Application within the relevant time period, Napier Port will be entitled to accept the Applicant's Application.

Napier Port must refund any Applicant who has validly withdrawn their Application (without interest) within five working days after the earlier of the end of the withdrawal period and the cancellation of the Offer.

5.7 FURTHER INFORMATION

This PDS is intended for use solely in connection with the Offer. You can find further information on the Offer Register in relation to the terms of the Offer, including the Constitution and additional selling restrictions relating to Institutional Investors, the Takeovers Code and the Overseas Investment Act 2005.

SECTION 6 / KEY FEATURES OF THE SHARES

6.1 KEY FEATURES

All Shares issued under the Offer will be fully paid ordinary shares in Napier Port Holdings which rank equally with each other and all other ordinary shares in Napier Port Holdings on issue. The Offer Shares have the same key features as ordinary shares in a company generally.

6.2 DIVIDEND POLICY

For information relating to dividends to be paid during the Prospective Period, see Section 7.6 (*Napier Port's financial information – Dividends*).

For dividends to be declared and paid after the Prospective Period, the Board is targeting paying total dividends within a range of 70% to 90% of Free Cash Flow. The Board considers this is sustainable, both during the Prospective Period and thereafter, and that the dividend policy reflects the capital requirements of Napier Port, including the 6 Wharf expansion project (see Section 2.7 (*6 Wharf expansion project*)).

Free Cash Flow is a non-NZ GAAP measure adopted by Napier Port. It excludes capital expenditure on development projects (including 6 Wharf) and the interest costs which will be capitalised during construction. Once construction is completed, debt for the 6 Wharf project is expected to be at its highest and interest costs will not be capitalised. This will reduce the Free Cash Flow available for distributions. However, we expect that additional revenue from increased cargo volumes and pricing over time will help grow our Free Cash Flow.

The payment of dividends is not guaranteed and will be at the discretion of the Board and depend on a number of factors. These factors include the general business environment, operating results (including our ability to grow Free Cash Flow) and financial condition of Napier Port, future funding requirements, any contractual, legal or regulatory restrictions on the payment of dividends by Napier Port and any other factors the Board may consider relevant. In declaring dividends, Napier Port must comply with the solvency test under the Companies Act and the covenants in its banking facilities.

Dividend payments are expected to be split into an interim dividend paid in June, targeting 40% of the total expected dividend for the financial year, and a final dividend paid in December. Napier Port intends to impute dividends to the maximum extent possible.

SECTION 7 / NAPIER PORT'S FINANCIAL INFORMATION

7.1 INTRODUCTION

These tables provide key financial information about Napier Port. Full financial statements are available on the Offer Register at www.business.govt.nz/disclose, offer number OFR12679. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Historical information presented in this document for FY2016 to FY2018 (including 1HY2018) and 1HY2019 relates to Port of Napier. Napier Port Holdings, which will acquire Port of Napier prior to Settlement, was incorporated only shortly before the date of this PDS. In reliance on the Exemption, financial information for Napier Port Holdings for that short period is not shown in the selected financial information table in Section 7, but is incorporated within the pro forma financial information for FY2019F. The Board believes the presentation of historical financial information for Port of Napier provides more useful information for investors, making it more easily comparable with the prospective financial information for the Group for FY2019F and FY2020F.

The Supplementary Financial Information and other financial information is also available on the Offer Register.

This PDS contains prospective financial information (**PFI**) for FY2019F and FY2020F (together, the Prospective Period). The PFI is based on the Directors' assessment of events and conditions existing at the date of this PDS and the accounting policies and assumptions set out in the Supplementary Financial Information which is available on the Offer Register. The principal assumptions on which the PFI is based are set out under Section 7.4 (*Overview of historical and prospective financial performance – Overview of prospective financial performance*).

PFI by its nature is inherently uncertain. It is a prediction of future events which cannot be assured. It involves risks and uncertainties, many of which are beyond the control of Napier Port. The Board believes that the PFI has been prepared with due care and attention, and considers the assumptions, when taken as a whole, to be reasonable at the time of preparing this PDS. Actual results are likely to vary from the information presented and variances may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the PFI will be achieved and investors are cautioned not to place undue reliance on the PFI. You should read the PFI in this PDS in light of the assumptions, and in conjunction with the other information in this PDS (including in particular, the information in Section 8 (*Risks to Napier Port's business and plans*)).

The financial information in this PDS is presented in New Zealand dollars and is rounded, which may result in some discrepancies between the sum of the components and totals within tables, and also certain percentage calculations.

7.2 SELECTED FINANCIAL INFORMATION

The table of Selected Financial Information contains the following types of financial information:

- (a) **Statutory historical financial information** as reported in Port of Napier financial statements.
- (b) **Statutory PFI** which presents the PFI on the same basis as that on which Napier Port intends to report under NZ GAAP in the future.
- (c) **Pro forma historical financial information** which has been derived from the statutory historical financial information, adjusted for structural changes and non-recurring or infrequent events of Napier Port. Napier Port believes these adjustments allow investors to compare the historical financial information with the PFI and to better understand the trends in financial performance. These adjustments are described in Section 7.9 (*Reconciliation of Pro forma EBITDA to Statutory NPAT – Description of pro forma adjustments*).
- (d) **Pro forma PFI** adjusts the statutory PFI to reflect pro forma adjustments in the first year of the Prospective Period (FY2019F) including the removal of non-recurring Offer costs and the change in capital structure of Napier Port arising from the Offer as described in Section 7.9 (*Reconciliation of Pro forma EBITDA to Statutory NPAT – Descriptions of pro forma adjustments*).

The pro forma historical financial information and the pro forma PFI have been prepared solely for the purpose of inclusion in this PDS. More information about the pro forma adjustments, the principal assumptions on which the PFI is based, and reconciliations of pro forma financial information to information prepared in accordance with NZ GAAP, is available in the Supplementary Financial Information.

The FY2019F information includes six months of actual results for the period ended 31 March 2019 and six months of forecast information for the period ended 30 September 2019. Where labelled pro forma, the FY2019F period also includes the pro forma adjustments outlined in Section 7.9.

The historical financial information is extracted from Port of Napier audited financial statements or the Supplementary Financial Information which are available on the Offer Register. This document presents historical financial information of Napier Port for the financial periods 30 September 2016 (**FY2016**), 30 September 2017 (**FY2017**), 30 September 2018 (**FY2018**), 31 March 2018 (**1HY2018**) and 31 March 2019 (**1HY2019**) (collectively the **Historical Periods**). The prospective financial information for the financial periods 30 September 2019 (**FY2019F**) and 30 September 2020 (**FY2020F**) is that presented and described in the Supplementary Financial Information which is available on the Offer Register.

