PGG Wrightson Limited
2012 Annual Meeting
Ellerslie Events Centre, Ellerslie Race Course
(Great Northern Room)
Auckland

Wednesday 24 October 2012 at 2.30pm

Slide 2 – AGENDA, BRUCE IRVINE, DIRECTOR

Welcome

Good afternoon ladies and gentlemen. I am Bruce Irvine, a director of PGG Wrightson. I am standing in for Sir John Anderson, Chairman of the board of directors of PGG Wrightson Limited for this meeting as Sir John is unable to attend today as he has recently undergone surgery on his knee.

Slide 3 – DIRECTORS

Slide 4 – SENIOR MANAGEMENT

Slide 5 - FORMALITIES

Notice of Meeting

Minutes

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Annual Financial Statements

Slide 6 – CHAIRMAN'S ADDRESS, BRUCE IRVINE

My role will be to lay the groundwork with a high level review of the past financial year on behalf of the Chairman, Sir John Anderson. Our Managing Director, George Gould will provide the operational insights into the underlying businesses and how they are tracking in the current financial year.

Finally, Rob Woodgate, our Chief Financial Officer, will then run through the financial highlights from the past year.

At that point there will be an opportunity for questions and general discussion and I will outline the procedure for that part of the meeting when we reach it.

Following our general discussion, the business of the meeting comprises of two resolutions, which are outlined in the notice of meeting. Voting on these resolutions will be by way of a poll. This year we have introduced the option for shareholders to cast their votes on meeting business online and by post. This option provides shareholders with more flexibility and convenience where they cannot attend in person or by proxy but nevertheless wish to cast their votes on meeting business. Given that votes can be cast by shareholders not attending the meeting it makes sense that resolutions be determined by way of a poll.

Slide 7– OVERVIEW

For PGG Wrightson, the 2011 / 2012 financial year was testimonial to the company's current strategy – which was to get back to doing the right things for its clients and its people, to the things that have made it a great company to be a part of during its 150 year history.

While the story was undoubtedly about the $55 million turnaround in net profit after tax that we recorded for the year, it was also about the effort that went in to generate that performance; the elements that continue to underwrite the board's, our management's and our staff's belief in the company across all of its business units. A lot of the improvement in NPAT was due to the absence of "one off" adjustments in the current year. While there was a modest 12% increase in EBITDA over 2011, this translated into a significant increase in profitability as that EBITDA was not then subject to significant non-operating charges and fair value adjustments. By way of example, last year there was a need to provide against the supply contract to Silver Fern Farms as the company had not met the supply targets. This was reversed in the current year as we have exceeded our supply obligations and are now confident we can continue to do this.

Our Managing Director, George Gould has talked about making things simpler, and 'returning to the core businesses. Where our clients are concerned that is 100% the right track to take – and we are committed to providing quality service and products across the length and breadth of our business.

Our results for the past year reflect our success in doing just that.

While it was largely a year of 'business as usual' there was one notable transaction: the divestment of PGG Wrightson Finance in August last year, and we talked at length about this at last year's shareholders meetings. In that regard the company has made significant progress since the transaction in exiting the majority of loans held by PGW Rural Capital Limited – a special purpose subsidiary company formed to hold certain loans retained when PGG Wrightson Finance was divested to Heartland.

As we noted in the annual report we expect this process to be largely completed by the end of this calendar year. While the most significant outstanding loan to Crafar Farms has not yet been repaid it is subject to a sale contract that has received Overseas Investment Office approval and is expected to settle in December this year.

The final matter I wish to address before handing over to George is the company's dividend policy. As already discussed, we are currently focussed on re-establishing the business and its earnings. We have made good progress in this regard. We would therefore hope to be in a position to outline our dividend policy in some detail in the next twelve months.

On behalf of the board I would acknowledge the effort and commitment of our staff across the PGG Wrightson business. Our appreciation also to Managing Director, George Gould and his management team for their capable leadership, unrelenting energy and drive.

Slide 8 – OPERATIONAL REVIEW, GEORGE GOULD, MANAGING DIRECTOR

Thank you Chairman and good afternoon ladies and gentlemen.

It is my pleasure to speak to the operational performance of PGG Wrightson over the last financial year.

Slide 9 – OPERATIONAL PERFORMANCE

For the year under review the company achieved operating earnings before interest and tax (EBITDA) of $55 million compared with $49 million last year, an increase of 12%. Net profit after tax was $24.4 million compared with a loss of $30.7 million in the prior year. This year's profit was broadly in line with expectations at the trading level but, obviously a significant improvement from the 2011 loss.

It is worth noting also the turnaround in net operating cash flow which moved to $59 million from just $4.9 million last year. In addition to the improved earnings, this movement came from our focus on working capital and particularly debtor management.

There were stand out performances from several of our businesses, in particular from Livestock and Retail aided by record livestock prices and improved returns at the farm gate. It was gratifying also to see our Real Estate business return to profitability, while the Wool business was also successfully re-integrated into the business.

