

29 August 2012

## NZX RELEASE

### LPC RESULT FOR YEAR ENDED 30 JUNE 2012

#### PORT ACHIEVES RECORD VOLUMES

Lyttelton Port of Christchurch has again stepped up to demonstrate its vital role in the economic growth of Canterbury.

During the 2012 year, the Company achieved an outstanding result, with record volumes of containers and coal, and increases in almost every other form of cargo—despite a difficult operational environment resulting from on-going temporary post-quake repairs. Imports are also continuing to grow as the Port provides an efficient conduit for goods destined for the rebuild of Christchurch.

“Sincere thanks go to our customers and business partners for their on-going and unwavering support,” said LPC Chairman Rodger Fisher.

“We also owe our highly successful year to the resilience and commitment of our dedicated, hardworking people, as well as our contractors, for their superb performance during the 2012 year.”

#### Financial Results

The Company delivered an extremely pleasing financial result with an earthquake-adjusted profit after tax of \$17.0 million for the year ended 30 June 2012. This is an increase of 40% compared with last year’s result of \$12.1 million.

“This after-tax outcome continues to reflect the strength of the Company’s business fundamentals as well as strong business growth,” Mr Fisher said.

The statutory consolidated result, which includes earthquake effects such as additional costs, insurance proceeds and revenues lost, is an after-tax profit of \$17.2 million. A reconciliation between the reported profit after tax for the year ended 30 June 2012 and the earthquake-adjusted profit is provided in the table below.

	<b>30 June 2012 \$ million</b>	<b>30 June 2011 \$ million</b>
<b>Profit After Tax</b>	<b>17.2</b>	<b>24.1</b>
<i>Add Loss of Earthquake-Related Revenue</i>	3.1	2.4
<i>Less Insurance Proceeds</i>	0.0	(35.7)
<i>Less Insurance Receivable Accrued</i>	(18.4)	(10.6)
<i>Add Earthquake-Related Expenditure</i>	15.2	12.4
<i>Add Assets Written Off/De-Recognised</i>	0.0	29.0
<i>Less Depreciation Impacts on Assets Written Off/De-Recognised</i>	0.0	(1.2)
<i>Less Net Taxation Adjustments</i>	(0.1)	(8.3)
<b>Earthquake-Adjusted Profit After Tax</b>	<b>17.0</b>	<b>12.1</b>

All items in the table above are extracted from the audited financial statements with the exception of "Loss of Earthquake-Related Revenue". This is the Company's estimate of the loss of insured revenues in the period under review.

Operating revenues totalling \$104.5 million were up 14.1% from \$91.6 million in the previous year. The spend to 30 June 2012 on urgent temporary repairs required as a result of earthquakes totalled \$15.2 million. There were no further writedowns of earthquake-damaged Port assets in the current year. Taxation expense in the current year returned to normal levels, compared to the tax impact in the previous year, which included the assets written off/de-recognised.

### **Summary of Statutory Financial Results**

	<b>2012</b> (\$,000)	<b>2011</b> (\$,000)	<b>Change</b> (\$,000)	<b>Change %</b> Favourable/ (Unfavourable)
Total Revenue	104,546	91,625	12,921	14.1%
Operating Costs	70,874	59,396	(11,478)	(19.3%)
EBITDA	33,672	32,229	1,443	4.4%
Depreciation and Amortisation	10,928	11,564	636	5.5%
Earthquake-Adjusted EBIT	22,744	20,665	2,079	10.1%
Plus Net Earthquake Impacts Recorded in the Financial Statements	3,157	4,925	(1,768)	(35.9%)
Net Interest	2,515	4,551	2,036	44.7%
Net Profit Before Tax (NPBT)	23,386	21,039	2,347	11.2%
Tax Expense (Credit)	6,183	(3,072)	(9,255)	(301.3%)
Net Profit After Tax (NPAT)	17,203	24,111	(6,908)	(28.7%)
Earnings Per Share (EPS)	16.8	23.6	(6.8)	(28.8%)

### **Operational Performance**

"Despite severe earthquake damage, the Company has achieved the highest profit in its history," LPC Chief Executive Peter Davie said. "This is a testament to our staff, customers and business partners.

"In the financial year just finished, the Port handled record volumes through the Container Terminal, plus other cargoes continued to grow throughout the region during this new seismic era. This reflects well on the strong regional economy," Mr Davie said.

"New shipping services contributed to the container growth and we are seeing year-on-year growth in export, import and tranship services."