Selected financial information¹

NZ\$'000	FY2016	FY2017	FY2018	FY2019F	FY2020F	1HY2018	1HY2019
Financial period	12 months ending 30 Sept 16	12 months ending 30 Sept 17	12 months ending 30 Sept 18	12 months ending 30 Sept 19	12 months ending 30 Sept 20	6 months ending 31 Mar 18	6 months ending 31 Mar 19
Financial performance:							
Revenue ²	72,653	86,679	91,749	97,358	102,533	43,766	48,658
Pro forma EBITDA ³	27,784	35,297	37,156	39,665	40,880	17,947	21,119
Net profit after tax	11,471	16,706	17,576	5,594	19,973	7,896	9,160
Pro forma net profit after tax ⁴				19,217	19,973		10,549
Balance sheet and cash flow items:							
Dividends paid	7,876	10,700	10,000	53,958	10,960	3,753	3,958
Post IPO dividends paid ⁵					10,960		
Total assets	302,580	329,083	331,959	370,781	409,473		339,292
Cash and cash equivalents	459	231	–	20,069	–		–
Total liabilities	114,356	123,978	119,547	35,493	66,528		117,815
Total debt ⁶	79,700	83,571	80,599	–	32,378		80,828
Net cash flows from operating activities	23,125	25,186	28,364	24,213	29,945	10,151	11,340
Pro forma net cash flows from operating activities ⁷				30,640	29,945		12,997
Free cash flow ⁸					21,201		

¹ The selected financial information (excluding any financial information in the selected financial information table that is identified as being pro forma financial information) is extracted from audited financial statements of Port of Napier for the FY2016, FY2017, FY2018 and 1HY2019 accounting periods together with 1HY2018 comparatives. The financial statements and auditor's reports for these periods are available on the Offer Register. The prospective financial information for FY2019F and FY2020F is extracted from the Supplementary Financial Information for the Group (and not the financial statements of Port of Napier, from which the selected financial information for FY2016, FY2017, FY2018, 1HY2018 and 1HY2019 has been extracted). Some line items in the selected financial information include adjustments applied by Napier Port (denoted 'pro forma'). For an explanation of pro forma adjustments, please refer to Section 7.9 (*Reconciliation of Pro forma EBITDA to Statutory NPAT*) and Part B of the Supplementary Financial Information.

² Revenue relates to operating income as disclosed for the Historical Periods in the audited financial statements of Napier Port.

³ Pro forma EBITDA is a non-NZ GAAP measure that includes pro forma adjustments as described in Section 7.9 (*Reconciliation of Pro forma EBITDA to Statutory NPAT*).

⁴ Pro forma net profit after tax is a non-NZ GAAP measure. This measure reflects the pro forma adjustments reflected in Pro forma EBITDA, the impairment of the investment in the Longburn Intermodal Freight Hub joint venture and the overlay of Napier Port's capital structure following completion of the Offer as if it had been in place since 1 October 2018. The pro forma tax expense has been adjusted to reflect the tax implications of the pro forma adjustments. A reconciliation to statutory net profit after tax is included in Part B of the Supplementary Financial Information.

⁵ Post-IPO dividends paid relates to dividends which will be available to investors. It is separately shown as the dividends paid prior to completion of the Offer will not be available to new investors and includes dividends paid to HBRIC in order to utilise substantially all of Napier Port's imputation credit balance.

⁶ Total debt includes term loans and borrowings.

⁷ Pro forma cash flows from operating activities is a non-NZ GAAP measure that comprises net cash flows from operating activities adjusted to remove offer costs in FY2019F and FY2020F and overlays Napier Port's capital structure following completion of the Offer as if it were in place for all of FY2019F.

⁸ For the definition of "Free Cash Flow" see Section 13 (*Glossary*). A reconciliation of Free Cash Flow to net profit after tax is available on the Offer Register.

7.3 HOW NAPIER PORT GENERATES REVENUE

Napier Port primarily generates revenue through its port operations. Napier Port has one reporting segment, but generates revenue from three principal service areas. These are described below:

(a) **Container Services:** which is a vertically integrated operation that involves all operations required to service import and export containers.

Container terminal revenue includes:

- (i) Vessel marine charges for pilotage, towing, mooring and berthage;
- (ii) Container handling charges for marshalling, crane operations, and stevedoring (which is sub-contracted to a third party);
- (iii) Providing power and monitoring for refrigerated containers;
- (iv) Vehicle booking charges for vehicles that enter the port to pick up or deliver containers;
- (v) Container storage charges for containers that are stored on-port beyond the storage days included within contractual arrangements; and
- (vi) Various levies to recover infrastructure and insurance expenditure.

Other container services revenue includes:

- (vii) Port Pack charges for the packing of export cargo into containers (mainly timber and wood pulp) and unpacking of import containers; and
- (viii) Depot services charges for the survey, cleaning, repair, pre-trip inspection, servicing, and off-Port storage of empty containers.

(b) **Bulk Cargo:** which involves the import and export of logs and other non-containerised bulk cargo. Bulk Cargo revenue includes:

- (i) Vessel marine charges for pilotage, towing, mooring and berthage;
- (ii) Wharfage charges for the volume of bulk cargo moved to/from vessels;
- (iii) Log charges for on-port storage and on-port fumigation; and
- (iv) Various levies to recover infrastructure and insurance expenditure.

(c) **Cruise Services:** which involves all operations associated with cruise ships visiting Napier Port. Cruise Services revenue includes:

- (i) Cruise vessel marine charges for pilotage, towing and mooring services; and
- (ii) Various levies to recover infrastructure and insurance expenditure.

In addition to the three principal service areas, Napier Port also generates revenue from marine charges to fishing, pleasure and other vessels and income from various property leases.



7.4 OVERVIEW OF HISTORICAL AND PROSPECTIVE FINANCIAL PERFORMANCE

(a) Introduction

This section provides an overview of the pro forma historical and prospective financial performance of Napier Port and should be read in conjunction with the 'Selected Financial Information' table in Section 7.2 (*Selected Financial Information*).

NZ\$'000	FY2016	FY2017	FY2018	FY2019F	FY2020F
Financial period	12 months ending 30 Sept 16	12 months ending 30 Sept 17	12 months ending 30 Sept 18	12 months ending 30 Sept 19	12 months ending 30 Sept 20
Container Services	51,982	60,615	58,005	59,483	63,117
Bulk Cargo	16,792	21,583	28,966	31,575	32,095
Cruise	1,513	2,083	2,561	3,596	4,795
Sundry revenue	251	306	353	757	418
Revenue from port operations	70,538	84,587	89,884	95,410	100,425
Property income	2,114	2,092	1,865	1,948	2,109
Operating income	72,653	86,679	91,749	97,358	102,533

(b) Overview of historical financial performance

(i) FY2017 financial performance relative to FY2016

Between FY2016 and FY2017 Napier Port's revenue from port operations grew by 19.9% from \$70.5 million to \$84.6 million. The key movements and drivers of revenue growth were:

- (A) Container Services revenue increased 16.6% (\$8.6 million) to \$60.6 million as container volumes increased from 257,000 TEUs to 288,000 TEUs. The majority of this growth was driven by containers being diverted to Napier following the November 2016 Kaikoura earthquake's damage to CentrePort, Wellington.
- (B) Bulk Cargo revenue increased by 28.5% (\$4.8 million) to \$21.6 million, largely due to a 34.9% increase in the volume of log exports. Log volumes increased from 1.2 million tonnes to 1.6 million tonnes due to increased forestry harvests. Other contributors to revenue growth included a 14.3% increase in imported bulk volumes (primarily fertiliser).
- (C) Cruise Services revenue increased by 37.7% (\$0.6 million) to \$2.1 million due to an increase in cruise ship schedule rates and nine additional cruise ship calls.

Between FY2016 and FY2017 Napier Port's Pro forma EBITDA grew by \$7.5 million (27.0%) to \$35.3 million. The growth in Pro forma EBITDA was predominantly driven by the increased port operations revenue, a decrease in fixed asset impairment (\$0.6 million), partially offset by increased expenses (e.g. labour and maintenance costs) to support the additional cargo volume.

