

02 November 2012

MEDIA RELEASE

CHAIRMAN'S ADDRESS FROM LPC ANNUAL MEETING HELD 02 NOVEMBER 2012

It is pleasing to report that once again LPC has demonstrated its ability to perform in less than ideal circumstances. The results achieved in the year ended 30 June 2012 were outstanding.

In the 2012 year the Company achieved a record financial result, despite disruptions due to temporary repair works, with record volumes of containers and coal, and increases in almost every other form of cargo.

Exports, imports and tranship cargos all grew strongly during the year and this reflects the continued expansion of the Canterbury and South Island economies.

During the year, the reclamation to the east of Cashin Quay has grown to 3.0 hectares, which is over a quarter of the approved 10 hectares.

On behalf of the Board, I would like to thank the Chief Executive, the Senior Management Team, and each and every member of the staff, as well as our contractors, for their superb performance. The increased cargo volumes are a testament to their hard work and determination.

The Company has continued to enjoy positive relationships with customers and business partners, and has greatly appreciated their on-going and unwavering support over the past year.

Net Profit after Tax (NPAT)

Following a strong first half to the year, the Company delivered an extremely pleasing full year financial result with an earthquake-adjusted profit after tax of \$17.0 million. This is an increase of 40% compared with the previous year's result of \$12.1 million.

The after-tax result reflects the continuing strength of business fundamentals as well as strong business growth.

The statutory consolidated result, which includes the impact of the earthquakes such as additional costs, insurance proceeds and revenue lost, is an after-tax profit of \$17.2 million.

Operating revenue totalled \$104.5 million, which was up 14.1% from \$91.6 million the previous year.

The spend on urgent temporary repairs required as a result of the earthquakes totalled \$15.2 million during the year 30 June, 2012, with the total spent to date as a result of the earthquakes now totalling approximately \$52 million as at 30 June 2012.

There were no further write-downs of earthquake-damaged Port assets in the current year.

Dividend

The Directors have resolved to continue the suspension of dividends until we have finalised our Reinstatement and Development Plan, and insurance and funding matters.

We know that this situation is not ideal, and the patience of shareholders is very much appreciated.

Insurance Update

An additional insurance accrual of \$18.4 million has been recognised, taking the total carrying value of insurance receivables as at 30 June 2012 to \$29 million. Approximately \$52 million of business interruption losses and preliminary material damage costs have been incurred to 30 June 2012 as a result of the earthquakes since September 2010.

Progress payments of \$35.7 million have been received from our insurers to date. We are currently working with Insurers on the adjustment of our \$10 million claim of losses and costs that was lodged in late August 2012. As costs and losses crystallise, the process of lodging progress payment claims and their adjustment will continue.

Our insurers have confirmed reinstatement insurance for the assets the Company chose to insure. They have also agreed a number of our key harbour structures have been so extensively damaged that they will need to be replaced.

I will now cover off some key items in further detail.

Current Insurance Cover

The Company has increased its limited insurance cover to include business interruption insurance. Buildings and plant are insured, but earthquake damaged assets (more than 50%) and infrastructure assets remain uninsured. All cover excludes damage from natural disasters including earthquakes.

Reinstatement

LPC is committed to the reinstatement of its assets as quickly as practically possible, whilst also ensuring operational requirements are met. LPC is carrying out detailed planning so these reinstatement projects are undertaken in an effective and systematic way. It is clear the reinstatement of key harbour structures will take a number of years to complete. We expect to maintain all of our major trades and meet their growth expectations as we rebuild our key infrastructure.

Throughout the course of the reinstatement of assets, it is anticipated that there will be many complex issues which we will have to wrestle with.

Business Interruption

Regular meetings are taking place with our Insurers assessors on our Business Interruption claims. As the claims are both detailed and complex, we have prioritised them and are working through items in order of priority.

Indemnity Valuations

Our material damage policy entitles LPC to receive indemnity progress payments on damaged and destroyed assets that we intend to reinstate. To receive these payments the indemnity value needs to be established.

We believe we have substantial agreement over the methodology to be adopted for the carrying out of the indemnity valuations; and are working to finalise this so that the valuations for the first tranche of destroyed key harbour structures can be commenced.

Going Forward

As the Business Interruption claims are adjusted and agreed, and when the first tranche of indemnity valuations have been carried out and agreed, we expect further funds will flow from the Insurers. In addition, as we reinstate our infrastructure, funds are expected to flow as the costs are incurred in line with the Pay as You Go process.

LPC is committed to working constructively with its Insurers to resolve matters expeditiously as they arise.

First Quarter Performance and Full Year Forecast

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

The result for the first quarter was an earthquake adjusted net profit after tax of \$3.5m, \$0.6m below last year's first quarter result.

Total revenue for the quarter is 3% higher than the previous year. Container volumes are consistent with the record volumes achieved over the same period last year, and other cargoes and bulk fuels are performing strongly, with 14% and 17% growth respectively.

At the cost level, some maintenance expenditure that was previously treated as quake related, are now included in the earthquake adjusted result. We have taken the view moving forward that maintenance expenditure under \$250k per item, that would previously have been "quake related", will now be included in the "normalised" result.

With regard to a result for the full financial year, our current forecast is for an earthquake adjusted result of between \$13 million to \$15 million. The reduction from the 30 June 2012 full year result of \$17.0m is largely due to:

- The Company moving outside its indemnity period for cruise revenue
- An expected reduction in Solid Energy coal volumes (as announced to NZX on 02 October 2012)

We will provide updates as the year progresses, if the forecasts are outside the indicated range.

Looking Ahead

Over the next year the Company will commence the long term reinstatement of assets. Due to the need to keep the Port operational throughout the rebuild, this will be done over a five to seven year period.

Consultation will also take place with interested groups on the future shape of the Port.

LPC is also focused on developing land to assist with rebuilding and to cater for long term growth. One only has to look at the growth in dairy in the Canterbury region with Fonterra, Synlait and Westland Milk, all announcing expansions or potential expansions, to see that economic growth is alive and well in Canterbury.

When we look at future land and facility requirements, we are mindful that over the last 20 years our container growth rate has been 10.3% compounding. So while we are rebuilding, we also need to continue to develop to handle future volumes for Canterbury and the South Island.

We are also working with New Zealand Transport Authority, Environment Canterbury, Christchurch City Council and KiwiRail to ensure that freight corridors to the Port are retained and enhanced during the rebuilding of Christchurch.

Thanks

This year has been one full of activity and this will continue in the future as we focus on providing for on-going business growth, the continuous improvement of facilities and services in line with our customers' future requirements, coupled with the reinstatement of the Port.

Once again, I would like to thank the Management team for the excellent results of the past 12 months. Whilst having to work through disruptive and challenging work conditions, the team has remained focused on managing and enhancing the business.

I would also like to thank my fellow Directors for their continued support over the past year. New Directors were elected to the Board in 2011 and we have worked well together in supporting Management and ensuring that resources are available to progress the various insurance issues, the development of the reinstatement plan, while at the same time ensuring that the Port continues to operate efficiently and effectively.

Finally I would like to acknowledge the support of our major shareholder, Christchurch City Holdings Limited. The confidence they have shown in allowing us to get on to run the Company in difficult times is very much appreciated.

For further information:

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