Results announcement for PGG Wrightson
Six months ended 31 December 2009

Summary

- Capital raising completed successfully, re-establishing a solid balance sheet to support future business performance

- Results in line with expectations for the six months, included in the offer document for the capital raise

- Focus on business realignment and on targeted customer service offerings

- On-farm returns improving, tempered by a focus on debt reduction by farmers and a tight funding environment.

PGG Wrightson has today reported trading results for the half-year to 31 December consistent with its expectations for the first six months of the 2010 financial year.

PGG Wrightson completed a significant recapitalisation providing a net $207 million of new capital via share placements and a rights issue. This enabled the company to retire the $200 million amortising facility three months ahead of schedule, and to renegotiate long-term funding arrangements. Since 31 December 2009 the Group has issued $33.8 million of convertible redeemable notes, the proceeds of which have been invested in PGG Wrightson Finance. PGG Wrightson has consolidated its debt since 31 December 2009, repaying $22.8 million borrowed from South Canterbury Finance.

The chairman, Keith Smith, said the capital raising had enabled PGG Wrightson to re-establish a solid financial position after a period in which customer and market focus had been diverted by speculation about financial issues. “Our objectives were to provide confidence to all stakeholders in the Group, to provide financial strength and flexibility, and to restore focus on our mission of being “Leaders in the field – helping grow the country”.

“These objectives have all been achieved. The company now has a very strong balance sheet that complements its core operating strengths in agribusiness customer relationships, technology, knowledge and experience.” Mr Smith said.

As expected, revenue and operating earnings were reduced from the previous six month period ending December, by the impact on the Group’s farmer and grower customers of generally lower farm gate returns and, to a large extent, by a lack of liquidity in funding for the agricultural sector. The excellent growing conditions allowed farmers to minimise their expenditure on fertiliser and supplementary stockfeed. This had a significant impact on sales for the six months versus the previous six months. As these items generally are lower margin, the impact on earnings was minimal.

The period saw the Group returned to profitability as it moved beyond the large losses incurred due to fair value adjustments and non-operating items in the December 2008 half-year.

Revenue and earnings

Unaudited	**Dec 2009 $m**	**Dec 2008 $m**	**Dec 2007 $m**	**Dec 2006 $m**
Revenue	**583.3**	**735.3**	**619.8**	**542.4**
Cost of sales	(448.2)	(578.9)	(482.2)	(412.1)

Gross profit	135.1	156.4	137.6	130.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**24.9**	**45.1**	**29.5**	**27.1**
Depreciation and amortisation expense	(3.6)	(3.3)	(2.9)	(3.2)
Results from operating activities	**21.3**	**41.8**	**26.6**	**23.9**
Equity accounted earnings of associates	0.8	0.9	0.6	0.7
Non-operating items	(0.2)	(8.1)	6.1	10.1
NZFSU performance fee	-	-	11.9	-
Fair value adjustments	6.6	(47.2)	9.0	-
Net interest and finance costs	(24.2)	(15.8)	(10.2)	(9.6)
Income tax expense	(0.2)	(1.0)	(9.4)	(4.5)
Profit from continuing operations	**4.1**	**(29.4)**	**34.6**	**20.6**
Profit/(loss) from discontinued operations (net of income tax)	-	(3.4)	-	-
Profit for the period	**4.1**	**(32.8)**	**34.6**	**20.6**

Revenue from continuing operations was $583.3 million, compared with a historical high level of $735.3 million in the December 2008 half-year. The 2008 half year was driven by the record dairy payout and buoyant lamb returns. Gross Profit of $135 million included an improvement in the overall gross profit percentage for the six months to 31 December, from 21.3 percent to 23.2 percent.

	Dec 2009 $m	**Dec 2008 $m**	**Dec 2007 $m**	**Dec 2006 $m**
EBITDA for six months to 31 December	**24.9**	**45.1**	**29.5**	**27.1**
EBITDA for the full year[1]	73.4	80.9	83.6	67.3
Half year EBITDA as a % of Full Year EBITDA	**34%**	**56%**	**35%**	**40%**

EBITDA for the Period as a percentage of total EBITDA was in line with the prior years' seasonal earnings profile after an unusual result in earnings timing for the six months ended 31 December 2008.

