

NZX and Media Release

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South Port Lifts the Bar

South Port New Zealand (NZX: 'SPN') performed extremely well during the June 2011 year and lifted the bar considerably, said the Chairman, Mr John Harrington, at today's Annual Meeting held at Bluff.

Volumes handled by the Port of Bluff rose to 2.64 million tonnes from 2.17 million tonnes, an increase of almost half a million tonnes which equates to a 22% lift.

South Port translated that into a normalised profit of \$5.98m, up 15% compared with \$5.21m last year and regarded by the Directors and management as "extremely satisfactory".

Mr Harrington noted the commitment of management and staff, who were at times under "immense pressure to ensure the required time frames expected by shipping lines were met. At times the physical numbers meant that resources were fully stretched but the staff shouldered the extra burden to ensure the shipping lines and customers' requirements were met".

He said operational numbers must increase if the volumes handled continue at their current levels.

"Shareholders equity amounts to 85% of assets which is a very sound position. Whilst some commentators may level criticism at us for the low level of debt carried, it was comforting not to have undue pressure placed on us during the difficult financial times experienced over the last few years."

"It has also provided the Company with flexibility when faced with issues such as insurance being difficult to obtain following the Christchurch earthquakes."

This year's final dividend of 14.5 cents will bring the total dividend for the year to 20 cents which is the highest level ever paid by South Port. This amounts to a 17.6% increase.

Mr Harrington noted that the real test in determining the value associated with a dividend is 'what is the rate of return on my holding cost?' At a price of \$3.40 per share at 30 June 2011, the South Port dividend equates to a gross yield of 8.4% once imputation credits attached to the dividends are taken into account.

Furthermore, the market value of South Port shares at 30 June 2011 of \$3.40 was 31% above the June 2010 value of \$2.60.

“Over a ten year period, South Port has returned a 400% increase in value, compared with Lyttelton Port Co. +100% and Port of Tauranga +350%.” (This return calculation takes into account both increase in share price and all dividend and capital distributions during the 10 year term).

He added that the Company realises that a draft of 9.7 metres places restrictions on the size of vessel entering Bluff harbour. However, South Port has not had to spend enormous amounts of money on deepening the Bluff harbour.

“The costs of achieving a further 2 metres of depth at Bluff are estimated to exceed \$220m, so quite simply this is not viable. South Port does not face the dilemma of some northern ports which are assessing whether to spend hundreds of millions of dollars on dredging to cater for bigger ships whose calls are not guaranteed.”

The Chief Executive, Mr Mark O’Connor, said highlights in FY11 included the 50th anniversary of the construction of the Island Harbour and the \$6.5m capital expenditure expended on port assets (a new harbour crane has been operating since January). He said land existed on the harbour foreshore and at Awarua for development as cargo storage areas.

He said primary industries remain the key to port growth. Log volumes exceeded 300,000 tonnes and have lifted from approximately 100,000 tonnes 2 years previously. The dairying sector continues to expand: Fonterra Edendale has commissioned a fourth dryer and Open Country Dairy has potential for a second dryer.

NZAS Tiwai aluminium smelter has increased cargo movements substantially and plans \$50m of capital projects in calendar 2011. The Solid Energy lignite-to-fertiliser project has reached feasibility stage with the company holding access to 2 billion tonnes of lignite coal. A urea plant may target 1.2 million tonnes annually, with 750,000 tonnes exported.

The possibility of oil & gas developments, both on and offshore, remains alive and South Port is planning to have facilities available as required.

Looking at the Company’s growth prospects, Mr Harrington said Southland should continue to produce sufficient product to allow the port to export and import goods at the level established this year.

“Southland has a rich hinterland and the ability to grow substantially,” he said.

However, to capitalise on growth prospects would require the country to strive to increase exports. “What is required is investment in an efficient economy which grows jobs and companies that export and drive productivity.”

He urged consensus that all resources are harnessed to reach a targeted level. All parties “must accept their share of responsibility whether it be financial or environmental.”

“We do not live in a world where idealists typically have their way.”

Mr Harrington provided earnings guidance for 2012 in the range of a net tax paid profit of \$5m to \$5.3m. This reflects the effects on trade from continuing uncertainty in the USA and Europe and represents a 10% - 15% reduction for FY12.

Mr Harrington retired from the South Port Board following this meeting.

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