Lyttelton Port of Christchurch

LYTTELTON PORT COMPANY LIMITED
TARGET COMPANY STATEMENT

IN RESPONSE TO CHRISTCHURCH CITY HOLDINGS LIMITED'S FULL TAKEOVER OFFER FOR LYTTELTON PORT COMPANY LIMITED

2 SEPTEMBER 2014

This is an important document and requires your urgent attention. If you have any questions in respect of this document or the offer, you should see advice from your financial or legal adviser.

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Lyttelton
Port of
Christchurch

Dear Shareholder

Takeover Offer for Lyttelton Port Company Limited ("LPC")

On 25 August 2014 Christchurch City Holdings Limited ("**CCHL**"), the holder of 79.70% of LPC's issued shares, made a full takeover offer ("**Offer**") to purchase all of the shares in LPC that it does not already hold. You should have received a copy of the Offer document by post directly from CCHL. You can also find a copy of it on the NZX website under LPC.

Under the Takeovers Code, LPC is required to prepare a Target Company Statement and appoint an independent adviser to report on the merits of the Offer. LPC appointed Northington Partners Limited as the independent adviser for this Offer and a copy of its Independent Adviser's Report is enclosed with the Target Company Statement. The full LPC Board has approved the Target Company Statement.

LPC Board Recommendation

The LPC Board recommends that shareholders **accept the Offer**. The reasons for their recommendation are:

- the Independent Adviser's Report concludes that the full underlying value of the LPC shares is in the range of \$3.35 to \$3.65 per share. The total consideration of \$4.15 per share (made up of the Offer price of \$3.95 and the dividend of \$0.20 (described on the following page)), is well above the top end of this range; and
- the likelihood of a competing offer is extremely low.

However, it is important that you make your own decision to accept or reject the Offer. You should read the Offer document, this Target Company Statement and the Independent Adviser's Report carefully. You may wish to seek financial or legal advice.

Key Features of the Offer

The full terms of the Offer are set out in CCHL's Offer document, to which this Target Company Statement relates. A summary of the key features of the Offer are as follows:

1. CCHL is offering to buy all of the LPC shares which it does not already hold;
2. CCHL has entered into a Lock-Up Agreement with Port Otago Limited, pursuant to which Port Otago Limited has agreed (subject to the dividend condition described in paragraph 4(i) below being satisfied) to accept the Offer with respect to the 15,825,477 LPC shares held by it, which constitute 15.48% of the total number of LPC shares on issue;
3. the offer price is \$3.95 per share; and
4. the Offer is conditional on certain conditions. Full details of the conditions can be found in paragraphs 4 and 5.1 of the terms and conditions of the Offer document. The key conditions are that:
   (i) LPC declares and pays a dividend of 20 cents per share to all shareholders prior to the Offer closing; and

(ii) CCHL receives irrevocable acceptances in respect of the LPC shares which, on registration of the transfer of those shares (when taken together with any other LPC shares already held or controlled by CCHL), will result in CCHL holding or controlling 90% or more of the voting rights in LPC. This condition will be satisfied if Port Otago Limited fully complies with the terms of its Lock-Up Agreement with CCHL.

CCHL cannot waive either of these conditions.

Dividend

On 1 September 2014, the Board resolved to pay a fully imputed special dividend of 20 cents per share on 18 September 2014. Payment of the dividend is subject to the conditions in clause 5.1 of the Offer (being all conditions other than the two conditions set out in paragraph 4 above) being satisfied or waived by CCHL on or before 5pm on 17 September 2014. The record date for payment of the dividend is 16 September 2014.

To the extent that the payment of the special dividend could be considered the provision of financial assistance in connection with the acquisition of shares under the Offer, the Board has complied with the provisions of section 78 of the Companies Act 1993. Accordingly, enclosed is a financial assistance disclosure document pursuant to section 79 of the Companies Act 1993.

Success of the Offer

You do not have to accept the Offer. However, if CCHL ends up controlling 90% or more of the LPC shares, CCHL becomes the 'dominant owner' of LPC. CCHL has stated that if it becomes the dominant owner, it intends to compulsorily acquire the remaining LPC shares. This means you may be forced to sell your LPC shares subject to the compulsory acquisition rules in the Takeovers Code. Further information about the compulsory acquisition process is set out in paragraph 1.4.3 of the Independent Adviser's Report.