Cash flow from operations improved by $9.3 million to a net cash outflow of $39 million when compared to the December 2008 performance and is consistent with the seasonal nature of the business. Net interest and finance costs increased from $15.8 million to $24.2 million, including establishment fees arising from the renegotiation of banking facilities and additional financing costs, including the subordinated debt facility that was not in place in December 2008, and hedging expenses.

Profit for the period was $4.1 million – a significant improvement on the $32.8 million loss for the previous corresponding period. The result for the previous December half reflected non-operating losses totalling $8.1 million and fair value adjustments with a total negative effect of $47.2 million. In the latest December half-year, these items were favourable by a net $6.3million.

Revenue and earnings expectations were published as part of the Prospective Financial Information within the Offer Document for the capital raising, dated 20 November 2009. Profit for the period to

[1] EBITDA for 2010 Financial year has been assumed to be the $73.4m estimate in the offer document for the capital raise

December was consistent with the expectation of contribution for the six months towards profit for the full financial year of $24.1 million.

Consistent with the Offer Document no dividend has been declared for the period. An interim dividend of 5 cents per share was paid for the December 2008 half-year.

Operating performance

The Managing Director, Tim Miles, said operating conditions had been very difficult, with revenue reduced by a pullback in customer spending prompted by the state of farm gate returns and cash flows. The impact was most severe early in the season from the dairy sector, where farmer confidence started low after earlier declines in milk payouts. There was also caution in the sheep and beef and arable sectors, driven by reduced prices for lamb and grain leading to less optimistic industry sentiment. Consequently the half-year has seen an environment where farmers have been challenging their input costs and conserving cash, as they review levels of debt against a background of reduced funding being made available from banks to the agricultural sector.

In the Customer Services division, Rural Supplies was affected by the general reduction in farmer spending, and Fruitfed Supplies by weather impacts on spraying and depressed conditions in viticulture in particular. The livestock market saw unusually good climatic conditions across most of the country, and thus strong feed availability prompting farmers to hold stock to gain weight. Consequentially the Livestock business experienced a reduction in sheep and cattle volumes for trading. Prices appear to be tracking well, providing some offset.

In the Seeds, Grain and Nutrition division, the Seeds and Grain business unit held earnings close to previous levels with strong results in export markets and good spring brassica sales in New Zealand. Earnings from Nutrition were lower as dairy farmers reduced purchases of supplementary feed products.

In the Financial Services division, the Finance business experienced an increase in net interest margins which were utilised to cover the cost of the Crown Retail Deposit Guarantee Scheme and to provide additional provisioning of $4 million on the loan book. In February, PGG Wrightson Finance (PWF) received a BB (stable) rating from Standard and Poor's. This is a solid rating that allows PWF to elect to enter into the extended Government Guarantee Scheme. The Real Estate business experienced a continued trough in sales largely due to lack of funding available for potential buyers. During current market conditions action has been taken to minimise costs but maintain structure and presence in the market for the future. We remain convinced that in normal times the Real Estate business can make an important contribution. Earnings from the Funds Management business and the Insurance joint venture with Aon New Zealand showed continued growth.

Earnings from the South America division grew in local currency terms, but unfavourable exchange rates diluted the impact in NZ dollars. The Seeds business in Uruguay consolidated its leadership in pasture systems, with growth in summer and winter crops, agrichemicals and fertilisers.

"Overall, our operations have adjusted to what remains a difficult environment," Mr Miles said. "The reduction in costs has been vital in this regard. We are now seeing evidence of improvement in operating conditions in some sectors, but with weaker than expected trading from Real Estate and Livestock on reduced volumes and viticulture affected by weather."

Financial position

The Group raised gross proceeds of $216.9 million through a $36.2 million placement of shares to Agria Corporation and a $180.7 million rights offer to existing shareholders. On 23 November 2009, 41.1 million ordinary shares at a price of $0.88 per share were issued to Agria for an issue value of $36.2 million. These shares were eligible to participate in the subsequent rights offer. Eligible

shareholders on 26 November 2009 were entitled to subscribe for nine new shares for every eight existing shares at an issue price of $0.45 per new share.

The rights offer resulted in the issue of 401.5 million new shares, for consideration of $180.7 million. Offsetting the $216.9 million increase in equity were $9.9 million of costs associated with the Agria placement and the rights offer, resulting in a net equity increase of $207.0 million.

The Group's balance sheet has thus been fundamentally reshaped as a result of the capital raising. The Board now considers that the balance sheet provides more than adequate funding capacity to see the Group through any foreseeable market and trading conditions, but the company continues to be focussed on cash flows and further reducing debt.