(ii) FY2018 financial performance relative to FY2017

Between FY2017 and FY2018 Napier Port's revenue from port operations grew by 6.3% from \$84.6 million to \$89.9 million. The key movements and drivers of overall revenue growth were:

- (A) Container Services revenue declined 4.3% (\$2.6 million) to \$58.0 million due to a reduction of container volumes from 288,000 TEUs to 266,000 TEUs, largely as a result of CentrePort resuming container operations at the end of FY2017. Decreased volume was partly offset by tariff increases and additional levies in relation to higher insurance expenses and a temporary targeted customer infrastructure recovery contribution.
- (B) Bulk Cargo revenue grew by 34.2% (\$7.4 million) to \$29.0 million, largely from:
 - a) A 35.4% increase in the volume of logs being exported, from 1.6 million tonnes to 2.2 million tonnes, due to increased forestry harvests. This resulted in overall bulk volumes growing from 2.5 million tonnes to 3.1 million tonnes;
 - b) The increase in log volume also resulted in additional berthage revenue where vessels remained in port greater than 24 hours for loading; and
 - c) Additional levies in relation to increased insurance expenses.
- (C) Cruise Services revenue increased by 22.9% (\$0.5 million) to \$2.6 million due to three additional vessel calls and an industry trend towards longer vessels.

Between FY2017 and FY2018 Napier Port's Pro forma EBITDA grew by \$1.9 million (5.3%) to \$37.2 million. The growth in Pro forma EBITDA was due primarily to growth in Bulk Cargo revenue, a decrease in fixed asset impairment (\$0.3 million), negatively impacted by increased insurance costs to the port sector following the Kaikoura earthquake and one-off employment related expenses.

(c) Overview of prospective financial performance

This section provides an overview of the pro forma prospective financial performance of Napier Port and should be read in conjunction with the 'Selected Financial Information' table in Section 7.2 (*Selected Financial Information*). A full description of the assumptions and sensitivities for the Prospective Period is available in the Supplementary Financial Information on the Offer Register.

Key assumption Summary

Container Services revenue	<p>Container Services forecast revenue assumes:</p> <ul style="list-style-type: none"> TEUs will increase by 1.2% in both FY2019F and FY2020F 15 fewer vessel visits in FY2019F An increase in container terminal rates The introduction of an infrastructure levy in April 2019
Bulk Cargo revenue	<p>Bulk Cargo forecast revenue assumes:</p> <ul style="list-style-type: none"> Log volumes increase by 13.2% in FY2019F and remain consistent at that level in FY2020F Other export volumes increase by 26.1% in FY2019F and decrease by 7.0% in FY2020F Import volumes decrease by 4.3% in FY2019F and 7.3% in FY2020F An increase in wharfage charges
Cruise Services revenue	<p>Cruise Services forecast revenue assumes:</p> <ul style="list-style-type: none"> An increase of 13 cruise vessel calls in FY2019F and 17 in FY2020F An increase in cruise vessel schedule rates The introduction of a passenger charge in FY2020F
Operating expenses	Pro forma operating expenses are forecast to increase by 5.7% in FY2019F and 7.1% in FY2020F

(i) FY2019F financial performance relative to FY2018

From FY2018 to FY2019F, Napier Port's revenue from port operations is forecast to grow by 6.1% (\$5.5 million) from \$89.9 million to \$95.4 million. This is being driven by growth in revenue from all services. Key movements and factors that are forecast to drive these movements include:

- (A) Container Services forecast revenue growth of 2.5% (\$1.5 million to \$59.5 million) is due to pre-agreed tariff increases with shipping lines and an increase in infrastructure charges. These will be partially offset by the loss of a significant depot services customer, a forecast decrease in Port Pack volume and a decrease in container vessel visits due to a customer's revised shipping schedule. Container volumes are forecast to increase moderately.
- (B) Bulk Cargo forecast revenue growth of 9.0% (\$2.6 million) to \$31.6 million, is driven by expected volume and tariff growth of exported logs, partly offset by slightly lower volumes of imported fertiliser and oil. Total bulk volumes are forecast to increase from 3.1 million tonnes to 3.4 million tonnes. Revenue growth is partly offset by the removal of a log area paving levy.

- (C) Cruise Services forecast revenue growth of 40.4% (\$1.0 million) to \$3.6 million, is driven by an increase in cruise ship schedule rates and 13 additional vessel calls.

From FY2018 to FY2019F Napier Port's Pro forma EBITDA is forecast to increase by \$2.5 million (6.8%) to \$39.7 million. This is driven by the increase in revenue from port operations, partially offset by an increase in staff related costs as employee numbers increase to facilitate revenue growth.

(ii) FY2020F financial performance relative to FY2019F

- (A) Container Services forecast revenue growth of 6.1% (\$3.6 million) to \$63.1 million due to anticipated volume increases, from 269,000 TEUs to 272,000 TEUs, particularly of refrigerated containers (which attract a higher revenue per container) tariff increases and the full-year impact of the infrastructure levy introduced in FY2019F.
- (B) Bulk Cargo forecast revenue growth of 1.6% (\$0.5 million) to \$32.1 million, due to increases in tariff rates. In light of current international log prices in China, log export volumes are forecast to be consistent with FY2019F at 2.5 million tonnes.
- (C) Cruise Services forecast revenue growth of 33.4% (\$1.2 million) to \$4.8 million, driven by an additional 17 cruise ship calls and the introduction of a passenger charge.

From FY2019F to FY2020F Napier Port's Pro forma EBITDA is forecast to increase by 3.1% (\$1.2 million) to \$40.9 million. This is primarily driven by the increase in port operations revenue, offset by an increase in staff related costs and other operating costs such as insurance.

7.5 NET PROFIT AFTER TAX

Net profit after tax (**NPAT**) includes certain non-recurring items and the impact of the pre Offer capital structure which have been adjusted for in calculating Pro forma EBITDA. The key drivers of the movement in NPAT over the FY2016 to FY2020F period include:

- (a) Between FY2016 and FY2017, NPAT increased by \$5.2 million, driven by the increase Pro forma EBITDA (as noted above), partly offset by a corresponding increase in income tax expense.
- (b) Between FY2017 and FY2018 NPAT increased by \$0.9 million due to the increase in Pro forma EBITDA (as noted above) and an increase in the fair value of investment properties of \$0.7 million, partly offset by an increase in income tax expense.
- (c) Despite Pro forma EBITDA being forecast to increase between FY2018 and FY2019F, NPAT is forecast to decrease by \$12.0 million in FY2019F with this largely due to the impact of the pro forma adjustments discussed in Section 7.9 (*Reconciliation of Pro Forma EBITDA to Statutory NPAT*). The key adjustments that impact NPAT in this period are:
 - (i) Offer costs (\$7.3 million);
 - (ii) An increase in finance costs due to the closure of interest rate swap agreements (\$6.6 million);
 - (iii) A \$1.0 million increase in the share of loss and impairment of equity accounted investees due to the

impairment of the investment in the Longburn Intermodal Freight Hub Limited joint venture, which is currently loss making. The value of the investment in the joint venture was impaired to \$nil;

- (iv) An increase in depreciation and amortisation expenses reflecting capital expenditure over the period (\$0.7 million);
- (v) The above are partly offset by a decrease in income tax expense.
- (d) Between FY2019F and FY2020F NPAT is forecast to increase by \$14.4 million due to the forecast increase in Pro forma EBITDA (as noted above), FY2019 pro forma adjustments not repeating, and a \$10.5 million decrease in finance costs due to the impact of the listed capital structure. This is partly offset by an increase in depreciation and amortisation (\$1.4 million) and income tax expense (\$2.7 million).

7.6 DIVIDENDS

Napier Port intends to declare dividends during the Prospective Period as follows:

- (a) In respect of the FY2019F, Napier Port expects to pay dividends to HBRIC of \$54.0 million in total, comprising:

- (i) ordinary dividends of \$10.0 million which have been declared and paid to HBRIC; and
- (ii) a special dividend of \$44.0 million, which has been declared and will be paid to HBRIC on completion of the Offer in order to utilise substantially all Port of Napier's imputation credit balance (that would otherwise be lost due to the change in ownership following completion of the Offer).
- (b) Following the completion of the Offer, the Directors' intention is to declare a dividend of \$5.0 million (2.5 cents per Share) which will be paid to Shareholders in December 2019.
- (c) In respect of FY2020F, provided the PFI is achieved, the Directors' intention is to pay dividends of \$14.9 million which represents a dividend payout ratio of approximately 70% of Free Cash Flow. It is expected that this will comprise an interim dividend of \$6.0 million (payable in June 2020) and a final dividend of \$8.9 million (payable in December 2020).

