



NZX/MEDIA STATEMENT

30 September 2010

Strong Agri Demand Bolsters South Port

Against the background of “a tumultuous year” to June 2010, South Port New Zealand Chairman, John Harrington, says demand for forestry, dairy products and other agricultural products at this stage of the current 2011 year remains relatively strong.

He told shareholders at today’s Annual Meeting in Bluff that after some years of limited volumes, forestry tonnage through the Port grew by 182,000 tonnes which was a 177% increase on 2009.

The Chief Executive, Mark O’Connor, said the regional industry was harvesting eucalyptus planted in the 1990s and wood chip volumes were projected to reach levels of up to 250,000 tonnes annually.

Containerised volumes grew 21% from 24,000 to 29,000 TEU equivalents.

“These two factors, combined with the restoration of normal operating capacity at New Zealand Aluminium Smelters, contributed substantially to the bottom line result of \$3.13m profit after tax,” said Mr Harrington.

He said dairy continues to be a prime factor in not only Southland but also the national economy. “Many are of the opinion that dairying saved the country during the worst global recession for 80 years.”

Open Country Dairy’s Awarua plant utilises South Port warehouses and exports through the Port. OCD has potential for a second dryer to be constructed in 2012-13. Fonterra provides South Port with their overflow production as well as storing cheese year round.

“Dairying has the ability to give New Zealand access to the newly wealthy markets of the developing world and the potential to double in Southland from the existing land use of 155,000 ha,” said Mr Harrington.

For dairying growth to have an acceptable outcome will mean a trade-off between economic growth and environmental sustainability.

“This presents a huge challenge to all involved but it must be worked through if the New Zealand economy is to improve, more importantly now that Government has decided not to extract minerals in conservation areas, which effectively ruled out a source of wealth for the nation.”

“Agriculture is a realistic way forward, he said, and South Port is well positioned to take advantage of any development of dairying.

Mr Harrington noted that Southland and South Port could also benefit from the forecast doubling in global demand for seafood from 45 million tonnes to 85 million tonnes by 2015. “One only needs to look at the success of aquaculture in Tasmania to see what can be achieved.”

South Port is well aware of the potential that exists in oil & gas exploration, the development of lignite resources, coal seam gas and wind-farming. Mr O'Connor said if a coal-to-fertiliser project was deemed viable it could produce 1.25 million tonnes of urea annually, of which 750,000 tonnes may be exported. Solid Energy is evaluating the manufacture of briquettes in the region.

In addition to ordinary tax of \$2.24m, South Port recognised a further amount of tax of \$2.08m, as a consequence of an increase in the deferred tax liability relating to the removal of depreciation on building structures plus the reduction in company tax rates.

The adjustment is a one-off accounting entry and has no impact on underlying profitability and cash flows, dividend policy or financing covenants.

Noting the distortion to profit & loss accounts, Mr Harrington says, "There is no doubt the Government's advisors did not contemplate what effect removing depreciation on buildings would have on companies reporting under International Financial Reporting Standards."

He referred to two other significant items relating to this year's accounts. The settlement of the Tiwai Wharf Licence with NZAS was "an extremely complex and time consuming matter" which took 36 months to resolve. With the licence renewal covering a term of 35 years, it was of "paramount importance that South Port was not disadvantaged in any way when committing to deliver infrastructure under a long-term contract."

South Port also decided to write down the value of the port's existing crane by \$719,000. A replacement crane arrives before the end of 2010. The Chief Executive, Mark O'Connor, said the new crane would be faster (lift speed of 79m/minute) and provide greater reach (42m).

Mr Harrington was ambivalent about the recent New Zealand Shippers' Council report 'The Question of Bigger Ships' - which put forward Tauranga and Lyttelton as the logical ports to invest to become capable of handling 7,000 TEU ships within the next five years.

"Other participants in the transport and logistic sector, such as the container lines and major ports, will need to identify benefits before a 'big container ship' model can be implemented in the New Zealand market."

"The existing MSC service calling at Bluff delivers an excellent option to service our exporters and importers."

"Maintaining container handling infrastructure at South Port also means that we are in a position to consider future involvement in a potentially reconfigured NZ container shipping system."

Mr Harrington told the meeting South Port is forecasting a dividend of approximately 13 cents per share for 2011.

FOR FURTHER INFORMATION PLEASE CONTACT:

Mr Mark O'Connor
Chief Executive
South Port New Zealand Ltd
Tel 03 212 8159
Mobile 0272 560 407

Mr Warren Head
Managing Director
Head Consultants Ltd
Tel 03 3650 344
Mobile 021 340 650