If CCHL acquires more than 90% of the LPC shares under the Offer and invokes the compulsory acquisition rules in the Takeovers Code, LPC would ultimately become delisted from the NZX Main Board.

Acceptance of the Offer

The Offer closes at 11:59pm on 23 September 2014. CCHL has said that it will not extend the closing date.

If you decide not to accept the Offer, you do not need to take any further action.

If you wish to accept the Offer, you should complete the acceptance form enclosed with CCHL's Offer document. CCHL must receive your acceptance form before the closing date. Once acceptance is given, it cannot be withdrawn.

If you accept the Offer and the Offer becomes unconditional, CCHL must pay you within 7 days of your acceptance or the date on which it declares the Offer unconditional (whichever comes later).

Yours faithfully
Lyttelton Port Company Limited

Trevor Burt
Chairman of Directors

Rod Carr
Chairman of the Due Diligence Committee

TARGET COMPANY STATEMENT

This is Lyttelton Port Company Limited's Target Company Statement (as required by rule 46 of the Takeovers Code), containing the information specified in Schedule 2 of the Takeovers Code in connection with the takeover offer from Christchurch City Holdings Limited:

1. **Date**: This Target Company Statement is dated 2 September 2014.

2. **Offer**: This Target Company Statement relates to a full takeover offer being made by Christchurch City Holdings Limited ("**CCHL**") for all of the shares in Lyttelton Port Company Limited that it does not already own or control ("**Offer**"). The terms of the Offer are set out in CCHL's Offer Document dated 25 August 2014, to which this Target Company Statement relates.

3. **Target Company**: The target company is Lyttelton Port Company Limited ("**LPC**").

4. **Directors of LPC**: The directors of LPC are:

    (a) Trevor John Burt (Chairman);

    (b) Roderick Marshall Carr;

    (c) Lindsay Cecil Crossen;

    (d) James Gerard Quinn;

    (e) Karl David Matthew Smith; and

    (f) Brian John Wood.

    As at the date of this Target Company Statement, all directors of LPC are "Independent Directors", as that term is defined in the NZX Main Board Listing Rules.

5. **Ownership of LPC Shares**:

    No director or senior officer[1] of LPC or their associates holds or controls any equity securities in LPC.

    The number and percentage of shares held or controlled by persons known by LPC to hold or control 5% or more of the shares in LPC is set out in the following table:

Holder or Controller	Ownership Interest	Number of Shares	Percentage of Total Shares
Christchurch City Holdings Limited	Legally and beneficially held	81,499,857	79.70%
Port Otago Limited	Legally and beneficially held	15,825,477	15.48%

Except as set out above, no other person is known by LPC to hold or control 5% or more of LPC's equity securities.

[1] For the purposes of this Target Company Statement, the LPC Board has determined that the senior officers of LPC are Peter Davie, Jonathan Gardiner, Kathy Meads, Simon Munt, John O'Dea, Paul Monk, Allanah James and Sarah Reilly.

During the two year period ending on the date of this Target Company Statement, no equity securities have been issued to LPC directors and senior officers or their associates, and no directors or senior officers or their associates have obtained a beneficial interest under an employee share scheme or other remuneration arrangement.

6. **Trading in LPC shares**: During the 6 month period before 29 August 2014 (being the latest practicable date before the date of this Target Company Statement), CCHL acquired 128,342 ordinary shares in LPC, by way of the following transactions:

Date	Number of Shares	Consideration per Share
8 May 2014	900	$3.10
15 May 2014	300	$3.10
19 May 2014	68,401	$3.20
21 May 2014	1,000	$3.10
23 May 2014	9,700	$3.10
27 May 2014	10,000	$3.15
28 May 2014	38,041	$3.10

Except CCHL, no person referred to in paragraph 5 above has, during the 6 month period before 29 August 2014 (being the latest practicable date before the date of this Target Company Statement), acquired or disposed of any equity securities in LPC.

7. **Acceptance of Offer**: None of the LPC directors or senior officers or their associates hold shares in LPC. Accordingly, the Offer is not capable of acceptance by any of those people.

8. **Ownership of Equity Securities of CCHL**: Neither LPC nor any of its directors or senior officers or their associates holds or controls any equity securities of CCHL.

9. **Trading in Equity Securities of CCHL**: Neither LPC nor any of its directors or senior officers or their associates acquired or disposed of any equity securities of CCHL during the 6 months preceding the latest practical date before the date of this Target Company Statement.

