Financial results
13 August 2010

PGW 'back on track' with 2010 financial results

Summary:

- EBITDA and Net profit after tax at $70.5m and $23.3m respectively
- Restructuring of balance sheet post capital raise
- Strategic realignment formalised, with a clear focus on enhancing value
- Positive results from Seeds business.

PGG Wrightson [NZX code PGW] today reported EBITDA of NZ$70.5m and net profit after tax of NZ$23.3m for the year ended 30 June 2010, in line with forecast of NZ$73.2m and NZ$24.1m respectively made in the Prospective Financial Information (PFI) published in November 2009. Excluding the Government's recent tax changes to building depreciation of $2.0m, underlying net profit after tax was $25.3m. Group revenues were at $1.1bn (2009: $1.3bn).

PGW Chairman Sir John Anderson said the results reflected tight liquidity on farm and with it a reduced appetite for expenditure on agricultural inputs as well as intensifying competition in core markets. "Nevertheless, the performance underscored the Group's strong management focus on cash flow returns and increasing operational efficiencies."

Sir John said the year had been highlighted by the successful recapitalisation of the business, and the securing of a new cornerstone shareholder in the Agria Group. This had enabled the company to retire $207m of debt. Since December 2009, the Group had issued $33.85m of convertible redeemable notes, the proceeds of which were invested in PGG Wrightson Finance. Bank debt (excluding the Finance company) was reduced $243m or by 54% from July 2009.

Net cash flow from operating activities had increased by $31.1m to $43.3m for the period with net cash from investing activities positive at $18.4m against a deficit for 2009 of $99.7m.

"The balance sheet had been substantially strengthened, with the depth and capacity to see the Group through foreseeable market and trading conditions, whilst the Group continued to be focused on cash flows and further debt reductions," he said.

Banking Covenants

As at 30 June 2010 PGW was compliant with all banking covenants. All major ratio covers were comfortably within agreed parameters.

Strategy

As outlined in the Prospectus of November 2009, PGW had embarked on strategic initiatives aimed at positioning the Group to benefit from improved agricultural fundamentals and confirm its position as a leading and sustainable provider of products, services and advice to improve client productivity and profitability. In June 2010 the Group announced it had realigned the business structure to unlock value for investors while strengthening product and service offerings for farmers, growers and partners.

Customer Services and Financial Services had been combined into a new AgriServices division, while the New Zealand, South American and Australian Seeds, Grain and Nutrition businesses had been placed into a new AgriTech division.

PGW Managing Director Tim Miles said activities were underway at AgriServices to enhance customer interactions, develop finance offerings, improve the distribution offering and further improve the use of working capital.

Core markets for AgriTech were in New Zealand, Australia, International (predominantly USA, France, UK and Ireland) and South America. Mr Miles said the aim of the business would continue to be the development and sale of proprietary products which would improve overall farm productivity and performance.

To support the significant nature of the realignment and prospects for growth, the company had made some key senior management changes, including the recent appointments of:

- Michael Thomas as Group GM AgriServices. Michael is the former PGW Group GM Financial Services and has held GM positions at Landmark, Australia’s largest agri-business

- John McKenzie as Group GM AgriTech. John is the former PGW Group GM Seed, Grain and Nutrition and was founder of specialist proprietary forage seed company Agricom Ltd

- Jason Dale as Group GM Transformation and Strategy. Jason is the current CFO and his new role will focus on execution of Group strategy and change management programmes

- Rob Woodgate as Chief Financial Officer. Rob is currently Group Financial Controller and has worked closely with the senior management team through the capital raise and more recently on the business strategy. He has held a number of senior finance roles in NZ and the UK.

