



Challenging Market Conditions Reflected in South Port's Interim Result

MEDIA RELEASE SOUTH PORT HALF-YEAR FY2024 RESULTS

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NZX Announcement and Media Release

NZX: SPN: South Port New Zealand

Reduced volumes across most of South Port's key commodities, and inflationary pressure on costs have negatively impacted South Port's financial performance in the first half of the financial year.

"The agricultural and forestry sectors have been under significant pressure for several months due to poor market conditions, which is negatively reflected in most of our import and export bulk cargoes, says Chair, Philip Cory-Wright."

This deterioration in trade is common across the port sector and unfortunately South Port is not immune.

These market conditions have been reflected in South Port's net profit after tax (NPAT) for the first six months of FY2024 at \$3.0 million (FY2023 \$5.2 million).

Total cargo activity was 1,488,000 tonnes (FY2023 1,732,000 tonnes). This represents a decrease in cargo flows of 244,000 tonnes or 14%.

Increases were registered in cement (+14,000 t) and timber (+17,000 t), however other cargoes were negatively impacted with woodchips (-72,000 t), logs (-68,000 t), alumina (-43,000 t), stock food (-39,000 t) and fertiliser (-37,000 t) down in comparison to the prior half year.

108 large vessel calls were registered (FY2023, 139 calls), a direct reflection of the reduced cargo flows through the Port. Container volumes are showing some signs of recovery with 21,000 Twenty-foot equivalent units (TEU) handled through the terminal (FY2023, 18,000 TEU).

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

Contributing factors to the year include:

- Inflationary pressures on labour and materials.
- Insurance costs have substantially increased.
- Increased finance costs due to an upwards movement in interest rates and additional debt on the balance sheet.

OPERATIONS

Cold Storage Operation: The cold store operation has performed well. Increased volumes of meat products being handled, longer dwell times and reduced overheads compared with the same period last year has seen an improved result for this business unit.

Syncrolift – Dry Dock: After a major maintenance programme in FY2023, the syncrolift has shown a marked improvement in FY2024. Increased vessel dockings and reduced maintenance costs have also seen a better result for this operation.

CLIMATE-RELATED DISCLOSURES

From the 2024 reporting period it will be mandatory for South Port to produce climate-related statements according to disclosure requirements in the External Reporting Board (XRB) standards.

South Port is progressing towards meeting these requirements, to be published in this year's annual report.

INITIATIVES

“The Kia Whakaū project to dredge and remove seabed materials to 9.7m chart datum (10.7m at high tide) in the harbour entrance channel was successfully completed and celebrated with a formal opening on 30 October 2023,” says Chief Executive Nigel Gear.

“The Company is taking a staged approach to the new draft by declaring an interim operating draft of 10.3m at high tide to assess the handling of deeper draft vessels before moving to the full 10.7m at high tide.”

Meridian Energy, with Ngāi Tahu's support, continues working with Woodside Energy and Mitsui towards making a final investment decision in 2025 for the development of a world-class hydrogen and ammonia facility in Southland.

South Port is assisting these parties with port and shipping-related enquiries in relation to the export of green ammonia.

It has been a busy cruise period in the south, with cruise vessels transiting through the Sounds in Fiordland before making port calls at Bluff and along the east coast of New Zealand. It is pleasing that this activity has led to a record number of vessel calls into Bluff.

NEW ZEALAND ALUMINIUM SMELTER (NZAS)

NZAS is currently in discussions with the electricity generators to establish a potential supply contract that will allow the smelter to continue operating after 31 December 2024.

In early February 2024, the CEO of Meridian Energy, Neal Barclay, told a Parliamentary Select Committee that good progress is being made in negotiations with Rio Tinto which would lead to a long-term future for the NZAS aluminium smelter.

WIND FARM OPPORTUNITIES

There are a number of wind farm opportunities in Southland at differing stages of development. It is anticipated they will accelerate once the NZAS smelter's future is resolved. The most advanced are Mercury Energy's Kaiwera Downs and Contact Energy's Wyndham proposed wind farms. Stage one of Mercury Energy's 240MW Kaiwera Downs wind farm, 15km east of Gore,

was completed and officially opened on 20 November 2023. Shipments for the second stage of the development, although not confirmed, are expected to begin arriving in early 2025.

A fast-track resource consent application for Contact Energy's Southland Wind Farm project, was lodged with the Environmental Protection Authority on 22 December 2023.

If the consent is approved, it is hoped that construction would begin in 2025 with the wind farm to be fully operational by 2027.

OUTLOOK

Global events continue to create uncertainty and provide challenges to our business operations.

"The wars in both Ukraine and the Middle East are continuing to impact marketplaces, which has a flow-on impact on commodity prices and volumes handled through the Port" said Mr Cory-Wright.

"The container supply chain is facing additional challenges with the war in the Middle East escalating into the Gulf of Aden and the Red Sea, preventing shipping lines gaining access to the Suez Canal, resulting in longer transit times to market."

The Company has invested significant capital in recent years to upgrade the Island Harbour and develop our infrastructure for future growth opportunities.

The deepening of our entrance channel is especially important as it will allow us to take greater payloads, improve the supply chain and provide safer transit for vessels calling at the Port.

There are a number of opportunities on the horizon, and we are now in the position to take advantage of these as they arise.

In February 2024, Fonterra upgraded its dairy payout forecast. In addition, good progress appears to have been made in negotiations with Rio Tinto over long term supply arrangements for the NZAS aluminium smelter. The Government has also announced a new fast track consenting process which may assist projects such as Ngāi Tahu's proposed Hananui open ocean aquaculture farm at Rakiura (Stewart Island).

These are unlikely to have material effects on South Port this financial year but do provide some reasons for optimism that the current downturn will be short lived.

Based on all known factors at the date of releasing its 2024 interim result, South Port estimates that its full-year earnings should fall in the range of \$7.3 million to \$8.0 million (FY2023 - \$11.7 million).

DIVIDEND

Despite the expectation of a reduced full-year earnings, the Directors have declared a fully imputed interim dividend of 7.50 cents per share (2023 – 7.50 cents) payable on 12 March 2024.

The Board will consider the Company's financial year-end result, market conditions, and trading outlook before determining the final distribution to shareholders.

ENDS.

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