

PGG Wrightson Limited

Briefing on trading results

Six months to 31 December 2007

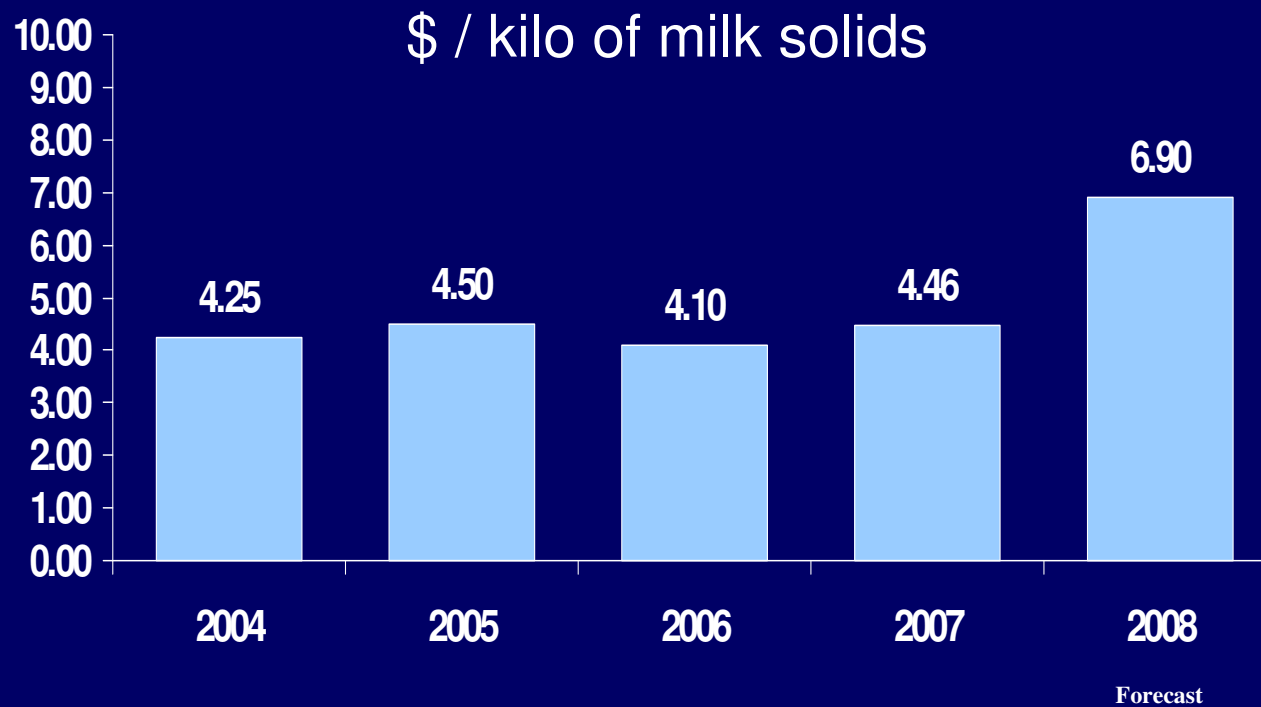
Overview

- Results from operating activities (EBIT) under IFRS up from \$23.5m to \$48.3m
- Excellent result with improvement in most areas, in spite of challenges in operating environment
- Benefits emerging from recent investments
- NZ Farming Systems Uruguay initiative successful and a positive contributor
- Interim dividend increased to 5 cps
- Continued investment in targeted areas