Slide 10 – AGRISERVICES

On the strength of high early season values across most areas of livestock, the Livestock business unit achieved a stand out financial performance. The business also built on its dairy presence, with a 38%

improvement in dairy cattle volumes handled for the season. Live dairy cattle export to Vietnam contributed strongly to earnings while the company also successfully met its procurement targets with Silver Fern Farms.

In retail, the Rural Supplies business had a strong year, benefiting from increased revenues across almost all categories on the back of positive growing conditions through spring and summer. The performance of Fruitfed Supplies, meanwhile, reflected the decline in grower returns across the major categories of pip-fruit, kiwifruit, grape and vegetable markets. Throughout the year we have invested in sales and technical training, undertaking a store refresh programme and we are seeing the benefits through enhanced staff engagement and retention.

The Wool business benefited from high wool production due to good feed levels with more growers moving to contract positions in the wake of volatile returns.

The Real Estate team had a positive year as confidence returned to the rural and lifestyle market, reflected in a 54% improvement in revenues from 2011 and a return to profitability. Irrigation and Pumping also improved, with revenues up 28% on the back of new on-farm irrigation and dairy shed reticulation development. Our rural training company Agriculture New Zealand also posted solid results.

Our South American AgriServices business, which focuses on livestock auction and export, wool, real estate, irrigation and retail also performed well, and ahead of the prior year.

<u>Slide 11 – AGRITECH</u>

In AgriTech – our seed, grain and nutrition division - the Australian seed business had a challenging year, with underlying sales significantly impacted by high rainfalls in our key markets in Victoria and southern New South Wales for most of the autumn selling season. As in the previous year, there was either an abundance of feed available to farmers or paddocks which were too wet to gain access to re-sow. The acquisition of Keith Seeds made in late 2010 struggled initially to deliver the results planned, and in the past twelve months it achieved sales volume but at much lower margins. The start of this season looks more encouraging.

Weather was also a factor in New Zealand, however the local seeds business reported results broadly in line with expectations and last year. While the 2012 harvest was good, it was delayed by the very wet conditions experienced in Canterbury throughout December and January.

The South American seeds business made gains from forage seed sales in Uruguay through strengthened relationships with strategic partners. North of Uruguay, in Brazil, the company achieved registration of a number of proprietary cultivars and increased forage seed sales in the three Southern States.

This was a year of getting back to the foundation of our business – and we have definitely made progress in some key areas. In this regard we have focused on employing the right people in the right positions, investing in retaining people with relevant and specialist skills and relationships – particularly behind the farm gate. As the Chairman mentioned earlier today we discussed the sale of the PGG Wrightson Finance business in detail at last year's shareholders meetings. Just over one year on we are pleased to report that we have made significant progress during the past six months in exiting the majority of loans held by our subsidiary company PGW Rural Capital. Excluding Crafar Farms, net finance assets are now at approximately $4 million, while the sale of the Crafar Farms assets is subject to a sale contract that has received Overseas Investment Office approval and is expected to settle this calendar year.

I will now hand over to Rob Woodgate who will run through the results in more detail. I will then provide our outlook for the year ahead.

<u>Slide 12 – FINANCIAL REVIEW, ROB WOODGATE, CHIEF FINANCIAL OFFICER</u>

As was noted earlier the group reported an operating EBITDA of $55.2 million, from revenues of more than $1.3 billion. George also mentioned the strong performances in our Retail, Livestock, Real Estate businesses, and also the conditions that impacted the AgriTech division.

<u>Slide 13 – FINANCIAL PERFORMANCE</u>

Alongside the operational performance we saw the Wool business being fully consolidated into the 2011 / 2012 numbers, accounting for $47 million of the uplift in revenues and $7.2 million of operating costs. Operating costs were up $13 million, of which Wool accounts for over half; other increases were seen in Livestock with additional agents and in AgriTech with the full year impact of acquisitions, and we mentioned Keith Seeds earlier.

George also mentioned the Silver Fern Farms procurement agreement. We made provision for this in last year's numbers for $9.5 million. This season we met the targets in the agreement and have also put in place actions that allow us to better meet the supply targets for future seasons. Following on from this we have changed the basis of provision and the non-operating results include a release of this provision totalling $5 million associated with this turnaround.

On the income statement, interest costs have also roughly halved to $13.8 million, from $28.1 million last year in line with reduced debt, decreasing from $176 million to $124 million – noting that last year also included accelerated amortisation of fees.

Slide 14 - BALANCE SHEET & CASH FLOW

Cash flow from operating activities is a very positive story, delivering $58.6 million. After net profit after tax and backing out depreciation, there was a net improvement in debtors of $25 million and $10 million arising from a deferred tax asset and provisional tax stemming from the sale of the finance company back in August 2011.

AgriTech held higher inventories due to the Australian market conditions, biological assets (through Livestock) was down on last year making the net inventory marginally up on last year overall.

Under the heading 'Investing Activities', there is a mix of the finance company being sold at NTA and then the PGW Rural Capital assets coming back into the business. The 'proceeds from sale' and 'cash paid for purchase of investments' include the sale proceeds and then the buying back of the PGW Rural Capital assets. The 'net decrease in finance receivables' relates specifically to a small cash inflow of the sale and then the assets realised through the PGW Rural Capital book.