A reconciliation of NPAT to Free Cash Flow is provided on the Offer Register. For the definition of "Free Cash Flow" see Section 13 (*Glossary*).

The dividends will be fully imputed to the extent possible and are expected to be fully imputed in FY2019F and FY2020F. See Section 6.2 (*Dividend policy*).

7.7 CAPITALISATION TABLE

Capitalisation Table

Number of Shares being offered	90 million
Number of Shares on issue following the Offer	200 million
Indicative Price Range	\$2.27 - \$2.60
Implied market capitalisation	\$454.0 million - \$520.0 million
Net Debt / (Cash) on completion of the Offer	\$(22.4) million
Implied enterprise value	\$431.6 million - \$497.6 million

Explanation of implied market capitalisation and implied enterprise value

Implied market capitalisation is the value of all of the issuer's equity securities, as implied by the price of the Shares being offered. It is a measure of what Napier Port is proposing that Napier Port's equity is worth.

Implied enterprise value (**EV**) is a measure of the total value of the business of Napier Port, as implied by the price of the Shares being offered. Implied enterprise value is the amount that a person would need to pay to acquire all of Napier Port's equity securities and to settle all of Napier Port's borrowings. It is a measure of what Napier Port is proposing the business of Napier Port as a whole is worth.

7.8 KEY INVESTMENT METRICS

The following key investment metrics are prepared based on NZ GAAP, as well as certain non-NZ GAAP pro forma financial information. More information on pro forma adjustments and reconciliations to information prepared in accordance with NZ GAAP is available in the Supplementary Financial Information on the Offer Register.

	FY2019F	FY2020F
Implied enterprise value / Pro forma EBITDA	10.9x - 12.5x	10.6x - 12.2x
Price / Pro forma earnings per Share	23.6x - 27.1x	22.7x - 26.0x
Pro forma earnings per Share	\$0.10	\$0.10
Price / Earnings per Share	81.2x - 92.9x	22.7x - 26.0x
Earnings per Share	\$0.03	\$0.10
Dividends declared per Share ¹		\$0.07
Implied dividend yield – cash dividend declared ¹		2.9% - 3.3%
Implied dividend yield – gross dividend declared ¹		4.0% - 4.6%

¹ Dividends declared per Share, implied dividend yield – cash dividend declared and implied dividend yield – gross dividend declared for FY2019F have not been included as Napier Port considers these metrics are not comparable due to the \$44.0 million special dividend which has been declared and will be paid to HBRIC on completion of the Offer. See Section 3.1 (Purpose of the Offer) and Section 7.6 (Dividends).

7.9 RECONCILIATION OF PRO FORMA EBITDA TO STATUTORY NPAT

NZ\$000	FY2016	FY2017	FY2018	FY2019F	FY2020F	1HY2018	1HY2019
Financial period	12 months ending 30 Sept 16	12 months ending 30 Sept 17	12 months ending 30 Sept 18	12 months ending 30 Sept 19	12 months ending 30 Sept 20	6 months ending 31 Mar 18	6 months ending 31 Mar 19
Statutory net profit after tax	11,471	16,706	17,576	5,594	19,973	7,896	9,160
add: Taxation expense	4,468	5,594	6,859	5,157	7,901	3,362	4,190
add: Net interest expense	4,184	3,965	4,107	10,436	(61)	2,064	2,026
add: Depreciation and amortisation	9,232	10,626	10,849	11,530	12,947	5,457	5,679
EBITDA	29,356	36,891	39,391	32,717	40,760	18,779	21,055
Pro forma adjustments:							
Offer costs	-	-	-	7,339	-	-	-
Incremental listed company costs	(1,620)	(1,620)	(1,620)	(1,485)	-	(810)	(810)
Other (income) expenses	10	(114)	(709)	(25)	-	(82)	(25)
Share of (income) loss of equity accounted investee	39	141	94	310	120	60	90
Impairment of joint venture	-	-	-	809	-	-	809
Total pro forma adjustments	(1,572)	(1,594)	(2,235)	6,949	120	(832)	64
Pro forma EBITDA	27,784	35,297	37,156	39,665	40,880	17,947	21,119

(a) Description of pro forma adjustments

In determining the use of pro forma adjustments, the Directors have considered only those items that they believe are required to ensure consistency and comparability of the financial information over the Historical Periods and the Prospective Periods.

The pro forma adjustments that Napier Port considers are appropriate are explained below, and described in more detail in Part C of the Supplementary Financial Information:

- (i) removal of the one-off transaction costs relating to the Offer;

- (ii) adding an estimate of the incremental costs that will be incurred by Napier Port as a publicly listed company;
- (iii) removal of other (income) expenses as these items relate to non-core operating activities;
- (iv) removal of share of (income) loss of equity accounted investee as the investment has been fully written down to zero;
- (v) removal of the impairment of joint venture as it was a one-off event; and
- (vi) removal of the impact of the pre-Offer debt capital in relation to FY2019F and applying the post-Offer capital structure as if it were in place for all of FY2019F.

SECTION 8 / RISKS TO NAPIER PORT'S BUSINESS AND PLANS

8.1 INTRODUCTION

This section describes the circumstances Napier Port is aware of that exist or are likely to arise that significantly increase the risk to Napier Port's financial position, financial performance or stated plans. The description is based on the knowledge of the Directors as at the date of this PDS. There is no guarantee or assurance that the importance of each risk will not change or that other risks will not emerge over time.

The risks below do not cover all of the risks of investing in the Shares. You should also read Section 2 (*Napier Port and what it does*), including Section 2.7 (*6 Wharf expansion project*), Section 2.8 (*Capital management*), Section 2.9 (*Industry overview*), Section 2.20 (*Other material governance disclosures*) and Section 6.2 (*Dividend policy*).

8.2 RISKS

6 WHARF CONSTRUCTION RISK

Description of risk	As detailed in Section 2.7 (<i>6 Wharf expansion project</i>), Napier Port is proposing to build 6 Wharf. 6 Wharf is a major project and presents significant risks in relation to completing on time and on budget, funding and increased operational and health and safety risk during the construction phase.
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Why is it significant?

Project execution

Our long-term business prospects depend in part on our ability to execute this project. There is no assurance that 6 Wharf will complete on time and on budget, or at all.

