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MEDIA RELEASE

SOUTH PORT HALF-YEAR FY2023 RESULTS

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NZX Announcement and Media Release

NZX: SPN: South Port New Zealand

South Port retains positive outlook despite short term market disruption

The South Port 2023 first half has been characterised by excellent progress being made on some longer term initiatives for the Port, but with subdued operational performance reflecting demand constraints in China and a slowing domestic economy.

Bulk cargoes through South Port New Zealand held up well in the opening half-year of FY2023, to 31 December 2022, however slightly behind expectations. Total cargo moved through the Port of Bluff at 1,732,000 tonnes (compared to 1,745,000 tonnes in FY22).

Container volumes continue to be negatively impacted, showing a decline for the same reporting period.

Operating revenue earned for the half-year stood at \$24.94 million (FY21 \$23.34 million).

South Port's NPAT for the first six months of FY2023 was \$5.2 million (FY2022 \$5.9 million). Earnings per share were 19.6 cents (FY2022 22.4 cps).

Having regard to the forecast year-end result, the directors have declared a fully imputed interim dividend of 7.50 cents per share (1H2022 7.50 cps) payable on 7 March 2022.

Contributing factors to the slow start to the year, include:

- The downward cycle in the log market due to the currently depressed property market in China.
- Reduced fertiliser volumes, which are likely to remain similarly impacted for the remainder of FY2023 due to depressed sheep and beef prices.

- Increased financing costs due to upwards movement in interest rates and additional debt on the balance sheet.

As outlined above, total cargo flows were 13,000 tonnes or 0.7% below the prior year's interim period.

Increases were registered in stock food (+28,000), alumina (+24,000), and woodchips (+35,000), however, other bulk cargoes were negatively impacted with logs (-16,000), fuel (-20,000), and fertiliser (-44,000) all down in comparison to the prior half-year.

International container supply chains continue to be significantly disrupted and this will continue until there is a return to normal shipping windows, especially at the larger container ports in New Zealand, says chief executive Nigel Gear.

“Containerised cargo decreased 13% to 18,000 TEU (FY2022: 20,800 TEU). The main decreases were imported products for the manufacturing and farming sectors.”

Container vessels transiting the Port were the same as last year at 17 calls.

OPERATIONS

Warehousing – Market and container service disruption has also had an impact on our warehousing division with a steady build-up of cargo in our cold and dry stores. Several export orders near the end of CY22 however, relieved some of the significant build-up that was beginning to strain our available capacity.

Marine support – The tug Te Matua is back in service having been dry-docked in 4Q2022 for a 5-year survey. The new tug Rakiwai has completed 12 months of service, during which there has been extensive training of pilots and tugmasters. The Rakiwai is proving to be an excellent addition to our towing capacity.

PROJECTS

On 31 August 2022, South Port was granted resource consent by Environment Southland for project Kia Whakaū. The removal of fragmented rock under an existing consent nearly achieved one of the objectives set out in project Kia Whakaū, to reach 9.7m CD in the harbour entrance channel.

The successful completion of the Kia Whakaū project will provide additional capacity to load more cargo on vessels calling at the Port, increase efficiencies, and provide a safer transit through the entrance channel. The completion of the project will also enable the Port to service future growth opportunities. The Port is currently working through contractual requirements and we expect that work to complete this project will begin in the second quarter of CY2023.

South Port has provided port and shipping responses to Meridian Energy and Woodside Energy as they move forward to the development stage of the proposed Southern Green Hydrogen project in Southland.

The market awaits the outcome of discussions between New Zealand Aluminium Smelter (NZAS) and electricity generators over a potential supply contract that will allow the smelter to continue operating after December 31, 2024. South Port

believes there is the capacity to support both NZAS and the establishment of a hydrogen plant in the region post-2024.

It is pleasing to see that the first stage of Mercury Energy's 240MW Kaiwera Downs wind farm, 15km east of Gore, has begun development.

OUTLOOK

"The war in Ukraine, the rate of economic recovery in China and the threat of a global recession are impacting marketplaces and this has a flow-on impact on commodity prices," said Mr Chapman.

"The container supply chain is still disrupted and although expectations are that it will improve, the timing is unclear."

Based on all factors currently known, South Port provides guidance for FY23 earnings in the range of \$11.10 million to \$11.60 million (versus FY22 \$12.8 million).

In the event that the FY2023 year-end profit is within the above forecast range, the Directors expect the full-year dividend will be at least consistent with that paid in FY2022.

ENDS

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