#### **Increased Volumes**

Container volumes surpassed the 300,000 TEU mark for the first time in the Port's history, rising 15.6% to 336,182 TEUs, with containers moved through the Container Terminal rising 16.8%. Coal exports rose 15.6% to just under 2.5 million tonnes. Dry bulk imports were up 17.4% on last year, a rise driven by significant increases in fertiliser and cement. Log exports continued to grow by 8.8% compared to the previous year.

Cruise ships are an important part of the Canterbury tourism mix. However, with the earthquake damage to wharves, it was necessary to suspend cruise ship services for the 2012 year.

## Summary of Operational Performance Indicators

	2012	2011	Percentage Change Favourable / (Unfavourable)
Total Container Volumes (TEUs)	336,182	290,842	15.6%
Total Containers through the Container Terminal	316,689	271,231	16.8%
Coal Exports (tonnes)	2,447,968	2,117,040	15.6%
Log Exports (tonnes)	282,382	259,451	8.8%
Bulk Fuel (tonnes)	1,021,919	961,698	6.3%
Motor Vehicles (units)	28,549	25,813	10.6%
Dry Bulk Imports (tonnes)	584,164	497,606	17.4%
Ship Visits (number)	956	925	3.4%

## Summary of the Year's Highlights

LPC's financial and operational highlights for the year include:

- 14.1% rise in operating revenues to \$104.5 million
- Statutory profit after tax of \$17.2 million (last year \$24.1 million)
- 40% rise in earthquake-adjusted profit after tax to \$17.0 million
- 15.6% rise to 336,182 total TEU volumes, with 16.8% rise in Container Terminal volumes to a record 316,689 TEUs
- 15.6% rise in coal exports to approximately 2.5 million tonnes
- 17.4% rise in dry bulk imports to 584,164 tonnes, driven by significant increases in fertiliser and cement
- 8.8% increase in log exports to 282,382 tonnes
- Strong performance in new vehicle imports

During the year, the Te Awaparahi Bay Reclamation, to the east of Cashin Quay, grew to 2.7 hectares. At a time when the Port is squeezed for paved and hardstand areas, the reclamation is already providing valuable storage space for imported vehicles.

The rail siding at CityDepot, our inland port at Woolston, was completed in October 2011 and is accommodating additional rail wagons, with a resulting increase in volumes and productivity, and enhanced customer service.

During the year, staff and contractors carried out extensive temporary post-quake repairs across the Port and CityDepot to enable the continuation of operations while the long-term remediation is planned. At Cashin Quay, significant temporary on-wharf and under-wharf repairs kept the coal conveyors and shiploader operating, which enabled continued service to our long-standing customers.

## **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 claimable business interruption losses and preliminary material damage costs have been incurred as a result of the earthquakes since September 2010. Progress payments of \$35.7 million have been received from our insurers to date and a claim of \$10 million has been recently lodged. As costs and losses crystallise, the process of lodging progress payment claims will continue.

LPC's insurers have confirmed reinstatement insurance for the assets the Company chose to insure. Following independent expert advice, the Company is now liaising with its insurers on the methodology to be adopted for arriving at an indemnity valuation of key structures. This will form the basis for a further indemnity progress payment to be made by the insurers.

A Reinstatement and Development Plan is in place which prioritises and programmes the reinstatement of LPC's harbour structures, buildings and utilities. Design work has commenced on a number of those assets. This plan is on the basis that LPC has been advised that the seismic environment has settled down sufficiently to enable the significant rebuild of core assets to proceed as planned. As such LPC needs to now undertake reinstatement projects as soon as practically possible. Further, LPC must ensure that it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency.

Throughout the course of the reinstatement of assets, it is anticipated that there will be many complex issues. However, LPC is committed to working constructively with its insurers to resolve matters expeditiously as they arise.

## **Dividend**

The Directors have resolved to continue the suspension of dividends until insurance matters have been resolved.

"The Board understands that this situation is not ideal, and the patience of shareholders is very much appreciated," Mr Fisher said.

## **Outlook**

"The Port remains a critical component of Canterbury's strategic infrastructure and is essential in the rebuild of the Canterbury region," Mr Fisher said. "The Company will move into a new era of rebuilding under the Port Reinstatement and Development Plan."

Mr Davie added, "For the year ahead, our focus is on customer service, productivity, operational improvements, and safety, while dealing with insurance and the rebuild of our Port."

### **For further information contact:**

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