



## **NZX AND MEDIA STATEMENT**

**7 February 2008**

### **Volume Fall Affects South Port Result**

A return to normal trade patterns has reduced South Port New Zealand's after-tax profit for the half year ended 31 December 2007, however interim dividend is unaffected, the operator of the Port of Bluff announced today.

"Shareholders will be aware that the equivalent period last year was boosted by one-off activity associated with Meridian Energy's White Hill wind farm project," said the Chairman, Mr John Harrington.

The first half profit is \$0.87 million, which represents a decrease of approximately 20% on the prior corresponding period's result of \$1.09m," he added.

"The level of interim profit was also impacted by a reduced volume of total product handled through South Port. Cargo volumes registered at 1,052,000 tonnes for the six months, down 4% compared with a level of 1,098,000 tonnes in the previous interim period."

"This decrease is due mainly to lower levels of processed forestry and fertiliser cargoes."

"Sawn timber and medium density fibreboard tonnages diminished as a consequence of more expensive ocean freight rates and a continuing high NZ dollar. In addition, whilst the dairy sector has been caught up in a wave of optimism, the reality of lower sheep and beef farming returns mean that overall fertiliser volumes were back on the previous period."

Mr Harrington said that after assessing the prospective year-end result, South Port's Directors are maintaining the level of the interim dividend at 2.75 cents per share fully imputed, payable on 7 March 2008.

The Chief Executive, Mr Mark O'Connor, said the cessation of the NZ Lumber Shippers/Jebsens service is the direct result of "an overheated shipping charter market".

The service began in 2000 to meet the needs of processed forestry exporters directing cargo into West Coast North America ports. Whilst a subdued US construction sector had affected export volumes to that market, and bunker fuel costs rose significantly, the primary driver ultimately forcing the service to cease was the 300% lift in vessel daily charter rates during the past 18 months. The Handymax class of vessels were fetching US\$15,000 per day approximately 24 months ago but are now attracting daily rate of US\$45,000 - \$US50,000.

Mr O'Connor said, "The discontinuance of this service will understandably have a negative impact on South Port's full year profit result."

Trading activity during the remainder of the 2008 financial year is not expected to be as buoyant as that which was budgeted back in mid-2007.

“The primary reasons for this are the cessation of the NZ Lumber Shippers/Jebsens break-bulk shipping service plus a mixed economic outlook for a number of export sectors.”

The change in the corporate tax rate to 30% effective 1 April 2008 will necessitate a one-off tax charge of \$161,000 in the current year.

“Notwithstanding these negative factors, a number of asset transactions that could generate one-off gains may be concluded prior to the end of the 2008 financial year. These potential transactions include the sale of a back-up mobile harbour crane and the realisation of a Dunedin-based investment property.”

Conditional sales contracts cover both assets. Subject to the completion of these asset sales, the 2008 year end profit is expected to be approximately 5 – 10% less than the prior year (2007 - \$2.23 million).

Mr O'Connor said that there is much to look forward to with business opportunities in the medium-longer term. These include:

- Oil and gas seismic activity being undertaken this summer by Mobil Exxon and the OMV consortia will be followed by an 18-24 months period of analysis and interpretation, after which decisions will be made on whether to deploy drilling rigs to the Great South Basin region. Other exploration companies are expected to commence seismic surveying.
- A new participant in the Southland dairy sector, Waikato-based Dairy Trust, is currently assessing its warehousing and logistics needs for a milk powder plant under construction at Awarua. South Port has put forward a warehousing proposal.
- Marstel Terminals a specialist terminal owner and operator intends to build a bulk liquid storage facility on South Port's Island Harbour at Bluff, to store caustic soda and potentially other products.
- TrustPower is currently working through the resource consent process for an 83 turbine wind farm at Kaiwera Downs in east Southland. The intended entry and consolidation point for the wind generation equipment will be Bluff.

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