

NZX STATEMENT

25 September 2008

South Port Optimistic About 2009 Outlook

Positive trends evident in South Port New Zealand Ltd's 2008 results are continuing into the current year, shareholders were told at today's Annual Meeting at Bluff.

"We are looking forward to the 2009 year with optimism and are well placed to tackle the ongoing challenges that will be faced," said the Chairman, Mr John Harrington, after commenting on a solid 2008 performance which saw the country's most southern port business report a 12% higher net profit of \$2.51m with a strong finishing run up to its 30 June balance date.

"Our financial indicators are all trending positively with net profit ahead, cash flow at solid levels and bank debt almost insignificant."

Commenting on strategic issues Mr. Harrington indicated that the current rationalisation debate that is gaining more prominence in the NZ port sector is also at the forefront of South Port's thinking.

"To achieve rationalisation in the port sector, Port Company Directors and shareholders need to take a wider view of the potential value and efficiencies that could be secured via combinations and mergers. It is almost certain that if and when rationalisation takes place, control of the land and infrastructure should remain in local ownership while the operating activity is transferred into new hands."

Mr Harrington added there was also ongoing interest in the development of a viable coastal shipping option and this has been heightened by port call volatility with shipping companies which have been adversely affected by the higher cost of fuel oil, an international economic weakening and demanding charter rates.

"New Zealand has a problem in relation to transport but at the same time we acknowledge there is no easy fix. There is however a need for future government infrastructure investment decisions to be based on the most efficient spend within the 3 transport modes (road, rail and sea). To do this effectively government must have accurate information on the cost of providing these different modes and establish a more level playing field for the users of New Zealand's transport systems.

Increases in coastal shipping will only be achieved as a result of economic efficiency and market drivers. South Port will continue to vigorously pursue all avenues available to it in an effort to reach the goal of gaining a coastal shipping linkage."

"There is presently a modest level of **domestic** freight movements conducted by shipping at just 15% of activity levels compared with 66% by road transport.

“The debate over carbon emissions is also relevant to the latent opportunity of coastal shipping to make a difference,” said Mr Harrington.

The Chief Executive of South Port, Mr Mark O'Connor added that “South Port’s proximity to well managed primary industries that generate significant cargo has enabled it to find a profitable niche in the port sector. Southern NZ has largely continued to maintain or lift production levels despite a slowing domestic economy.”

“The new weekly container service initiated by Mediterranean Shipping Company (MSC) four months ago is supporting South Port’s growth in containerised cargo and is opening up global market links.

Dairy activity in the southern region has also assisted growth with South Port benefiting from Southland being one of the leading milk fat producing regions”.

South Port foresees that a number of new dairy developments are likely to assist its growth over 2009-2010.

Activity in the dairy sector is stimulating increased cargo throughput in fuel, fertiliser, bulk liquids such as caustic soda and molasses, bulk stock food and raw material imports including lactose. The sector is also producing higher levels of finished product, including various milk powders, whey and cheese.

South Port is backing the future prospects of the dairy sector by investing in the construction of a new 6,000m² warehouse for bulk stock food imports. This facility has been leased by Dynes Stockfood, an existing customer of South Port. A new bulk liquids storage facility will be built by Marstel Terminals on the Bluff Island Harbour and further dairy warehousing has been secured by Dairy Trust.

The wood chip trade is now benefiting from the harvesting of Eucalyptus planted in the 1990’s, with 2008 export tonnage rising to 164,000 tonnes.

The Port Company may also benefit from future developments in the energy sector although these projects are more “blue sky” opportunities. Both Solid Energy and the L&M group are assessing the potential use of extensive lignite resource, L&M is also exploring coal seam gas prospects in Southland.

A recent report on the New Zealand Port Sector by Rockpoint Corporate Finance Ltd offered the following view on the potential for oil and gas developments in the Great South Basin - *The further boost is the promise of oil exploration activity in the Great South Basin, an extensive, proven, and potentially very significant sedimentary basin. While remote, wild, and in deepwater, the world’s largest oil company, ExxonMobil, has secured a key permit, and other oil majors such as OMV have also been awarded permits. The initial stages, including acquiring seismic data, will not require much port activity, although South Port is well placed to offer port facilities for the significant drilling (and hopefully development) programmes to follows.*

Bluff is also designated as the import port for the Kaiwera Downs wind farm project proposed by TrustPower Ltd, involving the construction of 82 turbines capable of generating 240 MW of electricity with a targeted commencement date of 2010. Another wind project of 150 MW requiring 50 turbines is being evaluated by Wind Prospect at Slopedown, Wyndham.

Mr Harrington said an updated earnings estimate for 2009 will be provided in February.

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