SOUTH PORT NEW ZEALAND LIMITED

MEDIA/NZX STATEMENT

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Trade surge for South Port NZ

Southland's warm and dry weather during the half year to December has had a positive impact on South Port New Zealand Ltd's net profit for the period, along with increased trade.

The Company's first six months of the 2018 financial year saw earnings of $4.9 million, exceeding the equivalent 1H17 result of $4.10 million (the full June year result was $8.45 million).

"Several factors contributed to this interim result", said Chairman Rex Chapman, including:

- Large volumes of inbound fertiliser were recorded for the first six months.
- Dry weather has had a negative impact on pasture growth which has led to an increase in stock food imports for the dairy industry.
- Log exports have remained strong due to buoyant market conditions."

Mr Chapman said, "The receipt of bulk fertiliser cargoes was "front ended" this year by the customer and the expectations are that these volumes will ultimately realign closer to the projected budget by year end.

"Market conditions for logs are buoyant and export volumes are expected to remain consistent with some potential upside," he added.

All of the other remaining major cargo categories are expected to track close to budget in the second six months of the financial year.

After assessing the anticipated year end result and future increased capital expenditure, the South Port Directors have declared a fully imputed interim dividend of 7.50 cents per share (2017 – 7.50 cents) payable on 6 March 2018.

Based on all known factors at the date of releasing its 2018 interim result, South Port estimates that its full year earnings will fall in the range of $8.65 million to $8.90 million (FY17 - $8.45 million).

In the event that the Company's FY18 profit falls within this forecast range, the Directors expect that the full year dividend payment will be consistent with the previous year.

Cargo Gains

Chief Executive, Nigel Gear, commenting on business trends for the first time since his appointment in August 2017, said, "Total cargo activity was 1,732,000 tonnes compared with 1,517,000 tonnes in the prior year interim period.

"This represents an increase in cargo flows of 215,000 tonnes or 14%. Bulk cargoes continue to be the backbone of the Company recording strong volumes in fertiliser (+63,000 tonnes), acid (+20,000 tonnes) stock food (+19,000 tonnes) and logs (+49,000 tonnes).

"Containerised cargo declined 4% largely because fewer empty boxes are being delivered to the Port, and there has been a positive trend of increased volumes of imported containerised cargo coming through the Port over the same period.

"Unusually dry conditions in the south has also seen an increase in both containerised supplementary feeds being delivered to the Port and meat products being exported due to shortage of feed creating earlier processing demands."

He noted that the most recent global dairy trade (GDT) auctions in 2018 have delivered small price increases on the previous events held in December 2017. "These price increases in the GDT are a reflection of the tightening of supply in New Zealand due to the recent dry weather and in some areas drought conditions.

"Any shortening of supply from New Zealand is expected to be met by increased production by both the European and United States producers; therefore this market dynamic will most likely have an impact on the future GDT auctions."

The Company's Intermodal Freight Centre is now into its second full year of operation. Initially set up for the handling of imported goods, containers are now being recycled at this location allowing export product to be loaded into the empty box and sent back to the Port for shipment.

"The central location, adjacent to the KiwiRail container transfer yard in Invercargill works extremely well for our customers providing the flexibility to choose port of origin / destination and mode of transport for the movement of containers.

"The ability to collect cargo at this facility rather than making a return trip to Bluff provides a more efficient supply chain for the customer. Additional benefits include removing trucks off the road and less impact on the environment with reduced emissions."

Commenting on the container shipping market, Mr Gear said***, "***The once top twenty container carriers in the world will be reduced to a top seven over the next twelve months primarily due to merger and acquisition activities.

"The respective lines are MSC, Maersk, Cosco, CMA CGM, Hapag-Lloyd, ONE and Evergreen, with the first four controlling approximately 70% of the world market.

"Of these top four, MSC is an important weekly caller to the Port with the Capricorn Service providing a valuable import/export link for all Southern region customers. This year represents an important milestone for this customer recognising the 10th anniversary of their first call to the Port in May 2008 with the vessel MSC Hobart."

Log Storage Area

The paving of the north rail log storage area is well underway. The first half of the development has been completed with the remainder expected to be finished in March.

"This is an important development for both the Port and the log export customers as it provides for increased storage, improved traffic management and enhanced environmental outcomes.

"Market conditions for export logs remain favourable. Demand in China is high for wood fibre with resources being channeled into the construction sector and the Indian market is recovering after the recent GST reform and the bank note demonetisation."

Business Development

Construction of Mataura Valley Milk's infant formula plant is on target to be completed in the second quarter of 2018 with commissioning scheduled for June 2018 and processing to begin August 2018.

The Tiwai Aluminum Smelter achieved excellent production results in the December year, almost matching the record volumes of finished metal product exported in the same period of 2016. "This customer is an important contributor to the Port and we will continue to work closely with the Smelter to determine where we can add value for both of our businesses."

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