10. **Arrangements between CCHL or its associates and LPC**: Other than the Lock-Up Agreement described in paragraph 13A below, there are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between:

    (a) CCHL or its associates; and

    (b) LPC or any related company of LPC,

    in connection with, in anticipation of or in response to the Offer.

11. **Relationship between CCHL, and Directors and Senior Officers of LPC**: There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between:

(a) CCHL or any associates of CCHL; and

(b) any of the directors or senior officers of LPC or any related company of LPC,

in connection with, in anticipation of, or in response to the Offer.

As a result of CCHL's majority shareholding in LPC, LPC is a related company of CCHL. All of the directors and senior officers of LPC are therefore directors and senior officers of a related company of CCHL.

No directors or senior officers of LPC are also directors or senior officers of CCHL or any related company of CCHL (apart from LPC, as discussed above).

12. **Agreement between LPC, and Directors and Officers of LPC**: There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between:

(a) LPC or any related company of LPC; and

(b) any of the directors or senior officers (or their associates) of LPC or LPC's related companies,

under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to the Offer.

For completeness, LPC's constitution provides that LPC may make a payment to a director or former director, or his or her dependents, by way of a lump sum pension, upon or in connection with the retirement or cessation of office of that director, only if the amount of the payment, or the method of the calculation of the amount of that payment, is authorised by an ordinary resolution of LPC shareholders. The LPC directors do not intend to propose that LPC makes any such payment.

13. **Interests of Directors and Officers of LPC in Contracts of CCHL or Related Companies**: Except as set out below, no director or senior officer of LPC or their associates has an interest in any contract to which CCHL or any related company of CCHL is a party.

The following directors and senior officers have an interest in the following contracts:

(a) each of the senior officers are party to an employment agreement with LPC (a related company of CCHL). The employment agreements were entered into in the ordinary course of business and on usual terms and conditions; and

(b) Lindsay Cecil Crossen has an interest in a contract for services, pursuant to which Lindsay provides Enable Services Limited (a related company of CCHL) with management contracting services. The agreement commenced on 4 October 2012 and is between Lindsay Cecil Crossen (trading as Lincross Contracting) and Enable Services Limited. The contract for services was entered into in the ordinary course of business and on usual terms and conditions.

13A. **Interests of LPC's Substantial Security Holders in Material Contracts of CCHL or Related Companies**: Except as set out below, no person who, to the knowledge of the directors and senior officers, holds or controls 5% or more of any class of equity securities in LPC, has any interest in any material contract to which CCHL (or any related company of the CCHL) is a party.

LPC's only substantial security holders are CCHL and Port Otago Limited ("**POL**").

Lock-Up Agreement

CCHL has entered into a Lock-Up Agreement with POL, dated 1 August 2014. CCHL is a related company of LPC. Under the Lock-Up Agreement, POL has agreed to accept the Offer with respect to the 15,825,477 LPC shares held by it, which constitute 15.48% of the total number of LPC shares on issue.

As described in the Offer document, the material terms of the Lock-Up Agreement are:

(a) CCHL has agreed, subject to the satisfaction of certain conditions, to make the Offer;

(b) POL has agreed to accept the Offer in respect of its entire holding of LPC shares on or before the later of the date that is 2 business days after:

  (i) the date of despatch of the Offer; and

  (ii) the date that the dividend condition is satisfied. The dividend condition is the condition that LPC declares and pays a special dividend of 20 cents per LPC share prior to the closing date, which, to the extent available, has full imputation credits attached to it;

(c) POL may not sell or otherwise dispose of its LPC shares, except so as to accept the Offer, unless the Offer terminates or lapses; and

(d) POL retains the right to exercise and/or control the exercise of all voting rights attached to its LPC shares until payment for the LPC shares has been recovered.

The monetary value of POL and CCHL's interest under the agreement is NZD$62,510,634.15, assuming all of POL's shares are acquired under the Offer at $3.95 per share.

Dredging Contract

POL has an interest in a dredging contract with LPC (a related company of CCHL). Under the dredging contract, POL provides dredging services to LPC. The dredging contract was entered into in the ordinary course of business and on usual terms and conditions.

14. **Additional Information**: In the opinion of the LPC directors, there is no additional information (within the knowledge of the LPC directors) which is required to ensure that information in the CCHL offer document is correct or not misleading.

