GROUP OPERATING EBITDA INCREASED TO

$70.2m

+$550,000 (+1%)

FINAL DIVIDEND OF

2 cents

PER SHARE, FULLY IMPUTED

PGG Wrightson increases earnings despite tougher trading conditions

PGG Wrightson Ltd* (PGW) today announced its third consecutive year of earnings growth, increasing Operating EBITDA to $70.2 million.

For the year ending 30 June 2016, PGW achieved operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)** of $70.2 million, up from $69.6 million for the prior financial year. The company also announced that it will pay a fully imputed dividend of 2.00 cents per share, which will be paid on 4 October 2016. This will bring the total fully-imputed dividends paid for the year to 3.75 cents per share.

PGW Chairman Alan Lai said, "The Board and I are very pleased with the operational performance of the company. This has led to an outstanding financial result given market conditions. The progress PGW has made since 2013 is worthy of praise. In three years PGW has grown Operating EBITDA by around 50%. Our balance sheet remains strong and the investments we've made over the year will prove crucial as the company continues to deliver its 'One PGW' strategy. This, combined with a recovery in agricultural markets, will provide a strong platform for further growth in the future."

PGW Chief Executive Mark Dewdney described the result as outstanding. "This increase was achieved during a much tougher market environment than the previous year. I'm absolutely delighted with this result."

Mr Dewdney put the financial improvements down to the strategic focus on the performance of PGW's products, and the technical capabilities of its staff.

"We believe we've got the most engaged team of people in the market and their commitment and passion for agriculture and PGW is taking the company to new levels. We're also showing the benefit of having a diverse business exposure within agriculture. While New Zealand dairy and South America have had extremely tough years, for example, horticulture in New Zealand has continued to grow strongly."

In terms of performance of the larger business units, Operating EBITDA for Seed & Grain increased 10% and Retail increased 7%, while Livestock decreased 1%.

Mr Dewdney said, "The parts of our business most exposed to dairy had the toughest year, and more cautious spending from our dairy clients is the main reason for the small reduction in group revenue this year. Water's earnings dropped year-on-year with the reduced demand for irrigation projects. On the other hand, a buoyant market for beef cattle helped Livestock make up for the reduced market for dairy cattle. Fruitfed Supplies, our market-leading supplier of inputs into the horticulture and viticulture sectors, and our Agritrade wholesaling business helped Retail increase earnings year-on-year. Real Estate had a very good year with growing sales activity in the lifestyle and horticultural markets. New Zealand Seeds grew earnings as farmers continue to look to our market-leading cultivars to increase the performance of their pastures and crops.

RETAIL OPERATING EBITDA UP **7%**

SEED & GRAIN OPERATING EBITDA UP **10%**

Helping grow the country

“A strong performer in Seed & Grain during 2016 was Australia. After several challenging years in Australia it is fantastic to see that the efforts we’ve put into refocussing the operations are paying off. The uplift in Australia was more than enough to make up for the decrease in earnings in South America. Low commodity prices flowed through to reductions in demand in Uruguay. In April, severe flooding throughout the region washed away hopes of a recovery in the second half of the financial year. Despite this, South American activities contributed positively to the group results.”

At the group level, the increase in Operating EBITDA contributed to a net profit after tax of $39.6 million. Mr Dewdney explained, “This is higher than the previous year due to a number of non-operating items that reduced our effective tax rate this year, such as gains on sale of property.”

Net cash flow from operating activities improved $6.0 million to $35.2 million. After spending $44 million on capital expenditure and investments, and realising $31 million from the sale of non-strategic assets, net debt increased $7 million to $127 million.

In concluding, Mr Dewdney said, “As we enter our 2017 financial year market conditions remain challenging. Many New Zealand dairy farmers face their third season of cash losses in succession. South America remains difficult to call; while they have had a small bounce in their commodity prices the long-term effects of the April flooding on farmer confidence and demand for inputs remain to be seen. Weather across New Zealand, Australia and Uruguay continues to be a key driver of uncertainty as it typically is in agriculture. We still have many improvements in our core business to realise, however it’s too early to tell how these opposing external versus internal forces are going to play out in the year ahead.

“Repeating this Operating EBITDA result next year will again be a stretch target given current market conditions, but we will give it our best shot. As is our custom, it is our intention to provide more information on our progress, including an earnings forecast, at the time of the annual shareholder meeting scheduled for late October.”

Further information:
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*All references to PGG Wrightson Limited or the Group refer to the Company, its subsidiaries and interests in associates and jointly controlled entities.

****Disclosure Statement: Non-GAAP profit reporting measures:**

PGW’s standard profit measure prepared under New Zealand GAAP is “Net profit after tax”. PGW has used non-GAAP profit measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. They also represent some of the performance measures required by PGW’s debt providers. For a more comprehensive discussion on the use of non-GAAP profit measures, please refer to the policy “Non-GAAP Accounting Information” available on our website (www.pggwrightson.co.nz).

Non-GAAP profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by PGW in accordance with NZ IFRS.

PGW’s definition of non-GAAP profit measures used in this document:

***Operating EBITDA:** Earnings before net interest and finance costs, income tax, depreciation, amortisation, the results from discontinued operations, fair value adjustments and non-operating items.*

GAAP to non-GAAP reconciliation:

($m)	*June 2016*	*June 2015*
Net Profit after Tax (GAAP)	***39.6***	***32.8***
Add (Profit) / loss from discontinued operations (net of income tax)	*0.2*	*(0.1)*
Add Income tax expense	*8.8*	*16.2*
Add Net interest and finance costs	*10.5*	*10.8*
Add Depreciation and amortisation expense	*9.2*	*7.9*
Add Fair value adjustments expense / (income)	*0.2*	*0.0*
Add Non-operating items expense / (income)	*1.7*	*2.1*
Operating EBITDA	***70.2***	***69.6***