Operating Conditions

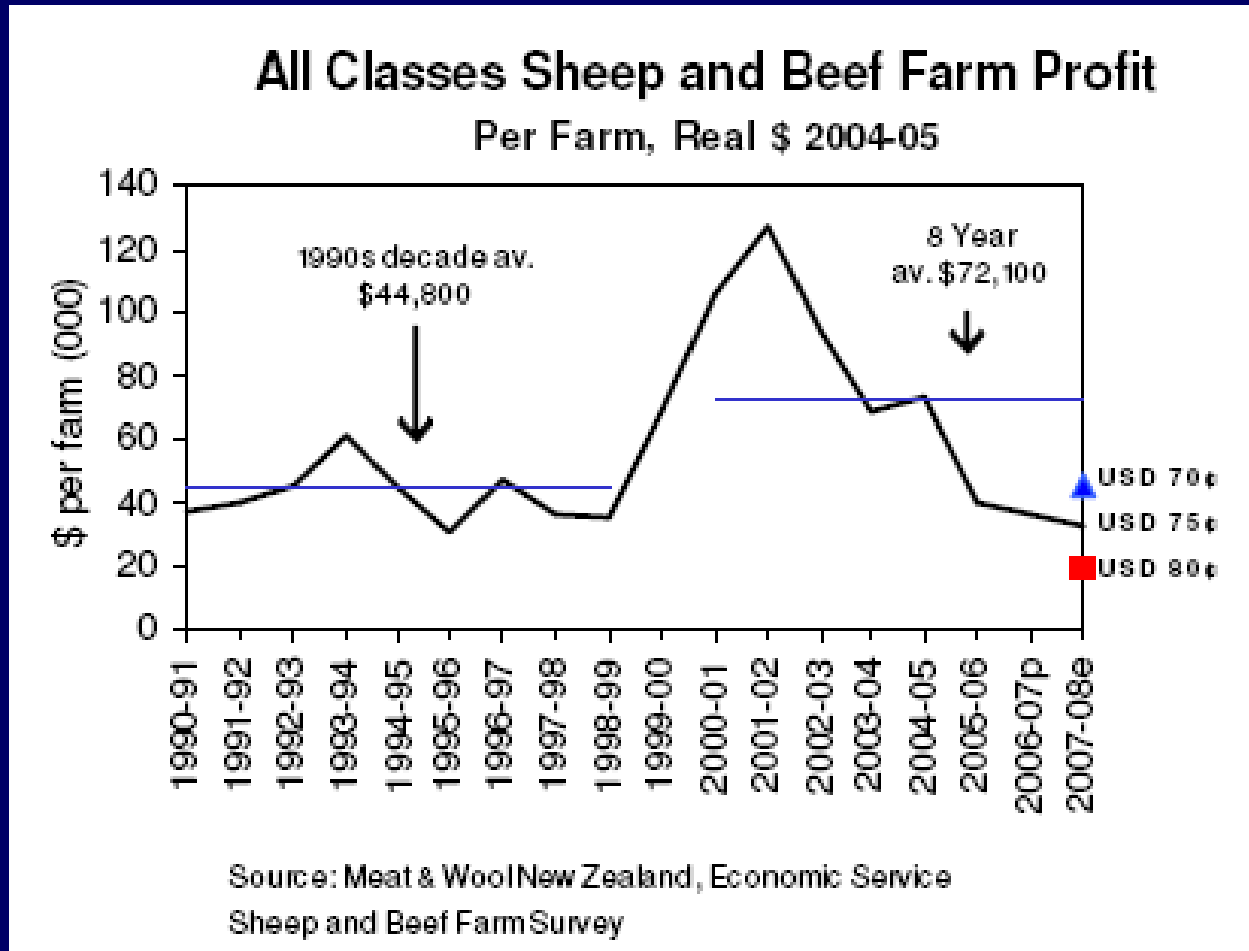
- Dairy boom positive influence
- Sheep farm returns low
- Continuous improvement generating positive results in Real Estate, Rural Supplies, Fruitfed Supplies and South America
- NZFSU investment benefiting from dairy boom
- Weather challenges – previous Australian drought and dry summer in NZ and South America

Farm returns – Dairy



Source: Fonterra Co-operative Group

Farm returns – Sheep



Financial Overview

– Profitability**

	Dec 2007	Dec 2006
	\$m	\$m
Operating revenue	609.2	523.1
Results from Operating Activities (EBIT)	48.3	23.5*
NOPBT	37.7	14.1
Non operating income	5.4	10.3
Associate earnings	1.4	0.7
NPAT	34.6	20.6