15. **Recommendation**: The directors of LPC recommend the acceptance of the Offer. Their reasons for their recommendation are as follows:

- the Independent Adviser's Report concludes that the full underlying value of the LPC shares is in the range of $3.35 to $3.65 per share. The total consideration of $4.15 per share (made up of the Offer price of $3.95 and the dividend of $0.20 (described in paragraph 18), is well above the top end of this range; and

- the likelihood of a competing offer is extremely low.

When deciding whether or not to accept the Offer, LPC shareholders should consider their own individual circumstances, their own views on the merits of the Offer and their own investment requirements. Shareholders are encouraged to take their own separate professional advice about the Offer.

16. **Actions of LPC**: Other than the Lock-Up Agreement as described in paragraph 13A above, there are no material agreements or arrangements (whether legally enforceable or not) of LPC and its related companies entered into as a consequence of, in response to, or in connection with the Offer.

There are no negotiations under way as a consequence of, in response to, or in connection with, the Offer that relate to or could result in:

(a) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving LPC or any of its related companies; or

(b) the acquisition or disposition of material assets by LPC or any of its related companies; or

(c) an acquisition of equity securities by, or of, LPC or any related company (other than through the Offer); or

(d) any material change in the equity securities on issue, or in the policy relating to distributions, of LPC.

17. **LPC Ordinary Shares**: The only issued equity securities in LPC are its 102,261,279 ordinary shares, all of which rank equally in all respects, including with regard to capital, distributions and voting. LPC does not have on issue any equity securities that are options or rights to acquire equity securities.

18. **Financial Information**: Any LPC shareholders to whom the Offer is made are entitled to obtain from LPC a copy of LPC's Annual Report for the year ended 30 June 2013. This can be obtained from LPC's website at www.lpc.co.nz or by making a written request to LPC at:

Lyttelton Port Company Limited
41 Chapmans Road
Christchurch
New Zealand

Enclosed with this Target Company Statement is the half-yearly report for the 6 months ending 31 December 2013.

On 29 August 2014 LPC announced the following results for the year ending 30 June 2014:

(a) the statutory consolidated result (which includes insurance income offset by earthquake related costs and depreciation on earthquake assets) was an after-tax profit of $343.2 million. This compares with $16.9 million for the previous year;

(b) expenses have increased when compared to last year as LPC has invested resources in a number of initiatives in health and safety, capacity and productivity;

(c) operating revenue totalled $115.8 million, up 4.7% from $110.7 million the previous year due to strong container and bulk cargo growth volume;

(d) the Port achieved a new record, with 376,567 TEUs for the year. The 7.2% growth was largely because of increased dairy exports, imports for the Christchurch rebuild, and the continuing strength of the Canterbury economy. Dry bulk imports also reached a record high, achieving 769,019 tonnes – an 18.4% increase; and

(e) LPC's audited financial statements as at 30 June 2014 are available on the NZX website under LPC.

On 1 September 2014 LPC announced that it proposes to pay a special dividend of 20 cents per LPC share on 18 September 2014. The special dividend will have full imputation credits attached to it and the aggregate gross value of the dividend payment is approximately $20.5 million.

Other than as referred to elsewhere in this Target Company Statement, or as contained in the Independent Adviser's Report or the half-yearly report for the 6 months ending 31 December 2013:

(a) there have been no known material changes in the financial or trading position, or prospects, of LPC since the 30 June 2013 annual report; and

(b) there is no other information about the assets, liabilities, profitability and financial affairs of LPC that could reasonably be expected to be material to the making of a decision by shareholders to accept or reject the Offer.

19. **Independent advice on merits of the Offer**: Northington Partners Limited is the independent adviser who has provided a report under rule 21 of the Takeovers Code in respect of the Offer. A copy of the report is enclosed with this Target Company Statement.

20. **Asset Valuation**: None of the information in this Target Company Statement refers to a valuation of any assets.

21. **Prospective Financial Information**: The Independent Adviser's report contains prospective financial information in relation to LPC and the principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

22. **Sales of Unquoted Equity Securities Under Offer**: The LPC shares are quoted on the NZX Main Board. There are no other unquoted equity securities in LPC.

23. **Market Prices of Quoted Equity Securities Under Offer**:

The closing price on the NZX Main Board of the LPC shares:

(a) on 29 August 2014 (being the latest practicable working day before the date on which this Target Company Statement is sent) was $4.11 per share; and

(b) on 5 August 2014 (being the last day on which the NZX Main Board was open for business before the date on which LPC received CCHL's takeover notice) was $4.10 per share.

