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NZX RELEASE

INSURANCE SETTLEMENT BOOSTS LPC'S REPORTED PROFIT

Lyttelton Port of Christchurch achieved a significant profit for the half year to 31 December 2013, with the settlement of the Company's earthquake insurance claims.

The settlement of \$438.3 million plus GST (being a gross amount of \$450 million less deductibles of \$11.7 million) is the largest settlement to date from the Canterbury earthquakes. Payment will be made in full by 28 February 2014 of the remaining amount of \$382.7 million.

For the 6 month period the Port recorded its highest container terminal volume ever. This was a 9.2% increase on the 6 months to 31 December 2012. This growth was driven by a strong import season and continued growth in the rural sector.

The rebuild process has commenced, with works initiated on the rebuild of the 230m Cashin Quay 2 wharf. Substantial funds will be spent in the Port over the next five years as the Development Plan is executed.

"The financial result, excluding the significant insurance proceeds, is strong albeit down on the same period last year. Expenses are up as the Company has invested resources on a number of initiatives in health and safety, capacity and productivity," said Chairman Trevor Burt. "We are delighted with the insurance outcome, which enables LPC to develop the Port, with freedom to optimise facilities for the future."

Mr Burt also advised that the Company has resumed dividend payments with an interim payment of 2 cents per share to be paid in March 2014.

Financial Results

Following are the financial results for the half year to 31 December 2013.

	31 December 2013	31 December 2012	Movement
	(\$,000)	(\$,000)	(%)
Revenue	57,634	54,179	6.4%
Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)	15,671	18,339	(14.5%)
Earnings Before Interest and Taxation (EBIT)	10,024	12,903	(22.3%)
Earthquake-Adjusted Profit After Taxation	6,498	7,951	(18.3%)
Earthquake Impacts (net of Taxation)	330,049	(4,700)	7,122.0%
Profit After Taxation	336,547	3,251	10,252.1%
Total Assets	634,362	275,057	130.6%
Shareholders' Equity (percentage)	83.40%	63.83%	30.7%
Earnings Per Share (cents)	329.1	3.2	10,252.1%
Net Asset Backing Per Share (dollars)	6.20	2.69	130.6%

Key points to be noted in the year on year comparison are as follows:

- The Net Profit after Taxation of \$336.5 million to 31 December 2013 is compared with \$3.3 million for the same period last year, reflecting the recognition of the insurance settlement into the financial result.
- Operating revenues totalled \$57.6 million, a rise of 6.4% on last year's \$54.2 million, due to strong container and bulk cargo volume growth.
- The Earthquake Adjusted Profit after Taxation of \$6.5 million reduced by \$1.5 million on the prior year. Expenditure has been incurred in the period to 31 December 2013 on a number of initiatives, including health and safety, capacity and productivity.

The changes in the Earthquake Adjusted Net Profit after Taxation between the two periods are outlined in the table below, along with a reconciliation of the Reported Profit to Earthquake Adjusted Profit.

6 months ended	31 December 2013	31 December 2012
	\$ millions	\$ millions
Profit after tax	336.5	3.3
<i>add</i> Earthquake expenditure	10.2	5.2
<i>add</i> Depreciation on earthquake assets	2.3	2.3
<i>less</i> Insurance proceeds	(357.6)	(1.0)
<i>add</i> Unrealised losses on ineffective hedges	1.6	-
<i>less</i> Taxation	13.5	(1.8)
Earthquake adjusted Profit after Tax	6.5	8.0

Insurance

On 19 December, the Company announced that, following a mediation process with its insurers (Vero, NZI and QBE), all the various claims of the Company against its three insurers under the Company's material damage, business interruption and contract works insurance policies, arising out of the September 2010, February 2011 and June 2011 earthquakes, had been settled with the insurers.

The settlements involve the payment in aggregate by the three insurers of \$438.3 million plus GST (being a gross amount of \$450 million less deductibles of \$11.7 million) in full and final settlement of the claims. The Company has already received payments from its insurers of \$55.6 million, so that the total amount remaining to be paid by the insurers in respect of all of the claims will be \$382.7 million plus GST. Payment will be made in full by 28 February 2014.

The monies received will be expended over time in the development of Lyttelton Port's facilities. Approximately \$66 million has already been expended on keeping the Port operational. The Port has flexibility on how and when assets will be developed.

There remains one outstanding matter with a third party that may result in the Company making an additional recovery. The Company is not in a position to provide further details at this time.

LPC is finalising contract works insurance cover (including earthquake cover) for the development programme. Work is progressing on the rebuild of Cashin Quay 2 and the Company expects to be able to fully insure this asset (including for earthquake) when construction is completed. It is anticipated that as the overall programme progresses, all assets will be able to be fully insured.

Health and Safety

In November and December 2013, two workplace fatalities occurred in the operations of third-party firms operating in the Port—in the logging area, and in the hold of a fertiliser vessel. All staff were saddened by these fatalities, and the Company is taking a leadership role to work with lessee companies to ensure they and their contractors have the required health and safety policies, systems and practices in place, as well as proper training.

It is a matter of great concern that on 4 January 2014, a staff fork hoist driver at CityDepot suffered injuries when a dislodged container hit his cab. WorkSafe New Zealand issued the Company with five improvement notices relating to work practices at CityDepot, and all five improvements were actioned immediately. Investigations are continuing, and the Company is working closely with WorkSafe New Zealand and employees.

LPC is committed to achieving a Zero Harm work environment for all the Company's operations. A safety audit of all operations has been recently completed, and intensified leadership, focus and resourcing are being prioritised for health and safety. In operational areas, more training, more supervision and clearer procedures are being implemented. A Health and Safety Manager has been appointed to fill a vacated position, along with a Health and Safety Administrator.