* Excludes gain on farm sales of \$2.15m reported under GAAP last year in EBITA – now included in non-operating income

**Accounts prepared for the first time under IFRS – this incorporates accrual of NZFSU performance fee

Financial Overview

– Balance Sheet

	Dec 2007	Dec 2006
	\$m	\$m
Net Finance Receivables	174	95
Other Net Assets	<u>731</u>	<u>681</u>
	<u>905</u>	<u>775</u>
Equity	445	416
Debt – Finance Company	124	53
Debt – Rest of Group	<u>336</u>	<u>307</u>
	905	776

Group debt increase reflects finance company equity, acquisitions, NZFSU second call (\$9m) and rights issue (\$13.5m) – Finance Company debt reflects asset growth in this business

Net assets growth is investment in NZFSU and acquisitions

Equity strengthened by introduction of Distribution Plan



Financial Overview

– Cashflow

	Dec 2007	Dec 2006
	\$m	\$m
Operating cash flows	(41.8)	(36.7)
Investing cash flows	(47.5)	(50.3)
Financing cash flows	(65.6)	(19.6)
Net decrease	(154.8)	(106.6)

Operating cash flows reflect H1 working capital requirements

Investing cash flows reflect NZFSU shares acquired and acquisitions

Financing cash flows reflect movement in finance assets and liabilities and dividends paid

Dividend

- Interim dividend increased from 4 to 5 cents per share
- Paid as bonus issue under Distribution Plan commenced in 07
- 44% (\$10 m) of 07 final dividend reinvested by shareholders in the form of shares

Business Group Profitability

	Dec 2007	Dec 2006
	\$m	\$m
Rural Services	14.6	12.2
Financial Services	23.2*	8.7
Technology Services	10.1	11.0**
Overheads	(8.6)	(8.4)
NZFSU share appreciation	9.0	-
Results from operating activities (EBIT)	48.3	23.5

*Includes \$11.9m for anticipated NZFSU performance fee based on \$1.50 share price

** Excludes gains from farm operations in Uruguay of \$2.15m which had been included last year under GAAP

Rural Services

EBIT of \$14.6m (2006 \$12.2m + 20%)

- Livestock
 - Sheep values hit by dry conditions, competition for finishing land and low confidence levels
 - Poor sheep returns negatively affect farmers and PGW
 - Cattle tallies also reduced as farmers retain dairy cattle
 - Benefits from rise in dairy stock values partially offset these issues
- Wool
 - Bales sold reduced as high NZ\$ affects returns
 - Ongoing focus seeing improvement in cost of logistics

Rural Services

EBIT of \$14.6m (2006 \$12.2m + 20%)

- Rural Supplies / Fruitfed
 - Restructured management
 - Drive into dairy
 - Strong recovery— sales up in a range of categories
 - Strong first half in Fruitfed
- Irrigation & Pumping
 - Dry weather driving higher sales
- Districts
 - Strengthened District Management
 - Continued improvement anticipated

Financial Services

EBIT of \$23.2m (2006 \$8.7m + 167%)

- Funds Management
 - Full six months contribution from NZFSU very positive
 - NZFSU performance fee of \$11.9m
- Finance
 - 14% growth in 6 months in loan book, to \$460m
 - Strengthened funding base:
 - 3% growth in deposits to \$285m
 - Reinvestment held at high levels in tough conditions
 - Increased bank lines from \$120m to \$180m
 - Other funding options being developed
 - Further new product development (livestock leasing)
 - Lending margins continue to tighten – especially as industry liquidity issues pressure cost of funds
 - Previous December half benefited from reduction in provisions not repeated this year (\$0.6m)

Financial Services

EBIT of \$23.2m (2006 \$8.7m + 167%)

