

**PGG Wrightson Annual General Meeting
Address by CEO, Barry Brook**

Monday 29 October

Thank you Bill and good afternoon Ladies & Gentlemen.

The Chairman has referred to the themes which drove our focus in the 2006/07 year.

PGG Wrightson is now firmly on the front foot. Our customers are our number one priority – we are implementing a team based and performance driven culture – and we are combining local responsiveness with the strengths of our significant national scale.

In my address this afternoon you will get a feel for how these strategies are being implemented. I will report on the financial performance of the Group, the operating performance and close by commenting on our future priorities.

Financial Performance

I will now comment on financial performance.

As the 2006/07 year unfolded, operating conditions worsened progressively – driven largely by the rising New Zealand dollar exchange rate, which reduced product prices at the farm and orchard. Farmer confidence suffered as a consequence, and on-farm investment reduced.

For dairy farmers in particular, the economic climate started to improve in the last quarter of the year. A set of global influences drove up world food prices, and this buoyed the dairy sector. At the time of writing there has yet to be any positive flow on to meat and horticultural product prices, which have been affected significantly by the strengthening of the dollar.

The overall situation in the financial year meant that trading conditions were difficult for a number of the PGG Wrightson businesses. Faced with declining revenues we cut operating expenditure by \$12 million, partially offsetting the revenue shortfall. In terms of financial results, Net Profit After Tax and before Amortisation (NPATA) was \$41.4 million, up 10 percent from \$37.6 million in the previous year.

The adverse effect of the first full year of goodwill amortisation arising from the merger resulted in Net Profit After Tax (NPAT) being \$26.2 million compared to \$27 million in the previous year. Operating earnings before interest, tax and amortisation (EBITA) were \$63.8 million, up 17 per cent from \$54.4 million previously.

Comparison between the two years is difficult due to the fact that the merger occurred on 1 October 2005, with the 2006 year's results therefore including only nine months of the ex-Wrightson businesses.

However, the business group breakdown of earnings (EBITA) shows where the improvement came from – notably in all areas except Rural Services, which suffered the most from the tough operating environment:

Year ending	Year ending
30 June 2007	30 June 2006

Rural Services	\$26.8m	\$30.0m
Technology Services	\$32.8m	\$24.1m
Financial Services	\$17.6m	\$15.2m
Corporate Costs	(\$13.4m)	(\$14.9m)
Total	\$63.8m	\$54.4m

The group NPAT of \$26.2 million included a net gain of \$9.8 million in non-recurring items, compared to \$6.6 million in the previous year.

Significant asset sales during the year included the shareholding in Pyne Gould Corporation, part of the Ceres Farm research facility in Canterbury and a wool store in Napier.

Operating cash flow improved to \$41.1 million, compared with \$12.4 million previously.

Looking at the 30 June 2007 balance sheet, the company is financially sound, with assets of \$1.15 billion (previously \$1.12 billion) and liabilities of \$736 million (previously \$709 million). Total debt is \$305 million (previously \$268 million) with the increase due to growth in the finance company. The Group restructured its debt arrangements during the year, and PGG Wrightson Finance Limited now has its own dedicated finance lines.

Turning now to operating performance.

During the year we refined the management structure to focus on three groups of businesses – Rural Services, Financial Services and Technology Services. Each of these has a different set of value drivers.

At the District level we strengthened the role of the District Managers to enhance local teamwork and decision making.

I will now speak about each of the three business groups.

Starting with Rural Services. This group of businesses includes Livestock, Rural Supplies, Fruitfed Supplies, Wool and the Districts, and is where most of our staff are employed.

In Livestock, the reduced confidence of sheep and beef farmers meant there was less trading activity, and sheep tallies and prices were down. In the main business market share remained stable and the velvet and standardbred businesses performed well.

In Wool, the high level of the New Zealand dollar meant farmers preferred to hold onto their wool in the hope that they would get better prices when the dollar fell. So although we improved our market share, we sold less volume.

In Rural Supplies we maintained sales and farmers benefited as margins were squeezed in a very competitive environment. What effectively happened was that we passed on the terms of trade gains achieved from suppliers. This business underperformed and significant changes have been made since the end of the year.

In contrast, the Fruitfed Supplies business performed strongly, maintaining market share and margin against strong competitor activity across all regions. In this

business, the acquisition of Shepherds AgHort Supplies will now enable expansion into the vegetable market.

The Irrigation and Pumping business also performed ahead of expectations.

Next - Financial Services

In this group of businesses – the Financial Services group – the story is all about growth and expansion.

PGG Wrightson Finance expanded its loan portfolio by 22 percent to \$402 million in a highly competitive market. The strength of this business is twofold. First is the understanding our staff have of customer needs, and second, the network of contacts and influence from colleagues in other areas of PGG Wrightson. Recently, we launched a range of products designed to meet specific customer needs – for example, short term livestock financing, arable cropping and farm input financing. Convenience, flexibility and speed in decision making are the hallmarks of these products.

In case some of you are looking for a reliable Finance Company connected to the buoyant rural economy, we have plenty of PGG Wrightson Finance prospectuses available.

