

**2021 ANNUAL MEETING NZX AND MEDIA STATEMENT**

29 October 2021

**South Port focused on building resources to meet existing and future demand**

The Chairman, Mr Rex Chapman, opened the Annual Shareholders' Meeting at Bluff today with the introduction of South Port's new logo and Māori motto which was recently adopted by the Port following extensive consultation with Te Rūnunga o Awarua.

"Our purpose is 'to facilitate the best logistic solutions for the region' and we felt it was time for the Company to have a logo and motto that would reflect Bluff's distinctive characteristics, heritage and future as well as our purpose," said Mr Chapman.

"Te Pūkorokoro o Murihiku epitomises who we are, where we are from and what we do – our whaka pepeha. Te Pūkorokoro o Murihiku is a phrase that was inspired by the opening of Bluff's Island Harbour in December 1960 by the then Governor General of New Zealand, Lord Cobham who stated that *"trade is the breath of life to a great exporting country, and a country breathes through its ports"*."

"Our new motto metaphorically refers to the Port of Bluff as the trachea or windpipe of Southern New Zealand. Those that ply our channel with the ebb and flow of its tide, will understand why this description of the Port as a windpipe is very appropriate."

"Within Te Ao Māori, "the Bluff" is symbolically referred to as Te Taurapa o Te Waka o Aoraki or Te Taurapa o Te Waka a Māui, the sternpost of the South Island. Incorporating this aspect of a waka into South Port's logo therefore speaks to our specific location. The incorporation of dual taurapa represent vessels safely entering and exiting Awarua."

"The other element incorporated is the waharua kōpito. Versions of this pattern feature in traditional Māori garments and on marae complexes. In the Port's case it represents a point where people or events interact with and reshape one another, i.e. Bluff is a place where the land meets the sea, southern New Zealand meets the world, and the past meets the future."

"We wish to publicly acknowledge the koha of our logo and motto and record our thanks to the Awarua Rūnanga. We would also like to acknowledge Dr Michael Stevens, Ngāi Tahu Historian, for his valuable input into the process. An official hui and gifting ceremony were scheduled to be held in August before lockdown intervened and it will now be rescheduled when alert levels will allow this gathering to take place."

**FINANCIAL AND OPERATING HIGHLIGHTS**

"This year's after-tax profit is slightly ahead of the guidance provided at the time of our interim report in February at \$10.71M, being a 13.6% increase on the previous year," said Mr Chapman. "This result is significant on two counts, firstly, it is a record for the Port, being the first time the Company has broken the \$10M mark and secondly, the result was achieved on a much smaller percentage increase in total cargo which was only up 5.5% compared to the 13.6% increase in profit."

“Our bulk cargoes have again proven to be, and will likely remain, the backbone of the Company’s business with containerised cargo accounting for 15% and bulk cargo 85% of our total tonnage of 3,454,000MT, which is a similar percentage split to previous years,” said Mr Chapman.

Chief Executive, Mr Nigel Gear said, “A record container handling volume of 53,750 TEU was achieved, a 13% increase on the previous period. What was more impressive is that we handled this volume on an 8% reduction in container vessels calling at the Port.”

“The construction of the reefer tower completed during the financial year provides much needed additional capacity to handle refrigerated containers on the Port.”

“Due to the increase in container volumes being shipped through the Port an expansion of the terminal area has been achieved through the demolition of a shed which will increase our container storage capacity by 24%.”

An increase of 54% was achieved in logs through the Port and a 19% increase in woodchips in comparison to the previous period. While the log increase is impressive, it is important to remember that during the previous financial year, forestry operations ceased during the March/April lockdown period.

Along with all New Zealand ports, South Port is experiencing strong growth in log volumes. This year 730,000 tonnes of logs were exported out of the Port which is a record for this cargo and coincided during a period of very high demand for wood fibre worldwide and in particular for New Zealand grown radiata in China.

