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News release

## **MARKET UPDATE – EARNINGS OUTLOOK**

The Board of PGG Wrightson advises that it has reviewed the group's net earnings guidance for the year ending 30 June 2009 based on financial performance to date and the current outlook for the remainder of the financial year.

The Board now believes that net earnings are likely to be within the range from \$39 million to \$45 million. The previous earnings guidance, provided at the Annual Shareholders Meeting in October 2008, was for a range from \$46 million to \$51 million .

In the year ended 30 June 2008 the group recorded net earnings of \$39.2 million from trading activities, up 35 percent from the \$29.0 million posted in the previous year. The revised guidance represents an increase of up to 15% on the prior year's operating earnings.

The key factor in the revised outlook for 2009 is an anticipated loss in the group's real estate business, given the impact of economic conditions on demand for rural and other properties. Real estate performance is now expected to be \$11 million below budget and last year. Total farm sales for the year to date (as at 30 November 2008) are 39 percent lower by units than for the same period of the 2007 year, while sales of lifestyle properties are 40 percent lower. In November alone rural sales were down 64% (Source: REINZ). The market outlook for the rest of the season is relatively uncertain, being dependent on a range of factors including rural sector performance, interest rates, lenders' appetites for rural lending, currency exchange rates and others.

The board believes the real estate business is performing as well as could be expected in extremely difficult conditions, with continuing growth in market share and substantial cost reductions being implemented. Beyond the current season, real estate earnings are expected to recover given the impact of these factors.

The operating performance of most of the group's other businesses in the current year remains strong despite the difficult economic environment. While there has been a reduction in the price outlook for some key agricultural commodities, this has not as yet had a significant impact on purchasing and other activity by PGG Wrightson's farmer clients. The position reported at the Annual Shareholders' Meeting on 30 October 2008 – whereby most businesses within the group were either ahead of or on budget – remains the case as at the end of November.

Based on current conditions and expectations, net earnings for the half year ending 31 December 2008 will also be affected by non-trading items including:

- A writedown in the value of the 11 percent shareholding in NZ Farming Systems Uruguay Limited
- Costs associated with the termination of the partnership agreement with Silver Fern Farms Limited

- The 'marking to market' of interest rate hedges and adjustment of defined benefit superannuation scheme surpluses under International Financial Reporting Standards.

Of the above, only the Silver Ferns Farm exposure would be a cash item. At this stage, given market volatility and other factors, it is not possible to be definitive about the extent of any impact from such factors.

For further information.

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