



NZX and MEDIA STATEMENT

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Substantial Start by South Port

South Port New Zealand Ltd is increasing its interim dividend after achieving a substantial lift in earnings during the first half of the 2011 financial year.

The operator of the Bluff seaport in Southland is reporting a marked increase in net profit after tax of \$2.90 million (2010 - \$1.74 million).

The Chairman, Mr John Harrington, says, "A strong increase in bulk cargo volumes drove the interim profit outcome with NZ Aluminium Smelters products, logs, fertiliser and stock food all recording significant increases over the comparable period."

Cargo volumes for the six months to 31 December 2010 rose to 1,293,000 tonnes, compared with 984,000 tonnes in the previous interim period, which is an increase of 31% in volume terms.

"This tonnage level represents a record for the Company in the first half of a financial year," said Mr Harrington. He noted that a higher level of export activity has been "in stark contrast to a subdued domestic economy."

"The lift in cargo is due primarily to strong log demand from China, higher than expected fertiliser application as well as increased imports of supplementary stock food products."

"While a 6 month period in the port industry can still throw up some variability in cargo flows it appears that most industries should track tonnage expectations through to 30 June 2011," said Mr Harrington. "Programmed repairs and maintenance activity will however increase in the second half of the current financial year. "

"Based on all known factors at the date of releasing its 2011 interim result, South Port estimates that its full year earnings should fall in the range of \$4.8 million to \$5.2 million."

After assessing the anticipated year end result, the Directors have declared an improved fully imputed interim dividend of 5.50 cents per share (2010 – 5.00 cents) payable on 2 March 2011.

The Chief Executive, Mark O'Connor reported that some caution prevails in the sheep and beef area of the agricultural sector with farmers managing flow-on effects from the severe Spring storm in the Deep South.

However, the trading outlook for the remainder of the 2011 financial year “appears reasonably buoyant based on strong commodity prices and ongoing demand for New Zealand products”.

A replacement mobile harbour crane secured in December 2010 allows South Port to continue servicing the Mediterranean Shipping Company’s (MSC) weekly container shipping connection. This new Liebherr LHM 400 crane, together with an additional Hyster top-lifter forklift, required a \$6.5m capital outlay but has substantially boosted South Port’s container handling capability.

“The MSC weekly linkage continues to attract solid support from the region’s exporters and importers.”

“The NZAS Tiwai Aluminium Smelter operated by Rio Tinto Alcan reverted to its normal production level. In the corresponding part of 2010, NZAS was progressively reinstating production capacity that had been off-line due to a major transformer failure.”

Ongoing NZAS cargo requirements drove a new shipping connection being provided by SE Shipping. This service call links with UK/Europe and occurs approximately every 6 weeks.

The formal renewal agreement entered into in 2010 by NZAS and South Port provides the Tiwai Wharf, access bridge and associated infrastructure for a 35 year term through to 2043. The 2011 financial year is the first 12 month period in which the changes flowing from the Licence Agreement renewal are recognised in a “normalised” manner.

Continuing strong demand by China for New Zealand’s pinus radiata logs meant that volumes passing through South Port increased by 105,000 tonnes over the comparable 6 month period.

NAC Trading established a regular pattern of forestry exports during the 6 month period. Additional storage infrastructure has been developed on the Island Harbour to accommodate this extra activity.

Woodchip and sawn timber exports also maintained the higher tonnage levels recorded during the 2010 financial year.

Mr O’Connor stated “The October 2010 decision by the Exxon Mobil and Todd Energy consortium to relinquish their oil and gas exploration permit in the Great South Basin was disappointing but not surprising. That consortium’s permit area was earlier targeted for a potential gas find in a relatively narrow location.”

An OMV led consortium will decide by the middle of 2011 whether to proceed with an extensive exploration campaign. South Port and the Southland Energy Consortium have maintained dialogue with OMV and are awaiting the consortium’s pending decision with interest.

Solid Energy's resource of approximately 1.4 billion tonnes of lignite in Eastern Southland represents an important element of New Zealand's future economic wellbeing, says O'Connor. "South Port (and we believe the wider Southland region) will play its part in assisting wherever possible the establishment of projects which are designed to make efficient use of these and other known lignite deposits."

Together with key customers and invited guests yesterday (Thursday, 10 February 2011), South Port celebrated the 50th anniversary of the official opening of the Bluff Island Harbour. "This remarkable 1950's engineering project turned a barely visible sandbank in the Bluff Harbour into 8 berths and 40 hectares of modern port infrastructure," says Mr O'Connor.

"The construction of the current form of the Island Harbour was completed in two stages and if the total development cost is converted into today's dollars then it would equate to an estimated \$255m of capital."

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