As discussed in previous years, the Company’s 20-year Asset Management Plan has now reached a peak in its higher expenditure levels, reflecting the age of the Port’s infrastructure. Expenditure is expected to reduce in the coming years. The Company has been fortunate over the period of this higher maintenance spend to have had consistent profit levels which has allowed the Board to maintain the dividend at a consistent record dividend level of 26 cents per share.

However, this year, the Board resolved to increase the year-end dividend by one cent which represents a 4% increase. The decision to increase the dividend reflects the Port’s earnings being approximately \$1.3M more than had been originally forecast.

### **Covid-19 Response**

Earlier in the year the Government introduced a Health Order that mandated that all port staff who interact at the border are required to be 100% vaccinated. The Company had already largely achieved that target before it was mandated, and 100% of the Port’s Tier 1 workers are fully vaccinated.

87% of the Port’s permanent employees are now fully vaccinated and expect that percentage will continue to increase and surpass 90%. All new employees are required to be fully vaccinated as a condition of their employment. As we know, vaccination rates at these levels and above will significantly reduce the risk associated with COVID in our workforce and community.

Mr Gear said, “Our systems were put to the test when the container vessel, Mattina, operated by Mediterranean Shipping Company, entered the Port with crew members showing flu-like symptoms. Once testing of the crew was undertaken and the delta variant of COVID was detected, the vessel was quarantined and controlled thereafter by Customs, Ministry of Health and the Port, very successfully.”

## **NEW ZEALAND ALUMINIUM SMELTER (NZAS)**

At the Annual Meeting last year, we had received the news that the NZAS would wind down its operation with its eventual close in August 2021. Fortunately, late last year the Smelter negotiated a new power agreement with Meridian giving it a reprieve until December 2024.

The Smelter's cargos represent approximately 31% of the Company's volume and currently contributes approximately \$2M to its net profit after tax, or approximately 20%. There is a licence fee in place expiring in 2043 which allows the Smelter to use the Tiwai Wharf which protects a proportion of the revenue received from the Smelter. While the Smelter remains an important contributor to the Port, as a proportion of our total cargo, the Smelter's proportion is decreasing steadily over time as the Smelter's cargos remain reasonably static while our other cargos increase.

This year marks 50 years of the Smelter's operation at Tiwai Point. During that time our two Companies have enjoyed an excellent working relationship and we have valued the Smelter, not only as a customer, but also an important contributor to Southland's economic, social and cultural prosperity.

With the expiry of the current power agreement in December 2024, the Smelter's future is far from certain. We believe that the Smelter's future deserves a more optimistic outlook than has previously been the case. Aluminium with its lightweight properties is a metal of the future in a low carbon world. NZAS is best in class in the purity of the metal it produces. Tiwai Point aluminium is produced from green energy at a time when the demand for green products is in high demand, and in the case of green metals, there is limited supply.

## **HYDROGEN**

The potential closure of the Smelter in December 2024 has spawned a number of possible alternative uses for the approximately 600 MW of electricity that would be released to the market on the closure of the Smelter. The good news for Southland and South Port is that the consensus by all stakeholders, Government and generators, that this electricity can be retained to be utilised in the South rather than being made available to the national grid.

Late last year coinciding with the extension to the NZAS electricity supply agreement, Contact and Meridian announced a joint study to investigate the potential of a large-scale renewable hydrogen production facility in Southland. From that joint study, Meridian and Contact have invited registrations of interest (ROI) from parties worldwide interested in being involved in this project. The ROI has closed, and it has been reported that more than 80 international and domestic businesses have registered their interest in the Southern Green Hydrogen Project as it is now known.

The project and ROI have confirmed that the global demand forecast for green hydrogen is very high. In simple terms, hydrogen is quite possibly the only decarbonisation solution for countries with scarce renewable energy resources and sectors that have no other renewable energy alternatives.

In August this year Fortescue Future Industries as a subsidiary of Fortescue Metals Group Ltd of Australia announced that it had signed a collaboration agreement with Murihiku Hapu to work together to assess and potentially develop a large scale renewable green hydrogen project in Southland.

