

**NZX AND MEDIA STATEMENT
21 AUGUST 2008**

Strong Region Boosting South Port

Southland is more likely to be insulated from an economic slowdown that is weakening commercial activity in some other regions, South Port New Zealand Ltd's Chairman Mr John Harrington said today in confirming a sharply higher earnings result for the Bluff port operator.

Despite some setbacks in the first half of the 2008 year, South Port finished the period strongly with net profit increased 12% to \$2.51m, compared with \$2.23m in 2007.

Earnings per share have increased to 9.6 cents per share (8.5 cents per share).

Revenue from port and warehousing operations increased by almost 6% to \$15.2m (\$14.4m last year).

Group surplus before interest and tax rose around 23% to \$4m (\$3.2m).

The lift in profitability was largely driven by higher levels of break-bulk cargo. This has mitigated the impacts of further volatility in port calls as shipping companies adjust to the soaring cost of fuel oil, higher charter rates and economic trends.

"Continuing growth in the buoyant dairy sector is delivering substantial benefits for the southern region of New Zealand," said Mr Harrington.

South Port has the potential to gain not only from direct dairy exports but also from a range of imported consumables that relate to the industry, he said.

During the past year,

- Fertiliser and acid import volumes set record levels, although the outlook is possibly slightly weaker following the increase in raw material prices to farmers.
- Dairy stock food imports associated with the dairy sector showed encouraging gains and are expected to sustain an upwards trend in the current year.

- Woodchip export volumes continued to climb with increased Eucalyptus woodlot harvesting in the region.
- Petroleum imports (230,000 tonnes) and log exports (104,000 tonnes) were stable.
- New Zealand Aluminium Smelters again provided consistent base levels of import/export cargo including 1.15 million tonnes of products transferred across the dedicated Tiwai Berth provided by South Port under a long-term lease, despite NZAS downsizing production part way through 2008 due to electricity shortages.

Mr Harrington said a number of new business developments will assist South Port to grow over 2009-10, including additional dairy warehousing for Dairy Trust, the establishment of a bulk liquid storage facility for Marstel Terminals and construction of a bulk stock food warehouse.

The Dairy Trust's Awarua plant began production this month, the new Maitua Valley Milk venture will commission a further processing plant in spring 2009 and Fonterra's Edendale plant is undergoing substantial expansion.

"Potential exists for South Port to also play a role with possible oil and gas exploration in the Great South Basin. Seismic data was captured over the summer by the two largest consortium licence holders and will be processed over the next 12-15 months ahead of any decisions to bring drilling rigs into the basin."

DIVIDEND INCREASED

"The Directors have maintained the policy of aligning South Port's dividends with both free cash flows and reported earnings," said Mr Harrington. "Stable operating cash flow has enabled payment of a 6.75 cents per share final dividend, making 9.50 cents for the year (7.75 cents in 2007), with full imputation credits."

The dividend payment represents a gross return of 6.4% (net 4.3%) based on a share price of \$2.19 as at 30 June 2008. A dividend payout ratio of 100% results for the 2008 year and this is the targeted minimum distribution for the foreseeable future, said Mr Harrington.

The balance sheet shows shareholders' equity rising to \$27.1m (\$26.2m) after allowing for dividend payments during the period totalling \$2.03m.

Group assets stand at \$29.2m (\$29.6m), with a net tangible asset backing of \$1.03 per share. Current assets amount to \$4.6m (\$2.9m), and current liabilities stand at \$2m (\$3.3m), creating a net working capital position of \$2.6m vs. -\$0.4m last year. Term liabilities are unchanged at \$0.1m.

SHIPPING SERVICES

The commencement of a weekly container service by Mediterranean Shipping Company (MSC) in May 2008 is a recent highlight, noted the Chief Executive, Mr Mark O'Connor. This call results from a revised New Zealand port rotation, and will support South Port's growth in handling containerised cargo.

"The new shipping linkage will open up a raft of global market connections and has received excellent support from exporters and importers."

Mr O'Connor said that unfortunately a revised vessel rotation saw Tasman Orient Line (TOL) withdraw its fortnightly service from Bluff in early August 2008. "This is indicative of the changing nature of the shipping industry. A lift in international marine fuel prices over the past year from US\$400 per tonne to a high of US\$850 per tonne saw TOL reduce average vessel speeds to conserve fuel which forced a reduction in port coverage.

"As a result of record charter rates, increasing fuel prices and a subdued US economy, the Jepsens International/NZ Lumber Shippers service withdrew its liner operation from New Zealand, removing a monthly shipping link that had been operating from South Port for several years."

OUTLOOK

"In addition to growth in dairying production, reports from the meat processing sector suggest that demand for red meat is improving and welcome gains are predicted for the coming season for sheep and beef farmers," said Mr Harrington.

"Should this occur, overall agricultural sector strength will continue to assist the levels of base cargoes that pass through South Port as well as the exports generated."

Mr Harrington advised that the conditional sale of forestry assets owned by Hardwood Forests Ltd, currently before the Overseas Investment Commission, may lead to the winding up of that business and thus a possible one-off gain of about \$500,000 to South Port NZ Ltd, as a 10% shareholder in Hardwood Forests.

"Including the anticipated one off gain, and an assessment of all known factors, South Port predicts an enhanced level of earnings in the current financial year."

Earnings guidance will be given at the time of the interim result.

The Company's annual meeting is on 25 September 2008 at Bluff. Existing Directors Rex Chapman and John Harrington retire from the Board by rotation and are standing for re-election.

MEDIA/ANALYSTS' NOTE:

South Port New Zealand Ltd is listed on NZX, where it generated the 6th highest gross return of calendar 2007. The Company has 26,234,898 ordinary shares on issue.

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COMPANY FACT SHEET

South Port New Zealand Ltd (South Port) is the southern most commercial port in New Zealand, located at Bluff and operating on a year round, 24 hour basis. It is situated in the rich productive province of Southland which is responsible for generating approximately 12% of New Zealand's total exports. The region's major cargo producing sites are situated within 30 to 80 km of the Port.

The Port of Bluff has been operating since 1877 while the Company was formed in 1988 having taken over the assets and liabilities of the former Southland Harbour Board.

South Port was listed on the NZ Stock Exchange (NZX) in 1994 and has Environment Southland, the region's local government environmental agency, as its 66% majority shareholder.

SOUTH PORT FACTS

- Owns and manages assets which have a book value of \$29 million
- Directly employs more than 50 full time equivalent staff
- Is the only Southland based company listed on NZX and has a market capitalisation as at 30 June 2008 which equates to \$57 million
- Handles in excess of 2.2 million tonnes of cargo per annum
- Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:
 - ✓ import – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
 - ✓ export – aluminium, timber, MDF, logs, dairy, meat by-products and woodchips
- Has split its land-based operating resource into four main divisions – processed forestry, containers, cool & cold storage and dairy
- Undertakes its primary port operation on a 40 ha man-made Island Harbour situated at Bluff
- Operates a separate dedicated fuel berth at Bluff Town Wharf plus provides the Tiwai Wharf facility to NZAS under a long term licence
- Services vessels carrying over 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 15 ha of land available for further port development or industry establishment