Any one or more specific events associated with the project could have a significant impact on those prospects. Such events include:

- the final price of 6 Wharf being above our budgeted price. Fixed price arrangements have been agreed for many but not all components of the construction, leaving us exposed to potential increases in costs. In particular, although the Construction Contract is based upon a fixed-price lump-sum model, the dredging works and the steel piles components are priced on a measure and value basis, the cost of diesel for the dredging works is subject to escalation, and the price of bollards, fenders and steel piles are subject to foreign currency exchange risk. In addition, we are procuring the mooring system for 6 Wharf outside of the Construction Contract and are exposed to foreign currency exchange risk on this component of the project. The contingency within the project budget (approximately \$17 million within the total estimated project cost of \$173 -190 million) includes an allowance for the components for which pricing is not fixed or is subject to change. This pricing exposure has the potential to cause significant increases in the overall cost;
 - unexpected issues with the design of 6 Wharf resulting in significant cost increases and delay;
 - unexpected issues regarding the geotechnical condition and material composition of the proposed location of 6 Wharf and the proposed dredge area that result in significant cost increases and delay;
 - participants in the construction process defaulting on their obligations. In particular, there is the potential for HEB, as head contractor, to default on its obligations under the Construction Contract and Napier Port being unable to obtain a suitable contractor to carry out or complete construction;
 - the performance bonds put in place to support the completion of the 6 Wharf project in the event of HEB's default being insufficient to allow the project to complete without incurrence of costs that cannot be recovered under those performance bonds;
 - the risk of Heron Construction & Dredging Limited, the key subcontractor for the essential dredging works, refusing to enter into key subcontract arrangements or terminating such arrangements;
 - the inability to obtain or amend resource consents, building consents or other consents under District or Local plans as required, or to comply with other regulatory requirements;
 - an increase in interest rates, increasing the overall cost of funding the construction; and
 - other unforeseen circumstances resulting in delays to construction or increased costs for completing 6 Wharf.
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6 WHARF CONSTRUCTION RISK

Why is it significant? continued

Any material additional costs we incur may lead to us requiring additional funding, becoming subject to increased costs of borrowing, or breaching our debt facilities' covenants. Any such occurrences would impact our debt, which could have an impact on our financial performance, including our ability to pay dividends. See Section 2.8 (*Capital management*) and Section 6.2 (*Dividend policy*).

In addition, access to additional sources of debt on commercially acceptable terms may not be available. In the event of material cost increases requiring us to raise new equity capital, such equity financing may not be available (see *Major Shareholder risk* below).

Operational impact

During the period that 6 Wharf is under construction, it is expected that there will be impacts on our operations, particularly at the container operations terminal.

With the Port site already being space constrained and operations becoming even more complex within that space constrained area during the construction of 6 Wharf, there is a possibility that we may be unable to handle peak volumes of cargo, which could have an indirect impact on customer satisfaction if the impact created significant inefficiencies.

Any significant health and safety event occurring during construction could result in the suspension of construction activities or Port operations.

Any such impact on operations or any delay in completion will impact our financial performance and may result in the loss of customers.

Napier Port's assessment of the likelihood, nature and potential magnitude of any impact

Project execution

In any construction projects there can be delays and cost increases. Such events may occur, but are being managed through:

- An "ECI" early contractor involvement process to develop the scope, review and assist with aspects of the design and price the works.
- Involvement of leading engineering advisers and other consultants, including in relation to design.
- Performance bonds, a bond in lieu of retentions by HEB and a performance guarantee to be put in place with HEB's parent company, to provide Napier Port with security in event of default by HEB.
- Liquidated damages which are payable for late completion by HEB and so incentivise HEB to perform its obligations on time and meet deadlines.

All resource consents expected to be required for the project have been obtained and these are not expected to need amending during the construction period. Certain building consents will be required.

Substantial cost overruns, delays in completing construction, or failure to complete the construction could have a significant impact on us, in particular our long-term business prospects.

Operational impact

There will be an impact on our operations during the period that 6 Wharf is under construction, principally through the reduction of the operational area for the existing container terminal. See Section 2.7 (*6 Wharf expansion project*).

SIGNIFICANT ASSET DAMAGE AND INTERRUPTION RISK

Description of risk A major natural event, such as a tsunami or a significant earthquake, could destroy or damage our assets, our customers' assets or essential infrastructure linking our customers with the Port or cause significant interruption to our business.

Why is it significant?**Damage and interruptions**

Our operations and financial position may be significantly impacted by any significant damage or destruction to assets or infrastructure that is relevant to our business.

This risk is exacerbated due to our assets being predominantly concentrated at the main Port site in Ahuriri. Our assets that are built on reclaimed land are at additional risk due to liquefaction risk. The Port is also located in an area at risk of earthquakes and tsunami.

A natural event that did not result in material damage to assets could nevertheless result in shipping channels becoming unusable until the channel is cleared through dredging. It could take a number of weeks, or even months, to re-open shipping channels depending on the extent of the blockage and the availability of dredges from third parties. During that period, we would be restricted in our ability to operate our business and would have no recourse to business interruption insurance if only the channel, rather than any insured assets, had been affected. In addition, weather events or patterns may adversely impact primary sector production, reducing our export volumes.

Losses not covered by insurance could have a material adverse effect on our financial condition, results of operations and prospects.

Under insurance

Under our existing policy we are liable in all cases for the first \$25 million of loss suffered in respect of any claims for 'Natural Catastrophe' events.

The terms of our insurance limit the maximum claim for 'Material Damage' events, together with any associated 'Business Interruption' coverage to \$500 million in aggregate. We share the benefit, cost and risk of the first \$250 million of coverage under our 'Material Damage' and 'Business Interruption' insurances with Port Nelson and South Port. In the scenario that an event causes 'Material Damage' or any 'Business Interruption' at our port as well as either or both of these co-insured ports, we will share in this aggregate \$250 million layer of insurance with Port of Nelson and/or South Port first, meaning that all of our loss may not be recoverable. We do not share the layer of insurance between \$250 million and \$500 million with any other person.

The declared value for all our assets has been assessed at an estimated value of \$796 million. This amount will increase as a result of the construction of 6 Wharf.

Further, insurance coverage does not provide complete protection against all potential hazards incidental to our operations due to uninsurable risks (for example, damage to port land, damage to dredged shipping channels, political risk and regulatory risk), policy exclusions, excesses and other limitations. We may also decide not to insure certain assets, or against certain risks.

Therefore, in the case of a natural event, in relation to which our insurance coverage (after any deductible) is inadequate, we could lose the capital invested in, and anticipated future revenues relating to, any assets that are damaged or destroyed. We may also have insufficient proceeds of insurance to make good the loss and we could be significantly underinsured in a total loss event. If we are unable to fund the remediation costs of our assets, our viability would be significantly impacted.

Availability of insurance

Our insurance policies come up for renewal each year and new terms, limits and premiums can apply. Following a series of global and national natural events (including the Christchurch and Kaikoura earthquakes in 2011 and 2016 respectively), obtaining sufficient levels of coverage has become harder. We have also experienced an increase in premiums in recent years that has added material cost to the business and has constrained our willingness to place coverage above minimum prudent levels. This included an approximately 25% increase in premiums for our portfolio of insurance policies when compared to the prior year as part of our most recent annual renewal (effective from 1 July 2019).

When we undertake our next annual renewal of insurance policies, expected to be in June 2020, we may again face higher than expected costs of insurance, it may not be economic to take out insurance at current levels or insurance capacity may not be available at any price. If we are unable or unwilling to obtain or maintain insurance coverage at current levels, this could have a material impact on our financial position and performance in the event of a natural disaster or other significant event.

SIGNIFICANT ASSET DAMAGE AND INTERRUPTION RISK

Napier Port's assessment of the likelihood, nature and potential magnitude of any impact

We cannot predict natural events and any financial impact will depend on the nature and scale of the event. However, the potential impact on us of any natural event is increased as a result of our operations being located in a concentrated location and our dependency on specific rail, road and sea access.

We believe that the likelihood of a total loss event is low and there is limited ability to design or engineer our assets to account for such events.

We currently maintain insurance at what we believe to be industry standard levels, and we propose to enter into a separate construction insurance policy to apply during the 6 Wharf construction phase. The likelihood of not being able to effect some reasonable level of coverage is low, but the likelihood of increasing premium costs is high. We do not expect insurance conditions, particularly for coastal port assets, to materially improve in the short to medium term so we may be limited in the extent of coverage we obtain. Any decision to reduce coverage levels will exacerbate the risk of under-insurance.

To benefit from more favourable commercial terms and manage the risk of under-insurance, we enter into collective insurance arrangements where we share coverage. We also seek early engagement with our insurance advisers to understand the potential expected increase in premiums on renewal, seek adviser input as part of our annual renewal process and endeavour to place insurance with a range of domestic and international insurers.

