

**NZX AND MEDIA STATEMENT****20 AUGUST 2009****Higher Profit in Testing Year**

South Port New Zealand Ltd, the publicly listed owner and operator of the country's southernmost sea port, today reported a significant rise in annual net profit.

South Port's reported profit is \$4.12m, compared with \$2.51m, an increase of 64%. Based on this result, earnings per share increased to 15.7 cents per share (9.6 cents per share).

However, the Chairman, Mr John Harrington, noted that it is not yet clear when a more buoyant international trading environment will occur. "The past year has been a particularly testing one for most of our customers."

South Port's improved profit result includes stronger contributions from warehousing and container shipping. There were additionally some notable one-off gains."

These totalled \$810,000 and came from the following transactions:

- Tax-paid dividends and capital returned from the Company's shareholding in Hardwood Forests following the sale of its assets to Kodansha.
- A depreciation recovery arising from the sale of a back-up mobile crane.
- Foreign exchange gains on contracts relating to potential plant acquisitions.

Backing out these gains, South Port's normalised profit result is approximately \$3.30m, which is ahead by approximately 30%. Mr Harrington said, "This is the figure shareholders should focus on when assessing the Company's performance this year."

Revenue from port and warehousing operations has increased by 25% to \$19.1m (compared with \$15.2m last year).

Operating profit, before financing costs and tax, improved by 18% to \$4.7m (\$4m). Net financing costs showed a \$719,000 gain (\$63,000 expense last year) due largely to a dividend distribution from Hardwood Forests.

Shareholders will benefit from South Port's ongoing policy of aligning dividends with both free cash flow and reported profitability.

“The Directors took heed of the improved operating cash flow, this year, plus the realised one-off gains, in electing to pay a final dividend of 9.0 cents per share,” said Mr Harrington. “This took the full year dividend of 13.50 cents compared with 9.50 cents last year.”

The dividend is fully imputed, and represents a gross return of 9.8% (net 6.6%) based on a share price of \$2.05 as at 30 June balance date. The payout ratio is 86% and South Port considers that a minimum distribution of 90% should be targeted in the foreseeable future.

In this respect, 3.25 cents of the current year’s dividend can be attributed to the one-off gains achieved and should, therefore be deducted in an assessment of potential future dividend streams.

After making dividend payments of \$2.95m this year (up from \$2.03m), South Port continues to have a sound total equity position at \$27.7m, including issued capital at \$9.4m.

Group assets stand at \$31.5m (\$29.2m). Net tangible asset backing is \$1.06.

Current assets amount to \$4.8m (\$4.6m), and current liabilities \$3.8m (\$2.0m), with net working capital at \$1.0m (\$2.6m).

South Port’s annual volume of 1.86 million tonnes was down 17% on the record tonnage of 2008, with cargo volumes significantly impacted by the capacity reduction at the NZAS Tiwai aluminium smelter.

NZAS output capability was reduced 30% for almost eight months of the financial year, meaning South Port’s largest customer by volume recorded a 260,000 tonne decrease in cargo. Other volume declines were recorded in fertiliser, acid, logs and woodchips, offset by improvements in containerised cargo which lifted by 123% to 24,000 TEU.

The Chief Executive, Mr Mark O’Connor, confirms that South Port’s long term licence arrangement with NZAS largely restricted the negative financial effect of a pot-line suspension to fewer ship calls.

He said NZAS has started reactivating the pot-line that was taken out of production with the aim of restoring capacity. The South Port/NZAS agreement was renewed by NZAS for a further 35 years effective April 2008, and the parties have reverted to an arbitration process to determine an appropriate ongoing charge.

Mr O’Connor said regional cargo providers have solidly supported the weekly Bluff call established in 2008 by MSC, which has secured a niche position in the shipping market via its Singapore connecting Capricorn service.

The current economic environment has been unhelpful to the development of additional shipping connections. South Port is participating in a study of coastal shipping options based on ports located on the western seaboard and this will be released in December.

Open Country Dairy started milk powder production at Awarua in August 2008 and is using South Port warehousing and storage.

Medium term dry and cool storage space contracted to Fonterra for cheese and powder product had been augmented with additional short-term warehousing during the economic slowdown.

The forestry sector has faced variable demand over the past 12-15 months although more recently China has been actively importing logs.

Fertiliser manufacturers have felt the harsher economic conditions and volumes applied to Southland farms are back on previous seasons.

Cold storage customer Sanford has undertaken a substantial expansion linked to its salmon operation on Stewart Island.

## **OUTLOOK**

Mr Harrington said South Port is closely watching economic indicators. He expressed concern that the strength of the New Zealand dollar will act as a 'hand brake' on any domestic economic recovery.

"South Port will look to take advantage of future potential growth opportunities. Southland is very fortunate to have NZAS and a number of primary industries that generate sizeable cargo volumes as well as commercial and community value.

"The future offers considerable upside for the increased storage and movement of cargo.

"All known facts and current assumptions indicate that a tax-paid profit of \$3.0m is a realistic profit guideline for the 2010 financial year; an update on the earnings outlook will be provided at the time of the interim result."

He said that in the coming decade the southern region's next growth cycle is most likely to stem from the energy sector including offshore oil and gas exploration.

The Company's Annual Meeting will be held on 1 October 2009 at which Mr Rick Bettle will retire from the Board after eleven years.

## **MEDIA/ANALYSTS' NOTE:**

*South Port New Zealand Ltd has 26,234,898 ordinary shares on issue. The current share price of around \$2.60 compares with the share price of \$2.15 as at 31 December 2008.*

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## **FOR FURTHER INFORMATION PLEASE CONTACT:**

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## COMPANY FACT SHEET

South Port New Zealand Ltd (South Port) is the southern most commercial port in New Zealand, located at Bluff and operating on a year round, 24 hour basis. It is situated in the rich productive province of Southland which is responsible for generating approximately 12% of New Zealand's total exports. The region's major cargo producing sites are situated within 30 to 80 km of the Port.

The Port of Bluff has been operating since 1877 while the Company was formed in 1988 having taken over the assets and liabilities of the former Southland Harbour Board.

South Port was listed on the NZ Stock Exchange (NZX) in 1994 and has Environment Southland, the region's local government environmental agency, as its 66% majority shareholder.

### SOUTH PORT FACTS

- Owns and manages assets which have a book value of \$31.5 million
- Directly employs more than 60 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2009 equates to \$54 million
- Handles in excess of 2.0 million tonnes of cargo in a normal trading year
- Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:
  - ✓ import – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
  - ✓ export – aluminium, timber, MDF, logs, dairy, meat by-products and woodchips
- Has split its land-based operating resource into four main divisions – warehousing & packing, containers, cool & cold storage and dairy
- Undertakes its primary port operation on a 40 ha man-made Island Harbour situated at Bluff
- Operates a separate dedicated fuel berth at Bluff Town Wharf plus provides the Tiwai Wharf facility to NZAS under a long term licence
- Services vessels carrying over 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 10 ha of land available for further port development or industry establishment