The Company welcomes recent Government initiatives to increase safety in New Zealand's workplaces. In December 2013, WorkSafe New Zealand, a new Crown entity responsible for enforcing the Health and Safety in Employment Act, came into existence, and legislation to enforce renewed personal and proactive duty of due diligence for Directors and Senior Managers is expected in 2014.

Operational Performance

Further strong growth in cargo volumes was achieved for the first half of the 2014 financial year.

Total container volumes rose 9.2% to 185,630 TEUs. The growth was driven in large part by increased dairy exports, full imports for the rebuild, and the continuing robustness of Canterbury's economy. During November and December 2013, some containerised cargoes were diverted through Lyttelton when an interisland ferry was temporarily withdrawn from service.

Log volumes rose 78.5% to 279,736 tonnes, largely as a result of trees felled by storms in October 2013. Coal rose 8.2% to over 1 million tonnes. Imported vehicles rose 13.5% to 20,140 units.

Other significant increases were seen in breakbulk steel and cement imports, which will continue to rise as the Christchurch rebuild gains momentum. Fertiliser and grain also made significant gains, while bulk fuel import volumes declined.

In November 2013, the new CMA CGM and Marfret Compagnie Maritime service to the US and Europe added Lyttelton as the joint service's only South Island call.

LPC continues to plan, invest and improve operational efficiencies to service Canterbury and South Island cargo requirements, and ensure importers and exporters can directly access the wide range of international shipping services currently calling in New Zealand.

There have been operational challenges in the period. In late November/December 2013, the Company did not achieve the service standards that should be delivered in the Container Terminal, due to land capacity issues. Since then, steps have been taken to increase the land available by 20%, with a further 20% increase by the end of April 2014. We have extended the use of the reclamation to include containers. Two of the five hectares are developed with more land becoming available as the reclamation area expands.

The Container Terminal's fourth ship-to-shore gantry crane is expected to arrive, in parts, in April 2014 and is expected to be in commission by July 2014.

In August 2013, four new Liebherr diesel electric straddle carriers went into service, increasing the terminal fleet to 22. The straddles have twin-lift capability for lifting two 20-foot containers simultaneously and are linked to the Port's computerised container-tracking system. Four more

Leibherr diesel electric straddle carriers will arrive, in parts, with the new ship-to-shore crane in April 2014 and are expected to be in commission by July 2014.

At CityDepot, three new and three second-hand 7-high, empty container stackers, as well as a second-hand 4-high full container stacker, have been purchased to help optimise efficiency and capacity.

	31 December 2013	31 December 2012	Movement (%)
Total Container Volumes (TEUs)	185,748	170,030	9.2%
Coal Exports (tonnes)	1,073,152	991,383	8.2%
Log Exports (tonnes)	279,736	156,699	78.5%
Bulk Fuel (tonnes)	519,886	558,537	-6.9%
Dry Bulk Imports (tonnes)	391,987	339,085	15.6%
Ship Visits (number)	525	464	13.1%

Summary of Highlights for the Six Months

Highlights of the Company's financial and operational performance include the following:

- \$336.5 million consolidated Net Profit after Taxation, compared with \$3.3 million for the same period last year
- 6.4% rise in revenues to \$57.6 million
- 9.2% rise in TEUs to 185,630
- Te Awaparahi Bay reclamation expanded to over 5 hectares, and now carrying up to 1,200 empty containers, as well as other cargoes; this extends the Container Terminal
- Addition of 700 full container slots at the Container Terminal, and an extra row of 20-foot refrigerated container slots with reefer plugs
- Extension of hours of operation for empty-container handling at the Container Terminal, and extension of hours at CityDepot, the Company's inland container port in Woolston, to seven days a week
- Contracting of the post-quake rebuild of Cashin Quay 2 container wharf
- Ordering of a fourth ship-to-shore gantry crane
- Commissioning of four new diesel-electric, twin-lift straddle carriers and ordering of a further four straddle carriers
- Purchasing of six 7-high, empty-container stackers for CityDepot, as well as a 4-high full-container stacker
- Transition at CityDepot to DepotPro, a new empty-container tracking programme
- Appointment of a Health and Safety Manager to fill a vacated position, and the addition of a Health and Safety Administrator
- Appointment of a Development Manager to drive the Company's long-term Port Development Plan
- Awarding of the second LPC Directors' University of Canterbury Scholarship of \$10,000. The scholarship is funded by Directors and LPC, and awarded to a staff member or immediate family member.

Dividends

The Directors are pleased to announce the resumption of dividends, with an interim payment of 2 cents per share, payable in March 2014.

The quantum of dividends moving forwards will be determined by the Directors, having regard to:

- working capital requirements;
- capital expenditure requirements;
- the timing of development projects;
- the interests of shareholders; and
- free cash flow available for distribution.

Outlook

The expectation for an Earthquake Adjusted results for the year between \$15 million and \$16 million remains unchanged from the advice at the Annual Meeting in November 2013.

Safety is at the top of the agenda as the Company implements changes and enhancements to achieve a Zero Harm work environment for its people, and works with Port users and their contractors to ensure that, on LPC's footprint, they achieve the same.

LPC will continue to grow its business, enhance customer services, and progress Port projects and planning to ensure capacity and capability into the future. We extend our thanks to our customers, staff and their partners for their ongoing support and commitment.

For further information, please contact:

TREVOR BURT

Chairman
Lyttelton Port of Christchurch
027 502 0050

PETER DAVIE

Chief Executive
Lyttelton Port of Christchurch
(03) 328 8198
027 444 1254