However, any major natural event that causes significant damage to our assets, our customers' assets or essential infrastructure linking our customers with the Port would have a material impact on our financial position and performance and our future viability.

The Board reviews our insurance position as part of each annual renewal. Given pricing, even if additional insurance capacity were to be available, the Board believes that holding a higher level of insurance at this time is not justified.

MAJOR SHAREHOLDER RISK

Description of risk

The Council will have material influence over Napier Port, including our ability to raise further equity funding, as a result of HBRIC being the majority Shareholder and additional protections entrenched in the Constitution. The Council's interests in Napier Port, including in its capacity as a local authority for the Hawke's Bay region, may conflict with the interests of other Shareholders.

Why is it significant?

The Council (through HBRIC) will be able to control the composition of the Board and will be able to pass all Ordinary Resolutions (and will likely be able to control the outcome of all Special Resolutions).

In addition, the Constitution:

- prohibits the issue of new Shares in Napier Port Holdings, where that issue of new Shares would dilute the Council's shareholding below 51 %, unless the Council agrees;
- requires an approval by Ordinary Resolution if Napier Port Holdings or Port of Napier undertakes a specified material transaction or other actions. For such time as it controls a majority shareholding in Napier Port Holdings, the Council will control the outcome of such Ordinary Resolutions; and
- provides for the board of directors of Port of Napier to mirror the Board.

As a result of its voting power and ability to control the composition of the board of directors of both Napier Port Holdings and Port of Napier, the Council will have material influence over Napier Port.

The Council will be able to discourage and prevent any takeover or merger transaction for such time as it controls a significant holding in Napier Port Holdings.

See Section 2.20 (*Other material governance disclosures*) for more information.

There is no assurance that the Council will support any Shareholder resolutions or agree to Napier Port Holdings issuing new Shares if its holding would be diluted to below 51 % (Napier Port would not be able to obtain equity financing in such circumstances).

MAJOR SHAREHOLDER RISK

Napier Port's assessment of the likelihood, nature and potential magnitude of any impact

If we require new capital, and the Council did not agree to Napier Port Holdings issuing new Shares, this could have a significant adverse impact on us, including our potential growth. This impact would be particularly significant if additional equity funding was required in connection with the completion of 6 Wharf.

It is possible that, in the future, the Council may not agree with one or more resolutions relating to Napier Port Holdings proposed by the Board. This is the Council's right as a majority Shareholder. The impact of the failure to pass any resolution for action proposed by Napier Port will depend on the resolution that is proposed.

We will manage this risk by continuing to review and manage our banking and other funding capacity to enable us to operate as required.

We will be proactive with our engagement with the Council, in its capacity as an ultimate shareholder, and have established clear lines of communication under our information access protocols. See the Offer Register for more information.

FORESTRY SECTOR RISK

Description of risk

Our business is heavily dependent on the forestry sector. Events could occur that result in the supply or demand for New Zealand or Hawke's Bay and surrounding areas' logs, woodpulp or timber reducing. An example of this is the recent reduction of log prices being paid by Chinese buyers.

Why is it significant?

In FY2018, logs, woodpulp and timber accounted for 55%, 12% and 7% of our total exports by tonne, respectively, comprising 74% of our total exports by tonne.

Log, woodpulp and timber export volumes are currently expected to increase over the coming years due to forest plantations located in Hawke's Bay reaching maturity.

However, events that result in the supply or demand for New Zealand or Hawke's Bay and surrounding areas' logs, woodpulp or timber reducing could have a material impact on our financial position and performance.

Such events could include:

- A reduction in export log prices, such as has been observed historically or which may eventuate if the recently reported fall in log prices in China is more significant or prolonged than we anticipate as at the date of this PDS;
 - Forestry industry participants deciding not to harvest plantations, due to a fall in prices or other reasons;
 - International demand for logs falling, such that there are no, or reduced, markets for New Zealand and Hawke's Bay and surrounding areas' logs and wood products;
 - Forestry industry participants choosing to use other New Zealand ports to ship their logs and wood products;
 - A change in phytosanitary regulatory requirements for exporters or an increase in the cost of fumigation or alternative treatments following the introduction of new rules relating to the recapture or removal of methyl bromide emissions in October 2020; and
 - Major storm damage, fire, disease or pest issues affecting log supply.
-

Napier Port's assessment of the likelihood, nature and potential magnitude of any impact

It is not possible to determine the likelihood of a reduction in supply or demand for New Zealand and Hawke's Bay and surrounding areas' logs and wood products.

However, a material or prolonged downturn in supply or demand for logs could have a material adverse impact on our financial performance.

We expect that, were a downturn in demand in the current key markets to occur, the log owners would seek other markets to send cargo to, which could limit the impact of such a downturn on our financial performance.

BIOSECURITY RISK

Description of risk	A significant biosecurity event could affect one or more primary industries in Hawke's Bay who export their produce through the Port, including forestry, pipfruit or meat producers.
Why is this significant?	<p>This is a particular risk to us because our business is primarily export focussed, with exports accounting for 79% of all cargo by weight transiting the Port in FY2018. In FY2018, the export product mix included logs, woodpulp and timber (74% of export tonnes), apples and pears (7% of export tonnes) and meat (5% of export tonnes).</p> <p>A significant biosecurity event could result in the supply or demand for forestry products, apples, pears, meat and wine that is exported through the Port being materially reduced, which could have a material impact on our financial position and performance.</p> <p>Such a biosecurity event could also increase the production costs for the growers and producers associated with ongoing quarantine and monitoring processes, which may further impact the demand for these products that are exported through the Port, and further increasing the impact on our financial position and performance.</p>
Napier Port's assessment of the likelihood, nature and potential magnitude of any impact	<p>We cannot predict the likelihood of a significant biosecurity event occurring. There have been no significant biosecurity events in Hawke's Bay that we believe have materially affected export volumes in recent times, although other areas of New Zealand have been affected by pests (such as the Queensland fruit fly or the PSA bacterial disease that affects Kiwifruit plants).</p> <p>The New Zealand government seeks to prevent biosecurity events through strict import regulations. We work with the Ministry of Primary Industries to implement biosecurity controls and inspections related to imported containers, packaging and cargo that aim to reduce the likelihood of disease or pests entering the Hawke's Bay region via the Port. However, the disease or pests may not be detected or could enter the region through other entry-points.</p> <p>A major biosecurity event, including where disease or pests impacted a large incursion zone or materially affected one or more of our key export customers, or where the biosecurity event was prolonged, could have a material impact on our financial position and performance.</p>

CHINA AND OTHER ASIAN MARKET RISK

Description of risk	Access to, or demand from, China and our other key Asian markets may be materially impaired.
Why is it significant?	<p>Exports to Asian markets made up 84% of our total exported cargo volume by weight in 2018 (65% to China)²⁸.</p> <p>Further, 90% of the log exports by weight from the Port were sent to China in 2018 (which represented 52% of total exports by tonne)²⁸.</p> <p>If access to these key markets was impaired, or some other event occurred that resulted in the demand for cargo from the Port decreasing, this could have a material impact on our financial position and performance.</p>
Napier Port's assessment of the likelihood, nature and potential magnitude of any impact	<p>Given our high dependency on the Asian markets (particularly China) for exports, a closure or reduction of access to China and other Asian markets, or any other event that affected Chinese and Asian demand for cargo emanating from Hawke's Bay could be significant, at least in the short to medium term while exporters find new markets.</p> <p>We cannot predict if such events will take place. If such an event was to occur, there could be a significant delay before similar export levels to alternative destinations were reached.</p> <p>We manage this risk by engaging with key suppliers and customers to understand the expected supply and demand profiles in our key markets. If access to one or more key markets was to close, or another event occurred that adversely affected the key markets for the cargo shipped from the Port, we expect that it would generally be possible to locate other markets over time.</p>

²⁸. Ministry of Transport (Freight Information Gathering System); 2018.

