

03 November 2011

MEDIA RELEASE

CHAIRMAN'S ADDRESS FROM LPC ANNUAL MEETING HELD 03 NOVEMBER 2011

It is very pleasing to be able to report on the tremendous performance achieved by the Lyttelton Port Company in the year ended 30 June 2011 despite the earthquakes that have rocked the Canterbury Region. For the Port to deliver such outstanding financial and operational results is truly amazing.

As you will know, for 10 months of the 2011 financial year, the Port was in emergency or recovery mode as a result of the Canterbury earthquakes in September 2010 and February and June of this year.

After each major earthquake, critical Port services were restored within 96 hours – a fantastic achievement given the magnitude of damage at the Port and also at CityDepot, and the destruction throughout Canterbury.

This magnificent effort is due both to the resilience of the Port business and infrastructure, built up over a number of years, and to the commitment of our people.

It was achieved while working around damage and repair works, which are ongoing, and in addition business growth, which although welcome, added operational and space-related pressures.

On behalf of the Board, I extend my heartfelt thanks to the Chief Executive Peter Davie and each and every member of the staff for their outstanding commitment and teamwork.

You all did an exceptional job in getting the Port back on its feet so quickly, while many of you were dealing with earthquake-related difficulties at home.

I would also like to acknowledge our customers for their patience and support through those difficult months. Their understanding was very much appreciated.

I will make further comment a little later on, but at this stage I would also like to highlight that during this time a milestone was achieved in the strategic development and future-proofing of the Port, with the commencement of the Te Awaparahi Bay reclamation.

This reclamation will provide much-needed additional container-handling space as the earthquake repair works and rebuild are rolled out through the Port. We have lost approximately a third of our cargo-handling area to these repair works.

Net Profit after Tax (NPAT)

The Company achieved an earthquake-adjusted profit after tax of \$12.1 million for the year ended 30 June 2011. This is an increase of 34.4% over the previous year's result of \$9.0 million.

This earthquake-adjusted result excludes earthquake effects such as additional costs and insurance proceeds.

The result is proof of the underlying strength of the business and reflects solid business growth in container, logs and coal volumes. This result is a fantastic achievement.

The statutory consolidated result, which includes earthquake effects, was an after-tax profit of \$24.1 million.

Write-downs of Port assets following the earthquakes totalled \$29 million.

Your Board has approved \$44 million to enable urgent repair and remediation works, and these urgent temporary repairs are ensuring that the Port remains operative.

Further significant expenditure will be required to rebuild the infrastructure over a number of years.

Dividend

At the Half Year, the Directors resolved to defer the payment of dividends until further insurance proceeds are received.

While some insurance payments have been received, the total financial impact of the earthquake damage remains unclear.

The payment of dividends therefore remains deferred, although we see no reason why we would not revert back to our dividend policy once this position has been resolved.

Insurance Update

Up to 1 July 2011, LPC carried significant insurance cover for restoring and reinstating assets to current standards as a result of events such as earthquakes. The Company also carried business interruption insurance.

The Company's lead insurer has formally advised that it accepts that the earthquake-damaged assets are insured.

To date, the Company has received progress payments of \$35.7 million for both business interruption and material damage expenditure as a result of the earthquakes. A further progress claim of \$11 million was made in August which has grown to \$20 million with additional expenditure over the past few months.

We have in the year ended 30 June 2011 accrued \$11 million in our annual accounts for business interruption insurance owed.

Late yesterday we were formally advised by our lead insurer that at this stage they are disputing the progress claim. We are taking this issue very seriously and we will be taking all necessary legal advice. It appears that this decision is based on a difference of opinion as to the extent to which our assets are insured for reinstatement. It is our view, having reconfirmed overnight our legal advice, that LPC's assets are covered for reinstatement. Significant resources have been and will continue to be committed to resolving these insurance issues.

The total insurance claims will be significant and impact materially on future financial statements.

Limited insurance cover for the Port has been obtained going forward. Total cover required for assets under its material damage policy has been provided, except for wharves, breakwaters, pavements and other assets that are already more than 50% damaged.

However, this cover excludes natural disasters, including earthquakes. In addition, the Company has been unable to secure business interruption cover.

Work is continuing with brokers and insurers to build on this position. All other policies have been renewed.

First Quarter Performance

Now turning to our results for the first quarter and then looking to the future.

The first quarter was a record for container volumes to September 30 this year. 75,344 TEUs were stevedored, up 14.1% compared to the July to September quarter last year. This impacted positively on our revenues. October volumes have also been strong with a new record number of TEUs stevedored in the month.

New shipping services are contributing significantly to this container growth.

While coal was on a par with the same time last year, log exports rose a significant 32.4% to more than 85,000 tonnes, although volumes are likely to ease as exports to China come off their high.

Cruise ship visits this summer will decrease from 64 to 3, with a forecast reduction in annual gross revenues of \$3million less associated costs, however this will be included in our insurance claim.

The result for the first quarter was an underlying trading profit of \$4.1M – significantly ahead of the comparable period last year.

With regard to a result for the full financial year, our forecast is for a trading result of between \$13 million to \$15 million. We will keep the market informed as the year unfolds.

Looking Ahead

To achieve the forecast trading result the new financial year will be one of strong export growth together with the start of imports for the rebuild of Christchurch. Our operations will be under space pressure as we continue the repair and start the rebuild.

We have nine major wharves, many of which have been severely damaged and will need to be rebuilt. The vast majority of our paving has also been severely damaged and there has been significant damage to the seawalls.

Widespread temporary repairs are presently keeping the Port operational and will require careful management as we move forward.

We will have a major rebuild programme over the next five plus years because of the earthquakes. In addition we expect growth in our trades so we will have to consider how to manage both, whilst continuing to operate.

Two years ago at this meeting we outlined our vision for development of the Port to the East. We are now examining whether some of these plans can be accelerated. As I highlighted earlier on, this has begun with the commencement of the new reclamation.

Acceleration of these plans will necessitate the consideration of our funding options which we will examine as we work through the respective projects.

It has been an eventful year and the pressure will continue in the future, as we work through our insurance claims and commence a planned rebuild of the Port, while continuing to operate at the highest level as expected by our customers.

Once again, I would like to express hearty thanks to Management and staff for their continuing commitment and excellent performance.

At this point also I would like to give special thanks to two of our Directors – Mr Bill Luff, a Director of seven years, who resigned as at 31 May 2011, and Mr Alan Grant, a Director for 10 years, who has announced he will retire from today. Mr Luff has accepted a senior management role with Solid Energy Limited, which necessitated his retirement from the Board.

Both Directors have made a major contribution to the Company and I express my sincere appreciation on behalf of the Board and Management to them both. We will miss your wisdom and experience.

As at 1 June, Mr Brian Wood joined the Board to replace Mr Luff as an Independent Director. He was previously Managing Director, Asia Pacific of global engineering consultancy MWH Limited.

The Board has worked well together over the past year in supporting Management and ensuring that resources are available to progress the earthquake recovery programme and build future growth.

It has been a privilege to lead this capable, focused team during such an eventful year.

For further information:

Peter Davie

Chief Executive

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