The Group also raised approximately $33.8 million in January 2010 from the issue of US$25 million in Convertible Redeemable Notes [CRNs] to Agria Corporation, with the proceeds being invested in preference shares issued by PGG Wrightson Finance. The purpose of this investment was to enhance regulatory capital and provide greater liquidity and capacity for growth in the Finance business.

PGG Wrightson Finance has a diversified funding base that includes deposits, bonds, parent company equity and the support of three major banks. The additional funding boosted the existing capital base of PGG Wrightson Finance to assist it to execute its business plan in a changing commercial and regulatory environment, along with the solid rating from Standard and Poor's of BB (stable), which allows PWF to enter into the extended Government Guarantee Scheme.

Governance

The Chairman of PGG Wrightson, Keith Smith, has today announced a series of changes to the Board of Directors.

The changes will reduce the Board from 11 to 10, with the continuation of an independent chairmanship.

Sir John Anderson, who has had a distinguished career in business and community service with particular involvement in the banking, finance and rural sectors, will join the Board as an independent director and become Chairman.

Keith Smith, who has been a director since the formation of the company in 2005 and chairman since July 2009, will remain on the Board as an independent director.

Craig Norgate and Baird McConnon, who have been directors since the formation of PGG Wrightson as nominees of Rural Portfolio Investments Limited (RPI), will step down from the Board. Both were directors of Wrightson when that company merged with Pyne Gould Guinness in 2005 to form PGG Wrightson. Mr Norgate was Chairman of PGG Wrightson from October 2007 to July 2009, having previously been Deputy Chairman.

Alan McConnon, who has been nominated by RPI, will become a director of PGG Wrightson. Mr McConnon is a director of a number of businesses involved in wine, agri-genetics, primary produce marketing, information technology and medical equipment.

Murray Flett, who has also been an independent director of PGG Wrightson since its formation, will step down from the Board.

David Cushing will become an alternate director for Alan Lai. Chris Boddington will become an alternate director for Xie Tao.

The changes will take effect from 1 March 2010.

The Board will be reviewing the roles and capabilities of directors as part of normal Board review processes.

The full composition of the Board following the changes announced today will be:

Sir John Anderson (Chairman)
Sir Selwyn Cushing
George Gould
Bruce Irvine
Alan Lai
Alan McConnon
Keith Smith
Xie Tao
Bill Thomas
Tim Miles (Managing Director)

In February 2010, PGG Wrightson Finance announced the appointment of two independent directors, as required under the Reserve Bank's new regulatory framework. Mike Allen, a professional director with an extensive background in corporate and investment banking, was appointed independent Chairman. The other independent director appointed was Noel Bates, who has substantial banking experience in New Zealand and the United Kingdom, including executive roles with ANZ Bank, Bank of Tokyo and Citigroup. Mr Bates has significant experience in the rural sector covering management, advisory and consultancy roles.

Outlook

The Prospective Financial Information published in November 2009 – forecasting EBITDA of $73 million and profit from continuing operations of $24 million – remains broadly consistent with the Board's expectations. With the key trading months of March, April and May yet to come, it is difficult to predict the full year's outcome.

There appears to be a general lift in farmer and grower sentiment from recent improvements in dairy commodity prices and global economic conditions. Expectations must be tempered with caution, given the uncertain outlook for other agricultural sectors, tighter bank lending environment and the unpredictability of currency and interest rates. As always the Autumn seed planting season in NZ and Australia will have a material bearing on our full year performance.

Poor returns in the viticulture sector and climatic conditions may see a lower than expected outcome from Fruitfed. It is clear that the lack of available funding is affecting the Real Estate market and will likely result in a worse trading result than previously predicted for that business. Climatic conditions supporting grass production and destocking in prior years have seen a real reduction in livestock trading to date, which might affect earnings for the year.

Against that, the higher Fonterra payout announcement of $6.05 (compared with the original announcement of $4.55), along with better prices in beef and sheep, could flow through to an improvement in earnings. Good rainfall in the eastern seaboard of Australia could result in improved seed sales in Australia.

For the medium and long terms, we are confident that markets for agricultural products, and thus operating conditions for PGG Wrightson, will improve due to the continued increase in global demand for food. The Group is well-placed to take advantage of that dynamic.

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