

# **Annual Shareholders Meeting**

**28 October 2010**

**Riccarton Park  
Christchurch**

# Agenda

- **Introduction & Overview**
  - Sir John Anderson, Chairman
- **Financial Review & Strategy**
  - Rob Woodgate, Chief Financial Officer
- **Operational Review**
  - John McKenzie, GM AgriTech
  - Michael Thomas, GM AgriServices
- **Events Subsequent to Balance Date & Outlook**
  - Sir John Anderson
- **Resolutions and other business**
  - Sir John Anderson & Julian Daly, General Counsel.

# Welcome – Sir John Anderson

- Introduction of Directors
- Apologies
- Notice of Meeting
- Minutes
- Proxies
- Annual Financial Statements
- Notes on attendance and voting.

# Overview and Business Climate

**Following the capital raising in November 2009, at 30 June 2010 we had:**

- ✓ Restructured the balance sheet
- ✓ Management and Board changes
- ✓ A clear vision and strategic direction
- ✓ Operational reorganisation creating two clear launch pads for growth

**2009/10 characterised by:**

Continued tight liquidity on farm

Tentative expenditure

Positive growing conditions

Competitive trading.

# New Ownership and Acknowledgements

- To support the new ownership structure, there were a number of changes to the Board of Directors during the year including:
  - Resignation of Sam Maling as Director 30 October 2009
  - Appointment of Alan Lai and Tao Xie as Directors 30 December 2009
  - Appointment of George Gould as Director 5 January 2010
  - Stepping down of Craig Norgate, Baird McConnon and Murray Flett 28 February 2010
  - Appointment of Sir John Anderson as Independent Director and Chairman 1 March 2010
  - Retirement of Alan McConnon as Director 5 May 2010.
- The Board acknowledges the past Directors for their commitment and valued contributions to the company
- The Board welcomes the new Directors to the Board.

# 2010 Annual Shareholders' Meeting

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- Key Events & Outlook

# Financial Review

## Comparative to Prospective Financial Information (PFI)

<b>GROUP</b>	<b>Actual \$m's</b>	<b>PFI \$m's</b>	<b>Variance \$m's</b>	<b>2009 \$m's</b>
Revenue	1,151.1	1,107.7	43.4	1,280.4
EBITDA	70.5	73.4	(2.9)	81.1
Adjusted net profit after tax <sup>1</sup>	25.3	24.1	1.2	(66.4)
Net profit after tax	23.3	24.1	(0.8)	(66.4)
Net Debt (excluding Finance)	186.7	135.4	51.2	412.8

<sup>1</sup> Includes \$2m adjustment to Deferred Tax expense reflecting Government's announcement on building depreciation and changes to company income tax

# Financial Review

Comparative year on year performance

<b>GROUP</b>	<b>June 2010 \$m's</b>	<b>June 2009 \$m's</b>	<b>Variance %</b>
Revenue	1,151.1	1,280.5	(10.1)
EBITDA	70.5	81.1	(13.1)
<b>Segmental EBITDA</b>			
AgriServices	34.9	42.1	(17.1)
AgriTech	42.4	44.9	(5.6)
	<hr/> 77.3	<hr/> 87.0	<hr/> (11.1)



# Financial Review

## Operating Cash Flow

<b>GROUP</b>	<b>2010</b>	<b>2009</b>
	<b>\$m's</b>	<b>\$m's</b>
Receipts from customers	1,144.5	1,269.1
Dividends received	0.5	0.7
Interest received	69.9	59.6
<b>Cash In</b>	<b>1,214.9</b>	<b>1,329.4</b>
Payments to suppliers & employees	(1,083.6)	(1,250.7)
Interest paid	(76.3)	(62.1)
Income tax paid	(11.7)	(4.4)
<b>Cash Out</b>	<b>(1,171.6)</b>	<b>(1,317.2)</b>
<b>Net Cash from operating activities</b>	<b>43.3</b>	<b>12.2</b>