CARGO OWNER CUSTOMER CONCENTRATION RISK

Description of risk	Napier Port is subject to the potential loss of, or reduction in demand from, key cargo owner customers, which make up a significant proportion of our revenue.
Why is it significant?	<p>A significant proportion of our revenue is received from a small number of cargo owner customers, with our largest two estimated to account for approximately 19% of our total revenue in FY2018 (including revenue estimated to have been derived from shipping lines in connection with those cargo owner customers).</p> <p>We are currently looking to negotiate a longer term agreement with one of those customers. There is no guarantee this will result in a long term commitment.</p> <p>If we were to lose one or more of those key customers we would lose all of the revenue derived from those customers for the rest of that financial year and beyond, which we may not be able to replace with revenue from existing or new customers.</p>
Napier Port's assessment of the likelihood, nature and potential magnitude of any impact	<p>Given our high dependency on a small number of key cargo owner customers, the loss of, or reduction in demand from, any of those customers could be significant to our financial performance.</p> <p>We have long term relationships with most of our key customers. We continue to develop new and existing relationships with our key customers, including by integrating our operations with their supply chains and increasing the quality and range of our product and service offering.</p> <p>In addition, the Port's close proximity to some of our key cargo owner customers' existing operations means that we can continue to provide a cost effective and efficient route to market for our customers.</p>

**SECTION 9 /
TAX**

Tax can have significant consequences for investments and can affect your return from the Shares. If you have any queries relating to the tax consequences of investing in the Shares, you should obtain professional advice on those consequences.

**SECTION 10 /
WHERE YOU CAN FIND
MORE INFORMATION**

Further information relating to Napier Port and the Shares is available on the Offer Register (including copies of the Constitution and financial statements) at www.business.govt.nz/disclose, offer number OFR12679. A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers.

Further information relating to Napier Port Holdings and Port of Napier is also available on the Companies Office register of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at www.companiesoffice.govt.nz/companies.

After Listing, Napier Port Holdings will be required to make half-year and annual announcements to NZX and such other announcements as required by the Listing Rules (including as modified by any waivers, rulings or exemptions applicable to Napier Port or the Shares) from time to time. You will be able to obtain this information free of charge by searching under Napier Port Holdings' ticker code "NPH" on NZX's website (www.nzx.com).

SECTION 11 / HOW TO APPLY

11.1 INSTRUCTIONS

You should read this PDS, the information on the Offer Register and other available information carefully before applying for Shares.

You can apply for Shares as follows:

Priority Offer: The method by which you can apply for Shares under the Priority Offer will depend on whether you are applying for Shares as an Eligible Employee, a Local Resident or a Non-Resident Ratepayer, or an Eligible Iwi. You may only make one Application for Shares under the Priority Offer.

- **Eligible Employee:** If you are applying for Shares under the Priority Offer as an Eligible Employee, you can apply for Shares by:
 - completing the Eligible Employee Application Form online at www.napierportshareoffer.co.nz following the on screen instructions (you will be required to download a copy of this PDS and the Employee Share Loan Terms as part of the online Application process); or
 - completing the Eligible Employee Application Form accompanying this PDS and the Employee Share Loan Terms, copies of which will be available from the designated representative at Napier Port, in accordance with the instructions on that Application Form.
- **Local Residents and Non-Resident Ratepayers:** If you are applying for Shares under the Priority Offer as a Local Resident or a Non-Resident Ratepayer, you can apply for Shares by:
 - completing the Local Residents and Non-Resident Ratepayers Application Form online at www.napierportshareoffer.co.nz following the on screen instructions (you will be required to download a copy of this PDS as part of the online Application process); or
 - completing the Local Residents and Non-Resident Ratepayers Application Form at the back of this PDS in accordance with the instructions on that Application Form.
- **Eligible Iwi:** If you are applying for Shares under the Priority Offer as an Eligible Iwi, you can apply for Shares by completing the Eligible Iwi Application Form that will be sent to you by Napier Port (together with a copy of this PDS) in accordance with the instructions on that Application Form.

Broker Firm Offer: Once you have received confirmation of a firm allocation from an NZX Firm, you can apply for Shares under the Broker Firm Offer by completing the Broker Firm Offer Application Form at the back of this PDS in accordance with the instructions provided by your NZX Firm, including as to how you should make payment for your Shares.

Institutional Offer: Full details of how to participate, including bidding instructions, will be provided by the Joint Lead Managers to invited participants.

11.2 PRIVACY POLICY

If you apply for Shares, you will be asked to provide personal information to Napier Port, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Details of how your personal information will be used (including to whom it may be disclosed) and your rights to access and seek correction to such information can be found on the Offer Register, in the document titled "Other Material Information".

You can also access your information on the Share Registrar's website www.linkmarketservices.co.nz (you will be required to enter your CSN (Common Shareholder Number) and Authorisation Code (FIN)).

SECTION 12 / CONTACT INFORMATION

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Investigating Accountant:

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Joint Lead Managers:

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SECTION 13 / GLOSSARY

PART A: GLOSSARY

\$ or NZ\$	New Zealand dollars
1HY	the financial half year ended 31 March of that year
6 Wharf	the proposed sixth wharf at the Port, as described in Section 2.7 (<i>6 Wharf expansion project</i>)
Acquisition	the acquisition of 100% of the shares in Port of Napier by Napier Port Holdings pursuant to the Acquisition Agreement
Acquisition Agreement	the acquisition agreement between HBRIC and Napier Port Holdings dated 15 July 2019. See Section 2.20 (<i>Other material governance disclosures</i>) and the Offer Register
Applicant	a person who makes an application for Shares under the Offer
Application	an application to subscribe for Shares under the Offer, made on the relevant Application Form and accompanied by the relevant Application Monies
Application Form	a Priority Offer Application Form or the Broker Firm Application Form (as applicable)
Application Monies	the amount payable on an Application
Board	the board of Directors of Napier Port Holdings
Bookbuild	the process used to assist Napier Port to set the Final Price, as described in Section 5.1 (<i>Key terms</i>)
Broker Firm Offer	the portion of the Offer that is available to New Zealand resident clients of NZX Firms who have received an allocation of Shares from that NZX Firm
Broker Firm Offer Application Form	the application form to subscribe for Shares under the Broker Firm Offer
Business	Napier Port's business
Business Day	a day on which the NZX Main Board is open for trading
CAGR	compound annual growth rate
Companies Act	the Companies Act 1993
Consideration Shares	the 110,000,000 Shares to be issued to HBRIC at the Final Price in connection with the Acquisition, being that number of Shares (including the one Share issued to HBRIC on incorporation of Napier Port Holdings) required to ensure that HBRIC holds 55% of the total number of Shares on issue immediately following completion of the Offer
Constitution	the new constitution of Napier Port Holdings to be adopted at and with effect from Listing, as amended from time to time
Construction Contract	the construction contract between Napier Port as principal and HEB as contractor for the 6 Wharf main contract works, the agreed form of which is appended to (and is subject to) the Letter Agreement, and described in Section 2.7 (<i>6 Wharf expansion project</i>) and on the Offer Register
Council	Hawke's Bay Regional Council
Council Party	the Council, HBRIC or any related company of the Council or HBRIC
CSN	common shareholder number
Director	a director of Napier Port Holdings and Port of Napier
EBITDA	earnings before interest, income tax, depreciation and amortisation
Eligible Employee	any permanent employee of Port of Napier as at 15 July 2019
Eligible Employee Application Form	the application form to subscribe for Shares under the Priority Offer as an Eligible Employee
Eligible Iwi	Ngāti Kahungunu Iwi Incorporated, the four Taiwhenua of Ngāti Kahungunu Iwi Incorporated and each tangata whenua appointer as defined in the Hawke's Bay Regional Planning Committee Act 2015

