PGG Wrightson Annual Meeting
30 October 2008

Craig Norgate
Chairman

Ladies and Gentlemen,

It has certainly been an eventful year – with a range of significant achievements, including some great highs but, more recently, a couple of significant lows. It will be my pleasure to give you an overview of the key events and issues on behalf of the board, and then Tim Miles will speak about strategic and operational issues in more detail.

Financial results

Tim will comment in detail on the results for the 2008 year...but as we reported in August, the company had a significant improvement in performance, with net profit after tax of $73.2 million, compared with $40.6 million for the 2007 year. That represented earnings per share of 0.25 cents, compared with 0.14 cents for the previous year.

The net profit included some capital gains and other one-off items, and of course the new stream of earnings from NZ Farming Systems Uruguay – but even after those are excluded it was up 35 percent from $29.0 million to $39.2 million.

This was a really strong operational performance in an environment that, for much of the year, was influenced by drought and a high exchange rate and ongoing poor returns for sheep farmers. These conditions were of great concern to the bulk of our clients. Happily, the drought was broken in the last quarter, and there has since been a significant move down in the dollar.

Meanwhile, the very strong performance of the dairy sector, and the high returns enjoyed by those farmers, were key factors in our favour. The results were also strongly influenced by an internal focus on cost control and on improving the way we work with clients on a daily basis.

As I commented at the time the results were announced, the outcome was a tribute to the leadership of our former CEO, Barry Brook. Barry was instrumental in forging a coherent culture and a strong operational base out of the merger in 2005 of the Pyne Gould Guinness, Wrightson and Williams & Kettle groups. This was no small achievement, and the rewards were clearly evident in last season's results. Barry retired as CEO during the year, but remains with the group in the key role of Group General Manager South America.

Dividend

The improvement in results enabled your board to lift returns by way of the group's distribution plan. This involves a dividend payment in the form of shares, through a non-taxable issue of bonus issues, with each shareholder then having the right to direct the group to repurchase them for cash at a value determined by the market.

The final distribution for the year was 11 cents per share, bringing the total for the year to 16 cents per share fully imputed, compared to 12 cents per share for the previous year.

Governance

We have had significant changes to the group's leadership during the year. As already mentioned, Barry Brook retired as chief executive and was succeeded by Tim Miles. Tim is one of this country's most outstanding executives and brings the experience gained in a high-level international career in information technology and telecommunications. He has certainly already made his presence felt within the organisation, but I am conscious that this is the first opportunity for most shareholders to meet him. He will be speaking in a few minutes, and I know he is looking forward to meeting shareholders informally after the meeting.

For completeness and in context, there was also a change of chairman, as I succeeded Bill Baylis at last year's annual meeting. Bill and Richard Elworthy retired as directors at that time. It seems a long time ago but both gentlemen are due credit given that their direction helped lay the foundation for a very successful year.

We have had further changes at management level, with Barry's move to the South America role and the appointment of Michael Thomas as group general manager Financial Services. Meanwhile, Tim has made a number of appointments in key leadership roles and I will leave them to him to outline.

Key issues and events

With the strong foundation laid by the merger over the previous eighteen months, we were able to go well beyond our day-to-day trading activities during the year – we bought new businesses to extend our offering to clients, we invested in new systems to improve the way we deliver value to them, we significantly beefed up our management team, and perhaps most visibly we committed enormous focus and resources to achieve better industry structures for the benefit of our clients.

Aside from the change at the helm with Tim's appointment, the most significant initiatives have been our involvement in restructuring the wool and meat industries. Both of those journeys have been on bumpy roads at times, but they are absolutely on the right track, if returns to sheep farmers are to increase to a level sufficient to sustain land use. Wool Partners International is now well established and developing quickly under the chairmanship of Theresa Gattung, and we are working hard to get our partnership with Silver Fern Farms back on track. Tim will have more to say shortly on these initiatives, and on the other changes we have made during the year.

Financial markets

At this point I want to address the recent turmoil in financial markets and the impact on the group, and particularly on shareholders.

We are all now living through a once-in-a-lifetime sequence of events that has far-reaching consequences for nations, for enterprises and for individuals. Our task in directing the company on your behalf is to deal with the difficulties and move forward, and that is exactly what we are doing.

There are three specific areas of impact that I want to comment on from the board's perspective. These are the fall in equity values and the effect on shareholders, the effect on our partnership with Silver Fern Farms, and the effect on the outlook for our business going forward.

Firstly... if you look at our share price from the start of the 2008 year through to the present day, the impact of the financial market chaos in recent weeks is immediately apparent. We had been travelling well up to early September, and it would be reasonable to say that was a reflection of our improved trading performance and the medium term prospects for food and commodity markets. If you then look at the relevant equity market indices – in this case the

NZX50 and the Standard & Poor's 500, you see that the damage has been felt by stocks right across the board with the indices down approximately 40% & 35% respectively. Conversely PGW is now at the same level that it was at a year ago – not that there's any consolation in that given how much progress has been made.

Our greatest concern is that this has had an impact on shareholders who opted to retain the bonus shares issued to them under the distribution plan. The strike price of $2.52 was set in mid-September and the fall in equity prices has since reduced the value of those shares, along with the existing holdings. Like you, the board is extremely disappointed and frustrated at this situation, which is a matter of events outside our control. We can only respond by confirming our commitment to taking actions to restore, and then further advance, the value of our company.

We have had feedback from some shareholders that they would like to see the distribution plan amended to allow more time for shareholders to invoke the cash conversion option. We are very conscious of the need to ensure that those shareholders who prefer to receive their dividends in cash, or just desire maximum flexibility in their decision-making, are catered for fairly under the scheme. Unfortunately we already give the maximum possible time.