Revenue and earnings to 30 June 2010

Audited	June 2010 ‘$m	Forecast PFI ‘$m	June 2009 ‘$m
Revenue	1,151.1	1,107.7	1,280.4
Cost of sales	(857.5)	(819.0)	(977.1)
Gross profit	293.5	288.8	303.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**70.5**	**73.4**	**81.1**
Depreciation and amortisation expense	(7.3)	(6.3)	(6.4)
Results from operating activities	**63.2**	**67.1**	**74.7**
Equity accounted earnings of associates, Non-operating items and FV adjustments	8.0	6.0	(88.8)
Net interest and finance costs	(36.5)	(37.3)	(31.4)
Income tax expense	(10.4)	(11.8)	(13.1)
Profit from continuing operations	**24.3**	**24.1**	**(58.6)**
Profit/(loss) from discontinued operations (net of income tax)	(1.0)	-	(7.8)
Profit for the period	**23.3**	**24.1**	**(66.4)**

Operating performance

Mr Miles said the results were considered satisfactory in markets that had seen measurable declines in customer spending as a result of challenging conditions for growers and farmers.

AgriTech Division

Major business Revenue and EBITDA	Revenue 2010 $'m	Revenue 2009 $'m	EBITDA 2010 $'m	EBITDA 2009 $'m
Seeds and Grain	254.6	240.3	33.6	31.8
Agrifeeds	43.6	72.6	5.2	9.8
South America*	84.1	76.0	5.5	6.2

**excluding corporate costs in South America*

"Seed and Grain posted a strong performance on the strength of good results from New Zealand and International forage though Agrifeed had been impacted by milk prices and an excellent growing season resulting in less demand for supplementary feed."

Mr Miles said the South American Seeds division had also performed well with revenues up 8% on the prior year in local currency terms, though the final results "reflected currency change and the cost of investment in the important Brazilian market."

AgriServices Division

Major business Revenue and EBITDA	Revenue 2010 $'m	Revenue 2009 $'m	EBITDA 2010 $'m	EBITDA 2009 $'m
Merchandising	541.7	668.1	22.2	26.1
Livestock	87.3	76.0	12.9	12.7
Finance	59.7	59.8	13.3	10.9

"The Merchandising business reflected difficult farming conditions in New Zealand with sales slowing markedly during the past six months on the back of variable weather, ongoing farmer caution and as competitors aggressively sought to reduce inventories. Fruitfed maintained or grew share in key markets though profitability was impacted by the downturn in viticulture.

Mr Miles said it had also been an unusual year for Livestock. The first half was driven by availability of grass which made it easier for farmers to retain stock and resulted in reduced tallies. During the second half dairy herd sales were back on prior years – consistent with the market place. There was good support however for procurement programmes and livestock export programmes. Real Estate sales continued to be affected by sentiment and availability of funding.

PGG Wrightson Finance had recorded a strong result in the year against a backdrop of the global financial crisis and difficult financial and agricultural markets. "The loan book reduced 5% to $530m as the company managed down assets reflecting a more cautious approach in the current environment. Excellent support from retail investors continued with the debenture program growing 12% in the year, with reinvestment rates at 77% continuing the high levels of prior years."

Offer for NZFSU

Subsequent to the financial year end, PGW confirmed that it had entered into a lock-up agreement with Singapore-based Olam International Limited [Olam] for the sale of its holding of 28.1m shares, representing an 11.5% stake in NZFSU for NZ$0.55 per share. The offer is subject to the offer becoming unconditional, and is based on Olam achieving a 50.1% shareholding in NZFSU.

The non conflicted Directors of PGW had supported the offer in the best interests of its shareholders, as in its opinion, the investment would support the capital requirements of NZFSU, allowing it to complete its planned growth strategy. PGW remains committed to its core businesses in Uruguay and would continue to pursue opportunities in the region.

PGW Outlook

Business conditions in the rural sector are expected to remain muted in the short and medium term as a result of tighter liquidity and market volatility. We appreciate that our businesses are commercially linked to the fortunes of our growers and farming partners, and that there are no short cuts to improved financial performance.

There is much work to do still towards the transformation of our business to ensure we, our clients and shareholders are best positioned to benefit from improved medium to longer term fundamentals for the primary sector.

We are conscious also of current international concerns over global wheat production shortfalls, which provide the potential for an escalation in global food inflation in coming years and could benefit the wider agricultural sector.

Given the current market outlook, the Board expects trading performance to be largely in line with the prior reporting period with some upside at NPAT level taking into account reduced interest costs.

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