"All of these are exciting opportunities which gives us a glimpse of a new age based on green carbon alternative energy sources and products. The opportunity for South Port is that Southland's renewable energy sources both existing and potential will allow these green fuels and products to be produced in quantities that can be exported through South Port," said Mr Chapman.

“We believe that there is scope for a green economy in Southland based around green energy and a place for both green aluminium and green hydrogen.”

## **AQUACULTURE**

Promised growth in aquaculture in Southland has had a long gestation period but there are now signs of some very promising progress. A smolt hatchery is soon to be constructed at the Ocean Beach site near Bluff.

Ngāi Tahu Seafoods and Sanford have both lodged resource consents for water space off the coast of Stewart Island. The Ngāi Tahu proposal – Hananui being the more advanced prospect.

Mr Chapman said, “Ngāi Tahu Holdings has recently increased its shareholding in Sanford from 4.6% to 19.9% which might indicate future collaboration between these two parties in their aquaculture projects.”

“As previously reported, salmon farming on the scale anticipated by these proposals would provide cargo and other marine servicing opportunities for the Company.”

## **PORT DEVELOPMENT**

### **Channel**

Completion of this project would see our operating draft increasing from the current 9.7 metres to up to 10.7 metres. The resource consent application has been lodged with Environment Southland and is in the course of being processed. Assuming the necessary consent is secured within a 12-month timeframe, this project could commence in 2023 with the increased draft being utilised late 2023 or early 2024.

### **Tug - Rakiwai**

The Port’s new \$10M, 65 tonne bollard pull tug arrived at the Port in early September after a long journey from the Damen Shipyard in Vietnam. In consultation with the Awarua Rūnanga she has been given the name Rakiwai. Rakiwai is the name for the crater lake that sits on the summit of Hananui (Mount Anglim) the highest peak at Rakiura, Stewart Island. This follows the custom of naming Bluff’s tugs after Southland lakes.

With a bollard pull of 65 tonnes, Rakiwai has more than double the power of the Monowai which she replaces, and this will improve our capability in this operational area.

### **Town Wharf**

Mr Gear said, “the fuel berth upgrade, including an accessway, pipeline corridor and discharge platform was progressing well with a completion likely in the second quarter of 2022.”

## **INDUSTRY UPDATE**

All New Zealand ports have had their hands full over the past year dealing with the supply chain issues brought about by Covid-19 and the unexpected increase in global demand for goods. For New Zealand’s largest import port, Auckland, these issues have been compounded by the implementation and commissioning of their automated container terminal which has caused further congestion and disruption for them.

The Government has announced an intention to encourage greater use of coastal shipping as a strategic priority, but how this will be achieved is yet to be identified.

## OUTLOOK

Mr Chapman commented that, “the ongoing disruption and congestion in the shipping supply chain has been widely reported in the media. Along with the ongoing presence of COVID, we are operating in uncertain times.”

“For the next 12 months we don’t expect market fundamentals will change, and don’t expect that the container supply chain will improve during that timeframe. Bulk cargos which remain the core of our business are expected to be consistent.”

“Despite all this uncertainty, we must take a longer view in making our investment decisions. We are continuing to invest capital in our infrastructure and in modernising our mobile plant. The entrance channel project will provide a pathway for growth for the Company for many years to come, as will the other opportunities mentioned, hydrogen and aquaculture.”

“Our shorter-term view over the coming year is that our earnings are likely to remain consistent with our 2021 reported earnings, which as mentioned, were at a record level.”

“With that expectation and in the absence of any unforeseen circumstances, the Directors will be endeavouring to maintain the current level of dividend payment.”

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

Mr Nigel Gear  
Chief Executive  
South Port New Zealand Ltd  
Tel: 0274 94 3322  
Email: [ngear@southport.co.nz](mailto:ngear@southport.co.nz)

Mr Rex Chapman  
Chairman  
Mobile: 027 454 8455  
Email: [rex.chapman@cplaw.co.nz](mailto:rex.chapman@cplaw.co.nz)