# Financial Review

## Balance Sheet

<b>GROUP</b>	<b>2010</b>	<b>2009</b>
	<b>\$m's</b>	<b>\$m's</b>
Current assets	485.2	467.3
Non-current assets	511.6	512.7
Finance receivables	530.1	564.1
<b>Total assets</b>	<b>1,526.9</b>	<b>1,544.1</b>
Current liabilities	(251.6)	(704.5)
Non-current liabilities	(221.7)	(21.1)
Finance liabilities	(418.1)	(427.6)
<b>Total liabilities</b>	<b>(891.4)</b>	<b>(1,153.2)</b>
<b>Total equity</b>	<b>635.5</b>	<b>390.9</b>

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# Strategy: business configured around two core groupings



- Price relative to value proposition
- Wholesale distributor
- High quality
- Low volume turnover
- Growth engine
- High investment/return
- IP driven business
- International focus

- Limited ability to price differentiate
- End customer distributor
- High quality service and products required
- High volume turnover
- Focused on delivery and costs
- Limited IP
- NZ centric
- Finance enabled

**Supply chain differentiator for both businesses**

# Strategic direction in summary

- Reallocation of resources to businesses where most customer and shareholder value is created
- This will underpin enhanced group profitability and long term sustainability, to the benefit of clients, staff and shareholders
- AgriServices : high level opportunities around improving efficiency
  - Driving customer relationships and supply chain development.
  - Evolve from ‘transaction-by-transaction’ to ‘trusted advisor’
  - Opportunity for future consolidation
- Finance is a key enabler to AgriServices and an important differentiator
- AgriTech: unlocking value through targeted focus
  - Returns are underpinned by IP, technology and expertise
  - Growth is from export of IP and capabilities into new markets, and further expansion in South America and Australia
  - Requires on going investment into R&D and new market development.

# Supporting the strategy

- Key management changes to support strategic direction
- Appointments:
  - **John McKenzie:** appointed in June as Group GM, AgriTech.  
John is the former PGW Group GM Seed, Grain and Nutrition and is the founder of specialist proprietary forage seed company Agricom Ltd
  - **Michael Thomas:** appointed in early July as Group GM, AgriServices.  
Michael is the former PGW Group GM Financial Services and has held Group GM positions at Landmark – Australia’s largest Agri-business with 400 stores.
  - **Rob Woodgate:** appointed in August as CFO.  
Rob is the former Group Financial Controller and has worked closely with the management team through the capital raise and more recently on the business strategy. He has held a number of senior finance roles in New Zealand and the UK.
  - **Andrew McSweeney:** Group GM HR and Corporate Services.
  - **Julian Daly:** General Counsel and Company Secretary.
- Departures of Mike Skilling, Group GM Customer Services, Bruce Gordon, Group GM Corporate Services, Barry Brook, Group GM South America.

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# Financial Review

## Seeds and Grain (not including South America)

	June 2010 \$m's	June 2009 \$m's
Revenue	254.6	240.3
EBITDA	33.6	31.7

- Excellent performance given trading conditions
- New Zealand:
  - widespread adoption of key endophyte Technology AR37
  - Rolleston distribution centre built commissioned
- Australia
  - Adoption of new products in new markets
  - Building a stronger team in Australia
- International
  - Meeting all revenue and EBIT targets despite depressed global markets
- R&D
  - Grasslands Innovation Shareholders Agreement
- Grain
  - Allied (Te Awamutu) grain drying and storage site purchased.





# AgriTech

## South America (excluding corporate costs South America)

	June 2010 NZ\$m's	June 2009 NZ\$m's
Revenue	84.1	76.0
EBITDA	5.5	6.2

- Successful year of commencing seed business in Brazil, with registration of seed cultivars
- 8% improvement in local currency trading results though impacted by NZ \$ conversion rates
- Continue to build and support technology package for key customers in Uruguay and Argentina
- R&D – Development of R&D farms in East and Northern Uruguay.

# AgriTech

## Agri-feeds

	June 2010 \$m's	June 2009 \$m's
Revenue	43.6	72.6
EBITDA	5.2	9.8

- Challenge of an excellent growing season which saw reduced need for supplementary feed
- Poor early dairy payout impacted cash flow for first six months, with pressure on early season volumes which saw molasses at 56% of year prior.

# AgriTech

## Opportunities

- Global: Expansion into Asian market
- New Zealand: Acquisition of maize seed division of Corson Grain
  - Develops, produces and markets maize and sweet corn hybrid seed for New Zealand market
  - Complements Seeds existing forage seed and maize grain businesses
  - A commitment to R&D.