Despite the difficulties caused by the timing with the latest distribution, we believe the distribution plan is a key plank in the platform for growing the value of the group because it allows a relatively high dividend to be set but also sufficient cash to be retained for investment. That is to the benefit of all shareholders and is particularly important in the current climate.

That brings me to the non-settlement of the Silver Fern Farms transaction on the original schedule, and its consequences. There has been some speculation in media and by word of mouth on the relevant circumstances, and I think it will be helpful to briefly summarise the position for the sake of clarity.

As announced on 30 September, we were unable to complete the transaction because it was not possible to finalise bank credit approvals in the prevailing financial environment. The transaction was to be settled in two payments – the first, of $145 million, being due on 30 September. This was to be met through a combination of bank funding and equity.

The contract between PGG Wrightson and Silver Fern Farms was signed in June, and in August the banking syndicate confirmed initial approvals on the debt proportion of the overall funding.

As it evolved, the proposal required PGG Wrightson to raise substantial new equity. As we didn't need the equity unless the transaction went ahead, the equity raising did not start until after the Silver Fern Farms shareholders had given their approval. That duly occurred on 8 September. The transaction was not conditional on finance, and from that time we were obliged to complete it.

We needed to raise $110 million as the equity proportion of the funding arrangements. Our roadshow to investors and intermediaries went extremely well, but was immediately followed by the Lehman Brothers and AIG collapses which were huge shocks to the markets. The decline in our share price made it much harder to raise the amount we required and meant that we had to issue more shares to do so.

Nevertheless, we were able to finalise an equity package comprising a placement of shares worth $78 million to institutional and other investors and a fully underwritten retail share offer of $32 million.

As part of the placement, the company proposed that it buy from Rural Portfolio Investments (owned by the McConnon and Norgate family interests) and interests associated with Murray Flett, shares in NZ Farming Systems Uruguay Limited. The non-conflicted directors of PGG Wrightson had approved the purchase of the NZS shares on the basis that the proceeds would be reinvested through the placement.

This approval was based on PGG Wrightson's policy to maintain a significant holding in NZS, and budget approval earlier this year for further purchases. As the transactions were between related parties, PGG Wrightson shareholder approval would have been sought at this meeting. In the event, the transactions were unwound because some of the other investors in the placement expressed concerns.

The unwinding of these transactions occurred quickly and without destabilising the placement. The required $110 million of equity was available by way of the placement and the underwritten Share Purchase Plan; however, this was a different mix of equity to the package originally agreed with the banks – that being for a placement of the full $110 million.

Whilst this change in the composition of the equity proportion of the funding needed approval by the banks, we were assured that this would be acceptable.

As fortune, or should we say 'mis-fortune' would have it, our settlement was due the day after the US House of Representatives was to vote on the so-called bailout package for the US banking system. It is now a matter of history that the House rejected the bailout in what was yet another massive blow to the financial system – the largest by far up to that point. In that environment, when it came time for the banks involved in our transaction to provide final approvals not all did so, and we were thus unable to settle the first payment due on that date.

I have spent a few minutes setting out the chronology because it is important to have the record straight in view of the speculation I referred to a little earlier. The real issue is: 'Where do we go from here?'

None of these events changes our determination to better serve our clients. The transaction with Silver Fern Farms is part of a partnership with the clear objective of enabling farmers to earn better returns from red meat. That objective remains in place and we are now working through a number of options to achieve the original outcomes. This is taking some time due to the ongoing market volatility and it is fair to say that we are now unlikely to be able to consummate the transaction in its current form within an acceptable timeframe to Silver Fern Farms.

On that note, I will hand you over to Tim Miles for his review of the group's performance and our key initiatives. After Tim has said his piece, I'll be back with a brief comment on the outlook for the current year. Tim...

[Tim Miles speaks]

[Craig Norgate returns]

That brings me to the third topic I said I would address - the effect of the current market conditions on the outlook for our business going forward.

Times are clearly uncertain, with the prospect of slower economies across the globe as a result of tighter credit. The extent of the slowdown, and the flow-on effect on food and agricultural commodity markets, remains to be seen. In our judgement, the underlying forces will remain the ongoing increase in preference for Western-style diets in developing countries, and constraints on the supply side including climatic factors and competition for land use.

So whilst on balance, we see the economic slowdown having a short-to-medium term impact, the fundamental longer-term trends in favour of agricultural producers remain in place. New Zealand producers remain very well positioned to benefit from those trends. If anything, the current turmoil will provide greater opportunities for PGG Wrightson as the focus turns to those who can actually execute well rather than just being in the right space.

A clear positive thus far is the significant reduction in value of the New Zealand dollar over recent months. Given that the dollar has a significant influence on farm returns that trend, if sustained, would be good for agriculture, PGG Wrightson and the economy as a whole. A similar comment can be made for interest rates.

One key difference in our expectations for the current year is in the scale of any performance fee from NZ Farming Systems Uruguay. Because any fee is based on annual shareholder returns, it would require a share price considerably higher than the levels at which NZS has recently traded. The development of that company has proceeded extremely well and the fall in the value of the NZ dollar makes the current price even cheaper, so the price should recover once markets return to normality. However, we will almost certainly be faced with a substantial non cash writedown in our half year accounts which will offset the similar non cash gain on establishing Wool Partners.

Taking these factors into account, and Tim's comments on the excellent underlying performance of the company, your board believes it is appropriate to retain its recent profit guidance, as announced along with the annual results in August. Our projection for net profit for the year thus remains a range from $50 million to $55 million, or $46 to $51 million excluding the performance fee which represents a further significant step up in our underlying performance.

Thank you.