The highest and lowest closing market prices on the NZX Main Board of the LPC shares (and the relevant dates) during the 6 months before 6 August 2014 (being the date on which LPC received CCHL's takeover notice), were as follows:

(a) highest closing market price was $4.10 per share (on 1 August and 5 August 2014); and

(b) lowest closing market price was $3.00 per share (from 12 March until 21 March 2014).

During the periods referred to in this paragraph 23, LPC did not issue any equity securities or make any changes in any equity securities on issue or make any distributions (other than an interim dividend of 2 cents per share paid on 27 March 2014) which could have affected the market prices of LPC's shares referred to in this paragraph.

24. **Other Information**: LPC shareholders, when making decisions as to whether or not to accept the Offer, and at what point any acceptance should be given, should be aware that:

(a) an acceptance of the Offer is irrevocable and may not be withdrawn unless the Offer lapses in accordance with its terms, or is withdrawn by CCHL with the consent of the Takeovers Panel, or if CCHL fails to pay LPC shareholders who accept the Offer within the timeframe required by the Takeovers Code; and

(b) the terms of the Offer state that CCHL will pay accepting shareholders no later than 7 days after the later of the date on which the shareholder's acceptance form is received by CCHL and the date on which the Offer becomes unconditional.

In preparing this Target Company Statement, LPC has relied on the completeness and accuracy of information provided to it by or on behalf of various persons, including CCHL and its advisers.

25. **Approval of Target Company Statement**: The contents of this Target Company Statement have been approved by the LPC Board.

26. **Certificate**: To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by LPC under the Takeovers Code.

Trevor Burt
Director

Rod Carr
Director

Peter Davie
Chief Executive Officer

Jonathan Gardiner
Chief Financial Officer

FINANCIAL ASSISTANCE DISCLOSURE DOCUMENT

2 September 2014

This document is provided to all shareholders in accordance with the financial assistance disclosure requirements set out in section 79 of the Companies Act 1993 ("**Act**").

Nature and terms of financial assistance

Lyttelton Port Company Limited (the "**Company**") has received a full cash takeover offer (the "**Offer**") from one of its shareholders, Christchurch City Holdings Limited (the "**Offeror**").

The Offer is conditional on the Company paying a special and one-off dividend of $0.20 per share to all of the Company's shareholders (the "**Dividend**").

The Company's board of directors (the "**Board**") has authorised the payment of the Dividend on 18 September 2014 to all of the Company's shareholders as at the record date of 16 September 2014. Payment of the Dividend is subject to the Offer becoming unconditional in all respects other than:

(a) the Dividend condition; and

(b) the condition that the Offer is accepted resulting in the Offeror holding or controlling 90% or more of the voting rights in the Company,

no later than 5pm, 17 September 2014.

The Board considers that, in terms of the Act, the payment of the Dividend may constitute the giving of financial assistance to the Offeror in connection with the acquisition of shares in the Company under the Offer.

Board Resolution

The following is an extract from the Minutes of a Meeting of the Board held on 1 September 2014:

RESOLVED THAT:

6. To the extent the payment of the Dividend constitutes the giving of financial assistance to the Offeror in connection with the acquisition of shares in the Company under the Offer, the Company should provide the financial assistance.
7. Giving the financial assistance is in the best interests of the Company and is of benefit to those shareholders not receiving the financial assistance.
8. The terms and conditions under which the financial assistance is to be given are fair and reasonable to the Company and to those shareholders not receiving the financial assistance.
9. The reasons for the directors' conclusions in the above resolutions are that:

   (a) all shareholders, not just the Offeror, are receiving the same Dividend proportionate to their shareholding; and

   (b) paying the Dividend will allow the Offer to become unconditional and to proceed.
10. The Board is satisfied that the Company will, immediately after the distribution of the Dividend and the giving of the financial assistance, satisfy the solvency test as defined in sections 4

and 52(4) and as required by sections 52 and 77 of the Act. The grounds for the Board's opinion are that immediately after the payment of the Dividend and giving the financial assistance, having regard to the most recent financial statements prepared for the Company's management, and all other circumstances that the directors know or ought to know affect, or may affect, the value of the Company's liabilities, including its contingent liabilities:

(a) the Company will be able to pay its debts as they become due in the normal course of business; and

(b) the value of the Company's assets will be greater than the value of its liabilities, including contingent liabilities.

DIRECTORY

LPC

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