# AgriServices

## Merchandising

	June 2010 \$m's	June 2009 \$m's
Revenue	541.7	668.1
EBITDA	22.2	26.1

- Performance reflects tentative spending by farmers and grower clients given liquidity environment
- Fruitfed maintained or grew share in key markets such as vegetables, though viticulture spend down significantly.

# AgriServices

## Livestock

	June 2010 \$m's	June 2009 \$m's
Revenue	87.4	76.0
EBITDA	12.6	12.7

- Unusual market conditions with excellent pastoral production in first six months allowing farmers to hold stock, followed by six months of drought and heavy rain conditions
- Annual NZ dairy stock trading well behind previous years
- Reduced tallies across all major species
- AgOnline gaining momentum
- Increased dairy live export opportunities to Asia.

# AgriServices

## Finance

	June 2010 \$m's	June 2009 \$m's
Revenue	59.7	59.8
EBITDA	13.3	10.9

- Strong financial result in current climate
- Achieved a first time BB(stable) credit rating from Standard & Poors
- Received a substantial refund of Crown Guarantee fees based on credit rating achievement
- Excellent support from retail investors with a 15% increase in deposits since November 09
- Record reinvestment rates recorded during the year, averaging nearly 80%
- An increase in impairments reflecting dairy sector volatility during the year
- A 5% reduction of assets reflecting reduced appetite in term loans, with more focus on working capital finance.

# AgriServices

## Insurance

	June 2010 \$m's	June 2009 \$m's
Revenue	4.3	4.0
EBITDA	3.8	3.8

- Steady historic growth
- Significant potential moving forward
- Aon is a global player in insurance broking, risk management and associated services enjoying a leading position within the New Zealand marketplace
- The Aon/PGW partnership continues to develop and is seen as a high value, strategic relationship.

# AgriServices

## Comments on other Operating Units

- Real Estate – 28% decline in net units sold from 2009 though continued to hold leading position in rural property. Continued strong focus on cost reduction
- Irrigation & Pumping – difficult year on back of reduced dairy payout, flat lifestyle market and stagnant bank lending. New installations down 76% year on year. Product mix switch to higher margin service revenue
- Insurance – new business generation yielded 10% improvement
- AgriServices, South America - South America experienced a solid year with positive revenue growth
- AgNZ – a successful financial year in difficult trading conditions, with Government cap on education spending.



# AgriServices

## Path Forward

- Focus on our core strengths as the only national rural service company
- Shift from 'one size fits all' to a platform of differentiated value propositions
- Re-align costs to current market conditions
- Build the capability of our people via investment in learning and development
- Continue to optimise the systems, processes and capital efficiency.

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# Events subsequent to Balance Date

- Canterbury Earthquake
- Resignation of Managing Director and GM: Transformation and Strategy
- Divestment from NZ Farming Systems Uruguay.

# Wool Partners Co-operative

- Launch of a new 100% Grower owned wool Co-operative
- Proceeds of the Capital Raising to be used to purchase select assets from WPI
- Potential dissolution of Wool Grower Holdings.

# Primary Growth Partnership

- Reflects commitment to Industry good.
- Red meat sector, a \$151m partnership via 'FarmIQ'.

# Outlook

- Expectation of a comparable trading performance to be largely in line with the prior financial year with some upside potential, particularly in light of international economic trends
- At NPAT level, taking into account reduced interest costs, we expect an improved performance.

# Questions

# Resolutions – Director Elections

Resolution 1 – Sir Selwyn John Cushing

Resolution 2 – Keith Raymond Smith

Resolution 3 – William David Thomas

Who retire by rotation in accordance with the Company's Constitution and, all being eligible, offer themselves for election

Resolution 4 – Sir John Anthony Anderson

Resolution 5 – George Arthur Churchill Gould

Resolution 6 – Alan Lai

Resolution 7 – Tao Xie (XT)

Who having been appointed by the Directors since the last annual meeting retire in the accordance with the NZSX Listing Rules, and all being eligible, offer themselves for election.



# Resolutions – Auditor’s Remuneration

Resolution 8 – to authorise the Directors to fix the auditor’ remuneration

Any other business.

**Thank you**