- Insurance
 - Steady contribution from ongoing development of JV
- Real Estate
 - Revenue up 43%
 - Operating earnings up 61%
 - Continued growth from expansion, business development and strong rural market
 - Growth in market share in most areas and sectors
- Excluding NZFSU performance fee and writeback of provisions in the Dec 06 half-year, EBIT would be \$10.2m (+26%) – driven by:
 - new funds management revenues
 - real estate growth

Technology Services

EBIT of \$10.1m (2006 \$11.0m -9%)

- Agriculture New Zealand
 - Driver in overall reduction
 - Down from strong previous period which benefited from chemical handling compliance requirements
- Seeds
 - Keen demand for NZ proprietaries and exports, offsetting impact of Australian drought
- South America
 - Benefit from market growth
 - Good contribution from Alfalfares and AgarCross acquisitions
- Agrifeeds
 - Molasses sales grow with drive for dairy production
 - Sale of terminal facilities to focus on core business and reduce logistics costs
 - Acquisition of 4 Seasons business successful

NZ Farming Systems Uruguay

MANAGEMENT CONTRACTS

- Performance fee \$11.9m based on share price growth and distributions
 - Based on share price of \$1.50
 - Paid in July – option of taking shares or cash by mutual agreement
 - NPAT impact \$8m
- Total funds under management increase with further raising of \$112m
- Launched in time for dairy price boom – accelerated land acquisition programme
- Listed in December 07 in NZX 50

INVESTMENT

- Gain on 11% shareholding (26.9m shares) of \$9m

Key initiatives

Rural Services

- Livestock
 - Ongoing focus in maintaining our number 1 position in dairy
 - Tight cost control in difficult environment with rep numbers being managed
 - Targeted investment in certain areas to strengthen network
 - Development of Australian operations – investing in new GM for Australia
 - Supportive of initiatives to strengthen the meat industry for farmer benefit

Key initiatives

Rural Services

- Wool
 - Ongoing focus on operational improvement very strong:
 - Launch of bale dumping project
 - Dunedin property and store rationalisation
 - NZ Merino continues to perform well as a successful model
 - Support of industry initiatives
- Rural Supplies / Fruitfed
 - New operating structure and associated appointments
 - Sales drive and margin management
 - Dairy sector focus
 - Customer service options (eg handheld technology trial)

Key initiatives

Financial Services

- Finance
 - Low documentation and Livestock Leasing products
 - Deposit campaign – investment renewal rates maintained
 - Increased bank funding lines from \$120 to \$180m
 - Other funding options in development
- Real Estate
 - Three new offices in Australia
 - Continued expansion in residential and lifestyle sectors
 - International marketing connections
- Insurance
 - Several lead generation programmes implemented
- Funds Management
 - Further capital raising of \$112m for NZFSU
 - Listed NZFSU in NZX50

Key initiatives

Technology Services

- South America
 - Expanded ACA relationship
 - Identified further acquisition opportunities (in progress)
- Australia
 - AusWest acquisition – integration well progressed
 - Invested in new warehouse facilities to support growth
- Seed and Grain
 - Crop and Food JV
 - Research collaborations continue to develop
 - New products launched
 - Drive into dairy and demonstration farm collaboration

Key initiatives

Technology Services

- Agri-feeds
 - 4 Seasons Molasses acquisition
 - Sale of terminals and restructured logistics
 - Focus on demand increase in dairy sector
- Agriculture New Zealand
 - Positioned for regulatory developments
 - Work with NZFSU on training for farm workers

Outlook

- Business continues to execute well
- Staff morale and confidence strong
- Investment ongoing internally and via acquisitions
- Benefits will flow progressively
- Trading conditions mixed and challenging overall:
 - High NZ dollar affects returns
 - Dairy commodity prices remain strong
 - Sheep farming at low ebb
 - Horticulture incomes under pressure

Outlook (cont)

- Supportive of change in sheep meat sector
- Earnings weighted to H2, especially Livestock and Seeds - focus on Dairy will support earnings
- On track to achieve forecast range