PGG Wrightson Real Estate further increased market share and made significant progress in establishing a business in Victoria, Australia. Technology will be an important part of the future for this business – the marketing connection with TradeMe being an example. The recently announced partnership with Savills plc in the UK is another positive initiative that is already paying dividends.

In Insurance, a number of growth initiatives saw a successful 12 months building the relationship between our partner AON Insurance and our customers.

The fourth component of the Financial Services group is the newly established Funds Management business. This was launched in 2006/07 with the major initiative being the establishment of NZ Farming Systems Uruguay. The launch was highly successful, with \$170 million raised in the initial public offering and subsequent placements.

PGG Wrightson is the Fund Manager and Farm Manager for New Zealand Farming Systems Uruguay and the commercial contracts generate significant fees for us.

Our responsibilities are to achieve the objectives set out when the Fund was launched by acquiring suitable land, establishing dairy farms and farming them with the highly productive grass fed systems from New Zealand.

I am happy to report that good progress has been made with implementation and we have people and systems in place to build a very successful business for New Zealand Farming Systems Uruguay.

In the third group – **the Technology services businesses** – the story was one of relationship building and acquisition.

The Seeds business remains the largest contributor to PGG Wrightson's earnings.

In New Zealand, a good level of sales was achieved in spite of the tight market, with growth in turf and grain sales. In Australia too, sales increased in spite of the drought conditions.

Since balance date we have purchased the Auswest Seeds business in New South Wales and Queensland, which will add 30 percent to the revenue of our Australian seeds business.

In South America there was another story of growth – proprietary seed sales in Uruguay were again at record levels, and there were increases also in Chile and Argentina. A number of acquisitions were made to clearly position the Seeds business in a leadership position in South America. A 51 percent shareholding was acquired in the Argentinean seed group Alfalfares, and the minority interest was purchased in our Uruguayan seeds business, Wrightson PAS. In Uruguay, we also purchased the AgarCross seeds business from DuPont. This will boost revenue in Uruguay by 30 percent and we will continue to market the DuPont Pioneer products.

The research and development engine in the Seeds business is vital for its future, and we have recently strengthened that by adding a partnership with Crop and Food Research to that set up earlier with AgResearch and other institutions. We now have the capacity to ensure continuing leadership in the production of world class proprietary pasture plants in the Southern hemisphere.

The animal nutrition market experienced margin pressure in 2006/07, but sales have recently been boosted by the demand from dairy farmers seeking increased milk production. During the year, the new Time Capsule manufacturing facility was commissioned. Since balance date, we have acquired the 4 Seasons molasses distribution business, which will further enhance our nutrition business positioning.

Agriculture New Zealand Training performed well above expectations, and the consultancy business improved again. The acquisition of Fecpak, a Dunedin based animal health technology business, is another step to assist our farmer customers to improve their productivity and profitability.

And now looking to the future.

At last year's AGM, while acknowledging the market reality of an unfavourable rural economy, I outlined our growth plans in Financial Services, Seeds and Grain and innovation in South America.

I trust that from today's presentation you have seen how we delivered on those plans. PGG Wrightson is now a serious player on the world stage. We are firmly anchored in New Zealand, but with substantial footprints in Australia and South America. We are proud of our achievements so far. However, this is just the beginning.

All indications suggest we are entering a golden period for New Zealand agriculture. Growth in Asian demand for animal protein is exploding – while in the US, more land is being switched to production for ethanol and away from meat and milk production.

The beneficiaries of these developments will be farmers using grassfed systems such as we have in New Zealand and are setting up in South America.

That augers well for PGG Wrightson.

Along with the international trends I have mentioned, there are changes afoot here in New Zealand as well. The dairy boom presents opportunities and we have a number of initiatives under action to promote the broad capability PGG Wrightson offers dairy farmers. Sourcing cows through our extensive network of dairy reps is one example and then feeding them well on our supercharged pasture and forage plants is another example. The products and services we offer is quite extensive.

Farm businesses are becoming larger with more and more consolidation. Specialisation is a growing trend that is already well developed in the dairy and horticulture sectors.

All of these developments require responses from PGG Wrightson. The demand is for increased knowledge and skill, and for changes in the way customers and clients are serviced. For PGG Wrightson to be successful we must ensure we are ahead of the game, while holding true to our core values and strategies. Our fundamental priority is meeting the needs of our clients and customers to enable them to be more successful. Anything that hinders that, or causes frustrations at the front line, will be rapidly dealt with.

Over the current financial year, you will see further growth in financial services, further innovation in technology services, and expansion in South America. In rural services, we are going to be trying some new ideas while cementing our place as a true partner to rural New Zealand.

Mr Chairman, let me close by **recording my sincere appreciation** to you and your fellow Directors, for your support. Also to the leadership team – I have thoroughly appreciated your continuing hard work and dedication to meeting the challenges that we have faced and seizing the opportunities available. And last, but by no means least, to all the staff of PGG Wrightson – my very grateful thanks for all your efforts and successes. The company was created to achieve something special for agribusiness – we are on our way, but the best is yet to come.

I'll hand over now to our Chairman, Bill Baylis.