Finally there are $13 million of fixed asset additions with seed related assets explaining the majority of these. How this cash has then been employed is explained as $11.5 million of facility supporting PGW Rural Capital, the repayment of the Convertible Note (being $36 million) made back in December, and then a repayment of external borrowings (a further $46 million).

On the balance sheet the biggest change is the impact that the finance company has to total assets and liabilities, otherwise the changes are better explained through the cash flow.

When we announced the full year results in August we had anticipated that the Crafar Farms monies would have been receipted by the mid-October; however recent developments have pushed this out to December. This change has no material impact on the actual amount we anticipate receiving.

I will now hand you back to George.

Slide 15 – OUTLOOK, GEORGE GOULD, MANAGING DIRECTOR

Unlike in prior years the 2011 / 2012 results were not impacted by one off items and provisions and with the exception of climatic impacts on certain businesses, the board of directors, management team and I are pleased with the overall performance of the group. We have a solid base to work from with steady earnings growth and a strong balance sheet. We will therefore stay the course – supporting and providing best service to our clients while paying attention to the efficiency of our businesses.

The first three months of this year has provided us with further evidence that we are doing the right thing by our customers and that we also operate in a seasonal business with some factors beyond our control, namely the weather. The Retail businesses have started the year well up on last year's performance, so have the Irrigation & Pumping, and South America AgriSerivices businesses. This time last year Livestock was seeing record prices and, largely as we expected, these were not going to be repeated in the spring period for this year, though tallies are close to last year. Overall the AgriServices division is up 7% on the same period last year.

The AgriTech businesses are seeing the impact of a cooler than usual spring in both New Zealand and Australia. Brassica volumes for New Zealand were back after the first quarter but we are expecting these to pick up this month and through into November. Australia is back on last year after seeing the cereal season in

New South Wales not take place due to the cooler temperatures. The Grain trading business has seen increased prices across wheat, maize and barley and is tracking ahead of this time last year. The AgriTech division is confident it will improve on last year's performance.

As we have mentioned earlier the overall business is seasonal and we are probably seeing a return to a 30/70 split in terms of EBITDA over the two halves of the year. There is no reason why the company cannot build on last year's results, and that is certainly what the board and management are working to bring about.

Thank you, I will now hand you back to the Chairman.

Questions and Discussion on the Annual Report etc.

Slide 16 – GENERAL BUSINESS OF THE MEETING

The proposed resolutions will now be considered by the meeting, with all resolutions to be determined by a poll that will be undertaken by our share registrar, Computershare. The company's auditors, KPMG will act as scrutineers. The resolutions and accompanying explanatory notes are set out in the notice of meeting.

Business – Election of Directors

The notice of meeting records that Sir Selwyn Cushing, Bill Thomas and Tao Xie (XT) will retire from the board at the conclusion of this meeting.

I would take this opportunity to acknowledge the positive contribution and valuable counsel each of the retiring directors has provided during their respective tenures and on behalf of the board I wish them well for the future.

Sir Selwyn was originally appointed to the Wrightson Limited board in 2005 following the acquisition of Williams & Kettle Limited of which he had been a director for more than 20 years. His astute business sense and commercial acumen has been of great assistance to the company. It is pleasing to note that Sir Selwyn has agreed to remain involved with the PGG Wrightson Employee Benefits Plan in his capacity as a trustee.

Bill Thomas originally became a director of Pyne Gould Guinness Limited in 1995 and the company has benefited from his insights and in particular his farming experience. After 17 years as a director for PGG Wrightson and its predecessor companies Bill believes that the time is right to retire.

XT, the former Chief Executive of PGG Wrightson's majority shareholder Agria Corporation was instrumental in the structuring of Agria's acquisition and retires after serving as a director since 30 December 2009.

As previously announced, the board of directors are currently undertaking a review of the composition and expertise of the PGG Wrightson board. It is acknowledged that there is a need to maintain farming experience on the PGG Wrightson board and the review will help inform decisions made in relation to future director appointments.

The first item of business, item II on the notice of meeting, is the resolution for re-election of Guanglin (Alan) Lai as a director. There is a biography for Alan on page 15 of this year's annual report and in the notice of meeting.

I now move the motions as ordinary resolutions.

Resolution 1: The motion is that Alan Lai be re-appointed to the board.

Are there any matters for discussion or questions concerning the proposed resolution?

Resolution 2: Auditor's Remuneration: I note the automatic reappointment of KPMG as the company's auditors under section 200 of the Companies Act 1993.

The proposed ordinary resolution is to authorise the board of directors to fix the auditors' remuneration.

As is usual with audit fees, due to the complexity and changing nature of the company's affairs, it is impractical to fix the remuneration at the beginning of the year.

Are there any matters for discussion or questions concerning the proposed resolution?

A poll will be conducted in respect of both resolutions at the conclusion of general business. For those that have not cast postal votes already please complete you ballot paper at the conclusion of general business and hand this in to the Computershare desk at the back of the room.

General Business

Closing