Eligible Iwi Application Form	the application form to subscribe for Shares under the Priority Offer as an Eligible Iwi
Employee Share Loan	the Employee Share Loan described in Section 2.18 (<i>Employee Share Loan</i>)
Employee Share Loan Terms	the terms of the Employee Share Loan
Executive LTI Plan	the long term incentive plan for certain employees of Napier Port, as described in Section 2.17 (<i>Executive LTI Plan</i>)
Exemption	the Financial Markets Conduct (Napier Port Holdings Limited) Exemption Notice, a copy and summary of which is available on the Offer Register
F	the inclusion of "F" after a reference to a financial period indicates that it is a "forecast" period
FIN	shareholder unique authorisation code (New Zealand)
Final Price	the price per share at which the Offer Shares will be issued, to be determined after the conclusion of the Bookbuild process and expected to be announced and posted on www.napierportshareoffer.co.nz on or about 7 August 2019
FMC Act	the Financial Markets Conduct Act 2013
FMC Regulations	the Financial Markets Conduct Regulations 2014
Free Cash Flow	a non-NZ GAAP measure, being NPAT, adjusted for the post-tax impact of fair value revaluations of derivatives and investment properties, plus depreciation, amortisation and impairment, less the average replacement capital expenditure of maintaining Napier Port's asset base. Average replacement capital expenditure is based on an assessment of the long term average cost of maintaining assets for Napier Port (in 2019 real terms)
FY	the financial year ended or ending 30 September of that year
Group	the group of companies conducting the Business being, from completion of the Acquisition, Napier Port Holdings and its subsidiaries
HBRIC	Hawke's Bay Regional Investment Company Limited, the investment arm of the Council
HEB	HEB Construction Limited
Historical Periods	FY2016, FY2017, FY2018, 1HY2018 and 1HY2019
Indicative Price Range	\$2.27 to \$2.60
Institutional Investor	an investor outside the United States to whom an offer or invitation in respect of securities can be made without the need for a product disclosure statement or similar disclosure document
Institutional Offer	the portion of the Offer available to selected Institutional Investors in New Zealand and certain other overseas jurisdictions and to NZX Firms
Joint Lead Managers	Deutsche Craigs Limited and Goldman Sachs New Zealand Limited
Letter Agreement	the binding letter of intent between Napier Port and HEB dated 7 May 2019, as described in Section 2.7 (<i>6 Wharf expansion project</i>) and on the Offer Register
Listing	the listing of Napier Port Holdings, and the quotation of the Shares on the NZX Main Board, which is expected to be 20 August 2019, unless varied by Napier Port
Listing Rules	the listing rules applying to the NZX Main Board in force from time to time
Local Government Act	the Local Government Act 2002
Local Resident	any individual of any age who is ordinarily resident within the Wairoa, Ngaruroro, Napier, Hastings or Central Hawke's Bay constituencies which make up the Council region
Local Residents and Non-Resident Ratepayers Application Form	the application form to subscribe for Shares under the Priority Offer as a Local Resident or a Non-Resident Ratepayer

Manawatu Inland Port	the site leased and developed by Longburn Intermodel Freight Hub Limited, a joint venture between Port of Napier, Ports of Auckland and the transport firm Halls Group. Manawatu Inland Port is a non-core operating activity for Napier Port.
Napier Port	Napier Port Holdings, Port of Napier and/or the Business, as the context requires
Napier Port Holdings	Napier Port Holdings Limited
Net Debt	term loans and borrowings less cash balances
Non-Resident Ratepayer	any individual in New Zealand who is not ordinarily resident within the Wairoa, Ngaruroro, Napier, Hastings or Central Hawke's Bay constituencies but who is liable to the Council to pay rates in respect of one or more properties located in one or more of those constituencies
NPAT	net profit after tax, determined in accordance with NZ GAAP
NZ GAAP	New Zealand generally accepted accounting practice
NZX	NZX Limited
NZX Firm	any company, firm, organisation or corporation designated or approved as a Primary Market Participant (as defined in the NZX Participant Rules made by NZX from time to time) from time to time by NZX
NZX Main Board	the main board financial product market operated by NZX
Offer	the offer of Offer Shares by Napier Port Holdings under this PDS
Offer Register	the online offer register maintained by the Companies Office known as "Disclose" and accessible online at disclose-register.companiesoffice.govt.nz , offer number OFR12679
Offer Shares	the new Shares offered by Napier Port Holdings under the Offer
Ordinary Resolution	a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question
PDS	this product disclosure statement (including any supplementary, replacement or amended PDS)
PFI	prospective financial information
Port	the main physical site of Napier Port's operations, located at Breakwater Road, Ahuriri
Port Companies Act	the Port Companies Act 1988
Port of Napier	Port of Napier Limited
Priority Offer	the offer for Shares under this PDS to: <ul style="list-style-type: none"> • Local Residents and Non-Resident Ratepayers; • Eligible Employees; and • Eligible Iwi
Priority Offer Application Form	the Eligible Employee Application Form, the Local Residents and Non-Resident Ratepayers Application Form and the Eligible Iwi Application Form (as applicable)
Pro forma	refers to financial information being presented on a pro forma basis. An explanation of the use of pro forma financial information is set out in Section 7 (<i>Napier Port's financial information</i>)
Prospective Period	FY2019F and FY2020F
Settlement	the date on which Offer Shares are issued to successful Applicants, which is expected to be 19 August 2019, unless varied by Napier Port
Share	a fully paid ordinary share in Napier Port Holdings
Shareholder	a holder of one or more Shares
Share Registrar	Link Market Services Limited

Special Resolution	a resolution approved by a majority of 75% of the votes of those Shareholders entitled to vote and voting on the question
Supplementary Financial Information	the document entitled "Napier Port's Prospective Financial Information, a reconciliation of non-NZ GAAP to NZ GAAP information and supplementary financial information" on the Offer Register
Takeovers Code	the Takeovers Code promulgated under the Takeovers Code Approval Order 2000

PART B: INDUSTRY TERMS

bulk cargo trade	the trade of handling unpackaged cargo (such as logs, fertiliser and petrochemicals) and providing marine services to customised bulk ships
cargo owner	the producer, distributor or importer that owns the cargo being exported or imported
container trade	the trade of handling containerised goods (such as woodpulp, timber, pipfruit and meat) referred to as TEUs and providing marine services to specialised container ships
cruise	cruise ships docking at Napier Port during the cruise season (October – April)
depot services	includes container survey, cleaning, repair, pre-trip inspection, servicing and off-Port storage of empty containers
DLR	Discharge, Load, Restow, an on-port service of removing containers from ships and restowing those containers back onto ships
handling services	all activities involving the handling and storage of containers and cargo at Napier Port (sometimes referred to as marshalling and stevedoring)
marine services	includes pilotage and navigation (ships being guided through the sea channel by our pilots), towage (manoeuvring vessels by tugboat), berthing (manoeuvring vessels until secured at the berth) and mooring (securing and holding vessels while at the berth) services
pipfruit	apples and pears
Port Pack	our on-Port container packing and unpacking facility
shipping line	the shipping companies whose vessels visit Napier Port to deliver and collect cargo
TEU	a standardised measure of container traffic volume. Actual volumes of containers, which come in 20-foot and 40-foot lengths, are converted to an equivalent amount of Twenty-Foot Equivalent Units
value-add services	specialised services offered by Napier Port, including Port Pack and depot services





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